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Zhongliang Holdings Group Company Limited

中梁控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2772)

RECENT BUSINESS UPDATES, ENGAGEMENT OF EXTERNAL ADVISORS AND SUSPENSION OF TRADING OF APRIL 2023 NOTES I (STOCK CODE: 40845)

This announcement is made by Zhongliang Holdings Group Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a), Rule 37.47, Rule 37.47A, Rule 37.47B and Rule 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 the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

RECENT BUSINESS UPDATES

Since mid-2021, the operating environment of Chinese real estate sector has experienced material changes and a number of Chinese real estate developers have encountered liquidity issues and funding difficulties. Since the beginning of this year, the sector sentiment and operating and funding environment in the real estate sector in China have further deteriorated. Funding resources of privately-owned developers have been declining as a result of successive waves of negative credit events. Further, strict pandemic control measures have affected demands and the homebuyers’ sentiment has remained depressed, undermining the overall real estate sales in China.

The Group’s total interest-bearing debts have dropped from approximately RMB40.20 billion as at 31 December 2021, to approximately RMB28.58 billion (out of which onshore interest-bearing debts amounted to approximately RMB19.96 billion whereas offshore interest-bearing debts amounted to approximately RMB8.62 billion) as at 30 September 2022 (based on the unaudited management accounts of the Group).

During the period from July 2021 up to the date of this announcement, the Group has repaid or bought back offshore bonds or loans with an aggregate principal and interest amount of over US\$1.2 billion mostly by internal funding. In May and June 2022, the Company completed two rounds of exchange offer for senior notes due in May 2022 and July 2022 respectively, which have temporarily relieved the offshore debt burden.

As at the date of this announcement, the aggregate outstanding principal amount of the Group's offshore debts (including offshore senior notes and private loans) was approximately US\$1.18 billion (approximately RMB8.62 billion), out of which the total outstanding principal amount of the offshore senior notes was approximately US\$930 million (approximately RMB6.79 billion) and that of offshore private loans was approximately US\$250 million (approximately RMB1.83 billion). Recently, the Company has two offshore senior notes with interests that have become due:

- the interest in the amount of US\$12,000,000 under the 12% senior notes due April 2023 (“**April 2023 Notes I**”, ISIN: XS2386495100) with an outstanding aggregate principal amount of US\$200,000,000 issued by the Company and listed on the Stock Exchange became due and payable on 17 October 2022. The Company has a grace period of 30 days to make the interest payment. As of the date of this announcement, the Company had not made the relevant payment.
- the interest in the amount of US\$8,011,317.77 under the 8.75% senior notes due April 2023 (“**April 2023 Notes II**”, ISIN: XS2476291062) with an outstanding aggregate principal amount of US\$224,224,517 issued by the Company and listed on the Singapore Exchange Securities Trading Limited became due and payable on 15 October 2022. The Company has a grace period of 30 days to make the interest payment. As of the date of this announcement, the Company had not made the relevant payment.

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. With regard to the current situation, notwithstanding the Group's best efforts, the Group's funds available for offshore debt payments are under continuous pressure. The Group expects that it is unable to generate sufficient cash flows for current and future offshore debts in the near term.

The Company expects that interest payments under the April 2023 Notes I and the April 2023 Notes II will not be made within the grace periods, which may induce the relevant creditors to demand acceleration of performance of relevant obligations of relevant debts or to take enforcement actions. As of the date of this announcement, the Company has not received any acceleration notice from the relevant creditors with respect to the April 2023 Notes I and the April 2023 Notes II.

After due and careful consideration taking into account the legal implications as advised by the Company's legal advisor, the Company decided to suspend payment of all interest and principal amount payables under its offshore indebtedness in order to preserve fair and equitable treatment for all offshore creditors. The payment suspension may lead to certain creditors of the Group demanding acceleration of payment of their indebtedness and/or take other actions pursuant to the respective terms of their financing arrangements.

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.

ENSURING DELIVERIES AND STABILISING OPERATIONS

Facing the difficult condition in the sector, the Group is working relentlessly to ensure delivery of completed properties, stabilise its business operations and maintain its onshore financing arrangements in order to preserve value for all stakeholders. In the first ten months of 2022, the Group completed the delivery of an aggregated gross floor area of approximately 5,000,000 square metres of around 50,000 property units. The Group continues to adopt measures to accelerate onshore sales and cash collection, improve operating efficiency, control risks and save costs.

The Group does not have offshore assets or operations in substance, expects that its offshore debt issues would not materially affect its onshore operations as a whole.

ENGAGEMENT OF EXTERNAL ADVISORS

The Company has engaged Guotai Junan International as its financial advisor and Sidley Austin as its legal advisor, to facilitate a transparent dialogue between the Company and its offshore creditors. The Company and its advisory teams will work with the Company's offshore creditors to explore all feasible options to pursue a holistic solution to the current offshore debt situation with a view to securing the sustainable operations of the Group for the benefit of all stakeholders.

Offshore creditors of the Company may contact representatives of the financial advisor of the Company (whose contact details are as follows):

Guotai Junan International

Address: 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong

Email: dcm.zhonglianglm@gtjas.com.hk

The Company will also engage an independent professional services firm to commence work on the business review of the Group.

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 for the offshore debts as a whole with the Company mutually to address the industry-wide issue together.

SUSPENSION OF TRADING OF APRIL 2023 NOTES I

At the request of the Company, an application has been made with the Stock Exchange for the suspension of trading of the April 2023 Notes I on the Stock Exchange with effect from 9:00 a.m. on 14 November 2022 until further notice.

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 of 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
Zhongliang Holdings Group Company Limited
Yang Jian
Chairman

Hong Kong, 13 November 2022

As at the date of this announcement, the Board comprises Mr. Yang Jian, Mr. Chen Hongliang, Mr. He Jian and Mr. Yau Sze Ka (Albert) as executive Directors; and Mr. Wang Kaiguo, Mr. Wu Xiaobo and Mr. Au Yeung Po Fung as independent non-executive Directors.