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## **KAISA GROUP HOLDINGS LTD.**

**佳兆業集團控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1638)**

### **UPDATE ON THE DEBT RESTRUCTURING**

This announcement is made by Kaisa Group Holdings Ltd. (the “**Company**”, together with its subsidiaries as the “**Group**”) under Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company would like to provide an update to the market on the progress made regarding the proposed restructuring of its offshore debt and convey certain preliminary restructuring principles and a summary of the proposed restructuring framework that have been discussed to date.

#### **1. Restructuring Progress**

The Company has been actively working with its financial advisor, Houlihan Lokey (China) Limited, and legal advisor, Sidley Austin, to assess its current financial and operational conditions with a view to formulating a comprehensive solution that respects the rights of all stakeholders and unlocks the inherent value of the Group’s business and assets as the onshore operating environment recovers over time.

In this regard, the Company has been communicating and constructively engaging with certain holders of the senior notes and other offshore debts issued by the Group with an aggregate principal amount of approximately USD12.3 billion (the “**Existing Debts**”) and their financial advisor, PJT Partners, and legal advisor, Kirkland & Ellis, to facilitate the formulation of a consensual and holistic restructuring proposal for the Group’s offshore debts. Such holders of the Existing Debts, who have formed an ad hoc group of offshore creditors (the “**AHG**”), collectively hold or control more than 35% of the principal amount of the Existing Debts.

Over the past few months, the AHG and their advisers have worked closely with the Company and its advisers to conduct due diligence on the Group's financial and operational conditions. Accordingly, the Company has responded to a range of due diligence questions and provided various forms of supporting documents, files and evidence. The parties have exchanged some preliminary restructuring proposals, but no agreement has been reached to date.

## 2. Preliminary Restructuring Principles

The Company is fully committed to the offshore restructuring and wishes to inform the market that the envisaged restructuring proposal will be based on the following guiding principles:

- (1) equitable treatment to all the creditors by respecting their existing legal rights and inter-creditor priority;
- (2) to achieve a long-term, sustainable capital structure to mitigate business operational risks and unlock value for all stakeholders; and
- (3) to enhance the Group's adaptiveness to the current market changes, so as to achieve sustainable operations and improve the post-restructuring trading performance of both the offshore debts and the shares of the Company.

## 3. Preliminary Restructuring Framework

The Company has proposed to the AHG a preliminary indicative proposal in respect of the Group's offshore indebtedness (which includes the Existing Debts) (the "**Company Proposal**"). The preliminary Company Proposal contemplated, amongst other things:

- (1) deleveraging plan which contemplates the Company converting certain amount of the Existing Debts into shares of the Company in order to achieve a sustainable capital structure;
- (2) exchanging residual Existing Debts into new USD denominated public notes (the "**New Notes**"); and
- (3) using net proceeds from the disposal of certain assets, including a list of urban redevelopment projects in the Group's project pipeline, as an additional source of funding for the repayment of the New Notes.

For the avoidance of doubt, as at the date of this announcement, the Company is still in negotiations with the AHG and no agreement on the terms of the restructuring has been entered into between the Company and the AHG. The Company notes that the Company Proposal contained certain features which the AHG has indicated it is not prepared to support.

Notwithstanding the above, the Company expects to continue the constructive dialogue and maintain a positive momentum with the AHG with a view to finalizing the terms of the restructuring proposal as soon as practicable.

### ***Debt Overview***

As of 31 December 2022, the Group had (i) onshore interest-bearing liabilities of approximately RMB50.6 billion, of which RMB36.3 billion is at the project level; and (ii) offshore interest-bearing liabilities of approximately USD12.3 billion, which comprised approximately USD11.5 billion in outstanding principal amount of senior notes, approximately USD200 million in outstanding principal amount of perpetual capital securities, and approximately USD650 million of other secured and unsecured debts.

As of 31 December 2022, the financial guarantees given by the Group relating to the liabilities of the Group's joint ventures and associates was approximately RMB23.8 billion.

As of 31 December 2022, the financial guarantees given by the Company relating to the onshore liabilities of the Company's subsidiaries, joint ventures and associates was approximately RMB21.0 billion.

### ***Projected Cash Flow***

Based on various assumptions including: (i) the Mainland real estate sector recovers from the current depressed market environment, the Group is able to maintain normal business operations and access new financing at the project level, (ii) the projection is performed based on the Group's existing projects and does not take into consideration any new development projects that may be obtained in the future, (iii) all saleable resources of the Group will be realized, (iv) the Group will strictly control the overall costs in accordance with its plan, and (v) no other unforeseeable circumstances, the Group's projected future cash flows are as follows:

- (a) the total cumulative attributable levered free cashflow generated from existing landbank development projects and urban renewal projects (the "URPs") that are yet to be converted into the landbank, including development projects and URPs developed by the Group and its joint ventures and associates from 2023 to 2033 ("Projection Period"), which is after deducting land costs, construction costs, marketing and operating expenses, finance costs and taxes etc. required for the projects, is expected to be between approximately RMB75 billion and RMB90 billion. In addition to the usual development risks of Mainland real estate projects, the URPs are also subject to risks associated to obtaining various government approvals, and such approvals could result in substantial deviations of the Group's development plans;
- (b) the Group may consider gradually disposing of a selected portfolio of certain investment and self-owned properties over the Projection Period. Subject to market conditions and operating environment, the estimated net cashflow (after encumbered debt principal and interest payments) from the investment properties and self-held assets are expected to be between approximately RMB6 billion and RMB7 billion;

- (c) additionally, the other business segments including property management and hotel management are expected to generate net income in the range of RMB1 billion to RMB2 billion; and
- (d) after servicing the principal repayment and interest payment of onshore debts as well as other financial guarantees, and before withholding tax, the cash available for offshore debt service is expected to be between approximately RMB60 billion and RMB75 billion.

The financial data set out above was prepared during the first four months of 2023 and represents a preliminary assessment by the Company with reference to available information as at the date of this announcement and based on assumptions including those set out above. Any variation of such assumptions may materially and adversely affect the cash flow projections. The projections do not constitute any forecast or estimate of the Group's profit. Such information has not yet been audited or reviewed by the auditor of the Company and may be subject to adjustment. Holders of securities and potential investors of the Company are advised to treat this information with caution as the actual cashflow may be different from what is disclosed in this announcement and exercise caution when dealing in the securities of the Company.

#### **4. Next Steps**

The Group will continue to adhere to its corporate and social responsibilities by using its best endeavours to ensure the delivery of properties to homebuyers.

As of the date of this announcement, although there is no agreement on the terms of the restructuring between the Company and the AHG, both parties will continue the constructive dialogue with a view to finalizing the terms of the restructuring proposal as soon as practicable. In this regard, the Company will continue to provide material updates on the restructuring process to all stakeholders as appropriate.

**Holders of the Company's securities and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Kaisa Group Holdings Ltd.**  
**Kwok Ying Shing**  
*Chairman and Executive Director*

Hong Kong, 17 October 2023

*As at the date of this announcement, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Mai Fan, Mr. Li Haiming and Mr. Kwok Hiu Kwan; the non-executive Director is Ms. Chen Shaohuan; and the independent non-executive directors are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng.*

\* *For identification purposes only*