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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)

**POSSIBLE TRANSACTIONS IN CONNECTION WITH
THE OFFSHORE DEBTS HOLISTIC SOLUTION INVOLVING
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE
AND
ISSUE OF SENIOR NOTES TO A CONNECTED PERSON**

BACKGROUND

References are made to the announcements of the Company dated 13 November 2022, 22 November 2022, 17 February 2023, 1 June 2023, 16 July 2023, 14 August 2023 and 4 September 2023 in relation to, among others, the Holistic Solution and the Scheme.

As set out in those announcements, the Company proposed to implement the Holistic Solution through the Scheme which would be effected pursuant to the laws of Hong Kong. As at the date of this announcement, taking into account the additional Consenting Creditors who have acceded to the RSA subsequent to 4 September 2023, the Consenting Creditors holding approximately 92% of the aggregate outstanding principal amount of the Scheme Debts have acceded to the RSA. By such accession, the Consenting Creditors have undertaken to take all such actions as are necessary to, among other things, vote in favour of the Scheme in respect of the aggregate outstanding principal amount of all the Scheme Debts held by them at the Record Time at the Scheme Meeting.

The Scheme involves, as part of the Scheme Consideration and in exchange for the discharge and release of the relevant Scheme Debts claims by the Scheme Creditors against the Company, the Issue of Senior Notes and the Issue of Convertible Bonds to the Scheme Creditors on the Restructuring Effective Date.

POSSIBLE ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

Subject to the occurrence of and on the Restructuring Effective Date, the Company will issue the Convertible Bonds in the aggregate principal amount elected by the Scheme Creditors, subject to the current cap in the aggregate principal amount of US\$140,000,000 (or such other amount as may be increased by the Company at its discretion). The Convertible Bonds shall be allocated to the Scheme Creditors who have elected such option on a pro rata basis if the aggregate principal amount of the Convertible Bonds elected by the Scheme Creditors exceeds the current cap amount.

The CB Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. The Issue of Convertible Bonds and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Shareholders at the EGM. The issue of the CB Conversion Shares is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Conversion Shares.

POSSIBLE ISSUE OF SENIOR NOTES TO A CONNECTED PERSON

Subject to the occurrence of and on the Restructuring Effective Date, the Company will issue the Senior Notes as the Scheme Consideration under the Scheme. Currently, Liangzhong holds outstanding senior notes in the principal amount of US\$21 million, which is a Scheme Debt. Liangzhong acceded to the RSA and intends to only elect for the Senior Notes as the Scheme Consideration in exchange for the release of all claims against the Company with respect to its full portion of the Scheme Debts held. Pursuant to Liangzhong's accession to the RSA as a Consenting Creditor and its proposed election for the Senior Notes, the Company shall issue the Senior Notes to Liangzhong in the aggregate principal amount of US\$26.59 million, (including the Additional Senior Notes Amount) and pay cash of approximately US\$0.263 million (including 1% upfront repayment and RSA fee).

As at the date of this announcement, Liangzhong directly held 78.79% of the Company's issued Shares and is a controlling shareholder of the Company and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the issue of the Senior Notes to Liangzhong is a connected transaction under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Issue of Senior Notes to Liangzhong are all below 0.1%, the transactions contemplated thereunder constitute a de minimis transaction and are fully exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve by way of poll, the Issue of Convertible Bonds (including the grant of the Specific Mandate for the issue of the CB Conversion Shares).

A circular containing, among others, (a) further details of the Issue of Convertible Bonds and the transactions contemplated thereunder, including the issue of the CB Conversion Shares under the Specific Mandate; and (b) a notice convening the EGM will be despatched by the Company to the Shareholders on or before the end of 2023.

Completion of the transactions set out in this announcement is subject to the fulfilment or waiver of the conditions precedent as set out in this announcement. The transactions set out in this announcement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

1. BACKGROUND

References are made to the announcements of the Company dated 13 November 2022, 22 November 2022, 17 February 2023, 1 June 2023, 16 July 2023, 14 August 2023 and 4 September 2023 in relation to, among others, the Holistic Solution and the Scheme.

As set out in those announcements, the Company proposed to implement the Holistic Solution through the Scheme which would be effected pursuant to the laws of Hong Kong. As at the date of this announcement, taking into account the additional Consenting Creditors who have acceded to the RSA subsequent to 4 September 2023, the Consenting Creditors holding approximately 92% of the aggregate outstanding principal amount of the Scheme Debts have acceded to the RSA. By such accession, the Consenting Creditors have undertaken to take all such actions as are necessary to, among other things, vote in favour of the Scheme in respect of the aggregate outstanding principal amount of all the Scheme Debts held by them at the Record Time at the Scheme Meeting.

The Scheme involves, as part of the Scheme Consideration and in exchange for the discharge and release of the relevant Scheme Debts claims by the Scheme Creditors against the Company, the Issue of Senior Notes and the Issue of Convertible Bonds to the Scheme Creditors on the Restructuring Effective Date.

This announcement sets out the key terms of the Issue of Convertible Bonds, which are subject to Shareholders' approval under the Listing Rules.

The Restructuring is conditional upon:

- the obtaining of all relevant approvals, pre-approvals or consents, as applicable, including without limitation, delivery of respective court orders in respect of the Scheme, approval in-principle for the listing and quotation of the Senior Notes and the Convertible Bonds on the SGX-ST or another stock exchange of international standing, necessary approvals for the issuance and conversion of the Convertible Bonds, including listing approval or conditional approval for the CB Conversion Shares, unconditional approval from the Shareholders as required for the issuance of new Shares as contemplated with respect to the Convertible Bonds, and any board approvals of the Company required to consummate the Scheme; and
- other conditions precedent as stated in the RSA being satisfied, or (as the case may be) waived by the Majority Consenting Creditors, on or prior to the Restructuring Effective Date.

The Restructuring Effective Date shall occur on the date on which all outstanding Scheme Debts will be cancelled and all guarantees in connection with the Scheme Debts will be released and the Scheme Consideration will be distributed to the Scheme Creditors, with the above conditions precedent to the Restructuring having being satisfied or waived, and before the longstop date or such later date as extended by agreement in writing between the Company and the Majority AHG, and such extended date shall be notified in writing to the Consenting Creditors.

2. POSSIBLE ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

Subject to the occurrence of and on the Restructuring Effective Date, the Company will issue the Convertible Bonds in the aggregate principal amount elected by the Scheme Creditors, subject to the current cap in the aggregate principal amount of US\$140,000,000 (or such other amount as may be increased by the Company at its discretion). The Convertible Bonds shall be allocated to the Scheme Creditors who have elected such option on a pro rata basis if the aggregate principal amount of the Convertible Bonds elected by the Scheme Creditors exceeds the current cap amount.

The principal terms of the Convertible Bonds are set out below:

Issuer:	The Company
Principal amount:	The aggregate principal amount of Convertible Bonds elected by the Scheme Creditors, subject to the current cap of US\$140,000,000.
Issue date:	Restructuring Effective Date
Maturity:	1 July 2027

- Interest commencement date:** 1 January 2024, being the Reference Date
- Interest:** Interest shall commence to accrue from the Reference Date and is payable semi-annually in arrears on the outstanding principal amount of the Convertible Bonds at 3.0% per annum.
- Interest on the outstanding principal amount of the Convertible Bonds shall be paid in the following manner:
- (i) for the first year after the Reference Date, interest may be paid in cash or as CB PIK Interest, at the election of the Company; and
 - (ii) from the beginning of the second year after the Reference Date, interest shall be paid in cash.
- CB Conversion Period:** The Convertible Bonds are convertible from the later of (a) 10 trading days after the Restructuring Effective Date, and (b) the date that the conditional listing approval from the Stock Exchange in respect of the Shares may be converted under the Convertible Bonds become unconditional and fully effective, to ten trading days prior to maturity.
- Conversion price:** The Scheme Creditors may at their election, at any time during the CB Conversion Period, convert the Convertible Bonds into the Shares at the CB Conversion Price as calculated below.
- Subject to the terms and conditions of the Convertible Bonds, the CB Conversion Price will initially be 1.3 times the VWAP of the Shares for 30 trading days immediately preceding (and excluding) the Restructuring Effective Date, which price shall not be lower than HK\$1.2 per Share or higher than HK\$2.0 per Share. The CB Conversion Price may be adjusted upon the occurrence of the adjustment events. Such adjustments shall apply on and from the date of the RSA.
- The minimum CB Conversion Price of HK\$1.2 per Share represents:
- (i) a premium of approximately 163.74% over the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on 13 July 2023, being the last trading day prior to the signing of the RSA on 14 July 2023;

- (ii) a premium of approximately 321.1% over the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (iii) a premium of approximately 313.8% over the average closing price of HK\$0.29 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of this announcement.

The CB Conversion Price was determined after arms' length negotiations between the Company and the AHG after taking into account, among other things, the Share price performance of the Company and the assessment of acceptability of the Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure. The minimum initial CB Conversion Price is at a premium to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on 13 July 2023, being the last trading day prior to the signing of the RSA on 14 July 2023, is value accretive for existing Shareholders and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conversion Price Reset: Subject to the terms of the Convertible Bonds, the CB Conversion Price shall be subject to a reset mechanism at the end of 6 months, 18 months and 24 months after the Reference Date (each, a “**Reset Date**”), if the 30-trading-day VWAP of the Shares at immediately preceding (and excluding) the relevant Reset Date (the “**Average Market Price**”) is less than the CB Conversion Price, the CB Conversion Price shall be adjusted to the higher of (i) the Average Market Price and (ii) HK\$0.8 per Share.

Maximum number of CB Conversion Shares to be issued: Assuming that the principal amount of the Convertible Bonds (not including any CB PIK Interest) is all converted in full at the minimum initial CB Conversion Price of HK\$1.2 per Share, an aggregate of up to 910,000,000 CB Conversion Shares will be issued based on the agreed exchange rate of US\$1 = HK\$7.8, which represent:

- (a) approximately 25.4% of the existing issued share capital of the Company as at the date of this announcement; and

- (b) approximately 20.3% of the issued share capital of the Company as enlarged by the issue of such CB Conversion Shares.

Assuming that the principal amount of the Convertible Bonds (not including any CB PIK Interest) is all converted in full at the reset adjusted CB Conversion Price of HK\$0.8 per Share, an aggregate of up to 1,365,000,000 CB Conversion Shares will be issued based on the agreed exchange rate of US\$1 = HK\$7.8, which represent:

- (a) approximately 38.1% of the existing issued share capital of the Company as at the date of this announcement; and
- (b) approximately 27.6% of the issued share capital of the Company as enlarged by the issue of such CB Conversion Shares.

The CB Conversion Shares, upon full conversion at the reset adjusted CB Conversion Price of HK\$0.8 per Share, shall have an aggregate nominal value of up to HK\$13,650,000.

- Security and guarantee:** The Convertible Bonds will be secured by:
- (a) the charges over the issued shares of the Subsidiary Guarantors granted by the Company and the relevant Subsidiary Guarantors in favor of a collateral agent; and
 - (b) equity interests in certain companies held by the relevant subsidiaries of the Company.

The Convertible Bonds will be guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any).

Cash Sweep: The Convertible Bonds will benefit from the Cash Sweep.

Redemption events: *Mandatory Redemption*

The Convertible Bonds shall be repayable in the amounts and on the redemption dates in the redemption schedule as set forth below (each, a “**CB Mandatory Redemption Date**”).

- (a) The Company shall redeem the Required Principal of the Convertible Bonds at a redemption price equal to 100% of the principal amount of the Convertible Bonds redeemed plus accrued and unpaid interest, if any, to (but excluding) the relevant CB Mandatory Redemption Date as set forth below (the “**CB Mandatory Redemption Schedule**”).

CB Mandatory Redemption Date	Principal amount to be redeemed
The date falling 18 months after the Reference Date	3% of the CB Issue Amount of the Convertible Bonds
The date falling 24 months after the Reference Date	3% of the CB Issue Amount of the Convertible Bonds
The date falling 30 months after the Reference Date	3% of the CB Issue Amount of the Convertible Bonds
The date falling 36 months after the Reference Date	6% of the CB Issue Amount of the Convertible Bonds

- (b) If the Accumulated Sales from 1 January 2023 to the date falling 9 months after the Reference Date exceeds RMB120 billion, the Company shall redeem an additional Required Principal of 3% of the CB Issue Amount of the Convertible Bonds on the date falling 12 months after the Reference Date, and the CB Mandatory Redemption Schedule shall therefore be updated and replaced as follows:

CB Mandatory Redemption Date	Principal amount to be redeemed
The date falling 12 months after the Reference Date	3% of the CB Issue Amount of the Convertible Bonds
The date falling 18 months after the Reference Date	3% of the CB Issue Amount of the Convertible Bonds
The date falling 24 months after the Reference Date	3% of the CB Issue Amount of the Convertible Bonds
The date falling 30 months after the Reference Date	3% of the CB Issue Amount of the Convertible Bonds
The date falling 36 months after the Reference Date	6% of the CB Issue Amount of the Convertible Bonds

(c) If the Accumulated Sales from 1 January 2023 to the date falling 21 months after the Reference Date exceeds RMB160 billion, the Company shall redeem (a) Required Principal of 6% of the CB Issue Amount (instead of 3% of the CB Issue Amount) of the Convertible Bonds on the date falling 24 months after the Reference Date and (b) Required Principal of 6% of the CB Issue Amount (instead of 3% of the CB Issue Amount) of the Convertible Bonds on the date falling 30 months after the Reference Date. The CB Mandatory Redemption Schedule for the principal amount to be redeemed by the Company on and from the date falling 24 months after the Reference Date shall be as follows:

CB Mandatory Redemption Date	Principal amount to be redeemed
The date falling 24 months after the Reference Date	6% of the CB Issue Amount of the Convertible Bonds
The date falling 30 months after the Reference Date	6% of the CB Issue Amount of the Convertible Bonds
The date falling 36 months after the Reference Date	6% of the CB Issue Amount of the Convertible Bonds

(d) If the Accumulated Sales from 1 January 2023 to the date falling 33 months after the Reference Date exceeds RMB180 billion, the Company shall redeem Required Principal of 20% of the CB Issue Amount (instead of 6% of the CB Issue Amount) of the Convertible Bonds on the date falling 36 months after the Reference Date. The CB Mandatory Redemption Schedule for the principal amount to be redeemed by the Company on and from the date falling 36 months after the Reference Date shall be as follows:

CB Mandatory Redemption Date	Principal amount to be redeemed
The date falling 36 months after the Reference Date	20% of the CB Issue Amount of the Convertible Bonds

For each scenario under (a) to (d) above, any remaining balance of the principal amount under the Convertible Bonds, plus accrued and unpaid interest, shall be paid on the maturity date of the Convertible Bonds.

Optional Redemption

Subject to the terms of the Convertible Bonds, at any time and from time to time during the tenor of the Convertible Bonds, the Company has the right to redeem the Convertible Bonds, in whole or in part at par plus any accrued and unpaid cash interest on such redeemed the Convertible Bonds up to but excluding the relevant redemption date.

Ranking: The CB Conversion Shares, when allotted and issued to a holder, shall rank *pari passu* in all respects with the Shares in issue on the date on which such holder is registered as such in the Company's register of members.

Voting rights: The holder(s) of the Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.

Transferability: The Convertible Bonds will be freely transferable subject to conditions under the CB Indenture.

Listing: Application will be made for the listing and quotation of the Convertible Bonds issued under the Scheme on the SGX-ST or another stock exchange with international standing.

Application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the CB Conversion Shares.

Specific Mandate

The CB Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. The Issue of Convertible Bonds and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Shareholders at the EGM. The issue of the CB Conversion Shares is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Conversion Shares.

3. POSSIBLE ISSUE OF SENIOR NOTES TO A CONNECTED PERSON

Subject to the occurrence of and on the Restructuring Effective Date, the Company will issue the Senior Notes as Scheme Consideration under the Scheme to all Scheme Creditors. Currently, Liangzhong holds outstanding senior notes in the principal amount of US\$21 million, which is a Scheme Debt. Liangzhong acceded to the RSA and intends to only elect for the Senior Notes as the Scheme Consideration in exchange for the release of all claims against the Company with respect to its full portion of the Scheme Debts held. Pursuant to Liangzhong's accession to the RSA as a Consenting Creditor and its proposed election for the Senior Notes, the Company shall issue the Senior Notes to Liangzhong in the aggregate principal amount of US\$26.59 million, (including the Additional Senior Notes Amount) and pay cash of approximately US\$0.263 million (including 1% upfront repayment and RSA fee).

As at the date of this announcement, Liangzhong directly held 78.79% of the Company's issued Shares and is a controlling shareholder of the Company and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the issue of the Senior Notes to Liangzhong is a connected transaction under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Issue of Senior Notes to Liangzhong are all below 0.1%, the transactions contemplated thereunder constitute a de minimis transaction and are fully exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

The Company would like to provide the principal terms of the Senior Notes as summarised below on a voluntary basis for the information of the Shareholders and potential investors:

- Issuer:** The Company
- Principal Amount:** The Senior Notes shall comprise one tranche of senior notes with an aggregate maximum original principal amount calculated by reference to the Reference Date, which is equal to 99% of the outstanding principal amount of the Scheme Debts held by all Scheme Creditors as of the Record Time, plus all accrued and unpaid interest on such Scheme Debts up to (but excluding) the Reference Date minus the principal amount of the Convertible Bonds calculated by reference to the Reference Date, plus the Additional Senior Notes Amount.
- Issue date:** Restructuring Effective Date
- Maturity date:** 1 July 2027
- Interest payment:** Interest shall commence to accrue on and from the end of 12 months after the Reference Date (such date, the “**Interest Commencement Date**”). For the avoidance of doubt, the Senior Notes shall not bear any interest prior to the Interest Commencement Date.
- Interest is payable semi-annually in arrears on the outstanding principal amount of the Senior Notes at 5.0% per annum, commencing on the date which is six months after the Interest Commencement Date.
- Redemption events:** *Mandatory Redemption*
- (a) The Senior Notes shall be repayable in the amounts and on the redemption dates set forth in the redemption schedule below (each, a “**Notes Mandatory Redemption Date**”). The Company shall redeem the Required Principal of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus accrued and unpaid Interest, if any, to (but excluding) the relevant Notes Mandatory Redemption Date as set forth below (the “**Notes Mandatory Redemption Schedule**”).

Notes Mandatory Redemption Date	Principal amount to be redeemed
The date falling 18 months after the Reference Date	5% of the Issue Amount of the Senior Notes
The date falling 24 months after the Reference Date	5% of the Issue Amount of the Senior Notes
The date falling 30 months after the Reference Date	5% of the Issue Amount of the Senior Notes
The date falling 36 months after the Reference Date	10% of the Issue Amount of the Senior Notes

- (b) If the Accumulated Sales from 1 January 2023 to the date falling 9 months after the Reference Date exceeds RMB120 billion, the Company shall redeem an additional Required Principal of 5% of the Issue Amount of the Senior Notes on the date falling 12 months after the Reference Date, and the Notes Mandatory Redemption Schedule shall therefore be updated and replaced as follows:

Notes Mandatory Redemption Date	Principal amount to be redeemed
The date falling 12 months after the Reference Date	5% of the Issue Amount of the Senior Notes
The date falling 18 months after the Reference Date	5% of the Issue Amount of the Senior Notes
The date falling 24 months after the Reference Date	5% of the Issue Amount of the Senior Notes
The date falling 30 months after the Reference Date	5% of the Issue Amount of the Senior Notes
The date falling 36 months after the Reference Date	10% of the Issue Amount of the Senior Notes

(c) If the Accumulated Sales from 1 January 2023 to the date falling 21 months after the Reference Date exceeds RMB160 billion, the Company shall redeem (a) Required Principal of 10% of the Issue Amount (instead of 5% of the Issue Amount) of the Senior Notes on the date falling 24 months after the Reference Date and (b) Required Principal of 10% of the Issue Amount (instead of 5% of the Issue Amount) of the Senior Notes on the date falling 30 months after the Reference Date. In such case, the Notes Mandatory Redemption Schedule for the principal amount to be redeemed by the Company on and from the date falling 24 months after the Reference Date shall therefore be updated and replaced as follows:

Notes Mandatory Redemption Date	Principal amount to be redeemed
The date falling 24 months after the Reference Date	10% of the Issue Amount of the Senior Notes
The date falling 30 months after the Reference Date	10% of the Issue Amount of the Senior Notes
The date falling 36 months after the Reference Date	10% of the Issue Amount of the Senior Notes

(d) If the Accumulated Sales from 1 January 2023 to the date falling 33 months after the Reference Date exceeds RMB180 billion, the Company shall redeem Required Principal of 30% of the Issue Amount (instead of 10% of the Issue Amount) of the Senior Notes on the date falling 36 months after the Reference Date. In such case, the Notes Mandatory Redemption Schedule for the principal amount to be redeemed by the Company on and from the date falling 36 months after the Reference Date shall therefore be updated and replaced as follows:

Notes Mandatory Redemption Date	Principal amount to be redeemed
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The date falling 36 months after the Reference Date	30% of the Issue Amount of the Senior Notes
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For each scenario under (a) to (d) above, any remaining balance of the principal amount under the Senior Notes, plus accrued and unpaid interest, shall be paid on the maturity date of the Senior Notes.

Optional Redemption

At any time and from time to time on or before the date which is the end of 12 months after the Reference Date, the Company has the right to redeem such Senior Notes up to the Additional Senior Notes Amount, at a price of 83.3%.

At any time and from time to time during the tenor of the Senior Notes, the Company has the right to redeem such Senior Notes, in whole or in part, at par plus any accrued and unpaid cash interest on such redeemed Senior Notes up to but excluding the relevant redemption date.

Security and guarantee:

The Senior Notes will be guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) and will be secured by:

- (i) share charges over the shares of the Subsidiary Guarantors; and
- (ii) equity pledge of equity interest of certain companies held by the Group's subsidiaries.

Covenants:

The Senior Notes and the Senior Notes Indenture will limit the Company's ability and the ability of certain of its subsidiaries to, among other things:

- (a) incur additional indebtedness and issue disqualified or preferred stock;
- (b) make investments, dividend payments or other specified restricted payments;
- (c) issue or sell capital stock of certain restricted subsidiaries; guarantee indebtedness of certain restricted subsidiaries;
- (d) sell assets;
- (e) allocate proceeds from certain asset disposals;
- (f) create liens;
- (g) enter into sale and leaseback transactions;
- (h) engage in any business other than permitted business;
- (i) enter into agreements that restrict certain restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (j) enter into transactions with shareholders or affiliates; and
- (k) effect a consolidation or merger.

Transfer Restrictions:

The Senior Notes and the related Subsidiary Guarantees will not be registered under the Securities Act or any securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act.

Listing:

Application will be made for the listing and quotation of the Senior Notes offered hereby on the SGX-ST or another stock exchange with international standing.

Details of the terms of the Senior Notes are set out in the RSA Term Sheet. Further announcement will be published in connection with the Issue of Senior Notes. The terms of the documents governing the Issue of Senior Notes have been determined after arm's length negotiations between the Company and the AHG on normal commercial terms after taking into account the Scheme Debts and the Scheme, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. INFORMATION ON THE PARTIES

Information on the Company

The Company is a company incorporated in the Cayman Islands with limited liability, which is listed on the main board of the Stock Exchange. The Company is principally engaged in real estate development in the PRC with its headquarters located in Shanghai and rooted in the Yangtze River Delta with a national footprint. The Group is a nationwide real estate enterprise and has land bank across five core economic areas in China, namely, the Yangtze River Delta, the Midwest China, the Bohai Economic Rim, West Coast Economic Zone and the Pearl River Delta.

Information on Liangzhong

Liangzhong is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Liangzhong is indirectly wholly-owned by Changxing Pte. Ltd., which is the trustee of a discretionary trust set up by Mr. Yang.

5. REASONS FOR AND BENEFITS OF THE POSSIBLE TRANSACTIONS IN CONNECTION WITH THE RESTRUCTURING

As the industry has been challenged by adverse liquidity and financing situations since mid-2021, the Group has implemented decisive measures and stabilized cash flow by accelerating sales and cash collection, lowering cost and enhancing operating efficiency, reduction of land banking and preservation of cash and controlling interest-bearing debts, and achieved a stable financial status to enable prompt property delivery, stable operations and onshore financing.

The Group's total interest-bearing debts were approximately RMB23.1 billion as at 30 June 2023 (out of which onshore interest-bearing debts amounted to approximately RMB14.6 billion whereas offshore interest-bearing debts amounted to approximately RMB8.5 billion). Such total outstanding indebtedness comprised bank and other borrowings of approximately RMB16,412 million and senior notes of approximately RMB6,697 million.

Further details of the indebtedness situation of the Group as at 30 June 2023 are set out in the interim report of the Company for the six months ended 30 June 2023 and published on the website of the Stock Exchange on 12 September 2023.

Due to the current market condition, the liquidity of the Group is constrained. The aggregate cash and bank balances (including restricted cash and pledged deposits) of the Group was approximately RMB14.4 billion as at 30 June 2023. Under the current strict requirement of local government policies, substantially most of the Group's cash are under strict pre-sale cash escrow in designated bank accounts at project-level in order to ensure completion of the properties under development. With respect to its onshore debts, as at 30 June 2023, substantially most of the Group's onshore interest-bearing debts were loans with project pledges. The Group has been proactively working with onshore banks and lending institutions to extend the maturity at due dates of such onshore loans.

Offshore indebtedness and the Holistic Solution

Over the past year, the Group has been actively working with its advisers to assess its current financial and operational conditions with a view to formulate a holistic solution in relation to the Company's certain offshore indebtedness. The Group and members of the AHG, together with their respective advisers, have been engaged in constructive dialogue towards a consensual restructuring of the Company's offshore indebtedness. As a result, the Holistic Solution and the Scheme were formulated and are intended to alleviate the Company from the pressure of its offshore indebtedness, allow adequate financial flexibility, enable the Group to better manage its business operations, and maximize value for all stakeholders. The Holistic Solution and the Scheme have received overwhelming support by the Consenting Creditors. As at the date of this announcement, the Consenting Creditors holding approximately 92% of the aggregate outstanding principal amount of the Scheme Debts have acceded to the RSA and have undertaken to take all such actions as are necessary to vote in favour of the Scheme at the Scheme Meeting.

The Holistic Solution will be implemented through the Scheme, the effect of which is that once the Scheme becomes effective, all the Scheme Debts claims of the Scheme Creditors will be discharged and extinguished and the Scheme Creditors will not be allowed to make any claim against the Company in respect of their Scheme Debts.

Both the Issue of Senior Notes and the Issue of Convertible Bonds are for the purposes of the implementation for the Scheme, thereby in each case reducing the overall debt pressure of the Group to allow the Group better manage its business operations.

No proceeds will be received by the Group from the Issue of Convertible Bonds and the Senior Notes.

The Issue of Convertible Bonds would increase the capital base through the issue of new Shares and help the Company achieve a sustainable capital structure should the bondholders of the Convertible Bonds choose to convert the Convertible Bonds into the CB Conversion Shares.

As Liangzhong will receive Scheme Consideration under the Scheme, Mr. Yang, who set up the discretionary trust and the trustee of which indirectly wholly owns Liangzhong, is considered to have an interest in the Scheme, the Issue of Senior Notes and the Issue of Convertible Bonds, and has abstained from voting on the board resolutions in relation to the Issue of Senior Notes and the Issue of Convertible Bonds.

Save as disclosed above, none of the Directors has a material interest in the Issue of Senior Notes or Issue of Convertible Bonds.

Hence, the Directors (excluding Mr. Yang) consider that although the Issue of Senior Notes and the Issue of Convertible Bonds are not conducted in the ordinary and usual course of business of the Group, the terms and conditions of each of the Issue of Senior Notes and the Issue of Convertible Bonds are fair and reasonable based on the current market conditions and are on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

6. EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities in the past 12 months immediately before the date of this announcement.

7. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company in relation to the Issue of Convertible Bonds under the Scheme:

- (a) as at the date of this announcement;
- (b) immediately upon full conversion of the Convertible Bonds at the minimum CB Conversion Price of HK\$1.2 per Share; and
- (c) immediately upon full conversion of the Convertible Bonds at the minimum reset adjusted CB Conversion Price of HK\$0.8 per Share.

Further assuming there is no other change in the issued share capital of the Company from the date of this announcement up to the date of the full conversion of the aforementioned instruments and based on the agreed exchange rate of US\$1 = HK\$7.8:

	(a) As at the date of this announcement		(b) Immediately upon full conversion of the Convertible Bonds at the minimum CB Conversion Price of HK\$1.2 per Share based on the assumptions stated above		(c) Immediately upon full conversion of the Convertible Bonds at the minimum reset adjusted CB Conversion Price of HK\$0.8 based on the assumptions stated above	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Liangzhong	2,822,167,839	78.79	2,822,167,839	62.83	2,822,167,839	57.05
Liangtai International Co., Ltd	59,414,060	1.66	59,414,060	1.32	59,414,060	1.20
Holder of Convertible Bonds	0	0.00	910,000,000	20.26	1,365,000,000	27.59
Other Shareholders	<u>700,209,601</u>	<u>19.55</u>	<u>700,209,601</u>	<u>15.59</u>	<u>700,209,601</u>	<u>14.16</u>
Total:	<u>3,581,791,500</u>	<u>100</u>	<u>4,491,791,500</u>	<u>100</u>	<u>4,946,791,500</u>	<u>100</u>

8. INFORMATION ON THE SCHEME DEBTS UNDER THE SCHEME

The Scheme Creditors comprise the persons who hold beneficial interests as principal in, or who are the lenders under, the following Existing Notes and certain offshore private debts as at the Record Time for the Scheme:

- (a) the New York law-governed 8.5% senior notes due May 2022 (the “**May 2022 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors. As at the date of this announcement, the aggregate principal amount of the May 2022 Notes outstanding was US\$16,153,000;
- (b) the New York law-governed 9.5% senior notes due July 2022 (the “**July 2022 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors. As at the date of this announcement, the aggregate principal amount of the July 2022 Notes outstanding was US\$12,574,000;
- (c) the New York law-governed 12.0% senior notes due April 2023 (the “**April 2023 Notes I**”) issued by the Company and guaranteed by the Subsidiary Guarantors. As at and the date of this announcement, the aggregate principal amount of the April 2023 Notes I outstanding was US\$200,000,000;
- (d) the New York law-governed 8.75% senior notes due April 2023 (the “**April 2023 Notes II**”) issued by the Company and guaranteed by the Subsidiary Guarantors. As at and the date of this announcement, the aggregate principal amount of the April 2023 Notes II outstanding was US\$224,224,517;

(e) the New York law-governed 9.75% senior notes due December 2023 (the “**December 2023 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors. As at the date of this announcement, the aggregate principal amount of the December 2023 Notes outstanding was US\$473,848,483; and

(f) certain offshore private debts of the Company,

provided that the Company may, at its election, include any additional debt in the Scheme, provided that it obtains the prior written consent of the Majority AHG (such consent not to be unreasonably withheld) and, to the extent that the excluded debt is held by a member of the AHG, consent shall also be required from that member of the AHG.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save for Liangzhong, each of the Scheme Creditors was independent of the Company and connected persons of the Company. The Company does not expect that any additional creditors to be included in the Scheme (if any) would be a connected person of the Company.

9. GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve by way of poll, the Issue of Convertible Bonds (including the grant of the Specific Mandate for the issue of the CB Conversion Shares).

A circular containing, among others, (a) further details of the Issue of Convertible Bonds and the transactions contemplated thereunder, including the issue of the CB Conversion Shares under the Specific Mandate; and (b) a notice convening the EGM will be despatched by the Company to the Shareholders on or before the end of 2023.

Completion of the transactions set out in this announcement is subject to the fulfilment or waiver of the conditions precedent as set out in this announcement. The transactions set out in this announcement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

10. DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Accumulated Sales”	the accumulated Contracted Sales calculated from 1 January 2023 to the applicable specific end dates (both days inclusive) in relation to the Senior Notes and the Convertible Bonds (as the case may be)
“Additional Senior Notes Amount”	an additional principal amount equivalent to 6.0% of the Senior Notes to be issued and shall be added to the total issue size of the Senior Notes on the Restructuring Effective Date
“AHG”	an ad-hoc group of offshore creditors of the Company who are Consenting Creditors, representing approximately 38.5% of the aggregate outstanding principal amount of the Scheme Debts as at the date of the RSA
“Board”	the board of the Company
“Cash Sweep”	the cash sweep relating to certain disposal of assets, the details of each of which are set out in RSA Term Sheet appended to the announcement of the Company dated 16 July 2023
“CB Conversion Period”	the period during which the Convertible Bonds can be converted into the Shares
“CB Conversion Price”	the conversion price per Share (subject to adjustments) in respect of the Convertible Bonds
“CB Conversion Shares”	the Shares to be issued upon conversion of the Convertible Bonds
“CB Indenture”	the indenture to be entered into between the Company, the Subsidiary Guarantors as guarantors and a trustee that specifies the terms and conditions of the Convertible Bonds
“CB Issue Amount”	the original principal amount of the Convertible Bonds issued on the Restructuring Effective Date
“CB Mandatory Redemption Date”	has the meaning ascribed to it under the section headed “2. POSSIBLE ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE”

“CB PIK Interest”	paid-in-kind interest under the Convertible Bonds
“Company”	Zhongliang Holdings Group Company Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2772)
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Consenting Creditors”	a person, on behalf of itself or, where such Consenting Creditor is an investment manager, on behalf of funds or accounts managed or advised by it, holding a beneficial interest as principal in the Scheme Debts who has agreed to be bound by the terms of the RSA as a Consenting Creditor in accordance with the terms of the RSA
“Contracted Sales”	in respect of each relevant period from 1 January 2023 to the applicable specific end dates (both days inclusive) in relation to the Senior Notes and the Convertible Bonds (as the case may be), the cumulative contracted sales of the Company and certain restricted subsidiaries, joint ventures and associates for that period, as disclosed in the latest annual results of the Company or otherwise publicly announced on the Stock Exchange, or, if not so disclosed or announced, calculated consistently with the contracted sales data for the year ended 31 December 2022 as disclosed in the Company’s annual results announced on the Stock Exchange on 30 March 2023
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Convertible Bonds” or “CB”	the 3.0% convertible bonds for a term of 3.5 years to be issued by the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve by way of poll, the Issue of Convertible Bonds and the transactions contemplated thereunder (including the grant of the Specific Mandate for the Issue of the CB Conversion Shares)

“Existing Notes”	the US\$ denominated senior notes issued by the Company, as set out in (a) to (e) under the section headed “8. INFORMATION OF THE SCHEME DEBTS UNDER THE SCHEME”
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holistic Solution”	the holistic solution for certain offshore debts of the Company involving a proposed Scheme
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	third parties independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries and their respective associates
“Information Agent”	D. F. King
“Issue Amount”	the original principal amount of the Senior Notes issued on the Restructuring Effective Date but excluding the Additional Senior Notes Amount
“Issue of Convertible Bonds”	the issue of the Convertible Bonds subject to the occurrence of and on the Restructuring Effective Date
“Issue of Senior Notes”	the issue of the Senior Notes subject to the occurrence of and on the Restructuring Effective Date
“JV Subsidiary Guarantee”	any guarantee of the payment of the Senior Notes or the Convertible Bonds (as the case may be) under the terms of the Senior Notes, or the Convertible Bonds (as the case may be) by any JV Subsidiary Guarantor
“JV Subsidiary Guarantor”	a non-wholly owned restricted subsidiary which guarantees the payment of the Senior Notes and the Convertible Bonds (as the case may be) as designated by the Company pursuant to the respective terms of the Senior Notes and the Convertible Bonds (as the case may be) from time to time

“Liangzhong”	Liangzhong International Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and a Scheme Creditor
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Majority AHG”	the member(s) of the AHG holding two-thirds (66 2/3%) the aggregate outstanding principal amount of the Restricted Debts held by the AHG at the relevant time
“Majority Consenting Creditors”	at any time, Consenting Creditors who hold (beneficially, as principal) an aggregate outstanding principal amount of more than 50% of the outstanding principal amount of the Scheme Debts held in aggregate by all Consenting Creditors at that time
“Mr. Yang”	Mr. Yang Jian, an executive director and the chairman of the Company
“Notes Mandatory Redemption Date”	has the meaning ascribed to it under the section headed “3. POSSIBLE ISSUE OF SENIOR NOTES TO A CONNECTED PERSON” in this announcement
“PRC”	the People’s Republic of China
“Record Time”	the time designated by the Company for the determination of claims of Scheme Creditors for the purposes of voting at the Scheme Meeting
“Reference Date”	1 January 2024
“Regulation S”	Regulation S under the Securities Act

“Required Principal”	with respect to any Notes Mandatory Redemption Date or CB Mandatory Redemption Date (as the case may be), the greater of (a) zero and (b) a principal amount of the Senior Notes or Convertible Bonds (as the case may be) calculated as (i) the “Principal amount to be redeemed” set forth in the applicable table on such Notes Mandatory Redemption Date or CB Mandatory Redemption Date (as the case may be) minus (ii) the aggregate principal amount of the Senior Notes or Convertible Bonds (as the case may be) redeemed (other than the aggregate principal amount redeemed by prior redemptions on any Notes Mandatory Redemption Date or CB Mandatory Redemption Date (as the case may be) pursuant to the RSA) on or prior to such Notes Mandatory Redemption Date or CB Mandatory Redemption Date (as the case may be) (which have not been deducted from the Required Principal on a prior Notes Mandatory Redemption Date or CB Mandatory Redemption Date (as the case may be) pursuant to the RSA). If the amount under (ii) is greater than (i), such excess portion shall be carried forward as though it forms part of (ii) for the purposes of the redemptions pursuant to the RSA on future Notes Mandatory Redemption Date or CB Mandatory Redemption Date (as the case may be) (with allocation by chronological order)
“Restricted Debts”	with respect to a Consenting Creditor at any time, the aggregate outstanding principal amount of Scheme Debts set out in the Restricted Debts Notice then most recently delivered by that Consenting Creditor, as modified from time to time by any transfer notices (as applicable) delivered by that Consenting Creditor to the Information Agent, subject to evidence satisfactory to the Information Agent having been provided in accordance with the RSA
“Restricted Debts Notice”	a notice setting out the details of the Restricted Debts in the form set out in the RSA
“Restructuring”	a consensual restructuring of the offshore indebtedness of the Company, to be conducted materially in the manner envisaged by, and materially on the terms set out in, the RSA

“Restructuring Effective Date”	the day on which all the Scheme Debts will be cancelled and all guarantees in connection with the Scheme Debts will be released and the Scheme Consideration will be distributed to the Scheme Creditors, with the conditions precedent to the Restructuring Effective Date having been either satisfied or waived (as the case may be)
“RMB”	Renminbi, the lawful currency of the PRC
“RSA”	the restructuring support agreement dated 14 July 2023 entered into by, among others, the Company and the AHG, as amended from time to time
“RSA Fee”	with respect to each Consenting Creditor and subject to and in accordance with the terms of the RSA, an amount in cash equal to 0.25% of the aggregate principal amount of the eligible restricted debt held by such Consenting Creditor as of the RSA Fee deadline
“RSA Term Sheet”	the RSA Term Sheet at Schedule 5 to the RSA, a copy of which is appended to the announcement of the Company dated 16 July 2023
“Scheme”	the scheme of arrangement proposed to be effected pursuant to section 674 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) between the Company and the Scheme Creditors for the purpose of implementing the Restructuring, as contemplated under the RSA
“Scheme Consideration”	the Scheme Consideration to be distributed to the Scheme Creditors on the Restructuring Effective Date, being upfront cash payment of 1% of the outstanding principal amount of the Scheme Debts, the Senior Notes and the Convertible Bonds, in exchange for the discharge and release of the relevant Scheme Debts claims of the Scheme Creditors against the Company
“Scheme Creditors”	creditors of the Company whose claims against the Company and any Subsidiary Guarantors under the Scheme Debts are (or will be) the subject of the Scheme
“Scheme Debts”	the Existing Notes and certain offshore debts of the Company under the Scheme

“Scheme Documents”	the composite document to be circulated by the Company to the Scheme Creditors in relation to the Scheme, which will include (among other things) an explanatory statement and the terms of the Scheme
“Scheme Effective Date”	the date on which the sanction order is filed with the registrar of companies in Hong Kong pursuant to section 673(6) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) at which time the Scheme shall become effective in accordance with its terms
“Scheme Meeting”	the meeting of the Scheme Creditors to vote on the Scheme convened pursuant to an order of the court (and any adjournment of such meeting)
“Securities Act”	the U.S. Securities Act of 1933, as amended
“Senior Notes”	the one tranche of new US\$ denominated senior notes in an aggregate principal amount that equals 99% of the outstanding principal amount of the Scheme Debts held by all Scheme Creditors as of the Record Time, plus all accrued and unpaid interest on such Scheme Debts up to (but excluding) the Reference Date minus the principal amount of the Convertible Bonds calculated by reference to the Reference Date, plus the Additional Senior Notes Amount
“Senior Notes Indenture”	the indenture to be entered into between the Company, the Subsidiary Guarantors as guarantors and a trustee that specifies the terms and conditions of the Senior Notes
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of the Company
“Specific Mandate”	the specific mandate to be granted by the Shareholders at the EGM to issue the CB Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary Guarantee”	any guarantee of the payment of the Senior Notes or the Convertible Bonds (as the case may be) under the terms of the Senior Notes or the Convertible Bonds (as the case may be) by any Subsidiary Guarantor
“Subsidiary Guarantors”	the same subsidiary guarantors of the Existing Notes and certain subsidiaries of the Company
“United States”	The United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollar, the lawful currency of the United States of America
“VWAP”	the volume-weighted average price per Share, a measurement that shows the average price of a security, adjusted for its volume
“%”	per cent.

On behalf of the Board
Zhongliang Holdings Group Company Limited
Yang Jian
Chairman

Hong Kong, 20 November 2023

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