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CIFI Holdings (Group) Co. Ltd.

旭輝控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00884)

(Debt Stock Codes: 05261, 05925, 40046, 40120, 40316, 40464, 40519, 40681, 40682)

UPDATE ON THE HOLISTIC SOLUTION FOR OFFSHORE LIQUIDITY SITUATION AND BUSINESS DEVELOPMENT

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

Reference is made to the announcements of the Company dated 1 November 2022, 29 December 2022 (the “**December 2022 Announcement**”) and 10 March 2023 (together, the “**Announcements**”). Unless otherwise stated, terms used in this announcement shall have the same respective meanings as those defined in the Announcements.

UPDATE ON THE HOLISTIC SOLUTION FOR OFFSHORE LIQUIDITY SITUATION

1. Progress on developing the holistic solution

The Company would like to provide an update to the market on the progress that has been made regarding the holistic solution for its offshore liquidity situation and the indicative terms of such proposal that have been discussed to date.

The Company has been actively working with its financial advisors, Haitong International Securities Company Limited, and its legal advisors, Linklaters, in search of a comprehensive solution to its current offshore liquidity issue with a view to securing a sustainable and viable business for the Company in the long-term for the benefit of all stakeholders.

In this regard, the Company and its offshore advisors have been communicating and constructively engaging with the Co-ordination Committee and its advisors, Alvarez & Marsal Corporate Finance Limited and Allen & Overy, together with the ad hoc group of bondholders (the “**AHG**”) and its advisors, Houlihan Lokey (China) Limited and Kirkland & Ellis, to facilitate the formulation of a consensual and holistic proposal in respect of the Company’s offshore indebtedness.

To date, the Company has delivered to the Co-ordination Committee, the AHG and their advisors, a refined proposal on the economic terms of the holistic solution after considering the ongoing detailed and constructive discussions with the Co-ordination Committee and the AHG, the prevailing market conditions and the Group’s latest business performance.

As mentioned in the December 2022 Announcement, the Company remains committed to equitable treatment for all of its offshore creditors and accordingly the Company has been proactively liaising with the AHG and its advisors on acceptable comfort to the bondholders that the remaining net proceeds of the Subscription (the “**Remaining Proceeds**”) will not be used for any purpose other than for the benefit of the bondholders. In October 2023, a formal escrow arrangement has been set up for the Remaining Proceeds with an independent service provider, Serica Agency Limited.

Over the past few months, the Co-ordination Committee, the AHG and their advisors have worked closely with the Company and its advisors to conduct in-depth due diligence on the Group’s financial and operational conditions. Accordingly, the Company has diligently responded to a wide range of due diligence questions and provided various forms of supporting documents, files and evidence. The parties have also made significant progress in formulating a proposal on the holistic solution and narrowing the bid-ask gap on various economic terms.

The Company is grateful to the offshore creditors for their continuing support and engagement in the Company’s ongoing process. There are no current legal proceedings against the Company commenced by any creditors.

2. Preliminary proposal for holistic solution

The Company has proposed to the Co-ordination Committee and the AHG a latest proposal on the holistic solution (the “**Proposal**”) with several key elements as summarised below.

- (a) The Proposal addresses the Company’s offshore indebtedness under its unsecured loan facilities, US\$-denominated senior notes, senior perpetual securities and convertible bonds, and the interests accrued (at non-default rate) thereunder up to the effective date of the transaction (the “**RED**”) (the “**In-Scope Debts**”).

- (b) The Proposal contemplates giving the holders/lenders under the In-Scope Debts (collectively, the “**Creditors**”) five (5) options (the “**Options**”, each an “**Option**”) to convert their In-Scope Debts into different US\$-denominated notes (the “**New Notes**”) or US\$/CNY denominated loans (the “**New Loans**”, together with the New Notes, the “**New Debt Instruments**”), offering the Creditors structures between pure maturity extension with no haircut (in the form of notes and loan facilities respectively), maturity extension with small haircut, maturity extension with considerable haircut and maturity extension with partial equitization to cater for the different preferences and needs of the Creditors.
- (c) The Company seeks to address its aggregate offshore indebtedness under the In-Scope Debt by deleveraging the Company’s consolidated balance sheet (targeted approximately US\$3.3 billion to US\$4 billion) and designing a sustainable amortisation schedule in order to provide a healthy capital structure for the Company. Therefore, the Options incorporate elements of haircut and equitization. For the Option with equitization element, the conversion price at the RED is proposed to be a multiple of the current trading price of the Company’s shares, while the conversion prices for stages afterwards may be different. The equitization is considered to be via an instrument with a 7-year final maturity and elements of mandatory equitization at RED and each anniversary from RED thereafter.
- (d) The Company intends to implement a holistic solution for the In-Scope Debts that benefit from the same/substantially similar rights pre-transaction by way of scheme(s) of arrangement in Hong Kong and/or other applicable jurisdictions, potentially inter-conditional with one/more consent solicitations. The terms of the convertible bonds of the Company will be amended pursuant to its terms and conditions, the proposed revised terms of which (may or may not be equivalent to the Options) will be provided to the holders of the convertible bonds.
- (e) The amortisation schedules of most of the Options will be spread over a number of years, with maturities ranging from 2 to 9 years from RED. Options with equitization and/or haircut elements have a shorter weighted average maturity than the other Options. For options with no haircut or equitization, the maturity may be shortened (within the aforementioned range) as it links to the contracted sales attributable to owners of the Company post-RED.
- (f) The coupon rate of the New Debt Instruments will be in the range of 2%-4%. Most of the Options will include interest deferral mechanism where the deferred interest (without any compounding) will be paid in a lump sum together with or after the repayment of the last amortisation instalment. For Options without haircut, an interest step-up mechanism (coupon rates remain within the aforementioned range), which links to the contracted sales attributable to the owners of the Company post-RED, is designed. For all Options except the one with considerable haircut, an interest step-down mechanism (coupon rates remain within the aforementioned range), which links to the contracted sales attributable to the owners of the Company post-RED, is also designed.

- (g) All Options will be credit enhanced by the same guarantees and security package. The credit enhancement package involves onshore and offshore elements, including but not limited to cash sweep of a specified portfolio of projects/assets, share charges/pledges and security over substantial intercompany claim due from CIFI Group Co., Ltd.* (旭輝集團股份有限公司), an indirect wholly-owned subsidiary of the Company, to the Company.
- (h) A consent fee is considered to be provided to the Creditors who support the Proposal.

For the avoidance of doubt, as at the date of this announcement, the Company is still in negotiations with the Co-ordination Committee and the AHG, and no definitive agreement on the terms of the holistic solution has been entered into between the Company, the Co-ordination Committee and the AHG. The Company expects to continue the proactive and constructive dialogue and maintain a positive momentum with the Creditors with a view to further narrowing the bid-ask gap on various economic terms of the holistic solution as soon as practical. In this regard, the Company will continue to provide material updates on the process to all stakeholders as and when appropriate.

UPDATE ON THE BUSINESS DEVELOPMENT

1. Financial Information Overview

As of 30 June 2023, in relation to offshore debts, the Group had total attributable interest-bearing liabilities (excluding accrued interest) of approximately US\$7.0 billion, which comprise of approximately US\$4.0 billion in outstanding principal amount of senior notes, approximately HK\$1,895 million in outstanding principal amount of convertible bonds, approximately US\$300 million in outstanding principal amount of senior perpetual securities, approximately US\$2.3 billion in the outstanding principal amount of unsecured loan facilities and approximately US\$110.5 million in the outstanding principal amount of project-level debts.

In addition, as of 30 June 2023, the Group had attributable cash balance of approximately RMB19.2 billion and, as disclosed in the Company's 2023 Interim Report, fair value of investment properties of approximately RMB45,625 million (subject to the assumptions, limitations and methodology explained therein). Certain offshore entities of the Group are the beneficiaries of substantial intercompany claims comprising of claims due from CIFI Group Co., Ltd.* (旭輝集團股份有限公司) to the Company and claims due from onshore entities to wholly foreign-owned enterprises (WFOEs) of the Group.

To the extent that any liabilities or assets is borne or owned by the Group together with any business partners or third parties, only the outstanding principal amount or value attributable to the Group with reference to the Group's share in such liability or asset is taken into account in producing the financial information above (except the fair value of investment properties of the Group).

2. Projected Cash Flow

The total cumulative cash flow (after the repayment of project level debt) generated from the Group's onshore development projects, including projects developed by the Group and its joint ventures and associates, during the period from the second half of 2023 to 2032 is estimated to be approximately RMB104 billion to RMB115 billion.

As mentioned above, the Group had fair value of investment properties of approximately RMB45.6 billion as of 30 June 2023 and the Group considers gradually disposing of part of its investment properties and offshore assets, subject to market conditions and asset operation circumstances, which is expected to increase the overall liquidity of the Group by approximately RMB12 billion to RMB14 billion.

The total cumulative cash flow generated for offshore debt service is estimated to be approximately RMB30 billion to RMB35 billion.

The above information regarding the Group's projected cash flow is based solely on a preliminary assessment by the management of the Company with reference to the information currently available to it and based on a series of assumptions, for example, the above estimated net proceeds from disposal of investment properties is projected subject to market conditions and the period necessary for the relevant properties to fully materialise its value. 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. Holders of securities and potential investors of the Company 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. Any information relating to the profit of the Group will be announced by the Company in accordance with the applicable requirements under the Listing Rules.

3. Ensuring Deliveries of Properties

Notwithstanding the liquidity pressure the Company has been facing, the Group has continued to carry on its business operations as usual in all material respects. The Group has put tremendous efforts in preserving value for all stakeholders by ensuring delivery of properties, stabilising its normal business operations and maintaining its onshore financing arrangements. In 2023, the Group, together with its joint ventures and associates, delivered approximately 118,000 housing units in aggregate, which is record-breaking since the establishment of the Group. While the property market is subject to further adjustment in 2024 and the Group may be faced with more difficulties, the Group will use its best endeavour to reach the target of delivering 80,000 quality housing units. The cost of construction and installation is expected to exceed RMB30 billion.

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 or any disposal will be subject to many factors not within the control of the Company. As there is no assurance that any holistic solution or any such disposal 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) are 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
CIFI Holdings (Group) Co. Ltd.
LIN Zhong
Chairman

Hong Kong, 3 January 2024

As at the date of this announcement, the Board comprises Mr. LIN Zhong, Mr. LIN Wei, Mr. RU Hailin, Mr. YANG Xin and Mr. GE Ming as executive Directors; and Mr. ZHANG Yongyue, Mr. TAN Wee Seng and Ms. LIN Caiyi as independent non-executive Directors.

* *For identification purpose only*