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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

**DISCLOSEABLE TRANSACTION AND
EXEMPTED CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN A SUBSIDIARY
POSSIBLE ACQUISITION — DISCLOSEABLE TRANSACTION;
EXEMPTED CONNECTED TRANSACTION**

THE DISPOSAL

On 13 August 2020, the Company, the Vendor and the Target Company entered into an Investment Agreement with each Purchaser, pursuant to which the Vendor agreed to sell, and each Purchaser agreed to acquire, all the Sale Shares at the aggregate consideration of HK\$23,500,000,000.

The strategic investment will introduce a number of renowned strategic investors to the Group's Property Management Business, which will enhance the corporate profile and support the growth and development of the Property Management Business.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Additionally, as at the date of the Investment Agreement signed by Advance Power International Limited, the ultimate beneficial owner of Advance Power International Limited, one of the Purchasers, is Mr. Xia Haijun who is a Director and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal by Advance Power International Limited constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal by Advance Power International Limited exceeds 0.1% but is less than 5%, such Disposal is only subject to the reporting and announcement requirements, and is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Under the terms of each of the Investment Agreements, each Purchaser is entitled to require the Company and the Vendor to jointly and severally repurchase all or part (at the discretion of the Purchaser) of the shares of the Target Company held by it upon the occurrence of certain events. As such right is vested with each Purchaser, the right will be treated as if exercised at the time of the entering into of the Investment Agreement pursuant to Rule 14.74(1) of the Listing Rules. Given that the applicable percentage ratio in respect of the maximum amount payable by the Company and the Vendor to repurchase the shares of the Target Company is more than 5% and less than 25%, the repurchase right under the Investment Agreements constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

On 13 August 2020, the Company, the Vendor and the Target Company entered into an Investment Agreement with each Purchaser, pursuant to which the Vendor conditionally agreed to sell, and each Purchaser conditionally agreed to acquire, all the Sale Shares at the aggregate consideration of HK\$23,500,000,000 subject to the terms and conditions of the Investment Agreement.

The relevant terms of each Investment Agreement are set out below:

THE INVESTMENT AGREEMENTS

Subject matter

The Company, the Vendor and the Target Company entered into an Investment Agreement with each of the Purchasers for the disposal of the Sale Shares at the Consideration as set out below:

Purchaser	Number of the Sale Shares (percentage of the issued share capital of the Target Company)	Consideration (HK\$)
1. Chan Hoi Wan	537,342 (5.373%)	4,500,000,000
2. Huatai International Greater Bay Area Investment Limited (華泰國際大灣區投資有限公司)	477,637 (4.776%)	4,000,000,000
3. SCC Growth VI 2020 B, L.P.	411,962 (4.120%)	3,450,000,000
4. CC Eagle Investments Limited	358,228 (3.582%)	3,000,000,000
5. YF Evergreat Property Limited	179,114 (1.791%)	1,500,000,000
6. Image Frame Investment (HK) Limited (意像架構投資 (香港)有限公司) and Golden Fortune Holding Limited	143,291 (1.433%)	1,200,000,000
7. China Dragon Limited	119,409 (1.194%)	1,000,000,000
8. Tise Opportunity Fund I LP	119,409 (1.194%)	1,000,000,000
9. ABCI Global Opportunities SPC — ABCI China Rising Private Equity 3 Segregated Portfolio	119,409 (1.194%)	1,000,000,000
10. Elite Explorer Limited	95,527 (0.955%)	800,000,000
11. Advance Power International Limited	65,675 (0.657%)	550,000,000
12. Super Brilliant Investments Limited (超智投資有限公司)	59,704 (0.597%)	500,000,000
13. Well Smart Developments Limited	59,704 (0.597%)	500,000,000
14. Treasure Pitcher Limited	59,704 (0.597%)	500,000,000
Total	<u>2,806,115 (28.061%)</u>	<u>23,500,000,000</u>

Consideration

The consideration in aggregate payable by all the Purchasers for all the Sale Shares is HK\$23,500,000,000, which shall be satisfied by each Purchaser through wire transfer on or before the Completion Date upon satisfaction or waiver of the Conditions Precedent.

The consideration for the Sale Shares was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms by taking into consideration of various factors, including the growth prospects of the property management sector in the PRC and market comparable of companies engaged in the property management business in the PRC as a whole.

Conditions Precedent

Completion shall be conditional upon the satisfaction of, including but not limited to, of the following conditions on or before the Completion Date:

- (a) the completion of the due diligence by the relevant Purchaser or its agent on all material aspects of the Target Group Company in business, legal, finance and other aspects to the reasonable satisfaction of the Purchaser;
- (b) the representations and warranties of the Warrantors under the relevant Investment Agreement being true and accurate in all material aspects on the date of the relevant Investment Agreement and on the Completion Date;
- (c) completion of the reorganisation of the Target Group; and
- (d) have not been any material adverse effect on the business, assets or operation of the Target Group or material litigation.

If the Conditions Precedent set out above have not been satisfied on or before the Completion Date, the relevant Investment Agreement shall cease and terminate.

Completion

Subject to fulfilment of the Conditions Precedent, Completion shall take place on the Completion Date.

Upon Completion, the Target Company will be held as to 28.061% by the Purchasers and as to 71.939% by the Group. The Target Company will remain as an indirect non-wholly owned subsidiary of the Company.

Repurchase right

Unless any of the following events results from the breach on the part of the Purchaser of its obligations under the Investment Agreement, upon the occurrence of any of the following events, the Purchaser is entitled to require the Company and the Vendor to jointly and severally repurchase all or part of the shares of the Target Company held by the Purchaser at the original consideration paid by the Purchaser with an interest of 10% per annum:

- (a) the Target Company having not completed the Qualified IPO on or before the second anniversary of the Completion Date; or
- (b) the Warrantors being in material breach of certain terms under the Investment Agreement and not able to effectively cure such breach within 30 days after the Purchaser notifies the Warrantors in writing of the same.

Anti-dilution protection

Save for the options or shares to be issued under any employee option plans or other similar plans, the Target Company shall not proceed with any financing activity at a valuation of the Target Company that is lower than that under the Pre-IPO Investment, unless the Target Company has obtained the consent in writing from the investors holding more than half of the shareholding acquired under the Pre-IPO Investment, whether such financing activity may involve the issue of share securities, transfer by the Company and/or the Vendor of its shareholding in the Target Company, or transactions of any other form. In the event that any employee option plan or other similar plan involves shareholding that exceeds 3% of the issued share capital of the Target Company, the portion in excess of 3% is subject to the anti-dilution protection and would result in anti-dilutive effect. In the event that any employee option plan or other similar plan involves shareholding that is not more than 3% of the issued share capital of the Target Company, the Purchaser shall not be entitled to such right.

INFORMATION ABOUT THE TARGET GROUP

The Target Company is a company incorporated in the Cayman Islands which is wholly owned by the Vendor as at the date of this announcement. The Target Company is an investment holding company. The Target Group is principally engaged in the provision of:

- (a) property management services for residential and other properties (including commercial properties), including concierge, security, cleaning and gardening, repair and maintenance and car park management services;
- (b) value-added services to non-property owners, including pre-delivery services (site management, show flats and sales office services, planning and consulting services), sale of car park, pre-delivery cleaning and pre-delivery inspection services, and repair services during the maintenance period; and
- (c) value-added services to property owners and residents, including community assets operations, estate public areas management services, community operation and innovative services, community life and other services.

The unaudited net asset value of the Target Group as at 30 June 2020 was approximately RMB2,773.31 million. The unaudited financial information of the Target Group for the year ended 31 December 2018 and 31 December 2019 is as follows:

	Year ended 31 December 2018 (unaudited) RMB million	Year ended 31 December 2019 (unaudited) RMB million
Profit before taxation	313.7	1,233.8
Profit after taxation	233.3	922.5

INFORMATION ABOUT THE PARTIES

The Company

The Company is a limited liability company incorporated in the Cayman Islands and holds a diversified range of business. The Company is a conglomerate and is principally engaged in the property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in the PRC.

The Vendor

The Vendor is a company incorporated in the British Virgin Islands and is wholly owned by the Company as at the date of this announcement. The Vendor is an investment holding Company.

The Target Company

The Target Company is a company incorporated in the Cayman Islands and is wholly owned by the Company as at the date of this announcement. The Target Company is an investment holding Company.

The Purchasers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Ms. Chan Hoi Wan is an Independent Third Party.

Huatai International Greater Bay Area Investment Limited (華泰國際大灣區投資有限公司) is a company incorporated in the British Virgin Islands wholly owned by Huatai International Acquisition Fund I, L.P.. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Huatai International Greater Bay Area Investment Limited and its ultimate beneficial owners are Independent Third Parties.

SCC Growth VI 2020 B, L.P. is a limited partnership established in the Cayman Islands. Its general partner is SC China Growth VI Management L.P.. SCC Growth VI 2020 B, L.P. is principally engaged in equity investment in private companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SCC Growth VI 2020 B, L.P. and its ultimate beneficial owner are Independent Third Parties.

CC Eagle Investments Limited is a company incorporated in the Cayman Islands and its ultimate beneficial owner is CC Eagle (2020A) L.P., the general partner of which is CC Eagle (2020A) GP Ltd., which is in turn an associate company of CITIC Capital Holdings. CC Eagle Investments Limited is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CC Eagle Investments Limited and its ultimate beneficial owner are Independent Third Parties.

YF Evergreat Property Limited is a company incorporated in the British Virgin Islands and its sole shareholder is YF Evergreat Fund L.P., a limited partnership established in the Cayman Islands with its general partner being YF Evergreat Investment Limited. YF Evergreat Property Limited is principally engaged in equity investment in private companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, YF Evergreat Property Limited and its ultimate beneficial owner are Independent Third Parties.

Image Frame Investment (HK) Limited (意像架構投資(香港)有限公司) is a company incorporated in Hong Kong and its ultimate beneficial owner is Tencent Holdings Limited. Image Frame Investment (HK) Limited (意像架構投資(香港)有限公司) is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Image Frame Investment (HK) Limited (意像架構投資(香港)有限公司) and its ultimate beneficial owner are Independent Third Parties.

Golden Fortune Holding Limited is a wholly owned subsidiary of TPP Fund II. L.P. TPP Fund II. L.P. is a limited partnership established in the Cayman Islands and is principally engaged in investment holding. The general partner of TPP Fund II. L.P. is TPP GP II, Ltd., a subsidiary of Tencent Holdings Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Golden Fortune Holding Limited and its ultimate beneficial owners are Independent Third Parties.

China Dragon Limited is a company incorporated in the British Virgin Islands and its ultimate beneficial owner is Or Wai Sheun. China Dragon Limited is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, China Dragon Limited and its ultimate beneficial owner are Independent Third Parties.

Tise Opportunity Fund I LP is a limited partnership established in Cayman Islands. Its general partner is Tise Capital Management Limited. Tise Opportunity Fund I LP is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tise Opportunity Fund I LP and its ultimate beneficial owner are Independent Third Parties.

ABCI Global Opportunities SPC — ABCI China Rising Private Equity 3 Segregated Portfolio is an independent investment portfolio company incorporated in the Cayman Islands is principally engaged in asset management. Its fund manager is ABCI Asset Management Limited, which is a wholly owned subsidiary of ABC International Holdings Limited, a subsidiary of the Agricultural Bank of China Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, ABCI Global Opportunities SPC — ABCI China Rising Private Equity 3 Segregated Portfolio and its ultimate beneficial owner are Independent Third Parties.

As of the date of this announcement, Elite Explorer Limited is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. The ultimate beneficial owner of Elite Explorer Limited is China Everbright Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Elite Explorer Limited and its ultimate beneficial owner are Independent Third Parties.

Advance Power International Limited is a company incorporated in the British Virgin Islands, and its ultimate beneficial owner is Mr. Xia Haijun who is the vice chairman of the Board and Chief Executive Officer of the Group.

Super Brilliant Investments Limited (超智投資有限公司) is a company incorporated in the British Virgin Islands and its ultimate beneficial owner is Dai Yongge. Super Brilliant Investments Limited (超智投資有限公司) is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Super Brilliant Investments Limited (超智投資有限公司) and its ultimate beneficial owner are Independent Third Parties.

Well Smart Developments Limited is a company incorporated in the British Virgin Islands, which is wholly owned by Chow Tai Fook Nominee Limited and is ultimately controlled by the family of Dr. Cheng Kar-Shun, Henry. Its principal activity is investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Well Smart Developments Limited and its ultimate beneficial owner are Independent Third Parties.

Treasure Pitcher Limited is a company incorporated in the British Virgin Islands and its ultimate beneficial owner is Lifestyle International Holdings Limited, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1212). Treasure Pitcher Limited is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Treasure Pitcher Limited and its ultimate beneficial owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Target Company will remain as a subsidiary of the Company upon Completion, the Group is not expected to recognise any actual gain or loss as a result of the Disposal. The actual gain or loss to be recorded by the Group will be subject to final audit to be performed by the Company's auditors.

Following completion of the Reorganisation, the Target Company will become the holding company of the Group's Property Management Business. In this round of investment, the Group introduced a number of renowned strategic investors to its Property Management Business. This will enhance the corporate profile and support the growth and development of the Property Management Business.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Investment Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Group intends to apply the proceeds from the Disposal for general corporate use of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Additionally, as at the date of the Investment Agreement, the ultimate beneficial owner of Advance Power International Limited, one of the Purchasers, is Mr. Xia Haijun who is a Director and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal to Advance Power International Limited constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal by Advance Power International Limited exceeds 0.1% but is less than 5%, such Disposal is only subject to the reporting and announcement requirements, and is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Under the terms of the Investment Agreement, each Purchaser is entitled to require the Company and the Vendor to jointly and severally repurchase all or part (at the discretion of the Purchaser) of the shares of the Target Company held by the Purchaser upon the occurrence of certain events. As such right is vested with each Purchaser, the right will be treated as if exercised at the time of the entering into of each Investment Agreement pursuant to Rule 14.74(1) of the Listing Rules. Given that the applicable percentage ratio in respect of the maximum amount payable by the Company and the Vendor to repurchase the shares of the Target Company is more than 5% and less than 25%, the repurchase right under the Investment Agreements constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	China Evergrande Group, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Completion Date”	11 a.m. on 20 August 2020, or such other date and time as the relevant parties may agree in writing
“Conditions Precedent”	conditions precedent to the Completion as set out in the paragraph headed “Conditions Precedent” of this announcement

“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal, which are set out in the column “Consideration” in the table under the paragraph headed “ Subject matter ” of this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchasers
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third party(ies) independent of and not connected with the Company and its connected persons
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Xia Haijun, his associates and any other Shareholder who has a material interest in the transaction contemplated under the Investment Agreement
“Investment Agreement”	each of the conditional agreements dated 13 August 2020 entered into by the Vendor, the relevant Purchaser, the Target Company and the Company respectively in relation to the Disposal
“Jinbi Property”	Jinbi Property Management Company Limited (金碧物業有限公司), a limited liability company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Pre-IPO Investment”	the transactions whereby the investors are introduced to invest in the Target Company at the valuation of not less than RMB75 billion (or equivalent currency) prior to its listing on the Stock Exchange, and for the avoidance of doubt, all transactions at the aforesaid valuation would be deemed to be in the same round of investment
“Property Management Business”	the property management and related value-added businesses of the Group
“Purchasers”	the purchasers as set out in the column “Purchaser” in the table under the paragraph headed “ Subject matter ” of this announcement

“Qualified IPO”	the initial public offering and the listing of the shares of the Target Company where the price per share as at such listing is not lower than the price per share in connection with the Pre-IPO Investment (as proportionally adjusted for share splits, combinations, capitalisation issue and similar events (if any))
“Reorganisation”	the internal reorganisation of the Group whereby Success Will and Jinbi Property and their respective subsidiaries are to be included in the Target Group and become subsidiaries of the Target Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	shares in the issued share capital of the Target Company subject to the Disposal, the number of which are set out in the column “Number of the Sale Shares” in the table under the paragraph headed “ Subject matter ” of this announcement
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Will”	Success Will Group Limited (雅立集團有限公司), a company incorporated in Hong Kong with limited liability
“Target Company”	Mangrove 3, Ltd., a company incorporated in the Cayman Islands with limited liability and wholly owned by the Vendor
“Target Group”	the Target Company and its subsidiaries upon completion of the Reorganisation
“Target Group Company”	any of the Target Company and its subsidiaries upon completion of the Reorganisation
“Vendor”	CEG Holdings (BVI) Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Warrantors”	the Company, the Vendor and the Target Company

“%”

per cent

By order of the board
China Evergrande Group
Hui Ka Yan
Chairman

Hong Kong, 13 August 2020

As at the date of this announcement, the executive Directors are Mr. Hui Ka Yan, Mr. Xia Haijun, Mr. Shi Junping, Mr. Pan Darong, Mr. Huang Xiangui and Mr. Lai Lixin, and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.