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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
DISPOSAL OF SHARES IN GUANGHUI INDUSTRIAL**

The Board announces that on 1 November 2020, a wholly-owned subsidiary of the Group entered into the Agreement with Shenergy Group Limited, Guanghui Industrial and Mr. Sun Guangxin to transfer the 40.964% equity interests it held in Guanghui Industrial to Shenergy Group Limited for a total consideration of RMB14.85 billion.

The disposal of the equity interests in Guanghui Industrial will enable the Group to focus more on its core business and achieve long-term stable and healthy development.

THE DISPOSAL

The major terms of the Agreement are as follows:

Date: 1 November 2020

Parties:

- (1) 恒大集團有限公司 (Evergrande Group Limited) as the Vendor;
- (2) 申能(集團)有限公司 (Shenergy Group Limited) as the Purchaser;
- (3) Guanghui Industrial; and
- (4) 孫廣信 (Mr. Sun Guangxin).

Subject matter

The asset to be transferred is the 40.964% equity interests in Guanghui Industrial held by the Vendor.

Consideration

The consideration for the disposal of the interests in Guanghui Industrial is RMB14.85 billion, which was determined by the Vendor and the Purchaser after arm's length negotiations with reference to the purchase price paid by the Group for the acquisition of such interests in Guanghui Industrial.

Subject to final audit, it is expected that the Group will not incur any gain or loss as a result of the Disposal. The Company currently plans to use the proceeds from the Disposal as general working capital of the Company.

The Purchaser will pay the consideration within three business days of the conditions precedent to the Agreement being satisfied or waived.

Conditions precedent and effective conditions of the Agreement

The material conditions precedent and effective conditions of the Agreement include:

- (1) the Purchaser is satisfied with the results of due diligence on Guanghui Industrial and its related businesses, assets, debts, activities, operations, prospects and other conditions;
- (2) the Vendor has obtained all necessary approvals and authorisations for the Agreement and the transactions contemplated thereunder;
- (3) the Purchaser has obtained all necessary approvals and authorisations for the Agreement and the transactions contemplated thereunder;
- (4) the warranties under the Agreement continued to remain true, accurate, and complete, not misleading in any material aspects, and there has not been any breach or any incident or situation that resulted in any material adverse changes;
- (5) the banks or financial institutions that have loans and/or mortgages and/or other contractual relationships with Guanghui Industrial have not objected in writing to the transactions contemplated under the Agreement;
- (6) the shareholders of Guanghui Industrial have approved the equity transfer; and
- (7) the equity transfer has completed the necessary State-owned asset investment procedures.

If the above conditions precedent are not satisfied (or waived by the Purchaser in writing) before 31 January 2021, both the Purchaser and the Vendor will have the right to unilaterally terminate the Agreement.

INFORMATION ABOUT GUANGHUI INDUSTRIAL

Guanghui Industrial engages in the fields of energy development, auto services, modern logistics, and real estate services. Guanghui Industrial is the controlling shareholder of China Grand Automotive Services Group Co., Ltd. (廣匯汽車服務集團股份公司) (“CGA”) (stock code: 600297), Guanghui Energy Co., Ltd. (廣匯能源股份有限公司) (stock code: 600256), and Guanghui Logistics Co., Ltd. (廣匯物流股份有限公司) (stock code: 600603), while CGA holds 67.71% of Grand Baoxin Auto Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1293).

The financial information of Guanghui Industrial for the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 are set out below:

	For the year ended		For the six
	31 December		months ended
	2018	2019	30 June 2020
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Net profit before tax	7,508.8	6,888.7	1,859.4
Net profit after tax	5,043.5	4,523.6	1,158.8

The net asset value of Guanghui Industrial as at 30 June 2020 was approximately RMB87.7 billion.

As at the date of this announcement, the Vendor holds 40.964% interests in Guanghui Industrial. Upon completion of the Disposal, the Vendor will no longer hold any interest in Guanghui Industrial.

REASONS FOR THE DISPOSAL

The Disposal will enable the Group to focus more on its core business and achieve long-term stable and healthy development.

Given that the terms of the Agreement were concluded after arm’s length negotiations and were on normal commercial terms, the Directors (including the independent non-executive Directors) consider that the Disposal was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Vendor

The Vendor is a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

The Purchaser

The Purchaser is a wholly State-owned enterprise funded and supervised by the Shanghai State-owned Assets Supervision and Administration Commission, and is the main entity for State-owned investment and construction of major energy infrastructure in Shanghai. It is mainly engaged in the investment, construction, operation and management of energy infrastructure projects. It currently owns several companies, including Shanghai Gas Group and Orient Securities. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent of the Company and its connected persons.

Guanghui Industrial

Guanghui Industrial is a validly existing company established in the PRC with limited liability. As at the date of this announcement, the Vendor holds 40.964% interests in Guanghui Industrial.

Mr. Sun Guangxin

Mr. Sun Guangxin is the controlling shareholder of Guanghui Industrial. As at the date of this announcement, Mr. Sun Guangxin is interested in 50.057% of Guanghui Industrial. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Sun Guangxin is independent of and not connected with the Company and its connected persons.

GENERAL

The Group, established in Guangzhou, Guangdong Province in 1996, has established an overall industry layout of having real estate development as its foundation, developing cultural tourism and health and well-being industries as complementary pillars, and focusing on new energy vehicle as leading growth driver. In 2020, the Group was ranked 152nd in the Fortune Global 500.

As the applicable percentage ratios under Rule 14.07 of 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 and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Agreement”	the agreement dated 1 November 2020;
“Board”	the board of directors of the Company;
“Company”	China Evergrande Group, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the transfer by the Vendor of its 40.964% equity interests in Guanghui Industrial to the Purchaser;
“Group”	the Company and its subsidiaries;
“Guanghui Industrial”	新疆廣匯實業投資(集團)有限責任公司 (Xinjiang Guanghui Industrial Investment (Group) Company Limited), a limited liability company established in the PRC;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administration Region;
“Purchaser”	申能(集團)有限公司 (Shenergy Group Limited);
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;

“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	恒大集團有限公司 (Evergrande Group Limited), a company established in the PRC, a subsidiary of the Company; and
“%”	per cent.

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

Hong Kong, 1 November 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.