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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

INSIDE INFORMATION

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

RECENT BUSINESS DEVELOPMENT OF THE GROUP

Operation Data of the Property Development Business in the First Half of 2022

In the first half of 2022, the Group achieved contracted sales of properties of RMB12.26 billion and contracted sales area of 1.193 million square meters.

The Group endeavours to maintain the sustainability of its operations and is making its best effort to resume work and construction and to effectively protect the lawful rights and interests of its home-buyers and creditors. As of the date of this announcement, the Group has partially or completely resumed construction of 96% of its pre-sold and undelivered projects, and the number of construction workers resuming work has reached 86% of the Group’s requirements in normal situation. Since July 1, 2021, the Group has completed and delivered a total of 232,000 units of property with an aggregate GFA of 24.19 million square meters.

Commencement of the Sale of New Energy Vehicles

At the beginning of this year, “Hengchi 5”, the first new energy vehicle independently developed by the Group’s subsidiary, China Evergrande New Energy Vehicle Group Limited, formally rolled off the assembly line. In March 2022, Hengchi 5, through the 353rd new product list of the Ministry of Industry and Information Technology, passed the public notice period and received the approval for sale. On July 6, 2022, Hengchi 5 formally commenced the pre-sale process, and as of the date of this announcement, the Group has received pre-sale orders for over 37,000 vehicles.

OFFSHORE RESTRUCTURING PROGRESS AND PRINCIPLES

The Group would like to provide to the market the positive progress made in its offshore restructuring process and certain preliminary principles for the restructuring of the offshore debts of the Company and its offshore subsidiaries.

Offshore Restructuring Progress

In the recent period, the Group has been working with its legal and financial advisors in assessing the situation of the Group with a view to formulating a solution which respects the rights of all stakeholders and aims to gradually restore orderly operations and realize the value of its business and assets.

At the same time, the Group has been working constructively with various creditors of the USD-denominated senior notes issued by the Company and its offshore subsidiary, Scenery Journey Limited and the advisors of creditors, to stabilize the situation and facilitate the formulation of a restructuring proposal for offshore debts.

In addition, the Group is working closely and communicating regularly with the creditors and advisors of creditors on conducting an orderly and necessary due diligence of the Group’s core business, discuss potentially practicable restructuring proposal options for the offshore debts. The information acquired in the due diligence process will serve as an important basis for formulating the offshore restructuring proposal. Given the size and complexity of the Group and the dynamics the Group finds itself in, the due diligence process remains ongoing.

Preliminary Restructuring Principles for Offshore Debt

In view of the wide geographical coverage of the Group’s property development business and given that the real estate markets in related regions of China are still in adjustment, and considering the overall size of the assets and liabilities of the Group, it is expected that it will take a relatively long time for the business to restore orderly operations and asset value of all stakeholders.

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

(1) *Respect international restructuring principles*

While there may be need to have different groups of offshore debt claims based on, amongst other factors, the different obligors under the debt claims, the structure and seniority of the debt claims, and the expected recovery rate for each type of debt claim, when formulating the offshore restructuring proposal, the Group will fully consider the legal rights of the different groups of creditors and follow all relevant laws and international best practice.

(2) *Fair treatment of all creditors relative to their existing rights and claims*

The Group understands the importance of respecting the legal rights of creditors and treating creditors fairly and not to prefer any individual creditor. The Group's advisors are still analysing the rights and claims of the creditors. The principle of fair treatment of creditors will be reflected in the restructuring proposal.

(3) *Appropriate credit enhancement*

The Group will arrange asset package(s) in compliance with the law as supplemental credit enhancement for the restructured offshore debts as appropriate. The assets in the asset package(s) may include, but are not limited to, the equity interest in the offshore subsidiaries directly or indirectly held by the Company (such as China Evergrande New Energy Vehicle Group Limited and Evergrande Property Services Group Limited), and the Group's assets to which the relevant offshore creditors have a right of recourse in accordance with applicable laws and regulations. To ensure fairness, any corresponding asset package (if any) for a group of claims will be based on the legal structure of the offshore debts, which means the arrangement relating to the asset packages will take into consideration the Company's assets and seniority of liabilities, cash flow analysis, intercompany loan structure and contractual and legal ranking of the various claims, as well as any support from shareholders.

Scope of the proposed offshore restructuring

The debts that will be covered by the proposed offshore restructuring are expected to include:

- (1) USD senior notes issued by the Company;
- (2) USD senior notes issued by Scenery Journey Limited and guaranteed by Tianji Holding Limited (both companies are subsidiaries of the Company) and with the benefit of keepwells provided by Hengda Real Estate Group Company Limited in accordance with existing keepwell and equity interest purchase agreements; and

- (3) other offshore debts of the Company and its offshore subsidiaries (including guarantees, repurchase obligations and other contingent liabilities of the Company, such as the obligations to repurchase shares related to Fangchebao Group Co. Ltd.).

There are differences in the above types of debt claims. In view of the complexity of the Company's debt structure, the Company intends that the offshore restructuring proposal will cover as many of its creditors' claims as possible.

Where applicable the Group expects that the restructuring proposal may include a fair and reasonable process for determining the existence and the amount of the creditors' claims.

Potential implementation structure

The offshore restructuring proposal is intended to be implemented by one or more schemes of arrangement, subject to the approval of the relevant creditors, the approval of relevant courts and other required approvals (if any).

Next steps

The Group and its advisors encourage offshore creditors to actively engage with the Group's financial advisors and will also continue its close dialogue with creditors and their respective advisors in formulating the offshore restructuring proposal. The offshore restructuring proposal will be based on the principles set out in this announcement. It is expected that the due diligence work on the Group will essentially be completed in the near future. At that time, the Group will communicate with the relevant creditors and their respective advisors on the offshore restructuring framework and proposal and the Group aims to achieve further positive progress and announce a specific offshore restructuring plan within 2022. At the same time, the Group looks forward to a constructive dialogue with the onshore and offshore creditors and gain their timely support in order to better manage various businesses, treat onshore and offshore creditors fairly, and safeguard the rights and interests of all stakeholders in accordance with the law.

The Group's offshore creditors are encouraged to contact the following representatives:

China International Capital Corporation Limited

Email: Evergrande@cicc.com.cn

Houlihan Lokey (China) Limited

Email: Evergrande@HL.com

BOCI Asia Limited

Email: Evergrande@bocigroup.com

The offshore restructuring is subject to finalisation and there exist uncertainties, holders of the Company's securities and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 29 July 2022

As at the date of this announcement, the executive Directors are Mr. Hui Ka Yan, Mr. Siu Shawn, Mr. Shi Junping, Mr. Liu Zhen and Mr. Qian Cheng, the non-executive director is Mr. Liang Senlin and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.