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CHINA EVERGRANDE NEW ENERGY VEHICLE GROUP LIMITED

中國恒大新能源汽車集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock Code: 708)

DISCLOSEABLE TRANSACTION DISPOSAL OF 20% OF A SUBSIDIARY

THE DISPOSALS

The Seller (an indirect wholly-owned subsidiary of the Company) entered into the following agreements dated November 25, 2024:

- (a) the 20% Share Agreement by which the Seller agreed to sell, and the Share Purchaser agreed to purchase, the 20% Shares at an aggregate consideration of SEK60 million (being approximately HKD43.78 million); and
- (b) the P-Note Sale Agreement by which the Seller agreed to sell and the Note Purchasers (who together hold 45% of the shares of the Share Purchaser) agreed to purchase, the P-Note in the aggregate principal amount of SEK60 million (being approximately HKD43.78 million) at an aggregate consideration of SEK30 million (being approximately HKD21.89 million).

The P-Note was issued in satisfaction of part of the SEK240 million (being approximately HKD175.13 million) consideration payable by the Share Purchaser for its purchase of the 80% Shares under the Earlier Disposal. The remainder of the consideration of the Earlier Disposal was settled in full in cash.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposals (when aggregated with the Earlier Disposal) is more than 5% but all applicable percentage ratios are less than 25%, the Disposals constitute a discloseable transaction of the Company. Accordingly, the entering into of the 20% Share Agreement and the P-Note Sale Agreement and the transactions contemplated thereunder are subject to the announcement requirements but exempt from the shareholders' approval requirements under the Listing Rules.

BACKGROUND

The Group is principally engaged in the technology research and development and manufacturing of, and sales services in respect of new energy vehicles. Target was indirect wholly-owned by the Company through the Seller. Both the Seller and Target were established in Sweden. The Seller is principally engaged in car research and development and manufacturing in 2012. The Target is an investment holding company which holds land and building, including the Property, all of which were owned by the Group since 2012. Since such properties had been non-operational over the last decade and have not been generating income in at least 2022, they were transferred to Target in 2023 to facilitate subsequent sale for liquidity purposes. The Property is located in Trollhättan, Sweden with a total building area of approximately 400,000 sq. m. and was the Seller's former production facilities.

In order to provide cash liquidity to the Seller to service its payment obligations including tax payment obligations, the Seller undertook the Earlier Disposal by which it sold the 80% Shares for an aggregate consideration of SEK240 million (being approximately HKD175.13 million) to the Purchaser, following invitations for offers via advertisements through various media channels in Europe in around March 2023. SEK180 million (being approximately HKD131.35 million) was paid in cash and the remaining SEK60 million (being approximately HKD43.78 million) was satisfied by the issue of the P-Note. Following completion of the Earlier Disposal, Target ceased to be a subsidiary and became an associate of the Company, and is no longer consolidated in the financial statements of the Group.

Target had an unaudited net loss after tax of approximately SEK1,331 (being approximately HKD971) for the year ended December 31, 2022 and SEK5.10 million (being approximately HKD3.72 million) for the year ended December 31, 2023, respectively. It had unaudited net deficit as at October 31, 2024 of approximately SEK4.9 million (being approximately HKD3.58 million). Financial information regarding the Target post Earlier Disposal in November 2023 was obtained from Target.

The Seller entered into and completed the 20% Share Agreement and the P-Note Sale Agreement both dated November 25, 2024, to raise funds to enable it to meet its imminent tax payment obligations in addition to other payment obligations.

THE DISPOSALS

It came to the notice of the Board on November 26, 2024 that, the Seller (an indirect wholly-owned subsidiary of the Company) entered into the 20% Share Agreement and the P-Note Sale Agreement both dated November 25, 2024. The date, parties and the principal terms of the two agreements are set out below.

20% Share Agreement

Date: November 25, 2024

Parties: (1) National Electric Vehicle Sweden AB (as seller of the 20% Shares);

- (2) Logistikfastigheter I Trollhättan AB (as purchaser of the 20% Shares), which to the best of the Directors' knowledge, information and belief having made all reasonable enquiries is a company incorporated in Sweden and a real estate agent for the purpose of renting out space to various tenants and owned as to 22.5% by A Steiner Invest AB ("ASI"), 22.5% by Dana Invest AB ("DI") and 55% by Stenhaga Invest AB ("SI");
- (3) SI, ASI and DI as guarantors as to 55.0%, 22.5% and 22.5%, respectively, of the payment obligations of the Share Purchaser. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, ASI is beneficially owned by Anders Steiner, DI is beneficially owned by Claes Kockum and SI is beneficially owned by Svante Andersson.

Subject matter and consideration:

400 Shares, representing 20% Shares in issue of AB Trollhättan Propellern 13 (as Target), are to be sold for:

- (a) a fixed consideration of SEK60 million (being approximately HKD43.78 million), of which an aggregate amount of SEK26 million (being approximately HKD18.97 million) have been received in three instalments in accordance with the 20% Share Agreement, SEK3 million (being approximately HKD2.19 million) is payable monthly by February and March 15, 2025, SEK20 million (being approximately HKD14.59 million) is payable on April 15, 2025, SEK3 million (being approximately HKD2.19 million) is payable on May 15, 2025 and SEK5 million (being approximately HKD3.65 million) is payable on June 15, 2025; and
- (b) an additional consideration of up to SEK30 million (being approximately HKD21.89 million), payable as to up to SEK15 million (being approximately HKD10.95 million) on each of June 30, 2025 and December 31, 2025, if a specified minimum space can be leased out at or above a specified minimum price no later than March 31, 2025 or September 30, 2025.

Completion:

Completion of the 20% Share Agreement took place on the date of execution, on which date the Seller was paid SEK20 million (being approximately HKD14.59 million) of the fixed consideration and title to the 20% Shares were transferred to the Share Purchaser although physical transfer took place on November 27, 2024.

P-Note Sale Agreement

- Date: November 25, 2024
- Parties: (1) National Electric Vehicle Sweden AB (as seller of the P-Note);
(2) ASI and DI as purchaser of 50% each of the principal amount of the P-Note.
- Subject matter and consideration: P-Note in the principal amount of SEK60 million (being approximately HKD43.78 million) is to be sold for SEK30 million (being approximately HKD21.89 million). The consideration is to be payable as follows:
- (i) SEK 2 million (being approximately HKD1.46 million) on June 20, 2025;
 - (ii) SEK 3 million (being approximately HKD2.19 million) on July 20, 2025;
 - (iii) SEK 4 million (being approximately HKD2.92 million) on August 20, 2025, September 20, 2025 and October 20, 2025;
 - (iv) SEK 3 million (being approximately HKD2.19 million) on November 20, 2025; and
 - (v) SEK10 million (being approximately HKD7.3 million) on April 20, 2026.

However, if there is any default in payment under the 20% Share Agreement, the consideration and accordingly the amount payable for the P-Note will be doubled – i.e. at face value.

- Completion: Completion of the P-Note Sale Agreement took place on November 25, 2024, on which date title to the P-Note was transferred to ASI and DI respectively although physical transfer took place on November 27, 2024.

To the best of the Directors' knowledge, information and belief having made all reasonably enquiries, each of the Share Purchaser, ASI and DI and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Basis of Consideration and Reasons for and the Benefits of the Disposal

The consideration under the 20% Share Agreement and the P-Note Sale Agreement was determined after arms' length negotiations between the Seller, the Share Purchaser and ASI and DI.

The consideration under the 20% Share Agreement was the same as that for the disposal of the 80% Shares under the Earlier Disposal for which the implied value of 100% of the issued Shares of the Target was SEK 300 million. The Seller took into account the fact that the (i) the consideration for the disposal of the 80% Shares were the subject of a public tender process and that implied value exceeded the net amount of the average of two independent valuations in 2022 of the properties held by NEVS covering a site area of over 775,000 sq. m. less prices at which properties (which are discreet from those held by Target Company) were sold to other independent third parties (“**net value**”); (ii) the deflation experienced in Sweden in 2023 and the overall weak economic growth and household consumption in Sweden in 2024 during which the number of limited companies in Sweden going bankrupt, based on data from credit reporting agency Creditsafe, increased by 23% as compared with 2023, and the downward trend for battery electric car sales in Sweden in that year compared with 2023, all of which contributes to downward pressure for the value of the property held by the Target Company; (iii) the absence of an open market for the sale of the shares in Target and more so for a minority stake in the context of the 20% Share Agreement; (iv) the enhanced credit back up through guarantees by the shareholders of the Purchaser; (v) the lack of alternative sources of raising funds by the Seller to enable it to settle its outstanding tax and other payment obligations, some of which are due imminently; and (vi) the Seller stands to receive additional consideration should the Property be let out as described above.

The consideration under the P-Note Sale Agreement represented a 50% discount to the face value of the P Note, which the Seller accepted after taking into account the fact that (i) it has not been able to raise bank financing by using the P-Note as security or sell the P-Note to third parties (which would in any event have to be heavily discounted); (ii) the P-Note Sale Agreement was regarded by ASI and DI as a condition to their proceeding with the 20% Share Agreement as guarantors which would generate immediate cash inflow for the Group to settle payment obligations, including tax payments due, in November and December 2024 and thereafter; and (iii) after taking into account that discount (without double counting the consideration under this agreement) the total consideration receivable under the 20% Share Agreement and the P-Note Sale Agreement would have still be more than the net value less the cash consideration paid under the Earlier Disposal.

Upon completion of the Disposals, the total disposal loss may amount to approximately SEK23.8 million (being approximately HKD17.37 million) based on (i) the difference in the fixed consideration payable under the 20% Share Agreement and the book value of those shares as at November 24, 2024; and (ii) the difference in the face value of the P Note and the considerable payable under the P-Note Sale Agreement. The actual financial effect of the Disposals will be assessed after completion of the transactions and is subject to review and final audit by the Company's auditors.

The Board acknowledges that the terms of the Disposals are much less attractive than what it would normally support, having regard to the failure of the Purchaser to honour its payment obligations under the P-Note and the possibility that the Purchaser and its shareholders are seeking to leverage the Seller's liquidity issues and the invariable lack of marketability of a minority 20% stake in a private company. That said, the Disposals would allow the Seller to generate cash inflow that could improve the liquidity of Seller given that the legal representatives of NEVS who are employees of the Group could incur personal liability should NEVS go into liquidation as a result of its inability to pay its debts, including tax. The Board also notes that the Group is under financial distress generally and is not able to provide immediate funding to support its offshore subsidiaries. In view of the foregoing, the Board considers that the terms of the 20% Share Agreement and the P-Note Sale Agreement that have been signed and proceeded before Board approval was obtained, whilst less than fair and reasonable (in the context of the extended payment schedules and the discount to the P-Note), to be acceptable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposals (when aggregated with the Earlier Disposal which was not itself a notifiable transaction under the Listing Rules) is more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company. Accordingly, the entering into of the 20% Share Agreement and the P-Note Sale Agreement and the transactions contemplated thereunder are subject to the announcement requirements but exempt from the shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following respective meanings:

“20% Share Agreement”	the sale and purchase agreement in respect of 20%
“ASI”	A Steiner Invest AB, being one of the three shareholders of the Share Purchaser
“Board”	the board of Directors
“Company”	China Evergrande New Energy Vehicle Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 708)
“DI”	Dana Invest AB, being one of the three shareholders of the Share Purchaser

“Director(s)”	director(s) of the Company
“Disposal”	comprising (i) the disposal of the remaining 20% Share to the Share Purchaser for an aggregate consideration of SEK60 million (being approximately HKD43.78 million) pursuant to the 20% Share Agreement and (ii) the assignment of the P-Note for an aggregate consideration of SEK30 million (being approximately HKD21.89 million) pursuant to the P-Note Sale Agreement
“Earlier Disposal”	the disposal of 80% Share by the Seller to the Purchaser for an aggregate consideration of SEK240 million (being approximately HKD175.13 million), which was completed in 2023
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Note Purchasers”	ASI and DI, who together hold 45% of the shares of the Share Purchaser
“P-Note”	promissory note in the aggregate principal amount of SEK60 million (being approximately HKD43.78 million) due November 15, 2025 issued by the Purchaser to the Seller, which represents part of the purchase price of the Earlier Disposal
“P-Note Sale Agreement”	the P-Note assignment agreement dated November 25, 2024 entered into between National Electric Vehicle Sweden AB as the seller of the P-Note and ASI and DI as the purchaser of the P-Note
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	Trollhättan Propellern 13, located in Trollhättan, Sweden
“SEK”	Swedish Krona, the lawful currency of Sweden
“Seller”	National Electric Vehicle Sweden AB, a company incorporated in Sweden and an indirect wholly-owned subsidiary of the Company

“Share(s)”	ordinary share(s) of the Target
“Share Purchaser”	Logistikfastigheter i Trollhättan AB, a company incorporated in Sweden and the purchaser of the Target. TO the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, it is owned as to 55.0%, 22.5% and 22.5% by SI, DI and ASI, respectively
“Shareholder(s)”	holder(s) of shares of the Company
“SI”	Stenhaga Invest AB, being one of the three shareholders of the Share Purchaser
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	AB Trollhättan Propellern 13, a joint-stock company incorporated in Sweden
“%”	per cent

By order of the Board
China Evergrande New Energy Vehicle Group Limited
SIU Shawn
Chairman

Hong Kong, 25 February 2025

As at the date of this announcement, the executive Directors are Mr. SIU Shawn and Mr. CHOI Wai Hong Clifford; and the independent non-executive Directors are Mr. XIE Wu, Mr. Vincent Gar-Gene LEUNG and Ms. Carina Man Yee FOO.

Unless specified otherwise, conversion of SEK into HKD is based on the exchange rate of SEK1.00 to HKD0.7297. The exchange rate has been used, where applicable, for illustration purpose only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.