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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 — SUBSCRIPTION OF
DOMESTIC SHARES IN SHENGJING BANK**

THE EVERGRANDE SUBSCRIPTION

On 20 June 2019, the Subscriber, a wholly-owned subsidiary of the Company, entered into the Agreement with Shengjing Bank pursuant to which the Subscriber agreed to subscribe the Subscription Shares at the Subscription Price of RMB6.00 per Subscription Share.

The Subscription Shares represent (i) approximately 37.95% of the existing issued share capital of Shengjing Bank, (ii) approximately 27.51% of the share capital of Shengjing Bank as enlarged by the issue of the Subscription Shares, and (iii) approximately 25.01% of the share capital of Shengjing bank as enlarged by the issue of the Subscription Shares and completion of the H-Share Subscription.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Evergrande Subscription are more than 5% but less than 25%, the Evergrande Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As of the date of this announcement, the Subscriber is interested in 1,001,680,000 Shengjing Domestic Shares, representing approximately 17.28% of the existing issued share capital of Shengjing Bank.

Immediately upon completion of the Evergrande Subscription and the H-Share Subscription, the Subscriber will be interested in 3,201,680,000 Shengjing Domestic Shares, representing approximately 36.40% of the enlarged share capital of Shengjing Bank. As the interest of the Subscriber in Shengjing Bank will increase from approximately 17.28% to more than 30%, the Subscriber would be obliged under Rule 26.1 of the Takeovers Code to make a mandatory general offer to the Shengjing Shareholders for all the issued shares and other securities of Shengjing Bank not already owned or agreed to be acquired by it, unless the Whitewash Waiver is obtained from the Executive. The Subscriber will make an application to the Executive for the Whitewash Waiver in respect of the Evergrande Subscription.

THE EVERGRANDE SUBSCRIPTION

On 20 June 2019, the Subscriber and Shengjing Bank entered into the Agreement. The principal terms of the Agreement are set out below.

Subject matter

The Subscriber will subscribe for the Subscription Shares at the Subscription Price. The Subscription Shares represent (i) approximately 37.95% of the existing issued share capital of Shengjing Bank, (ii) approximately 27.51% of the share capital of Shengjing Bank as enlarged by the issue of the Subscription Shares, and (iii) approximately 25.01% of the share capital of Shengjing Bank as enlarged by the issue of the Subscription Shares and completion of the H-Share Subscription.

Subscription Price

The Subscription Price of RMB6.00 per Subscription Share was determined by the parties after arm's length negotiations with reference to the net asset value of Shengjing Bank as at 31 December 2018, the proposed profit distribution announced by Shengjing Bank and the prevailing market price of the Shengjing H Shares.

The total consideration for the Evergrande Subscription is RMB13,200,000,000 and will be satisfied by the internal resources of the Group. The consideration will be payable by the Subscriber in cash at Completion.

Conditions precedent

Completion of the Evergrande Subscription is conditional upon:

- (a) approval of the Evergrande Subscription by the board of directors of the Subscriber and the Board;
- (b) approval of the Evergrande Subscription by the board of directors of Shengjing Bank;

- (c) approval of the Evergrande Subscription by the Shengjing Independent Shareholders in the Shengjing EGM and the approvals of the independent Shengjing Domestic Shareholders and the independent Shengjing Foreign Shareholders in their respective Shengjing Class Meetings;
- (d) approval of the Liaoning CBIRC on the Evergrande Subscription and the Subscriber's qualification;
- (e) approval of the H-Share Subscription by the CSRC;
- (f) if required, approval of the PRC anti-trust authority on the Evergrande Subscription;
- (g) the Shengjing Independent Shareholders having approved the Whitewash Waiver in the Shengjing EGM and the Shengjing Class Meetings;
- (h) the Executive granting to the Subscriber the Whitewash Waiver;
- (i) the Stock Exchange granting approval for the listing of and permission to deal in the Shengjing H Shares in respect of the H-Share Subscription;
- (j) in addition to the approvals set out in paragraphs (d) to (i) above, the parties having completed the relevant domestic and offshore regulatory and government approvals in respect of the Evergrande Subscription (if required); and
- (k) the conditions precedent to the H-Share Subscription having been satisfied.

Unless otherwise provided by law or regulations, none of the conditions above may be waived by any party to the Agreement. In the event that any of the conditions is not satisfied or waived in accordance with the Agreement, the Evergrande Subscription will not proceed. For the avoidance of doubt, conditions (g) and (h) above may not be waived under any circumstances.

The parties shall use their best endeavours to cause the satisfaction of the above conditions no later than 30 April 2020.

INFORMATION ON SHENGJING BANK

Shengjing Bank is a commercial bank established in the PRC and is principally engaged in the corporate banking, retail banking and treasury business. The Shengjing H Shares are listed on the main board of the Stock Exchange (stock code: 2066). As at the date of this announcement, the Group is interested in 1,001,680,000 Shengjing Domestic Shares, representing approximately 17.28% of the total number of Shengjing Bank Shares in issue. Save for such holding, Shengjing Bank is independent of and not connected with the Company and its connected persons.

According to the published financial statements of Shengjing Bank, the financial results of Shengjing Bank for the two years ended 31 December 2018 are as follows:

	For the year ended 31 December	
	2017	2018
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	8,228,957	5,539,002
Net profit after tax	7,574,139	5,126,148

The audited net asset value of Shengjing Bank as at 31 December 2018 was RMB57,029,484 thousands.

Upon Completion and the completion of the H Share Subscription, the Group will be interested in approximately 36.40% of the issued share capital of Shengjing Bank and Shengjing Bank will be accounted as an associate of the Company and its results will not be consolidated with the financial statements of the Company.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

The Company was founded in 1996 in Guangzhou, Guangdong Province, and gradually developed into a large-scale diversified group with “properties for the people” as its core foundation, cultural tourism and healthcare as supplemental growth businesses and new energy vehicle industry as its emerging segment. It ranked 230th in the Fortune Global 500 in 2018. In recent years, the Company steadfastly transformed its development model from “large scale” to “scale + profitability”; and shifted its operating model from “three-high, one-low”, namely high debt, high leverage, high cost and low turnover, to “three-low, one-high”, namely low debt, low leverage, low cost and high turnover, achieving remarkable results.

The Subscriber is an indirect wholly-owned subsidiary of the Company and is principally engaged in industrial investment and investment management.

REASONS FOR THE EVERGRANDE SUBSCRIPTION

The Company is optimistic about the future development of Shengjing Bank. In view of the fact that Shengjing Bank currently has a real need to raise its level of capital adequacy, the Company as the single largest shareholder in Shengjing Bank is willing to assume the responsibility and participate in this capital increase exercise. The capital increase will enable the bank to increase its core capital adequacy ratio, supplement its capital, and ensure the bank’s continued and stable development in the future.

The Directors believe that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Evergrande Subscription are more than 5% but less than 25%, the Evergrande Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As of the date of this announcement, the Subscriber is interested in 1,001,680,000 Shengjing Domestic Shares, representing approximately 17.28% of the existing issued share capital of Shengjing Bank.

Immediately upon completion of the Evergrande Subscription and the H-Share Subscription, the Subscriber will be interested in 3,201,680,000 Shengjing Domestic Shares, representing approximately 36.40% of the enlarged share capital of Shengjing Bank. As the interest of the Subscriber in Shengjing Bank will increase from approximately 17.28% to more than 30%, the Subscriber would be obliged under Rule 26.1 of the Takeovers Code to make a mandatory general offer to the Shengjing Shareholders for all the issued shares and other securities of Shengjing Bank not already owned or agreed to be acquired by it, unless the Whitewash Waiver is obtained from the Executive. The Subscriber will make an application to the Executive for the Whitewash Waiver in respect of the Evergrande Subscription.

The Whitewash Waiver will be subject to, among other things, approval of the Whitewash Waiver, the Evergrande Subscription and the H-Share Subscription by the Shengjing Independent Shareholders at the Shengjing EGM and the Shengjing Class Meetings by way of poll.

Shareholders and potential investors should refer to the joint announcement published by the Company and Shengjing Bank of even date for details of the Whitewash Waiver.

GENERAL

The Evergrande Subscription is subject to the satisfaction of the conditions precedent to the Agreement and may or may not proceed to Completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and actions that they should take.

DEFINITIONS

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

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|-------------|---|
| “Agreement” | the agreement dated 20 June 2019 between Shengjing Bank and the Subscriber in respect of the Evergrande Subscription; |
| “Board” | the board of the Company; |

“CBIRC”	China Banking and Insurance Regulatory Commission;
“Company”	China Evergrande Group, an exempted 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 Evergrande Subscription;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“CSRC”	China Securities Regulatory Commission;
“Directors”	the directors of the Company;
“Evergrande Subscription”	the proposed subscription of the Subscription Shares by the Subscriber;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director;
“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;
“H-Share Subscription”	the issue by Shengjing Bank of 800,000,000 Shengjing H Shares as detailed in the joint announcement of the Company and Shengjing Bank dated 20 June 2019;
“Liaoning CBIRC”	the Liaoning Administration Bureau of CBIRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFC”	the Securities and Futures Commission of Hong Kong;
“Shareholders”	shareholders of the Company;
“Shengjing Bank”	盛京銀行股份有限公司 (Shengjing Bank Co., Ltd.), a commercial bank established in the PRC, the H shares of which are listed on the main board of the Stock Exchange (stock code: 2066);

“Shengjiang Class Meetings”	class meeting of the Shengjing Domestic Shareholders to approve, among other things, the Evergrande Subscription, and class meeting of the Shengjing Foreign Shareholders to approve, among other things, the H-Share Subscription;
“Shengjing Domestic Shareholders”	holders of Shengjing Domestic Shares;
“Shengjing Domestic Shares”	ordinary shares of RMB1.00 each in the issued share capital of Shengjing Bank which are subscribed in RMB;
“Shengjing EGM”	the extraordinary general meeting of Shengjing Bank to be convened to approve, among other things, the Evergrande Subscription and the Whitewash Waiver;
“Shengjing Foreign Shareholders”	holders of Shengjing H Shares;
“Shengjing H Shares”	overseas listed foreign shares of RMB1.00 each in the issued share capital of Shengjing Bank which are subscribed in foreign currency;
“Shengjing Independent Shareholders”	Shengjing Shareholders other than (1) the Company, the Subscriber and their associates and (2) Shengjing Shareholders who are interested or involved in the Evergrande Subscription and the Whitewash waiver;
“Shengjing Shareholders”	shareholders of Shengjing Bank;
“Shengjing Shares”	Shengjing Domestic Shares and Shengjing H Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	恒大集團(南昌)有限公司 (Evergrande Group (Nanchang) Co., Ltd.*), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company;
“Subscription Price”	RMB6.00 per Subscription Share;
“Subscription Shares”	2,200,000,000 Shengjing Domestic Shares to be subscribed by the Subscriber at the Subscription Price under the Evergrande Subscription;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;

“Whitewash Waiver”

the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber or parties acting in concert with it to make a mandatory general offer to the Shengjing Shareholders in respect of the Shengjing Shares not already owned (or agreed to be acquired) or subscribed by the Subscriber as a result of the issue of the Subscription Shares; and

“%”

per cent.

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

Hong Kong, 20 June 2019

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

All the Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* For identification purpose only.