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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

**MAJOR TRANSACTION
RETURN OF LAND USE RIGHT OF
GUANGZHOU EVERGRANDE FOOTBALL STADIUM**

On 3 August 2022, the Group and the Transferee entered into the Cancellation Agreement, pursuant to which the Original Contract will be cancelled, the Group will return the land use right of the Land and the Transferee will pay a total of RMB5,520,198,158 as refund of the transfer price.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transfer are more than 25% but less than 75%, the Transfer constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no Shareholder is interested in the Transfer and is required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of Transfer), the Company has approved the Transfer by way of the written approval of Xin Xin, a Shareholder holding 7,893,031,497 shares in the Company, representing approximately 59.78% of the issued share capital of the Company as at the date of the Cancellation Agreement, pursuant to Rule 14.44 of the Listing Rules and is exempted from convening a general meeting for the approval of the Transfer.

As the Company expects that it will require more than 15 business days to collate the information to be contained in the circular, including the indebtedness statement of the Company, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will dispatch the circular to the Shareholders as soon as practicable.

BACKGROUND

The Group had, in its ordinary course of business, bid for the land use right of land designated for sports facilities and industrial use located in Xie Village, Panyu District, Guangzhou City. On 26 April 2020, the Group entered into the Original Contract (as amended and supplemented from time to time) with the Guangzhou Municipal Planning and Natural Resources Bureau for the acquisition of the land use right of the Land. As the Group now intends to return the land use right of the Land, the Group entered into the Cancellation Agreement with the Transferee on 3 August 2022 to terminate the Original Contract.

THE TRANSFER

The major terms of the Cancellation Agreement are as follows:

Date

3 August 2022

Parties

- Transferors:
- (1) Guangzhou City Panyu District Yuyao Real Estate Development Co., Ltd.* (廣州市番禺區裕垚房地產開發有限公司) (Transferor 1);
 - (2) Guangzhou City Panyu District Ruixin Real Estate Development Co., Ltd.* (廣州市番禺區瑞鑫房地產開發有限公司) (Transferor 2);
 - (3) Guangzhou City Panyu District Ruimiao Real Estate Development Co., Ltd.* (廣州市番禺區瑞淼房地產開發有限公司) (Transferor 3);
 - (4) Guangzhou City Panyu District Ruiyan Real Estate Development Co., Ltd.* (廣州市番禺區瑞焱房地產開發有限公司) (Transferor 4); and
 - (5) Guangzhou City Panyu District Ruisen Sports Co., Ltd.* (廣州市番禺區瑞森體育有限公司) (Transferor 5)
- Transferee: Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局)
- Warrantor: Evergrande Group Limited* (恒大集團有限公司)

Asset to be transferred

The asset to be transferred is the land use right of the Land. The Land together with the buildings, structures and other appurtenances thereon will also be transferred on an as is basis within 10 days of the date of the Cancellation Agreement in the manner directed by the Transferee.

After completion of the Transfer, the new successful bidder of the Land will be responsible for the project construction cost of the unsold commercial housing that is under construction.

Transfer price refund and use of proceeds

The Transferee shall pay a total of RMB5,520,198,158 as refund of the transfer price into a project escrow account designated by the government. The amount of the transfer price refund was determined by the Transferors and Transferee after arm's length negotiations in accordance with the mechanism agreed under the Cancellation Agreement. The specific calculation is (i) the original transfer price for the land use right of the Land under the Original Contract of RMB6.813 billion, less the transfer price for the land use right that corresponds to the total area of 218,300 square meters of the 4,371 pre-sold commercial housing units of RMB2.023 billion and the non-refundable deposit for the Land under the Original Contract of RMB1.363 billion, and (ii) as the Transferee is willing to continue to utilize the constructed works on the football field of the Land, according to the Original Contract, the Transferors will be compensated for the relevant construction costs of RMB2.092 billion that it had invested in such constructed works.

Pursuant to the Cancellation Agreement, the Transferor will transfer into the project escrow account (i) the funds in all of the accounts related to the Land in the total sum of RMB616,680,000 within 3 days of the date of Cancellation Agreement and (ii) the deed tax refunded by the tax authority (if any) for that originally paid by the Transferors in relation to the Land within 7 days of such deed tax being so refunded, respectively. If the funds in all of the accounts related to the Land have been utilized for the resumption of construction and production, the final amount to be transferred into the project escrow amount will be the actual amount of remaining funds in the accounts.

The funds in the project escrow account (including the transfer price refund paid by the Transferee under the Cancellation Agreement) will be used (i) to settle the debts owed by the Transferors that are directly related to the Land, including but not limited to paying the outstanding secured debt owed by the Group to CITIC Trust Limited, the unpaid project construction fees, expenses related to the construction projects and expenses related to the pre-sold commercial housing, the unpaid wages of the Transferors' project employees, the taxes payable, the transitional reorganization expenses incurred from the date when the Group applied for the return of the Land to the date of completion of the transitional reorganization work; and (ii) to pay the construction and ancillary costs and taxes of the pre-sold commercial housing incurred during the period from its construction to the date certified for its delivery, and to solve the problems arising from the pre-sold commercial housing.

The Transferors' liability for the debts owed that are directly related to the Land is limited to the amount in the project escrow account, and the Transferors are not required to make any additional payments or compensation for such debts.

Warrantor

The Warrantor will be jointly and severally liable for the obligations of the Transferors under the Cancellation Agreement. The Warrantor also guarantees all of the Transferors' obligations and debts under the Cancellation Agreement for a period of three years commencing from the expiration of the performance period of such obligations and debts of the Transferors.

INFORMATION ON THE LAND

The Land is located in Xie Village area in Panyu District, Guangzhou City, and consists of four land parcels with a total area of 499,113 square meters and a constructible land area of 301,062 square meters.

Pursuant to the Original Contract, the Transferors were granted the land use right of the Land for commercial and sports uses for a term of 40 years, and that for business uses for a term of 50 years, from the date of delivery to the Transferors (i.e. 24 July 2020). The Group has commenced construction on the Land, including but not limited to the Guangzhou Evergrande Football Stadium, a professional football stadium with at least 80,000 seats that the Transferors constructed on the Land for sports uses in accordance with the terms under the Original Contract.

The unaudited net profits (both before and after taxation) attributable to the Land together with the buildings, structures and other appurtenances for the two years ended 31 December 2020 and 2021 were approximately as follows:

	Year ended 31 December	
	2020	2021
	<i>RMB</i>	<i>RMB</i>
Net profits before taxation	2,800,015	707,545
Net profits after taxation	2,100,011	530,659

As at 31 December 2021, the book value of the Land was approximately RMB5,040,874,480.31, and the book value of the buildings, structures and other appurtenances on the Land was approximately RMB1,734,560,365.56.

As at the date of this announcement, the Group holds the land use right of the Land. Upon completion of the Transfer, the Group will no longer hold any interest in the Land.

EXPECTED FINANCIAL IMPACT OF THE TRANSFER ON THE GROUP

It is expected that the Group will record a loss of approximately RMB1.255 billion, being the amount of the total book value of the Land together with the buildings, structures and other appurtenances thereon after deducting the transfer price refund, subject to final audit.

REASONS FOR THE TRANSFER

The Group's liquidity issue has adversely affected the development of and construction on the Land.

The Directors (including the independent non-executive Directors) consider that the Transfer is fair and reasonable and in the interests of the Company and all the stakeholders as a whole. 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.

INFORMATION ABOUT THE PARTIES

The Transferors

Each Transferor is a limited liability company established in the PRC and a subsidiary of the Company. Each of the Transferors (save for Transferor 5) is principally engaged in the business of property development. Transferor 5 is principally engaged in the business of sports facilities construction.

The Transferee

The Transferee is a PRC Governmental Body (as defined in Article 19A.04 of the Listing Rules) responsible for fulfilling the responsibilities of being the owner of the land and other natural resource assets in Guangzhou, PRC, including the unified registration and uses control of natural resource assets.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Transferee is not a connected person of the Company.

The Warrantor

The Warrantor is a limited liability company established in the PRC and is a subsidiary of the Company. It is principally engaged in the business of property development and management.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transfer are more than 25% but less than 75%, the Transfer constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no Shareholder is interested in the Transfer and is required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of Transfer), the Company has approved the Transfer by way of the written approval of Xin Xin, a Shareholder holding 7,893,031,497 shares in the Company, representing approximately 59.78% of the issued share capital of the Company as at the date of the Cancellation Agreement, pursuant to Rule 14.44 of the Listing Rules and is exempted from convening a general meeting for the approval of the Transfer.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of the Company;
“Cancellation Agreement”	the agreement dated 3 August 2022 relating to the termination of Original Contract;
“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;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Land”	the land designated for sports facilities and industrial use and located in Xie Village, Panyu District, Guangzhou City which was transferred to the Transferors pursuant to the Original Contract, and comprising four land parcels;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Original Contract”	the contract dated 26 April 2020 entered into between the Transferee and Transferor 1 in relation to the transfer of the land use right of the Land, as amended and supplemented by the two supplemental agreements dated 12 June 2020 and 2 September 2020 respectively entered into among the Transferee and Transferors;
“PRC”	the People’s Republic of China;
“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;
“Transfer”	the return of land use right and transfer of the Land together with the buildings, structures and other appurtenances thereon from the Transferors to the Transferee pursuant to the Cancellation Agreement;
“Transferee”	Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局);
“Transferors”	(1) Guangzhou City Panyu District Yuyao Real Estate Development Co., Ltd.* (廣州市番禺區裕垚房地產開發有限公司), (2) Guangzhou City Panyu District Ruixin Real Estate Development Co., Ltd.* (廣州市番禺區瑞鑫房地產開發有限公司), (3) Guangzhou City Panyu District Ruimiao Real Estate Development Co., Ltd.* (廣州市番禺區瑞淼房地產開發有限公司), (4) Guangzhou City Panyu District Ruiyan Real Estate Development Co., Ltd.* (廣州市番禺區瑞焱房地產開發有限公司) and (5) Guangzhou City Panyu District Ruisen Sports Co., Ltd.* (廣州市番禺區瑞森體育有限公司), each a limited company established in the PRC and a subsidiary of the Company, and “Transferor” may mean any of the above Transferors;
“Warrantor”	Evergrande Group Limited* (恒大集團有限公司), a limited company established in the PRC and a subsidiary of the Company;
“Xin Xin”	鑫鑫(BVI)有限公司 (Xin Xin (BVI) Limited) , a limited company established in the British Virgin Islands and a substantial shareholder of the Company holding 59.78% of the Company’s issued share capital as at the date of this announcement; and
“%”	per cent.

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

Hong Kong, 4 August 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.

* For identification purposes only