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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)

SUPPLEMENTAL ANNOUNCEMENT TO THE CIRCULAR OF THE COMPANY DATED 25 APRIL 2023

Reference is made to the circular of China Evergrande New Energy Vehicle Group Limited (the “**Company**”) dated 25 April 2023 (the “**Circular**”) in relation to, among other things, the Sale and Purchase Agreement, which is subject to the Independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

The Company would like to disclose the following further information about one of the Projects disclosed in the Circular as below:

Project No. 26 as disclosed on page 11 of the Circular, Zishan Lake Evergrande Health Valley (梓山湖恒大養生谷) (the “**Xianning Project**”), is held by Xianning Hengchen Property Co., Ltd.* (咸寧恒辰置業有限公司) (“**Xianning Hengchen**”). Xianning Hengchen is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement.

On 19 December 2019, Xianning Hengchen entered into a convertible loan agreement (the “**Loan Agreement**”) with Evergrande Life Insurance Co., Ltd.* (恒大人壽保險有限公司) (“**Evergrande Life Insurance**”). Evergrande Life Insurance is a life insurance company established in May 2006 with the approval of the China Insurance Regulatory Commission. As at the date of this announcement, Evergrande Life Insurance is owned as to 50% by CEG and as to 25% by Chongqing Casin Group Co., Ltd.* (重慶財信企業集團有限公司) and as to 25% by The Great Eastern Life Assurance Company (大東方人壽保險公司). Pursuant to the Loan Agreement, Evergrande Life Insurance provided a shareholder’s loan to Xianning Hengchen in the principal amount of not more than RMB540 million (the “**Loan**”). The purpose of the Loan was intended to fund the construction and development of the Xianning Project. On the same date, CEG and the Company each provided a guarantee in favour of Evergrande Life Insurance to guarantee all repayment obligations of Xianning Hengchen under the Loan Agreement (the “**Guarantee**”). The maturity date of the Loan shall fall on the fifth anniversary

of the first drawdown of the Loan (i.e. 19 December 2024). The Guarantee shall last until the end of the three-year period after the expiry of the repayment obligations of Xianning Hengchen under the Loan Agreement (i.e. 19 December 2027).

As at the date of this announcement, the Loan has not been repaid and the Guarantee is still subsisting.

CONTINUING CONNECTED TRANSACTION

Upon completion of the Disposal, Xianning Hengchen will become an indirect non-wholly owned subsidiary of CEG, hence a fellow subsidiary of CEG. As such, Xianning Hengchen will be an associate (as defined in the Listing Rules) of CEG, a connected person of the Company, and the provision of financial assistance to Xianning Hengchen by providing the Guarantee constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Company and Xianning Hengchen have been using their best endeavours to negotiate with Evergrande Life Insurance in relation to the release or replacement of the Guarantee. The Board currently expects that the Guarantee will merely be temporary in nature after Completion (and the term of such Guarantee will be shorter than three years from the Completion Date) and will seek to terminate the Guarantee as soon as practicable. The Company will make a further announcement once any agreement has been reached.

As all applicable percentage ratios in respect of the provision of the Guarantee exceed 0.1% but are less than 5%, the provision of the Guarantee is subject to the reporting and announcement requirements but is exempted from the circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Mr. Siu Shawn, an executive Director and the chairman of the Company, who is also an executive director and the chief executive officer of CEG, as well as Mr. Chau Shing Yim, David, an independent non-executive Director, who is also an independent non-executive director of CEG, have abstained from voting on the relevant Board resolutions in relation to the Guarantee since they have material interests in the Guarantee. Save as disclosed above, none of the other Directors has material interests in the Guarantee and therefore no other Director has abstained from voting on the relevant Board resolutions in relation to the Guarantee and the transactions contemplated thereunder.

Pursuant to Rule 14A.52 of the Listing Rules, the Independent Financial Adviser is of the view that the duration of the Guarantee for longer than three years is required and confirming that it is normal business practice for agreements of this type after discussion with the management of the Company as follows:

- (i) on 19 December 2019, each of CEG and the Company provided the Guarantee in favour of Evergrande Life Insurance for the Loan of a jointly controlled entity namely, Xianning Hengchen, which was owned as to 60% indirectly by the Company and 40% indirectly by CEG, through its shareholding in Evergrande Life Insurance;

- (ii) Xianning Hengchen obtained the Loan from Evergrande Life Insurance with a maturity period of five years for the purpose of funding the construction and development of Xianning Project, which was considered fair and reasonable to the Company given the Guarantee was on a joint and several basis and it is a common market practice for shareholders of the borrowers to provide guarantee to financier(s) under the loan agreement, the terms of which may exceed three years in particularly for loans on real estate projects;
- (iii) the Independent Financial Adviser has obtained the summary of loans under the Disposal Group as at 31 October 2022 and noted that other than Xianning Hengchen, there are two loans extended to the Disposal Group that required guarantees given to independent financial institutions for more than three years, which demonstrated the duration of the Guarantee is in line with the market practice;
- (iv) immediately after the Disposal, the Company will cease to hold any interest in Xianning Hengchen and the Independent Financial Adviser understands that the Guarantee by the Company will remain effective while the management is using its best endeavours to release or replace the Guarantee;
- (v) comparing to the net deficit of the Disposal Group of approximately RMB24,789 million as at 31 December 2022 to be taken up by CEG after the Disposal, details of which have been disclosed in the Circular, the Guarantee to the Loan of RMB540 million was insignificant and will be temporary in nature according to the management of the Company (and the Board currently expects that the term of such Guarantee will be shorter than three years from the Completion Date); and
- (vi) the Independent Financial Adviser understands that maintaining the Guarantee is part of the deal under the Disposal as requested by Evergrande Life Insurance and is of the view that the Disposal is still in the interest of the Company and its shareholders as a whole.

Taking into account that (i) the Guarantee has been in place before the Disposal; (ii) the Company and Xianning Hengchen have been using their best endeavours to negotiate with Evergrande Life Insurance with a view to releasing or replacing the Guarantee as soon as practicable; (iii) the Guarantee to the Loan of RMB540 million was insignificant when comparing to the net deficit of the Disposal Group of approximately RMB24,789 million as at 31 December 2022 to be taken up by CEG after the Disposal; (iv) the Loan is guaranteed by CEG and the Company jointly and severally; and (v) the Independent Financial Adviser's view on the duration of the Guarantee, the Directors (including the independent non-executive Directors) believe that the terms and conditions of the Guarantee are fair and reasonable and are in the interests of the Shareholders as a whole, and the continuing connected transaction contemplated thereunder is, carried out on normal commercial terms in the ordinary business of the Group, and in line with the interests of the Company and its Shareholders as a whole.

NON-COMPLIANCE AND REMEDIAL ACTIONS

As at 19 December 2019, Xianning Hengchen was indirectly owned as to 60% by the Company and CEG, through its shareholding in Evergrande Life Insurance, was entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of Xianning Hengchen. As such, Xianning Hengchen was a commonly held entity under Rule 14A.27 of the Listing Rules and hence, the provision of financial assistance to Xianning Hengchen by providing the Guarantee constituted a continuing connected transaction of the Company under Rule 14A.26 of the Listing Rules.

As all applicable percentage ratios in respect of the provision of the Guarantee exceeded 0.1% but were less than 5% on the date of the Guarantee, the provision of the Guarantee was subject to the reporting and announcement requirements but was exempted from the circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

The Directors are of the opinion that the provision of the Guarantee in respect of the repayment obligations of Xianning Hengchen before the Disposal was normal financial assistance of the Company to its subsidiary and beneficial for the normal operation of such subsidiary. Further, the Loan was guaranteed by CEG and the Company jointly and severally. Therefore, the Directors (including the independent non-executive Directors) believe that the terms and conditions of the Guarantee were fair and reasonable and were in the interests of the Shareholders as a whole, and the entering into of the Guarantee on 19 December 2019 and the continuing connected transaction contemplated thereunder were carried out on normal commercial terms in the ordinary business of the Group, and in line with the interests of the Company and its Shareholders as a whole.

Due to an inadvertent oversight, the provision of the Guarantee was not disclosed by the Company in accordance with the Listing Rules. As soon as the Company discovered the non-compliance, it immediately sought advice from professional advisers and informed the Stock Exchange and publishes this announcement to provide details of the Guarantee. The Company is committed to taking remedial actions to tighten its internal control procedures with a view to preventing a recurrence of similar non-compliance events in the future. The Company will take measures to strengthen its internal control, including:

- (i) the Company will regularly update a list of the connected persons of the Company to identify all the connected transactions at the Company and subsidiaries level;
- (ii) the Company will provide regular trainings on regulatory and legal topics to the employees of the Group including but not limited to compliance with connected transaction requirements under the Listing Rules;
- (iii) the Company will review its internal control system and existing policies and procedures in monitoring connected transactions of the Group under the Listing Rules;
- (iv) the Company will strengthen the coordination and reporting arrangements for connected transactions within the Group; and

- (v) the Company will (by its own staff or its advisers) consult the Stock Exchange, if any percentage ratio in respect of any proposed transaction produces an anomalous result or if the Company has any doubt on any procedure or requirement under the Listing Rules.

Save as disclosed above, the Board confirms that all information in the Circular remains unchanged. This announcement is supplemental to and should be read in conjunction with the Circular.

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

Hong Kong, 10 May 2023

As at the date of this announcement, the executive Directors are Mr. SIU Shawn, Mr. LIU Yongzhuo and Mr. QIN Liyong; and the independent non-executive Directors are Mr. CHAU Shing Yim, David, Mr. GUO Jianwen and Mr. XIE Wu.

* *For identification purpose only*