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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  
PROPOSED REORGANISATION CO-OPERATION AGREEMENT  
AND  
RESUMPTION OF TRADING**

This announcement is made by China Evergrande Group (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

**PROPOSED REORGANISATION**

The board of directors of the Company (the “**Board**”) would like to inform the shareholders of the Company and investors that on 3 October 2016, 廣州市凱隆置業有限公司 (Guangzhou Kailong Real Estate Company Limited) (“**Kailong Real Estate**”) and 恒大地產集團有限公司 (Hengda Real Estate Group Company Limited) (“**Hengda Real Estate**”), PRC subsidiaries of the Company, entered into a cooperation agreement (the “**Cooperation Agreement**”) with 深圳經濟特區房地產(集團)股份有限公司 (Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd.) (“**Shenzhen Real Estate**”) (Shenzhen Stock Exchange A share stock code: 000029, B share stock code: 200029) and its controlling shareholder 深圳市投資控股有限公司 (Shenzhen Investment Holding Co. Ltd.) (“**Shenzhen Investment**”). The Cooperation Agreement provides that, subject to the entering into a definitive agreement, Shenzhen Real Estate will by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration, acquire 100% of the equity interest in Hengda Real Estate (the “**Target Assets**”) from Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate (the “**Proposed Reorganisation**”).

Shenzhen Real Estate and Shenzhen Investment are independent third parties of the Company. Shenzhen Real Estate is principally engaged in property holding and development.

The parties to the Cooperation Agreement agreed to exercise their best endeavour to complete the Proposed Reorganisation. The Cooperation Agreement does not constitute the transfer of the Target Assets. The final scheme and transactional details of the Proposed Reorganisation will be detailed in a definitive agreement. The Company will publish an announcement in accordance with the requirements of the Listing Rules when a definitive agreement is entered into.

### **Exclusivity**

The parties to the Cooperation Agreement agreed that there will be an exclusive period of seven months from the date of the Cooperation Agreement during which no party will discuss or enter into any agreements with any other party in respect of transactions of the same or similar in nature as the Proposed Reorganisation. The parties to the Cooperation Agreement shall not be restricted under the exclusivity clause when the Cooperation Agreement has been terminated.

### **Undertaking on business performance and compensation**

According to the status of the industrial development, the business development plans of the Target Assets and based on the current land bank, pre-sales of existing real estate projects, development and completion schedules, the estimated contract sales of the Target Assets for the next three years (2017–2019) will amount to approximately RMB450 billion, RMB500 billion and RMB550 billion, respectively, and the estimated revenues will amount to approximately RMB280 billion, RMB348 billion and RMB380 billion, respectively. The estimated profits attributable to the shareholders of the parent company after deducting non-recurring gains and losses will amount to approximately RMB24.3 billion, RMB30.8 billion yuan and RMB33.7 billion, respectively.

Kailong Real Estate will, in accordance with the relevant provisions of applicable laws and regulations and regulatory documents as well as market practices, provide an undertaking on the business performance of the Target Assets for 2017, 2018 and 2019 (the “**Relevant Period**”), where the profits attributable to the shareholders of the parent company after deducting non-recurring gains and losses for the Relevant Period will amount to approximately RMB88.8 billion. If actual profit of the Target Assets is less than the abovementioned amount upon the expiry of the Relevant Period, Kailong Real Estate will, in compliance with the regulations of the regulatory authorities and in an approved manner, provide compensation for any shortfall in profit. The parties will enter into an agreement in respect of the undertaking on business performance of the Target Assets and compensation.

## **Basis of determining consideration for the Target Assets**

Pursuant to the Cooperation Agreement, the consideration for the Target Assets will be determined by the parties through consultation based on the appraised value of the assets as determined by a qualified valuer for securities transactions with such appraised value having been filed with and approved by the Shenzhen People's Government State-owned Assets Administration Commission (“**Shenzhen SASAC**”), plus the additional cash earnings of Hengda Real Estate for the period between the valuation date and the date of the definitive agreement for the Proposed Reorganisation.

## **Issue price of shares**

The issue price of the consideration shares by Shenzhen Real Estate to Kailong Real Estate for the purpose of the Proposed Reorganisation will not be lower than 90% of the reference market price of the Shenzhen Real Estate shares. The reference market price will be the average closing prices of the Shenzhen Real Estate shares for one of the 20 trading days, 60 trading days or 120 trading days prior to the date of announcement by the board of Shenzhen Real Estate on their resolution on the Proposed Reorganisation. The final issue price will be determined by the parties through consultation.

## **Introduction of additional capital by private placing**

Shenzhen Real Estate and Shenzhen Investment agreed that prior to the signing of the definitive agreement, Hengda Real Estate may introduce strategic investment of up to RMB 30 billion. The parties involved in the Proposed Reorganisation will be adjusted accordingly upon the introduction of the strategic investments.

## **REASONS FOR AND BENEFITS OF THE PROPOSED REORGANISATION**

The Board believes that the Proposed Reorganisation will enable the market to assess the intrinsic value of the Company positively and reasonably, as well as providing an additional fund-raising platform for the Company and is beneficial to the Company.

## **IMPLICATIONS OF THE LISTING RULES**

In the event that the Proposed Reorganisation materialises, it will constitute a notifiable transaction of the Company under the Listing Rules and require approval by the shareholders of the Company. The Proposed Reorganisation constitutes a spin-off pursuant to the applicable requirements under Practice Note 15 to the Listing Rules and the Company would require to obtain the approval of the Stock Exchange for the proposed spin-off.

The final plan and the transaction details of the Proposed Reorganisation will be determined by the parties in a definitive agreement. The Proposed Reorganisation will require the following approvals: (1) the board of directors, the board of supervisors (if necessary), and the shareholders of Shenzhen Real Estate having approved the Proposed Reorganisation, (2) the shareholders of Shenzhen Real Estate having approved Kailong Real Estate from making a general offer in respect of the Proposed Reorganisation, (3) the Board and the shareholders of the Company having approved the Proposed Reorganisation, (4) the Shenzhen SASAC's having approved the valuation of the Target Assets and its filing, (5) the Shenzhen Municipal Government and the Shenzhen SASAC having approved the Proposed Reorganisation, (6) the Proposed Reorganisation having passed the anti-trust review by the Ministry of Commerce, (7) the China Securities Regulatory Commission having approved the Proposed Reorganisation, (8) the Stock Exchange having consented to the proposed spin-off and the granting of a waiver from exemption to provide the shareholders of the Company with an assured entitlement to the shares of Shenzhen Real Estate, and (9) approvals/filings from other competent authorities in accordance with applicable laws and regulations.

The Company will issue such further announcement(s) in relation to the Proposed Reorganisation as and when appropriate and/or required pursuant to the Listing Rules and the SFO.

**SHAREHOLDERS OF THE COMPANY AND OTHER INVESTORS SHOULD NOTE THAT THE PROPOSED REORGANISATION IS SUBJECT TO THE APPROVALS OF THE REGULATORY AUTHORITIES AND THE INTERNAL APPROVALS OF THE PARTIES. SHAREHOLDERS OF THE COMPANY AND OTHER INVESTORS ARE REMINDED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.**

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares and the debt securities of the Company was halted at 1:00 p.m. on 3 October 2016 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares and debt securities of the Company from 9:00 a.m. on 4 October 2016.

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

Hong Kong, 3 October 2016

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

\* *For identification purpose.*