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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 IN RELATION TO  
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN  
THE TARGET COMPANY**

**THE DISPOSAL**

The Board announces that on 29 November 2016, Calxon Group (Shanghai) Company Limited, an indirect subsidiary of the Group, as the vendor, entered into the Equity Transfer Agreement with Sunac (Qingdao) Real Estate Company Limited, an indirect wholly-owned subsidiary of Sunac, as the Purchaser, for the disposal of the entire equity interest in the Target Company at a consideration of RMB3,662,000,000. The Disposal is the result of a successful bid by the Purchaser through the Zhejiang Asset Exchange for the Target Company.

In connection with the Equity Transfer Agreement, the Guarantor provided the Guarantee in favour of the Vendor in respect of the shareholder loans owed by the Target Company to the Vendor and its related parties in the amount of RMB2,347,153,200, and the Counter Guarantee in favour of the Vendor Related Parties in respect of the loans owed by the Target Company to the Relevant Lenders in the principal amount of RMB1,850,000,000.

The Target Company is principally engaged in the development of the Qingdao Shidai City Project, which is located at Licang District, Qingdao city, the PRC, with a total site area of approximately 1,066,100 sq.m., a total gross floor area of approximately 1,787,900 sq.m., and a total unsold area of approximately 980,000 sq.m., mainly for residential and commercial purposes.

Upon completion of the Disposal, the Group will no longer have any interest in the Target Company.

**LISTING RULES IMPLICATIONS**

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

## THE DISPOSAL

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In connection with the Equity Transfer Agreement, the Guarantor provided the Guarantee in favour of the Vendor in respect of the shareholder loans owed by the Target Company to the Vendor and its related parties in the amount of RMB2,347,153,200, and the Counter Guarantee in favour of the Vendor Related Parties in respect of the loans owed by the Target Company to the Relevant Lenders in the principal amount of RMB1,850,000,000.

The principal terms of the Equity Transfer Agreement are summarised below:

### Principal terms of the Equity Transfer Agreement

**Date:** 29 November 2016

#### Parties:

- (i) the Purchaser, an indirect wholly-owned subsidiary of Sunac; and
- (ii) the Vendor, an indirect subsidiary of the Group.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is independent of the Company and its connected persons.

#### Assets to be disposed

Pursuant to the terms of the Equity Transfer Agreement, the Vendor agreed to dispose the entire equity interest in the Target Company to the Purchaser.

#### Consideration

The Consideration payable by the Purchaser for the acquisition of the Target Company is RMB3,662,000,000.

The Consideration shall be paid by the Purchaser in the following manner:

- (i) RMB1,831,000,000 (the “**First Instalment**”) shall be paid within one month after the date of the Equity Transfer Agreement; and

- (ii) the remaining balance of RMB1,831,000,000 shall be paid within twelve months after the date of the Equity Transfer Agreement.

The Consideration is determined through the public auction procedure of the Zhejiang Asset Exchange.

### **Completion of the Disposal**

Pursuant to the terms of the Equity Transfer Agreement, after full payment of the First Instalment by the Purchaser, the receipt of an equity transaction certificate (產權交易憑證), and execution of the Guarantee Agreement, the Vendor will procure the Target Company to complete the registration procedure for the change of shareholding before 31 December 2016.

### **PROVISION OF GUARANTEE BY THE GUARANTOR**

As at 30 September 2016, the Target Company owed the Vendor and its related parties shareholder loans in the amount of RMB2,347,153,200. On 29 November 2016, Beijing Sunac Property Construction and Investment Limited, an indirect wholly-owned subsidiary of Sunac, as the Guarantor, entered into the Guarantee Agreement with the Purchaser, the Vendor and the Target Company, pursuant to which, the Guarantor shall guarantee in favour of the Vendor:

- (1) the due performance of the payment obligation of the Purchaser under the Equity Transfer Agreement; and
- (2) the due performance of the obligation of the Target Company to repay to the Vendor the shareholder loans. As at 30 September 2016, the shareholder loans owed by the Target Company to the Vendor and its related parties amounted to RMB2,347,153,200. The Target Company shall repay to the Vendor such shareholder loans within 365 days after the date of registration procedure for the change of shareholding at the industry and commerce authority under the Equity Transfer Agreement at the interest rate of 10% per annum accrued from 1 October 2016 to the actual repayment date; and
- (3) the payment of any other compensation, damages and expenses as a result of any breach by the Purchaser or the Target Company of the Equity Transfer Agreement or the Guarantee Agreement.

### **PROVISION OF COUNTER GUARANTEE BY THE GUARANTOR**

The Target Company entered into the Relevant Loan Agreements with the Relevant Lenders, pursuant to which the Relevant Lenders have provided loans to the Target Company, and the Vendor Related Parties agreed to provide guarantee for the payment obligations and liabilities of the Target Company under the Relevant Loan Agreements.

As at 30 September 2016, the outstanding principal amount of the loans owed by the Target Company to the Relevant Lenders under the Relevant Loan Agreements amounted to RMB1,850,000,000.

On 29 November 2016, Beijing Sunac Property Construction and Investment Limited, an indirect wholly-owned subsidiary of Sunac, as the Guarantor, entered into the Counter Guarantee Agreement with the Vendor Related Parties, pursuant to which, the Guarantor agreed to provide the Counter Guarantee in favour of the Vendor Related Parties. The Guarantor shall guarantee in favour of the Vendor Related Parties:

- (1) all liabilities and expenses which may be incurred by the Vendor Related Parties under the Vendor Guarantee; and
- (2) any interests, penalty, compensation and related fees and expenses which may be payable by the Vendor Related Parties under the Vendor Guarantee.

## **INFORMATION ON THE PARTIES**

### **Sunac, the Purchaser and the Guarantor**

Sunac is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. Sunac specializes in integrated development of residential and commercial properties and is one of the leading real estate developers in the PRC.

Each of the Purchaser and the Guarantor is a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of Sunac. The principal business of the Purchaser is property development and house sales. The principal business of the Guarantor is property investment and investment management.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of Sunac, the Purchaser and the Guarantor and their respective substantial shareholders (as defined in the Listing Rules) is independent of the Company and its connected persons.

### **The Vendor**

The Vendor is a limited liability company established under the laws of the PRC and is a subsidiary of Calxon Group. Its principal business is property development and property management.

### **The Vendor Related Parties**

Calxon Group is a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000918). Calxon Group is engaged in property investment and property management business.

The Group is principally engaged in the development of large scale residential properties and integrated commercial properties in the PRC.

## **The Target Company**

The Target Company is a limited liability company established under the laws of the PRC. It is principally engaged in the development of the Qingdao Shidai City Project, which is located at Licang District, Qingdao city, with a total site area of approximately 1,066,100 sq.m., a total gross floor area of approximately 1,787,900 sq.m. and a total unsold area of approximately 980,000 sq.m., mainly for residential and commercial purposes.

Upon completion of the Disposal, the Group will no longer be interested in the Target Company.

## **Financial information on the Target Company**

Set out below is the audited financial information of the Target Company for the two financial years ended 31 December 2014 and 2015 prepared in accordance with the PRC GAAP:

	<b>For the financial year ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>
Net profit/loss before taxation and extraordinary items	(43,071,389.90)	(156,273,138.95)
Net profit/loss after taxation and extraordinary items	(43,130,927.28)	(195,456,722.72)

The net asset value of the Target Company as at 30 June 2016 was RMB879,223,780.29.

## **REASONS FOR THE DISPOSAL**

The Disposal is in accordance with the strategic development plan of the Calxon Group with regard to the residential property business in which the Disposal will accelerate the turnover of inventory and will benefit its long term development. The proceeds from the Disposal upon Completion will enhance the capital reserve and positively contribute to the profits and cash flows of the Calxon Group.

Given that the Disposal was conducted through a public bidding process conducted by the Zhejiang Asset Exchange, the Directors consider the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Subject to final audit, the Company is expected to recognize an unaudited before tax gain of approximately RMB2.79 billion from the Disposal. The proceeds from the Disposal will be applied as general working capital of the Calxon Group.

## LISTING RULES IMPLICATIONS

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

## DEFINITIONS

In this Announcement, unless the context requires otherwise, the following terms have the meanings set out below:

“Board”	the board of Directors;
“Calxon Group”	China Calxon Group Company Limited* (嘉凱城集團股份有限公司), a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000918), which is owned as to approximately 52.78% by the Group;
“Company”	China Evergrande Group, a company incorporated under the laws of the Cayman Islands with limited liability, and 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;
“Consideration”	the aggregate consideration of RMB3,662,000,000 payable by the Purchaser for the Target Company;
“Counter Guarantee”	the counter guarantee provided by the Guarantor in favour of the Vendor Related Parties pursuant to the terms of the Counter Guarantee Agreement;
“Counter Guarantee Agreement”	the counter guarantee agreement dated 29 November 2016 executed by the Guarantor in favour of the Vendor Related Parties in respect of all the liabilities and expenses, including the principal and interest of the loan, any penalties, damages and expenses which may be payable by the Vendor Related Parties under the Vendor Guarantee;
“Director(s)”	the director(s) of the Company;
“Disposal”	the proposed disposal of the entire equity interest in the Target Company by the Vendor to the Purchaser pursuant to the terms of the Equity Transfer Agreement;

“Equity Transfer Agreement”	the equity transfer agreement entered into on 29 November 2016 between the Purchaser and the Vendor in relation to the sale and purchase of the entire equity interest in the Target Company;
“First Instalment”	has the meaning given to it in the paragraph headed “Consideration” in this announcement;
“Group”	the Company and its subsidiaries;
“Guarantee”	the guarantee provided by the Guarantor in favour of the Vendor pursuant to the terms of the Guarantee Agreement;
“Guarantee Agreement”	the guarantee agreement dated 29 November 2016 executed by the Guarantor in favour of the Vendor in respect of among other things, the obligation of the Target Company to repay the shareholder loans to the Vendor and its related parties;
“Guarantor”	Beijing Sunac Property Construction and Investment Limited (北京融創建投房地產有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Sunac;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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, the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan);
“PRC GAAP”	the Generally Accepted Accounting Principles in the PRC;
“Purchaser”	Sunac (Qingdao) Real Estate Company Limited* (融創(青島)置地有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Sunac;
“Qingdao Shidai City Project”	a property development project located at Licang District, Qingdao, the PRC with a total site area of approximately 1,066,100 sq.m., a total gross floor area of approximately 1,787,900 sq.m. and a total unsold area of approximately 980,000 sq.m., which is held by the Target Company, mainly for residential and commercial purposes;

“Relevant Loan Agreements”	the loan agreements entered into among the Relevant Lenders as lenders and the Target Company as borrower;
“Relevant Lenders”	financial institutions established in the PRC who have provided loans to the Target Company under the Relevant Loan Agreements;
“RMB”	Renminbi, the lawful currency of the PRC;
“sq.m.”	square metre(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sunac”	Sunac China Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1918);
“Target Company”	Qingdao Calxon Real Estate Development Company Limited* (青島嘉凱城房地產開發有限公司), a limited liability company established under the laws of the PRC;
“Vendor”	Calxon Group (Shanghai) Limited Company* (嘉凱城集團(上海)有限公司), a limited liability company established under the laws of the PRC;
“Vendor Guarantee”	the guarantee provided by the Vendor Related Parties in favour of the Relevant Lenders as beneficiaries in respect of the obligations and liabilities of the Target Company owed to Relevant Lenders under the Relevant Loan Agreements;
“Vendor Related Parties”	Calxon Group and the Company;



“Zhejiang Asset Exchange” Zhejiang Asset and Equity Exchange Company Limited\* (浙江產權交易所有限公司), being the property rights trading institution at which the public auction for the entire equity interest in the Target Company was convened; and

“%” per cent.

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

Hong Kong, 29 November 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 only*