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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
FURTHER CAPITAL INCREASE TO HENGDA REAL ESTATE**

Reference is made to the announcement of the Company dated 31 December 2016, the circular of the Company dated 28 February 2017, and the announcements of the Company dated 10 March 2017 and 31 March 2017 in relation to the First Round Capital Increase.

On 31 May 2017, Kailong Real Estate and Hengda Real Estate, both being subsidiaries of the Company, entered into the Second Round Investment Agreements with the Second Round Investors, pursuant to which, the Second Round Investors will subscribe for new capital in Hengda Real Estate of RMB39.5 billion, which together with the First Round Investment Agreements entered into with the First Round Investors, the First Round Investors and the Second Round Investors have subscribed for new capital in Hengda Real Estate in an aggregated amount of RMB70 billion, in return of an aggregate of approximately 26.12% of the enlarged equity interest of Hengda Real Estate. Therefore, the net debt ratio of Hengda Real Estate shall be further reduced.

Hengda Real Estate is principally engaged in the residential property development and management business. As at the date of this announcement, Hengda Real Estate is owned as to approximately 86.84% by Kailong Real Estate, a wholly-owned subsidiary of the Company, and as to approximately 13.16% by the First Round Investors. Upon completion of the Second Round Capital Increase, Hengda Real Estate will be held as to approximately 73.88% by Kailong Real Estate and as to 26.12% by the Investors. Hengda Real Estate will remain as a subsidiary of the Group.

The Second Round Capital Increase constitutes a deemed disposal of the Company under Chapter 14 of the Listing Rules. The applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Second Round Capital Increase is more than 25% but less than 75%, the Second Round Capital Increase constitutes a major transaction for the Company. As the Second Round Capital Increase is being made within 12 months of the First Round Capital Increase, the Second Round Capital Increase would need to be aggregated with the First Round Capital Increase pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Second Round Capital Increase, when aggregated with the First Round Capital Increase, is still below 75% and would not result in the Second Round Capital Increase falling under a higher category of transaction under Chapter 14 of the Listing Rules, the Second Round Capital Increase is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no shareholder is interested in the transaction and is required to abstain from voting at the general meeting convened for the approval of the Second Round Capital Increase, the Company has approved the Second Round Capital Increase by the written approval of Xin Xin, a shareholder holding approximately 71.80% of the issued share capital of the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules and is exempted from the requirement to convene a shareholders' meeting for the approval of the Second Round Capital Increase.

A circular containing further details about the Second Round Capital Increase is expected to be despatched to the Shareholders on or before 21 June 2017.

INTRODUCTION

Reference is made to the announcement of the Company dated 31 December 2016, the circular of the Company dated 28 February 2017, and the announcements of the Company dated 10 March 2017 and 31 March 2017 in relation to the First Round Capital Increase.

On 31 May 2017, Kailong Real Estate and Hengda Real Estate, both subsidiaries of the Company, entered into the Second Round Investment Agreements with the Second Round Investors, pursuant to which, the Second Round Investors will subscribe for new capital in Hengda Real Estate for RMB39.5 billion, which together with the First Round Investment Agreements entered into with the First Round Investors, the First Round Investors and the Second Round Investors have subscribed for new capital in Hengda Real Estate in an aggregated amount of RMB70 billion, in return of an aggregate of approximately 26.12% of the enlarged equity interest of Hengda Real Estate. Therefore, the net debt ratio of Hengda Real Estate shall be further reduced.

THE SECOND ROUND CAPITAL INCREASE

(1) The Shum Yip Group Investment Agreement

Date

31 May 2017

Parties to the Shum Yip Group Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Maanshan Maowen Technology Industrial Park Co., Ltd. (馬鞍山市茂文科技工業園有限公司).

Maowen Technology is a subsidiary company controlled by Shum Yip Group Limited (深業集團有限公司), a company wholly-owned by the Shenzhen State Assets Supervision and Administration Commission (深圳市國資委), and is principally engaged in property development and operation, high and new technology projects, industrial investments, development and operation of industrial parks, foreign investments and technological enterprises and projects development. To the best knowledge of the Directors, having made all reasonable enquiries, Maowen Technology and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Shum Yip Group Investment Agreement

Pursuant to the terms of the Shum Yip Group Investment Agreement, Maowen Technology will subscribe for new capital in Hengda Real Estate for RMB5,500,000,000, representing approximately 2.0522% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

(2) The Baoxin Investment Agreement

Date

31 May 2017

Parties to the Baoxin Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Shenzhen Baoxin Investment Co., Ltd. (深圳市寶信投資控股有限公司).

Baoxin Investment is a limited liability company established in the PRC and is a company controlled by Mr, Gu Shaoming (古少明), the controlling shareholder of the Baoying Group (寶鷹股份), a company listed on the Shenzhen Stock Exchange (002047.SZ). It is principally engaged in the business of investment in industrial enterprises, investment consulting, management consulting and domestic trade. To the best knowledge of the Directors, having made all reasonable enquiries, Baoxin Investment and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Baoxin Investment Agreement

Pursuant to the terms of the Baoxin Investment Agreement, Baoxin Investment will contribute RMB5,000,000,000 to the capital of Hengda Real Estate, representing approximately 1.8657% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

(3) The Huada Property Investment Agreement

Date

31 May 2017

Parties to the Huada Property Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Jiangxi Huada Property Group Co., Ltd. (江西省華達置業集團有限公司).

Huada Property is a limited liability company established in the PRC and is principally engaged in the business of property development and operation, and domestic trade. To the best knowledge of the Directors, having made all reasonable enquiries, Huada Property and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Huada Property Investment Agreement

Pursuant to the terms of the Huada Property Investment Agreement, Huada Property will contribute RMB5,000,000,000 to the capital of Hengda Real Estate, representing approximately 1.8657% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

(4) The Qixiang Investment Agreement

Date

31 May 2017

Parties to the Qixiang Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Shenzhen Qixiang Investment Co., Ltd. (深圳市麒翔投資有限公司).

Qixiang Investment is a limited liability company established in the PRC and is principally engaged in the business of investment in industrial enterprises and domestic trade. To the best knowledge of the Directors, having made all reasonable enquiries, Qixiang Investment and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Qixiang Investment Agreement

Pursuant to the terms of the Qixiang Investment Agreement, Qixiang Investment will contribute RMB5,000,000,000 to the capital of Hengda Real Estate, representing approximately 1.8657% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

(5) The Jiancheng Investment Agreement

Date

31 May 2017

Parties to the Jiancheng Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Shenzhen Jiancheng Investment Co., Ltd. (深圳市鍵誠投資有限公司).

Jiancheng Investment is a limited liability company established in the PRC, and is owned by Shenzhen Aowo Investment Co., Ltd. (深圳市奧沃投資有限公司). It is principally engaged in the business of establishment of industrial enterprises, supply and sale of domestic commercial commodities, and information consulting. To the best knowledge of the Directors, having made all reasonable enquiries, Jiancheng Investment and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Jiancheng Investment Agreement

Pursuant to the terms of the Jiancheng Investment Agreement, Jiancheng Investment will subscribe for new capital in Hengda Real Estate for RMB3,500,000,000, representing approximately 1.3060% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

(6) The Ruican Investment Agreement

Date

31 May 2017

Parties to the Ruican Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Suzhou Industrial Park Ruican Investment Enterprise LLP (蘇州工業園區睿燦投資企業(有限合夥)).

Ruican Investment is a limited liability partnership established in the PRC and is principally engaged in the business of venture capital, industrial investment, enterprises management and financial information consulting. To the best knowledge of the Directors, having made all reasonable enquiries, Ruican Investment and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Ruican Investment Agreement

Pursuant to the terms of the Ruican Investment Agreement, Ruican Investment will subscribe for new capital in Hengda Real Estate for RMB3,500,000,000, which together with the agreement entered into by Ruican Investment in the First Round Capital Increase, Ruican Investment will invest an aggregate RMB6,500,000,000 to the capital of Hengda Real Estate, representing approximately 2.4254% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

(7) The Hongda Investment Agreement

Date

31 May 2017

Parties to the Hongda Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Ningbo Minyin Jintou Hongda No. 3 Investment Management LLP (寧波民銀金投鴻達叁號投資管理合夥企業(有限合夥)).

Hongda Investment is a limited liability partnership established in the PRC and is principally engaged in the business of investment management and investment consulting. To the best knowledge of the Directors, having made all reasonable enquiries, Hongda Investment and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Hongda Investment Agreement

Pursuant to the terms of the Hongda Investment Agreement, Hongda Investment will subscribe for new capital in Hengda Real Estate for RMB3,000,000,000, representing approximately 1.1194% of the enlarged equity interest of Hengda Real Estate upon completion of the Second Round Capital Increase.

(8) The Yumin Investment Agreement

Date

31 May 2017

Parties to the Yumin Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Jiaxing Yumin No. 5 Investment LLP (嘉興宇民伍號投資合夥企業(有限合夥)).

Yumin Investment is a limited liability partnership established in the PRC and is principally engaged in industrial investment and investment management. To the best knowledge of the Directors, having made all reasonable enquiries, Yumin Investment and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Yumin Investment Agreement

Pursuant to the terms of the Yumin Investment Agreement, Yumin Investment will subscribe for new capital in Hengda Real Estate for RMB2,000,000,000, representing approximately 0.7463% of the enlarged equity interest of Hengda Real Estate upon completion of the Second Round Capital Increase.

(9) The Golden Orange Hongyuan Investment Agreement

Date

31 May 2017

Parties to the Golden Orange Hongyuan Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Weifang Golden Orange Hongyuan Investment Management LLP (濰坊金橙宏源投資管理合夥企業(有限合夥)).

Golden Orange Hongyuan is a limited liability partnership established in the PRC and is principally engaged in the business of industrial projects investment and management. To the best knowledge of the Directors, having made all reasonable enquiries, Golden Orange Hongyuan and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Golden Orange Hongyuan Investment Agreement

Pursuant to the terms of the Golden Orange Hongyuan Investment Agreement, Golden Orange Hongyuan will subscribe for new capital in Hengda Real Estate for RMB2,000,000,000, representing approximately 0.7463% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

(10) The Jiayu Investment Agreement

Date

31 May 2017

Parties to the Jiayu Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Jiayu Vehicle Accessories Ningxia LLP (嘉寓汽車配件寧夏(有限合夥)).

Jiayu is a limited liability partnership established in the PRC, and is principally engaged in the trading of vehicles and vehicle parts, and equity investments. To the best knowledge of the Directors, having made all reasonable enquiries, Jiayu and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Jiayu Investment Agreement

Pursuant to the terms of the Jiayu Investment Agreement, Jiayu will contribute RMB2,000,000,000 to the capital of Hengda Real Estate, representing approximately 0.7463% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

(11) The Shenzhen Zhongyi Investment Agreement

Date

31 May 2017

Parties to the Shenzhen Zhongyi Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Shenzhen Qianhai Zhongyi Holding Co., Ltd. (深圳市前海中意控股有限公司).

Shenzhen Zhongyi is a limited liability company established in the PRC and is principally engaged in investment in industrial enterprises, technology consulting and economic information consulting. To the best knowledge of the Directors, having made all reasonable enquiries, Shenzhen Zhongyi and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Shenzhen Zhongyi Investment Agreement

Pursuant to the terms of the Shenzhen Zhongyi Investment Agreement, Shenzhen Zhongyi will contribute RMB1,000,000,000 to the capital of Hengda Real Estate, representing approximately 0.3731% of the enlarged equity interest of Hengda Real Estate upon completion of the Second Round Capital Increase.

(12) The Haoren Investment Agreement

Date

31 May 2017

Parties to the Haoren Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Shanghai Haoren Property Management Co., Ltd. (上海豪仁物業管理有限公司).

Haoren is a limited liability company established in the PRC and is principally engaged in the property management business. To the best knowledge of the Directors, having made all reasonable enquiries, Haoren and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Haoren Investment Agreement

Pursuant to the terms of the Haoren Investment Agreement, Haoren will contribute RMB1,000,000,000 to the capital of Hengda Real Estate, representing approximately 0.3731% of the enlarged equity interest of Hengda Real Estate upon completion of the Second Round Capital Increase.

(13) The Yonghe Jinfeng Investment Agreement

Date

31 May 2017

Parties to the Yonghe Jinfeng Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate; and
- (3) Qingdao Yonghe Jinfeng Group Co., Ltd. (青島永合金豐集團有限公司).

Yonghe Jinfeng is a limited liability company established in the PRC and is principally engaged in investments in manufacturing industry, industrial park, tourism industry and property development business. To the best knowledge of the Directors, having made all reasonable enquiries, Yonghe Jinfeng and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Yonghe Jinfeng Investment Agreement

Pursuant to the terms of the Yonghe Jinfeng Investment Agreement, Yonghe Jinfeng will contribute RMB1,000,000,000 to the capital of Hengda Real Estate, representing approximately 0.3731% of the enlarged equity interest of Hengda Real Estate upon completion of the Capital Increase.

OTHER TERMS OF THE SECOND ROUND INVESTMENT AGREEMENTS

Conditions

The Second Round Capital Increase is conditional upon the satisfaction of the following conditions:

- (a) the Second Round Investors having received approvals from its board of directors/executive director, shareholders (if necessary) or similar authorised organisations;
- (b) if the Second Round Investor is a State-owned enterprise, such approval from the State-owned Assets Administration Bureau or its authorised departments;
- (c) other approvals from the supervisory departments of the Second Round Investors;
- (d) the shareholders of Hengda Real Estate having approved the Second Round Capital Increase and the amendments to the articles of association of Hengda Real Estate; and
- (e) the Board (and if necessary, the Shareholders) having approved the Second Round Capital Increase.

Basis of determining the equity interest attributable to the Second Round Investors

Hengda Real Estate implemented a first round of financing in early 2017 and processed the registration changes with the Administrative Bureau of Industry and Commerce completed on 1 April 2017. The basis of determining the equity interest attributable to the Second Round Investors was the same as the First Round Capital Increase, which was based on arm's length negotiations with reference to, among others, the net asset value of Hengda Real Estate as at 30 June 2016, the land reserves of Hengda Real Estate and their values, the development potentials of such projects, the contracted sales performance of Hengda Real Estate and market conditions, and the development strategy of Hengda Real Estate and potential synergy and benefits of the Proposed Reorganisation.

The aggregate amount of the Second Round Capital Increase is RMB39.5 billion, which will be contributed to the equity capital of Hengda Real Estate and its capital reserve. The aggregate amount of investments introduced under the First Round Capital Increase and the Second Round Capital Increase is RMB70 billion.

Timing for the contribution

The Second Round Capital Increase amount is payable by the relevant Second Round Investor within 3 business days from the signing of the relevant Second Round Investment Agreement. The parties agreed to complete the capital verification procedures and process the registration of the Second Round Capital Increase with the 市場監督管理局 (Market Supervisory Administration Bureau) within 20 business days from the receipt of the Second Round Capital Increase amount by Hengda Real Estate.

Performance Undertaking and Indemnity

Performance Undertaking

Similar to the First Round Investment Agreements, Kailong Real Estate and Hengda Real Estate have under the terms of the Second Round Investment Agreements undertaken to the Second Round Investors that the net profit of Hengda Real Estate for the three financial years of 2017, 2018 and 2019 shall not be less than RMB24.3 billion, RMB30.8 billion and RMB33.7 billion, respectively.

Dividend payment prior to the entering into of the Reorganisation Agreement

The parties agreed that prior to the entering into of the Reorganisation Agreement and subject to the dividend payment not adversely affecting the ability of Hengda Real Estate to continue to operate, Hengda Real Estate will distribute at least 68% of its net profit for each of the financial years under the Performance Undertaking Period to its shareholders.

If the net profit of Hengda Real Estate for a financial year in the Performance Undertaking Period is less than the Performance Undertaking Amount for that financial year, the proportional dividend to be paid by Hengda Real Estate to the Investors will be adjusted upward by using the following formula:

$$\begin{array}{l} \text{Percentage ratio of the} \\ \text{proportional dividend} \\ \text{payable to the Investors} \end{array} = \frac{\text{Percentage of equity interest held by the Investors}}{\text{(actual net profit of Hengda Real Estate for that} \\ \text{financial year/the Performance Undertaking Amount for that year)}}$$

If the percentage ratio calculated by the above formula is greater than 100%, then the distribution to the Investors will be based on 100%.

Kailong Real Estate and Hengda Real Estate have entered into supplemental agreements with the First Round Investors on the same date as the Second Round investment Agreements to adjust the dividend pay-out rate prior to the execution of the Reorganisation Agreement from 60% to 68%, to ensure that the terms of the First Round Capital Increase and the Second Round Capital Increase are the same.

Dividend payment after the entering into of the Reorganisation Agreement

The above dividend payment arrangement will lapse upon the execution of the Reorganisation Agreement. Upon the execution of the Reorganisation Agreement, dividend payment will be in accordance with the applicable requirements of the CSRC and the terms of the Reorganisation Agreement.

If, for any reasons, the Reorganisation Agreement is terminated after its execution, Hengda Real Estate will make up for any shortfall in dividend paid to the Investors during the period between the execution of the Reorganisation Agreement and its termination in accordance with the terms of the Investment Agreements as if the Reorganisation Agreement has not been entered.

Repurchase obligation or compensation

If the Proposed Reorganisation as contemplated under the Reorganisation Agreement is not completed by 31 January 2020 and the failure to complete is not attributable to the relevant Investor, the relevant Investor will have the right within two months of the expiry of such deadline to request Kailong Real Estate to either:

- (i) repurchase the equity interest held by the relevant Investor at its original investment cost; or
- (ii) transfer shares in Hengda Real Estate to the relevant Investor without consideration in accordance with the following formula as compensation:

$$\begin{array}{l} \text{Percentage of equity in} \\ \text{Hengda Real Estate to be} \\ \text{transferred by Kailong Real} \\ \text{Estate to the relevant} \\ \text{Investor as compensation} \end{array} = \begin{array}{l} \text{Percentage interest in Hengda Real Estate held} \\ \text{by the relevant Investor on the signing of the} \\ \text{compensation agreement (excluding any} \\ \text{additional interest acquired by the relevant Investor} \\ \text{after the date of the relevant Investment Agreement)} \end{array} \times 50\%$$

Undertaking of the Second Round Investors

Each of the Second Round Investors has undertaken to Kailong Real Estate and Hengda Real Estate that for a period of three years from completion of the Second Round Capital Increase or immediately prior to the completion of the Proposed Reorganisation (whichever is earlier), it will not transfer its interests in Hengda Real Estate or create any encumbrances over such interests without the consent of Kailong Real Estate. From the date of completion of the Second Round Capital Increase to completion of the Proposed Reorganisation, the Second Round Investor will not alter its direct or indirect interests in Hengda Real Estate or carry out any acts which would adversely affect the Proposed Reorganisation.

INFORMATION ABOUT HENGDA REAL ESTATE

Hengda Real Estate is a limited liability company established in the PRC and is principally engaged in the business of property development in the PRC.

According to the audited financial statements of Hengda Real Estate, the financial results of Hengda Real Estate for the two years ended 31 December 2015 and 2016 are as follows:

	For the year ended 31 December	
	2015	2016
	(audited)	(audited)
	<i>RMB'million</i>	<i>RMB'million</i>
Net profit before tax	29,284	26,510
Net profit after tax	21,484	17,701

The audited consolidated net asset value of Hengda Real Estate as at 31 December 2016 was RMB88,142 million.

Immediately following completion of the Second Round Capital Increase, the effective shareholding of the Company in Hengda Real Estate will be diluted from the current 86.84% to approximately 73.88%. Notwithstanding such dilution, Hengda Real Estate will remain as a non-wholly owned subsidiary of the Company and its financial results, assets, liabilities and cash flows will continue to be consolidated into the Company's consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards.

The Directors currently intend to apply the proceeds from the Second Round Capital Increase for the repayment of certain indebtedness of the Group, future project developments and as general working capital of the Group.

REASONS FOR THE SECOND ROUND CAPITAL INCREASE

The Company announced on 3 October 2016 that Kailong Real Estate and Hengda Real Estate have entered into a cooperation agreement with Shenzhen Real Estate and Shenzhen Investment pursuant to which the parties agreed to work towards the entering into of the Reorganisation Agreement with regard to the Proposed Reorganisation. Under the Proposed Reorganisation, Shenzhen Real Estate will, by way of issue of Renminbi ordinary shares and/or payment of cash consideration, acquire all of the interest in Hengda Real Estate from Kailong Real Estate. Upon completion of the Proposed Reorganisation, Kailong Real Estate will become the controlling shareholder of Shenzhen Real Estate and the Proposed Reorganisation will enable the Company to effectively list the real estate related assets on the Shenzhen Stock Exchange A-share market.

Hengda Real Estate implemented the First Round Capital Increase earlier this year and processed the registration procedures with the administrative bureau for industry and commerce was completed on 1 April 2017. The Second Round Capital Increase involves fund of RMB39.5 billion. The two rounds of capital increases have raised fund with an aggregate amount of RMB70 billion and serves to raise further fund for Hengda Real Estate and increases its working capital as well as enhancing its capital structure so as to allow the Group to maintain a certain level of public float in Shenzhen Real Estate, which further solidifies the Proposed Reorganisation of Shenzhen Real Estate.

Given that the Second Round Capital Increase was being made after arm's length negotiations, and that the Second Round Investment Agreements were concluded based on the same terms as the First Round Investment Agreements, which are normal commercial terms, the Directors (including the independent non-executive Directors) consider that the Second Round Capital Increase was made on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

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

The Second Round Capital Increase constitutes a deemed disposal of the Company under Chapter 14 of the Listing Rules. The applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Second Round Capital Increase is more than 25% but less than 75%, the Second Round Capital Increase constitutes a major transaction for the Company. As the Second Round Capital Increase is being made within 12 months of the First Round Capital Increase, the Second Round Capital Increase would need to be aggregated with the First Round Capital Increase pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Second Round Capital Increase, when aggregated with the First Round Capital Increase, is still below 75% and would not result in the Second Round Capital Increase falling under a higher category of transaction under Chapter 14 of the Listing Rules, the Second Round Capital Increase is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no shareholder is interested in the transaction and is required to abstain from voting at the general meeting convened for the approval of the Second Round Capital Increase, the Company has approved the Second Round Capital Increase by the written approval of Xin Xin, a shareholder holding approximately 71.80% of the issued share capital of the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules and is exempted from the requirement to convene a shareholders' meeting for the approval of the Second Round Capital Increase.

A circular containing further details about the Second Round Capital Increase is expected to be despatched to the Shareholders on or before 21 June 2017.

DEFINITIONS

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

“Baoxin Investment”	Shenzhen Baoxin Investment Co., Ltd. (深圳市寶信投資控股有限公司);
“Baoxin Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Baoxin Investment in relation to Baoxin Investment investing an amount of RMB5,000,000,000 in the capital of Hengda Real Estate;
“Board”	the board of directors of the Company;
“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;
“CSRC”	the China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“First Round Capital Increase”	the investment made by the First Round Investors to Hengda Real Estate pursuant to the terms of the First Round Investment Agreements in the aggregate amount of RMB30.5 billion;
“First Round Investors”	the investors referred to in the First Round Investment Agreements;
“First Round Investment Agreements”	the investment agreements dated 30 December 2016 and as supplemented on 31 March 2017 between Kailong Real Estate, Hengda Real Estate and the First Round Investors in relation to the First Round Capital Increase in the aggregate amount of RMB30.5 billion;
“Golden Orange Hongyuan”	Weifang Golden Orange Hongyuan Investment Management LLP (濰坊金橙宏源投資管理合夥企業(有限合夥));
“Golden Orange Hongyuan Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Golden Orange Hongyuan in relation to Golden Orange Hongyuan investing an amount of RMB2,000,000,000 in the capital of Hengda Real Estate;
“Group”	the Company and its subsidiaries;

“Haoren”	Shanghai Haoren Property Management Co., Ltd. (上海豪仁物業管理有限公司);
“Haoren Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Haoren in relation to Haoren investing an amount of RMB1,000,000,000 in the capital of Hengda Real Estate;
“Hengda Real Estate”	恒大地產集團有限公司 (Hengda Real Estate Group Company Limited), a limited liability company established in the PRC which is a non-wholly owned subsidiary of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hongda Investment”	Ningbo Minyin Jintou Hongda No. 3 Investment Management LLP (寧波民銀金投鴻達叁號投資管理合夥企業(有限合夥));
“Hongda Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Hongda Investment in relation to Hongda Investment investing an aggregate amount of RMB3,000,000,000 in the capital of Hengda Real Estate;
“Huada Property”	Jiangxi Huada Property Group Co., Ltd. (江西省華達置業集團有限公司);
“Huada Property Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Huada Property in relation to Huada Property investing an amount of RMB5,000,000,000 in the capital of Hengda Real Estate;
“Investors”	the First Round Investors and the Second Round Investors;
“Jiancheng Investment”	Shenzhen Jiancheng Investment Co., Ltd. (深圳市鍵誠投資有限公司);
“Jiancheng Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Jiancheng Investment in relation to Jiancheng Investment investing an amount of RMB3,500,000,000 in the capital of Hengda Real Estate;
“Jiayu”	Jiayu Vehicle Accessories Ningxia LLP (嘉寓汽車配件寧夏(有限合夥));

“Jiayu Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Jiayu in relation to Jiayu investing an amount of RMB2,000,000,000 in the capital of Hengda Real Estate;
“Kailong Real Estate”	廣州市凱隆置業有限公司 (Guangzhou Kailong Real Estate Company Limited), a limited liability company established in the PRC, a wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maowen Technology”	Maanshan Maowen Technology Industrial Park Co., Ltd. (馬鞍山市茂文科技工業園有限公司);
“net profit”	the net profits attributable to the holding company after deducting extraordinary profits and losses;
“Performance Undertaking Amount”	the minimum amount of net profits of Hengda Real Estate for the Performance Undertaking Period undertaken by Kailong Real Estate and Hengda Real Estate under the Investment Agreements;
“Performance Undertaking Period”	the three financial years ending 31 December 2017, 2018 and 2019;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administration Region;
“Proposed Reorganisation”	the proposed major assets reorganisation of Shenzhen Real Estate where 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 from Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate;
“Qixiang Investment”	Shenzhen Qixiang Investment Co., Ltd. (深圳市麒翔投資有限公司);
“Qixiang Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Qixiang Investment in relation to Qixiang Investment investing an amount of RMB5,000,000,000 in the capital of Hengda Real Estate;
“Ruican Investment”	Suzhou Industrial Park Ruican Investment Enterprise LLP (蘇州工業園區睿燦投資企業(有限合夥));

“Ruican Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Ruican Investment in relation to Ruican Investment investing an amount of RMB3,500,000,000 in the capital of Hengda Real Estate;
“Reorganisation Agreement”	the agreement in relation to the Proposed Reorganisation;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Second Round Capital Increase”	the investment of an aggregate of RMB39.5 billion in the capital of Hengda Real Estate by the Second Round Investors pursuant to the terms of the Second Round Investment Agreements;
“Second Round Investment Agreements”	the investment agreements dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and the Second Round Investors in relation to the Second Round Capital Increase with an aggregate amount of RMB39.5 billion;
“Second Round Investors”	the investors referred to in the Second Round Investment Agreements;
“Shareholder(s)”	shareholder(s) of the Company;
“Shenzhen Investment”	深圳市投資控股有限公司 (Shenzhen Investment Holding Co. Ltd.), a company established in the PRC, the controlling shareholder of Shenzhen Real Estate;
“Shenzhen Real Estate”	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.), a joint stock company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Shenzhen Stock Exchange A share stock code: 000029, B share stock code: 200029);
“Shenzhen Zhongyi”	Shenzhen Qianhai Zhongyi Holding Co., Ltd. (深圳市前海中意控股有限公司);
“Shenzhen Zhongyi Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Shenzhen Zhongyi in relation to Shenzhen Zhongyi investing an amount of RMB1,000,000,000 in the capital of Hengda Real Estate;
“Shum Yip Group Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Maowen Technology in relation to Maowen Technology investing an amount of RMB5,500,000,000 in the capital of Hengda Real Estate;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yonghe Jinfeng”	Qingdao Yonghe Jinfeng Group Co., Ltd. (青島永合金豐集團有限公司);
“Yonghe Jinfeng Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Yonghe Jinfeng in relation to Yonghe Jinfeng investing an aggregate amount of RMB1,000,000,000 in the capital of Hengda Real Estate;
“Yumin Investment”	Jiaying Yumin No. 5 Investment LLP (嘉興宇民伍號投資合夥企業(有限合夥));
“Yumin Investment Agreement”	the investment agreement (as supplemented) dated 31 May 2017 entered into between Kailong Real Estate, Hengda Real Estate and Yumin Investment in relation to Yumin Investment investing an aggregate amount of RMB2,000,000,000 in the capital of Hengda Real Estate;
“%”	per cent.

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

Hong Kong, 31 May 2017

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. Huang Xiangui and Mr. Shi Junping, and the independent non- executive Directors are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.