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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

FURTHER ANNOUNCEMENT IN RELATION TO MAJOR TRANSACTION

Reference is made to the circular of China Evergrande Group (the “**Company**”) dated 28 February 2017 (the “**Circular**”) in relation to the Capital Increase. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

As disclosed in the Circular, the Company will disclose the bases and assumptions in arriving at the performance indemnity undertaking of Hengda Real Estate for the three financial years of 2017, 2018 and 2019 under the Performance Undertaking by way of further announcement. This announcement is being made by the Company to enable the Shareholders and investors to better understand the bases and assumptions on which the Performance Undertaking was determined.

The followings are the principal assumptions used by the Company:

General market assumptions

- There will be no material changes to the relevant current national laws, regulations and policies and national macroeconomic conditions which would adversely affect the operations of Hengda Real Estate;
- There will be no material changes to the political, economic and social environment which Hengda Real Estate operates which would adversely affect the operations of Hengda Real Estate;
- There will not be any material changes to the market conditions for properties in the PRC and no austerity measures will be introduced by any governmental authorities towards the control of sale or holding of properties;
- There will be no material changes in the bank’s interest rates and taxation policies and that the tax rate applicable to Hengda Real Estate will remain unchanged;
- The supply of land for development will not differ materially from those of present or expected;

- The supply of building materials and labours for property development will not differ materially from those of present or expected;
- The increases in land costs, building and labour costs are at a level which is comparable to the average rate of increase in the past and there will not be any material fluctuation in land, building or labour costs which would adversely affect the operations of Hengda Real Estate.

Transaction specific assumptions

- Hengda Real Estate will continue to operate as a going concern and the core operation of Hengda Real Estate will not differ materially from those of present or expected;
- There are no actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business, and there is no material litigation pending or threatened, which would have a material impact on the operations of Hengda Real Estate;
- The Performance Undertaking of RMB 88.8 billion was determined based on the sum of the estimated profit (after deducting the non-recurring gains and losses) attributable to the shareholders of Hengda Real Estate of RMB 24.3 billion, RMB 30.8 billion and RMB 33.7 billion for the financial years of 2017, 2018 and 2019, respectively;
- The sales revenue is recognised upon delivery of properties which were mainly contractually-sold in the previous 1 to 2 years. The estimated contracted sales amounts of RMB 450 billion, RMB 500 billion and RMB 550 billion for Hengda Real Estate for the financial years 2017, 2018 and 2019 respectively are derived based on the development plan of the existing land bank held by Hengda Real Estate as of 30 June 2016 and new land to be acquired by 30 September 2016, but exclude any new land parcels which have been/may be acquired subsequently;
- The estimated sales revenue for 2017, 2018 and 2019 was calculated based on the actual areas of properties sold but not delivered as of 30 June 2016 and the construction and delivery plan of Hengda Real Estate for the second half of 2016, and the three years of 2017, 2018 and 2019. The estimated net profit after deducting non-recurring gains and losses for 2017, 2018 and 2019 was estimated with reference to the net profit margin of Hengda Real Estate for 2015 and the first half of 2016, after deducting non-recurring gains and losses for the same period.

The Company confirms that the Performance Undertaking Amount was determined based on the internal budget and work plans of the Company, and has been prepared on a reasonable basis that has been arrived at after due and careful consideration by the management of the Company.

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

Hong Kong, 10 March 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. 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.