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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

**DISCLOSEABLE AND CONNECTED TRANSACTION
FURTHER CAPITAL INCREASE TO HENGDA REAL ESTATE**

Reference is made to the previous disclosures of the Company in relation to the First Round Capital Increase and the Second Round Capital Increase.

On 6 November 2017, Kailong Real Estate and Hengda Real Estate, both being subsidiaries of the Company, together with Mr. Hui Ka Yan, the controlling shareholder of the Company, entered into the Third Round Investment Agreements with the Third Round Investors, pursuant to which, the Third Round Investors have agreed to subscribe RMB60.0 billion for new capital in Hengda Real Estate based on a pre-capital increase consideration for Hengda Real Estate of RMB365.19 billion, representing approximately 14.11% of the enlarged equity of Hengda Real Estate. Upon completion of the Third Round Capital Increase, the Investors will have subscribed for new capital in Hengda Real Estate in an aggregated amount of RMB130.0 billion, in return for an aggregate of approximately 36.54% of the enlarged equity interest of Hengda Real Estate. Kailong Real Estate will be interested in approximately 63.46% of the equity interest in Hengda Real Estate and Hengda Real Estate will remain a subsidiary of the Group.

Under the terms of the Third Round Investment Agreements, Kailong Real Estate and Hengda Real Estate have undertaken to the Third Round Investors that the net profit of Hengda Real Estate after deducting the non-recurring gains and losses for the three financial years of 2018, 2019 and 2020 will not be less than RMB50.0 billion, RMB55.0 billion and RMB60.0 billion, respectively. The successful completion of the three rounds of capital increase demonstrates the confidence of the Investors on the future prospects of Hengda Real Estate.

Earlier this year, the Company commenced its strategic transition, which proposed to firmly implement changes to the Company's development strategy and model. In its development strategy, the Company will shift from pursuing "scale" to pursuing "scale + profitability" and in its development model, the Company will change from the past high-debt, high-leverage, high-turnover and low-cost ("three-high and one-low") development model to "three-low and one high" model, i.e. low-debt, low-leverage, low-cost and high-turnover model. Benefiting from the three rounds of capital increase, the net debt ratio of Hengda Real Estate will be reduced significantly and its capital structure will be further improved. The capital and financial costs are expected to continue to decline. At the same time, the Company will continue to strengthen internal management and increase operation efficiencies to further reduce administrative and sales cost ratios, and continuously improve product quality and value, to deliver high quality growth, which will lay the foundation for accomplishing the performance undertaking and the continuous development of the Company.

In accordance with Chapter 14 of the Listing Rules, the Third Round Capital Increase constitutes a deemed disposal of the Company. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Third Round Capital Increase is more than 5% but less than 25%, the Third Round Capital Increase constitutes a discloseable transaction for the Company. As Mr. Hui Ka Yan, the controlling shareholder and a connected person of the Company, may replace Kailong Real Estate to repurchase the investment of the Investors under the terms of the Third Round Investment Agreements, the Third Round Capital Increase will constitute a connected transaction for the Company. The Third Round Capital Increase will be subject to the reporting, announcement and Independent Shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the repurchase provisions under the Third Round Capital Increase. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details about the Third Round Capital Increase, the recommendation from the Independent Board Committee on the Third Round Capital Increase, a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the repurchase provisions under the Third Round Capital Increase, and the notice convening the extraordinary general meeting to approve the Third Round Capital Increase will be despatched to the Shareholders on or before 8 November 2017.

The extraordinary general meeting of the Company for approving the Third Round Capital Increase is expected to be held at Salon 5, JW Ballroom, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 23 November 2017 at 10:00 a.m. For determining the entitlement to attend and vote at the extraordinary general meeting, the register of members of the Company will be closed from Monday, 20 November 2017 to Thursday, 23 November 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 November 2017.

INTRODUCTION

Reference is made to the disclosures of the Company in relation to the First Round Capital Increase and the Second Round Capital Increase. Save as otherwise amended as disclosed in this announcement, all other previous disclosures by the Company in relation to the First Round Capital Increase and the Second Round Capital Increase remain unchanged.

THE THIRD ROUND CAPITAL INCREASE

(1) Shandong Highway Group Investment Agreement

Date

6 November 2017

Parties to Shandong Highway Group Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate;
- (3) Mr. Hui Ka Yan; and
- (4) 山東高速投資控股有限公司 (Shandong Highway Investment Group Co., Ltd.), 山東高速地產集團有限公司 (Shandong Highway Property Group Co., Ltd.) and 濟南暢贏金程股權投資合夥企業(有限合夥) (Jinan Changying Jincheng Equity Investment LLP) (together with 山東鐵路發展基金有限公司 (Shandong Railway Development Fund Co., Ltd.), an investor in the First Round Capital Increase, the "Shandong Highway Companies").

Shandong Highway Investment Group Co., Ltd. and Shandong Highway Property Group Co., Ltd. are subsidiaries of Shandong Highway Group, and Jinan Changying Jincheng Equity Investment LLP is an affiliate of Shandong Highway Group.

In accordance with the disclosure in its website, Shandong Highway Group is principally engaged in the investment, construction and operation of highways, bridges, railways, airports and the provision of logistics services. It is a large-scale state-owned conglomerate group. To the best knowledge of the Directors, having made all reasonable enquiries, the Shandong Highway Companies and their respective ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Amount of capital to be contributed under the Shandong Highway Group Investment Agreement

Pursuant to the terms of the Shandong Highway Group Investment Agreement, the Shandong Highway Companies involved in the Shandong Highway Group Investment Agreement will subscribe for new capital in Hengda Real Estate for RMB20,000,000,000, which together with the First Round Capital Increase, the Shandong Highway Companies will invest in aggregate RMB23,000,000,000 into the capital of Hengda Real Estate, representing approximately 5.6652% of the enlarged equity interest of Hengda Real Estate upon completion of the capital increase.

(2) Suning Electrical Appliances Group Investment Agreement

Date

6 November 2017

Parties to the Suning Electrical Appliances Group Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate;
- (3) Mr. Hui Ka Yan; and
- (4) 南京潤恒企業管理有限公司 (Nanjing Runheng Enterprise Management Co., Ltd.).

Nanjing Runheng is a wholly-owned subsidiary of Suning Electrical Appliances Group Co., Ltd., a subsidiary of Suning Holdings Group. Suning Holdings Group is a diversified business holding company, with businesses covering retail, real estate, hotels, property management and other industries. To the best knowledge of the Directors, having made all reasonable enquiries, Nanjing Runheng 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 Suning Electrical Appliances Group Investment Agreement

Pursuant to the terms of the Suning Electrical Appliances Group Investment Agreement, Nanjing Runheng will subscribe for new capital in Hengda Real Estate for RMB20,000,000,000, representing approximately 4.7038% of the enlarged equity interest of Hengda Real Estate upon completion of the capital increase.

(3) Shenzhen Amer Investment Agreement

Date

6 November 2017

Parties to the Shenzhen Amer Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate;
- (3) Mr. Hui Ka Yan; and
- (4) 深圳正威(集團)有限公司 (Shenzhen Amer International Co., Ltd.).

Shenzhen Amer is principally engaged in the development, production and sales of new materials and is a Global Fortune 500 company. To the best knowledge of the Directors, having made all reasonable enquiries, Shenzhen Amer 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 Amer Investment Agreement

Pursuant to the terms of the Shenzhen Amer Investment Agreement, Shenzhen Amer will subscribe for new capital in Hengda Real Estate for RMB5,000,000,000, representing approximately 1.1759% of the enlarged equity interest of Hengda Real Estate upon completion of the capital increase.

(4) Jiayu Investment Agreement

Date

6 November 2017

Parties to the Jiayu Investment Agreement

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

Jiayu is a limited partnership principally engaged in the trading of vehicles and vehicle parts, and equity investment. 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 subscribe for new capital in Hengda Real Estate for RMB5,000,000,000, which together with the Second Round Capital Increase, Jiayu will invest in aggregate RMB7,000,000,000 into the capital of Hengda Real Estate, representing approximately 1.8169% of the enlarged equity interest of Hengda Real Estate upon completion of the capital increase.

(5) Guangzhou Yehoo Investment Agreement

Date

6 November 2017

Parties to the Guangzhou Yehoo Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate;
- (3) Mr. Hui Ka Yan; and
- (4) 廣州逸合投資有限公司 (Guangzhou Yehoo Investment Co., Ltd).

Guangzhou Yehoo is principally engaged in investment management. To the best knowledge of the Directors, having made all reasonable enquiries, Guangzhou Yehoo 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 Guangzhou Yehoo Investment Agreement

Pursuant to the terms of the Guangzhou Yehoo Investment Agreement, Guangzhou Yehoo will subscribe for new capital in Hengda Real Estate for RMB5,000,000,000, representing approximately 1.1759% of the enlarged equity interest of Hengda Real Estate upon completion of the capital increase.

(6) Ding Xiang Sichuan Investment Agreement

Date

6 November 2017

Parties to the Ding Xiang Sichuan Investment Agreement

- (1) Kailong Real Estate;
- (2) Hengda Real Estate;
- (3) Mr. Hui Ka Yan; and
- (4) 四川鼎祥股權投資基金有限公司 (Ding Xiang Sichuan Equity Investment Fund Limited).

Ding Xiang Sichuan is principally engaged in equity investment and related consulting services. To the best knowledge of the Directors, having made all reasonable enquiries, Ding Xiang Sichuan 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 Ding Xiang Sichuan Investment Agreement

Pursuant to the terms of the Ding Xiang Sichuan Investment Agreement, Ding Xiang Sichuan will subscribe for new capital in Hengda Real Estate for RMB5,000,000,000, representing approximately 1.1759% of the enlarged equity interest of Hengda Real Estate upon completion of the capital increase.

OTHER TERMS OF THE THIRD ROUND INVESTMENT AGREEMENTS

Conditions

The Third Round Capital Increase is conditional upon the satisfaction and/or waiver of the following conditions:

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

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

Hengda Real Estate implemented the First Round Capital Increase financing and the Second Round Capital Increase financing in early and mid this year. The basis of determining the equity interest attributable to the Third Round Investors was determined after arm's length negotiations at the consideration of RMB365.19 billion for Hengda Real Estate by reference to, among others, the net asset value of Hengda Real Estate as at 30 June 2017, the land reserves of Hengda Real Estate and their values, 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 Third Round Capital Increase is RMB60.0 billion, representing approximately 14.11% in the enlarged equity of Hengda Real Estate. Upon completion of the three rounds of capital increase, the Investors will have contributed RMB130 billion to the capital of Hengda Real Estate in exchange for approximately 36.54% in the enlarged equity of Hengda Real Estate. Kailong Real Estate will hold approximately 63.46% in the enlarged equity of Hengda Real Estate and Hengda Real Estate will remain a subsidiary of the Group.

Timing for the contribution

The Third Round Capital Increase amount is payable by the relevant Third Round Investors within the deadline pursuant to the relevant Third Round Investment Agreements. The parties agreed to complete the capital verification procedures and process the registration of the Third Round Capital Increase with the relevant administrative authorities for industrial and commerce within 20 business days of the receipt of the Third Round Capital Increase amount by Hengda Real Estate.

Performance undertaking and indemnity

Performance undertaking of the Third Round Capital Increase

Similar to the First Round Investment Agreements and the Second Round Investment Agreements (covering the First Performance Undertaking Period as previously disclosed), Kailong Real Estate and Hengda Real Estate have under the terms of the Third Round Investment Agreements undertaken to the Third Round Investors that the net profit of Hengda Real Estate for the three financial years of 2018, 2019 and 2020, after deducting non-recurring gains or losses, shall not be less than RMB50.0 billion, RMB55.0 billion and RMB60.0 billion, respectively.

Amendments to the Performance undertaking of the First Round Capital Increase and the Second Round Capital Increase

On the bases of the Third Round Investment Agreements, Kailong Real Estate and Hengda Real Estate have entered into amended agreements with the respective First Round Investors and the Second Round Investors to amend the terms of the performance undertaking during the First Performance Undertaking Period so that Kailong Real Estate and Hengda Real Estate have undertaken instead that the net profit (after deducting non-recurring gains and losses) of Hengda Real Estate during the First Performance

Undertaking Period for the three financial years of 2017, 2018 and 2019 shall not be less than RMB24.3 billion, RMB50.0 billion and RMB55.0 billion, respectively (the previous performance undertakings were RMB24.3 billion, RMB30.8 billion and RMB33.7 billion, respectively), which is consistent with the net profit (after deducting non-recurring gains and losses) of Hengda Real Estate for the two financial years of 2018 and 2019 under the Performance Undertaking Period for the Third Round Capital Increase.

Dividend payment

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:

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

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

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 various investment agreements with the Investors as if the Reorganisation Agreement has not been entered into.

Upon the completion of the Proposed Reorganisation, Hengda Real Estate shall distribute dividend payment in accordance with the relevant regulations of the CSRC, the Stock Exchange and the articles of association for listed companies. After completion of the Proposed Reorganisation and subject to the dividend payment not adversely affecting the ability of Shenzhen Real Estate to continue to operate and without breaching relevant PRC laws and the articles of association of Shenzhen Real Estate, Kailong Real Estate will, after the end of each financial year, procure Shenzhen Real Estate to distribute at least

68% of its net profit for each of the financial years under the Performance Undertaking Period to its shareholders and will vote in favour for the proposed dividend payment policy at the shareholders' meeting of Shenzhen Real Estate.

Repurchase obligation or compensation

If the Proposed Reorganisation as contemplated under the Reorganisation Agreement is not completed by 31 January 2021 and the failure to complete is not attributable to any Third Round Investor, the relevant Third Round 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 Third Round Investor at its original investment cost; or
- (ii) transfer shares in Hengda Real Estate to the relevant Third Round Investor without consideration in accordance with the following formula as compensation:

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

If an Investor has requested Kailong Real Estate to repurchase its equity in Hengda Real Estate, Kailong Real Estate will have the option of electing not to repurchase such interest. In such an event, the Investor will have the right to request Mr. Hui Ka Yan to replace Kailong Real Estate to repurchase such equity interest in Hengda Real Estate from the Investor in accordance with the terms of the relevant investment agreement at the Investor's original investment cost.

If an Investor has requested Kailong Real Estate to repurchase its equity in Hengda Real Estate whether through Kailong Real Estate or Mr. Hui Ka Yan, the Company shall comply with the applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules. Mr. Hui Ka Yan and his associates will be required to abstain from voting if the Company were to convene a general meeting for the approval of the repurchase of such Investor's equity.

Undertaking of the Third Round Investors

Each of the Third Round Investors has undertaken to Kailong Real Estate and Hengda Real Estate that for a period of three years from completion of the Third 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 Third Round Capital Increase to completion of the Proposed Reorganisation, the Third 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.

REASONS FOR THE THIRD ROUND CAPITAL INCREASE

Earlier this year, the Company commenced its strategic transition, which proposed to firmly implement changes to the Company's development strategy and model. In its development strategy, the Company will shift from pursuing "scale" to pursuing "scale + profitability" and in its development model, the Company will change from the past high-debt, high-leverage, high-turnover and low-cost ("three high and one low") development model to "three-low and one-high" model, i.e. low-debt, low-leverage, low-cost and high-turnover model. Benefiting from the three rounds of capital increase, the net debt ratio of Hengda Real Estate will be reduced significantly and its capital structure will be further improved. The capital and financial costs are expected to continue to decline. At the same time, the Company will continue to strengthen internal management and increase operation efficiencies to further reduce administrative and sales cost ratios, and continuously improve product quality and value, to deliver high quality growth, which will lay the foundation for accomplishing the performance undertaking and the continuous development of the Company.

Given that the Third Round Capital Increase was based on arm's length negotiations, and that the Third Round Investment Agreements were concluded based on similar terms as the First Round Investment Agreements and the Second Round Investment Agreements, which are normal commercial terms, the Directors consider that the Third Round Capital Increase was based 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.

BASES AND ASSUMPTIONS OF THE PERFORMANCE UNDERTAKING AND INDEMNITY

The bases and assumptions in arriving at the performance undertaking and indemnity of Hengda Real Estate for the three financial years of 2018, 2019 and 2020 are as follows:

General market assumptions:

- (1) 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;
- (2) There will be no material changes to the political, economic and social environment under which Hengda Real Estate operates which would adversely affect the operations of Hengda Real Estate;
- (3) There will be no material changes in the bank's interest rates and taxation policies;
- (4) The supply of land for development will not differ materially from those of present or expected;
- (5) The supply of building materials and labours for property development will not differ materially from those of present or expected;

- (6) 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 the property development industry.

Transaction specific assumptions:

- (1) 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;
- (2) 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;
- (3) The Performance Undertaking Amount of RMB165.0 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 RMB50.0 billion, RMB55.0 billion and RMB60.0 billion for the financial years of 2018, 2019 and 2020, respectively;
- (4) The sales revenue is recognised upon delivery of properties which have been mainly contractually sold in the previous 1 to 2 years. The estimated contracted sales amounts of RMB500.0 billion, RMB580.0 billion and RMB620.0 billion for Hengda Real Estate for the financial years 2018, 2019 and 2020 respectively are derived based on the development plan of the existing land reserve held by Hengda Real Estate as of 30 June 2017;
- (5) The estimated sales revenue for 2018, 2019 and 2020 was calculated based on the actual areas of properties sold but not delivered as of 30 June 2017 and the construction and delivery plan of Hengda Real Estate for the second half of 2017, and the three years of 2018, 2019 and 2020. The estimated net profit after deducting non-recurring gains and losses for 2018, 2019 and 2020 was estimated with reference to the net profit margin of Hengda Real Estate for 2016 and the first half of 2017, 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.

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 were 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 unaudited consolidated net asset value of Hengda Real Estate as at 30 June 2017 was RMB182.77 billion.

Immediately following completion of the Third Round Capital Increase, the effective shareholding of the Company in Hengda Real Estate will be diluted from the current 73.88% to approximately 63.46%. Notwithstanding such dilution, Hengda Real Estate will remain 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 Third Round Capital Increase for the repayment of certain indebtedness of the Group, future project developments and as general working capital of the Group.

INFORMATION ON MR. HUI KA YAN

Mr. Hui Ka Yan is the founder of the Company, controlling shareholder, executive director and the chairman of the Board. As at the date of this announcement, Mr. Hui Ka Yan is interested in approximately 77.25% of the issued share capital of the Company.

GENERAL INFORMATION

Hengda Real Estate is principally engaged in the business of property development in the PRC.

LISTING RULES IMPLICATIONS

The Third Round Capital Increase constitutes a deemed disposal of the Company under Chapter 14 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Third Round Capital Increase is more than 5% but less than 25%, the Third Round Capital Increase constitutes a discloseable transaction for the Company. As Mr. Hui Ka Yan is the controlling shareholder and a connected person of the Company, the provision under the Third Round Investment Agreements where Mr. Hui Ka Yan may be required to replace Kailong Real Estate to repurchase the investment of the Investors, the Third Round Capital Increase will constitute a connected transaction for the Company. The Third Round Capital Increase will be subject to the reporting, announcement and Independent Shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the repurchase provisions under the Third Round Capital Increase. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. As Mr. Hui Ka Yan is the executive Director and controlling shareholder of the Company, he is deemed to be materially interested in the transaction and is required to abstain from voting at the board meeting for the approval of the Third Round Capital Increase and the general meeting relating to this transaction.

A circular containing, among other things, further details about the Third Round Capital Increase, the recommendation from the Independent Board Committee on the Third Round Capital Increase, a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the repurchase provisions under the Third Round Capital Increase, and the notice convening the extraordinary general meeting to approve the Third Round Capital Increase will be despatched to the Shareholders on or before 8 November 2017.

The extraordinary general meeting of the Company for approving the Third Round Capital Increase is expected to be held at Salon 5, JW Ballroom, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 23 November 2017 at 10:00 a.m. For determining the entitlement to attend and vote at the extraordinary general meeting, the register of members of the Company will be closed from Monday, 20 November 2017 to Thursday, 23 November 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 November 2017.

DEFINITIONS

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

“Board”	the board of directors of the Company;
“Company”	China Evergrande Group, a company with limited liability 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;
“Ding Xiang Sichuan”	四川鼎祥股權投資基金有限公司 (Ding Xiang Sichuan Equity Investment Fund Limited);
“Ding Xiang Sichuan Investment Agreement”	the investment agreement dated 6 November 2017 entered into between Kailong Real Estate, Hengda Real Estate, Mr. Hui Ka Yan and Ding Xiang Sichuan in relation to Ding Xiang Sichuan investing an amount of RMB5,000,000,000 in the capital of Hengda Real Estate;
“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;
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the repurchase provisions under the Third Round Capital Increase;
“Group”	the Company and its subsidiaries;
“Guangzhou Yehoo”	廣州逸合投資有限公司 (Guangzhou Yehoo Investment Co., Ltd);

“Guangzhou Yehoo Investment Agreement”	the investment agreement dated 6 November 2017 entered into between Kailong Real Estate, Hengda Real Estate, Mr. Hui Ka Yan and Guangzhou Yehoo in relation to Guangzhou Yehoo investing an amount of RMB5,000,000,000 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;
“Independent Board Committee”	the independent committee of the Board;
“Independent Shareholders”	Shareholders other than Mr. Hui Ka Yan and his associates;
“Investment Agreements”	the First Round Investment Agreements, the Second Round Investment Agreements and the Third Round Investment Agreements, and “Investment Agreement” shall mean any of them;
“Investors”	the First Round Investors, the Second Round Investors and the Third Round Investors;
“Jiayu”	嘉寓汽車配件寧夏(有限合夥) (Jiayu Vehicle Accessories Ningxia LLP);
“Jiayu Investment Agreement”	the investment agreement dated 6 November 2017 entered into between Kailong Real Estate, Hengda Real Estate, Mr. Hui Ka Yan and Jiayu in relation to Jiayu investing an amount of RMB5,000,000,000 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;
“Nanjing Runheng”	南京潤恒企業管理有限公司 (Nanjing Runheng Enterprise Management Co., Ltd.);
“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 2018, 2019 and 2020;
“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;
“Reorganisation Agreement”	the agreement in relation to the Proposed Reorganisation;
“RMB”	Renminbi, the lawful currency of the PRC;
“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;
“Shandong Highway Group Investment Agreement”	the investment agreement dated 6 November 2017 entered into between Kailong Real Estate, Hengda Real Estate, Mr. Hui Ka Yan and Shandong Highway Companies in relation to Shandong Highway Companies investing an amount of RMB20,000,000,000 in the capital of Hengda Real Estate;
“Shareholders”	shareholders of the Company;
“Shenzhen Amer”	深圳正威(集團)有限公司 (Shenzhen Amer International Co. Ltd.);

“Shenzhen Amer Investment Agreement”	the investment agreement dated 6 November 2017 entered into between Kailong Real Estate, Hengda Real Estate, Mr. Hui Ka Yan and Shenzhen Amer in relation to Shenzhen Amer investing an amount of RMB5,000,000,000 in the capital of Hengda 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);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Suning Holdings Group”	蘇寧控股集團有限公司 (Suning Holdings Group Co., Ltd.);
“Suning Electrical Appliances Group Investment Agreement”	the investment agreement dated 6 November 2017 entered into between Kailong Real Estate, Hengda Real Estate, Mr. Hui Ka Yan and Nanjing Runheng in relation to Nanjing Runheng investing an amount of RMB20,000,000,000 in the capital of Hengda Real Estate;
“Third Round Capital Increase”	the investment of an aggregate of RMB60 billion in the capital of Hengda Real Estate by the Third Round Investors pursuant to the terms of the Third Round Investment Agreements;
“Third Round Investment Agreements”	the investment agreements dated 6 November 2017 entered into between Kailong Real Estate, Hengda Real Estate, Mr. Hui Ka Yan and the Third Round Investors in relation to the Third Round Capital Increase with an aggregate amount of RMB60 billion;
“Third Round Investors”	the investors referred to in the Third Round Investment Agreements; and
“%”	per cent.

By Order of the Board
China Evergrande Group
Hui Ka Yan
Chairman

Hong Kong, 6 November 2017

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