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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

INSIDE INFORMATION
DISPOSAL OF NON-CORE BUSINESSES IN GRAIN AND OIL,
DIARY PRODUCTS AND SPRING WATER

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board announces that on 28 September 2016, Hengda Group Limited, a wholly-owned subsidiary of the Company, together with other wholly-owned subsidiaries of the Company, have entered into agreements with separate independent third parties pursuant to which the Group will dispose of all of its interests in the grain and oil, diary products and spring water businesses. The aggregate consideration for the Disposal is RMB2,700,000,000. Upon completion of the Disposal, the Group will no longer have any interests in the grain and oil, diary products and spring water businesses.

THE DISPOSAL

(1) The grain and oil business

On 28 September 2016, Hengda Group Limited, a wholly-owned subsidiary of the Group, entered into an agreement with 深圳涑涑涑實業有限公司 (Shenzhen Laililai Industrial Co., Ltd.*), an independent third party, pursuant to which the Group will dispose all of the Group's interests in each of 恒大糧油集團有限公司 (Hengda Grain and Oil Group Co., Ltd.*), 恒大人參有限公司 (Hengda Ginseng Co., Ltd.*) and 恒大銷售集團有限公司 (Hengda Sales Group Co., Ltd.*), and their respective subsidiaries (together the “**Grain and Oil Companies**”) to the purchaser.

The Grain and Oil Companies are engaged in the operation of the grain and oil business.

Consideration

The aggregate consideration for the disposal of the Grain and Oil Companies is RMB600,000,000, which was determined by the parties after arm's length negotiations with reference to the value of the assets of the Grain and Oil Companies.

10% of the consideration, equivalent to RMB60,000,000 is payable within three days from the signing of the relevant agreement, and the balance of the consideration shall be paid in the amount of RMB180,000,000 per annum within three years from the signing of the agreement.

Use of trademark

In accordance with the terms of the agreement, the Group agreed that the Grain and Oil Companies may continue to use the trademark “恒大興安” and the name of “Evergrande” as company name for a period of 5 years from the date of completion of the disposal, subject to maintaining the brand name of the Company and restricting the use to the current scope, and that there will be no assignment to any other party or adverse effect caused to the Group. If there is any breach on the usage, the Group may terminate the license prior to its term and seek compensation for its losses.

(2) The dairy products business

On 28 September 2016, Hengda Group Limited and Ace Capital Ventures Limited, the wholly-owned subsidiaries of the Group, entered into agreements with 深圳市明晟都靈商貿有限公司 (Shenzhen Mingcheng Duling Commerce Co., Ltd.*) and Sunlight Property Management Limited (both are independent third parties) respectively, pursuant to which the Group will dispose of all of the Group's interests in each of 恒大乳業有限公司 (Hengda Dairy Co., Ltd.*) and Challenger Global Investments Limited and their respective subsidiaries (together the “**Dairy Companies**”) to the purchasers.

The Dairy Companies are engaged in the production and distribution of dairy products.

Consideration

The aggregate consideration for the disposal of the Dairy Companies is RMB300,000,000, which was determined by the parties after arm's length negotiations with reference to the value of the assets of the Dairy Companies.

10% of the consideration, equivalent to RMB30,000,000 is payable within three days from the signing of the relevant agreement, and the balance of the consideration shall be paid in the amount of RMB90,000,000 per annum within three years from the signing of the agreement.

Use of trademark

In accordance with the terms of the agreement, the Group agreed that the Dairy Companies may continue to use the trademark “*咔哇熊*” and the name of “*Evergrande*” as company name for a period of 5 years from the date of completion of the disposal, subject to maintaining the brand name of the Company and restricting the use to the current scope, and that there will be no assignment to any other party or adverse effect caused to the Group. If there is any breach on the usage, the Group may terminate the license prior to its term and seek compensation for its losses.

(3) The spring water business

On 28 September 2016, Hengda Group Limited and Primal Glory Limited, the wholly-owned subsidiaries of the Group, entered into agreements with 深圳市三維都靈汽車銷售服務有限公司 (Shenzhen Sanwei Duling Vehicle Sales Services Co., Ltd.*) and Lipu (Hong Kong) Limited (both are independent third parties), respectively, pursuant to which the Group will dispose of all of the Group’s interests in each of 恒大飲品集團有限公司 (Hengda Beverage Group Limited*) and Sunny High Development Limited, and their respective subsidiaries (together the “**Spring Water Companies**”) to the purchasers.

The Spring Water Companies are engaged in the production and distribution of spring water.

Consideration

The aggregate consideration for the disposal of the Spring Water Companies is RMB1,800,000,000, which was determined by the parties after arm’s length negotiations with reference to the value of the assets of the Spring Water Companies.

10% of the consideration, equivalent to RMB180,000,000 is payable within three days from the signing of the relevant agreement, and the balance of the consideration shall be paid in the amount of RMB540,000,000 per annum within three years from the signing of the agreement.

Use of trademarks

In accordance with the terms of the agreement, the Group agreed that the Spring Water Companies may continue to use the trademarks of “*恒大冰泉*” and “*碧羸*”, and the name of “*Evergrande*” as company name for a period of 5 years from the date of completion of the disposal, subject to maintaining the brand name of the Company and restricting the use to the current scope, and that there will be no assignment to any other party or adverse effect caused to the Group. If there is any breach on the usage, the Group may terminate the license prior to its term and seek compensation for its losses.

REASONS OF THE TRANSACTION

The Disposal is being carried out for strategic consideration and would enable the Company to focus on the property development and other related businesses.

As the applicable percentage ratios in respect of the Disposal are below 5%, the Disposal is not subject to the compliance requirements of Chapter 14 of the Listing Rules.

FINANCIAL EFFECTS OF THE DISPOSAL

In accordance with the applicable accounting standards and referring to (i) the unaudited net liabilities of the Grain and Oil Companies, the Dairy Companies and the Spring Water Companies as at 31 August 2016 of approximately RMB3,300,000,000 and (ii) the aggregate consideration of the Disposal of RMB2,700,000,000, the Company is expected to recognize an unaudited before tax gain of approximately RMB5,700,000,000 from the Disposal.

DEFINITION

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors;
“Company”	China Evergrande Group, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Disposal”	the disposal by the Group of the grain and oil, dairy products and spring water businesses;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 28 September 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.*