

Strictly Private and Confidential
Subject to Contract

05 June 2016

Patron Capital Advisers LLP
One Vine Street
London
W1J 0AH

Attention of: Keith M. Breslauer

Re: Project Move

Dear Sirs,

Evergrande Real Estate Group Limited (“**Evergrande**” or “**us**” or “**we**”) is pleased to submit this expression of interest (the “**EoI**”) regarding the potential acquisition of CALA Group (Holdings) Limited (“**CALA Homes**” or the “**Company**” and together with its subsidiaries, the “**Group**”). We believe that CALA Homes represents a highly attractive and strategic acquisition for Evergrande. The Company’s upmarket homebuilding business is highly complementary to our existing residential property development business and would provide us with access, through a high-quality platform, to the attractive United Kingdom (“**UK**”) housing and residential development market.

Evergrande has been publicly listed on the Hong Kong Stock Exchange since 2009 with current market capitalization of c. HKD 78 billion and is recognized as the No.1 Chinese real estate developer across multiple segments. Currently, Evergrande has more than 400 large-scale residential projects in over 200 major cities. Evergrande’s completed construction in 2015 occupied 25.288 million sqm of its land reserves, with total land reserves balance at the end of 2015 amounting to 156 million sqm. The GFA of contracted sales for 2015 alone was 17 million sqm.

We are very impressed with the dedication and commitment which the current shareholders and the CALA Homes management team have invested to grow the business, increase the Company’s number of homes sold and position it for further growth at an opportune time in the market. The business they have constructed is attractive and represents a highly strategic opportunity for Evergrande.

The principal details of our Offer are set forth below.

- I. Identity of acquiring entity:** It is our intention to pursue the transaction via a wholly owned subsidiary of Evergrande. We confirm that our Offer is made as principal for our own account and not as a broker or agent.
- II. Structure:** Whilst this EoI has been prepared on the basis of an acquisition of up to 100% of the Company, we would be prepared to work flexibly with the Company’s significant shareholders and management to find a structure that accommodates their requirements, provided that we ultimately retain a position of control.

恒大集团

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邮编: 510620

电话: [REDACTED]

传真: [REDACTED]

III. Purchase price: We have not yet had an opportunity to analyze the forecast business plan of CALA Homes and we have not been able to undertake detailed valuation work. However, the approach we would seek to take would be based on applying a combination of multiples to current (June 2016) and forward Tangible Gross Asset Value ("TGAV") and Tangible Net Asset Value ("TNAV"); current and forward earnings multiples (EV/EBITDA and P/E) recognizing the strong growth potential of the business, as well as a view of underlying landbank value, factoring in a platform premium.

Our initial indicative analysis of the opportunity implies an enterprise valuation at a range of £650m to £750m. This estimate is based on a range of assumptions, including the following, which we would seek to confirm through our further diligence.

TGAV of £500m* as at 30 June 2016; and
EBIT for year ended 30 June 2016 of £95m*

**Figures from Evergrande's indicative analysis based on publicly available information*

We believe that this corresponds attractively to the valuation of the listed housebuilding comparables, reflecting CALA's anticipated improved ROCE to 20%+ and future growth prospects.

IV. Approvals and conditions: As is customary for transactions of this type, our conditions to completing the transaction would include, amongst others: (i) the negotiation and execution of definitive documentation in a form acceptable to us which would include, amongst other things, representations, warranties, covenants, and other terms and conditions that are usual and customary for a transaction of this type (acknowledging that Patron Capital is a private equity seller, we would expect to be provided with an appropriate level of W&I cover to bridge the exposure gap); (ii) satisfactory completion of our due diligence review of the Group; (iii) the approval of the proposed transaction by the Chairman of the Board of Directors of Evergrande; (iv) obtaining the requisite regulatory approvals which may be required; and (v) the absence of any material adverse change in the business, assets, condition (financial or otherwise), results of operations, cash flows or properties of the Group. The structure of Evergrande's approval process and majority ownership base allow us to act decisively and rapidly with the possibility of obtaining required corporate governance approvals within a very short timeframe.

V. Rationale: Our interest in CALA Homes is based on its high-quality product, first class customer service and commitment to health and safety. We are rapidly expanding having recently successfully completed a number of acquisitions of property development companies in China and Hong Kong – the value of acquisitions in Hong Kong alone stands at HKD 50 billion in the last 12 months - and CALA Homes represents an attractive acquisition that would enable us to enter the UK property development market and expand our global footprint. The availability of Evergrande's significant financing resources (including through access to equity capital markets) will allow the management team to further expand the footprint of the Group and finance any value accretive acquisitions.

VI. Financing: As evidenced by our most recent financials, we have the necessary capital to consummate the proposed transaction. Evergrande's unutilized banking facilities reached RMB 154.5 billion (c.£16 bn) at the end of 2015 and, together with the total cash of RMB 164.0 billion (c.£17.5 bn), Evergrande's available funds amounted to RMB 318.5 billion (c.£33.5 bn) in total at the end of 2015.

VII. Timing and due diligence: This opportunity has been considered by the Chairman of our Board of Directors and has significant support to move forward, subject to remaining diligence. We are therefore prepared to commence our due diligence immediately and work expeditiously to progress this transaction. Based on our expertise and our willingness to allocate all necessary resources, upon your moving forward with our proposal and with support and collaboration from the sellers and the Company's senior management team (and assuming the transaction documentation is progressed alongside diligence to expedite the process), we are confident that we can execute a definitive acquisition agreement within a short timeframe and with minimal disruption to the business.

Our anticipated timetable for the next steps in the process upon your agreement to move forward with our proposal is as follows:

- **a three week period** during which we would expect to be provided with: access to "off-the-shelf" diligence materials as well as a full, bottom-up 5-year business plan and a breakdown of the landbank; an opportunity to meet with the Group's management team; and allowed access to legal, financial, tax and commercial vendor teams. At the end of such three week period we will provide a firm valuation, with approval from the Board of Directors, subject to remaining diligence;
- **a five week period** to conduct standard due diligence during which we will (a) engage accounting advisors to conduct a financial and tax review; legal counsel to conduct legal due diligence (and progress the transaction documentation); property advisers to conduct a sample landbank valuation including a review of GDVs and build costs; and, potentially, other appropriate professional consultants (including environmental), (b) be provided with certificates of title over the material properties and (c) conduct other customary due diligence inquiries. Following such five week period we will provide a reconfirmation of our valuation; and
- **a two week period** following our reconfirmation of valuation to execute definitive legal documentation in connection with the transaction.

VIII. Competition issues: We have not yet begun our analysis of competition issues (if any) at this point in time. In the next stage of the process we will seek to appoint legal advisors to assess relevant competition aspects.

IX. Advisors: We plan to utilize qualified international law firm for legal due diligence and transaction document preparation and other best in class specialists and consultants in our commercial, tax, property and financial diligence.

X. Exclusivity: We are ready and willing to devote significant resources to analysing the information which will be provided to us during the process. Upon our review of the Group's initial diligence information, and in order to complete the proposed transaction in as short a timeframe as possible, we will require a period of exclusivity and would suggest to work together with you to agree an exclusivity period that accommodates the sellers' and our requirements. We are confident that with the full dedication of all parties we will be in a position to execute definitive documentation on an expedited basis.

XI. Contact: Please contact Liu Yishi and David Stern (contact details below) with any questions regarding this Offer:



XII. Confidentiality: This Offer is being delivered to you on the understanding and on the condition that its existence and content (including the proposed consideration) will be treated as strictly confidential and will not be disclosed to any person or entity other than Legal & General Group PLC (in its capacity as a shareholder of the Company) and your officers, directors and professional advisers, in each case on a strict need to know basis for the purpose of considering the proposed transaction (or as may be required by applicable laws or regulations) and so long as such persons are informed by you of the confidentiality of such information and agree to maintain such confidentiality. The confidentiality of this letter will not be invalid whether our deal is made or not. Any disclosure to a third party shall be subject to our written consent, except where legally compelled to.

XIII. Non Legally Binding: Except with respect to the Confidentiality section (which shall remain binding and enforceable and governed by English law), the proposal outlined in this Offer is a non-binding, indicative offer in a potential transaction and is not, and should not be, considered a legally binding agreement or commitment (or intention to create the same) in any manner. The failure to proceed with our review of the Group or to consummate a transaction shall impose no liability on Evergrande or any of its affiliates. This Offer is subject to customary due diligence and other conditions outlined above. Except with respect to the Confidentiality section (which shall remain binding and enforceable), no legally binding obligation will be created and/or assumed unless and until definitive written agreements are executed. For avoidance of doubt, this EOI shall not be binding to either party except the Confidentiality section before the conclusion of an agreement.

We would like to reaffirm our enthusiasm for this value-creating transaction. We stand ready to invest considerable resources to complete this transaction, and we look forward to the opportunity to proceed to the next phase of our work. We sincerely hope that you share our enthusiasm for working together on this contemplated transaction.

Yours sincerely,

Vice President,
for and on behalf of Evergrande Real
Estate Group Limited