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Evergrande Real Estate Group Limited

恒大地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 12 November 2015, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement in relation to the Acquisition at an aggregate Consideration of HK\$12,500,000,000. The principal asset of the Target Company is the Property.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitute a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 12 November 2015, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement in relation to the Acquisition at an aggregate consideration of HK\$12,500,000,000 (subject to adjustment). The principal asset of the Target Company is the Property.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date : 12 November 2015

Parties : (i) Great System Investment Limited, being the Vendor

(ii) Shengyu (BVI) Limited, being the Purchaser

Subject of the Acquisition

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase the Transfer Shares and the assignment of the Transfer Debt from the Vendor at an aggregate consideration of HK\$12,500,000,000 (subject to adjustment).

The Transfer Shares represent the entire issued and paid up share capital of the Target Company and the Transfer Debt represents all the debt receivables extended by the Vendor and/or its associates to the Target Company at Completion. As at the date of the Agreement, the debt receivables amounts to HK\$nil. On or before the Completion Date, it is anticipated that the Vendor and/or its related parties will extend a loan amounting to approximately HK\$1,735,422,000 for the repayment of its syndicated loans and interests thereto by the Target Company. Such accounts receivable will offset the amount owed by the Vendor and/or its related parties to the Target Company, and the net operating gain (being the revenue for the transitional period less the expense for the transitional period) of the Target Company for the transitional period will also be used for the repayment of part of the accounts receivable. Assuming the Completion Date is on 30 November 2015 and based on the current estimated net operating gain arising during the transitional period, it is expected that on the Completion Date, the amount of such accounts receivable would be approximately HK\$1,074,798,000. The specific amount shall be based on the actual amount on the Completion Date.

The principal asset of the Target Company is the Property, which is known as Mass Mutual Tower and located at No. 38 Gloucester Road and No. 25 Jaffe Road, Wanchai, Hong Kong.

Consideration

The consideration for the Acquisition is HK\$12,500,000,000. However, in the event that, based on the Completion Accounts, the amount of current liabilities (excluding accounts receivable and deferred tax) of the Target Company is higher than the amount of its current assets, the consideration shall be adjusted and be reduced by the difference.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor taking into the account of the market price of the Property and other assets held by the Target Company and with reference to the independent Valuation Report.

The Deposit will be settled by internal resources of the Company, and the remaining consideration will be settled by mortgages and the internal resources of the Company.

Methods of payment

The consideration shall be paid by the Purchaser to the Vendor in the following manner:

- (a) 10% of the consideration, being HK\$1,250,000,000, shall be paid within five business days after the signing of the Agreement (or such other date as agreed in writing by the Vendor and the Purchaser) as Deposit;

- (b) 30% of the consideration, being HK\$3,750,000,000, shall be paid on the Completion Date;
- (c) 10% of the consideration, being HK\$1,250,000,000, shall be paid within one year from the Completion Date;
- (d) 10% of the consideration, being HK\$1,250,000,000, shall be paid within two years from the Completion Date;
- (e) 10% of the consideration, being HK\$1,250,000,000, shall be paid within three years from the Completion Date;
- (f) 10% of the consideration, being HK\$1,250,000,000, shall be paid within four years from the Completion Date;
- (g) 10% of the consideration, being HK\$1,250,000,000, shall be paid within five years from the Completion Date; and
- (h) 10% of the consideration, being HK\$1,250,000,000, shall be paid within six years from the Completion Date.

One of the trading Completion documents under the Agreement is a guarantee deed required to be delivered to the Vendor by the Purchaser on the Completion Date. The guarantor makes guarantee and indemnity in favour of the Company for the payment obligations assumed by the Purchaser after the Completion Date under the Agreement.

Conditions Precedent

Completion is subject to the following Conditions Precedent having been fulfilled:

- (a) if it is so required under the Listing Rules or requested by the Stock Exchange, the controlling company of the Vendor shall, in compliance with the Listing Rules, pass all necessary shareholders' resolutions (by way of written shareholders' approval or by an ordinary resolution passed at a general meeting (in the event the relevant written approval is not obtained)), to approve the transactions contemplated under the Agreement, and obtain all other necessary approvals and waivers (if applicable);
- (b) the Vendor having obtained all relevant approvals required for the transactions contemplated under the Agreement (if necessary) from third parties;
- (c) if it is so required under the Listing Rules or requested by the Stock Exchange, the ultimate controlling company of the Purchaser shall, in compliance with the Listing Rules, pass all necessary shareholders' resolutions (by way of written shareholders' approval or by an ordinary resolution passed at a general meeting (in the event that the relevant written approval is not obtained)), to approve the transactions contemplated under the Agreement, and obtain all other necessary approvals and waivers (if applicable);

- (d) the Purchaser having obtained all relevant approvals required for the transactions contemplated under the Agreement (if necessary) from third parties; and
- (e) the Purchaser being satisfied with the result of the due diligence of Target Company.

Completion

Upon fulfillment of the Conditions Precedent, Completion shall take place on a date agreed by the Purchaser and the Vendor, which shall not be later than six months after the date of signing of the Agreement.

Information on the Property

The Property is a Grade A office and commercial building situated in the core area between Admiralty and Wan Chai in Hong Kong and the Hong Kong Convention and Exhibition Centre (No. 38 Gloucester Road, Wan Chai, Hong Kong), which is in close proximity to Admiralty and Wan Chai MTR stations, Hong Kong Police Headquarters and the Hong Kong Convention and Exhibition Centre, and is next to the Victoria Harbour. The Property is one of the participating buildings of A Symphony of Lights.

The Property occupies an area of 2,138.8 square meters and has a total floor area of 32,090.9 square meters with 55 underground car parking spaces. Standing at 94.85 meters, the 26-storey building now has an occupancy rate of 100%, and its tenants are mainly large scale international automobile companies, insurances companies and multinational enterprises, etc.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the entire issued share capital of the Target Company is held by the Vendor.

The financial information of the Target Company for the two financial years ended 31 December 2013 and 31 December 2014, based on the audited financial statements of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards is set out below:

	For the year ended 31 December 2013	For the year ended 31 December 2014
	<i>(HK\$'000)</i>	
Net profit before tax and extraordinary items	133,912	367,997
Net profit after tax and extraordinary items	121,363	347,193

Based on the unaudited consolidated financial statements of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards, the unaudited net asset value of the Target Company as at 30 September 2015 was approximately HK\$3,069,000,000. According to the Valuation Report, taking into account the Acquisition, the adjusted fair acquisition cost of the Property as at 12 November 2015 is HK\$12,500,000,000.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of Chinese Estates Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange with stock code 0127. To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

INFORMATION ON THE GROUP

The Group is principally engaged in the development of large-scale residential properties and integrated commercial properties. The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The consideration of the Acquisition will be paid in six years with only a small amount of fund payable each year. Since the Property is situated in the core political, commercial, tourism and transportation area in Hong Kong, it possesses substantial appreciation potential in the future, and will drastically enhance the Group's corporate image in Hong Kong as well as international markets, which could significantly boost the Group's brand promotion.

Given the consideration is determined by the Vendor and the Purchaser after arm's length negotiations, taking into the account of the market price of the Property and other assets held by the Target Company and reference to the independent Valuation Report, and taking into the consideration of the significant brand influence brought along by the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the Agreement has been entered into on normal commercial terms that are fair and reasonable and the Acquisition is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitute a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“Acquisition”	the proposed acquisition of the Transfer Shares and Transfer debt by the Purchaser from the Vendor at an aggregate consideration of HK\$12,500,000,000 (subject to adjustment) pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 12 November 2015 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Board”	the board of Directors
“Company”	Evergrande Real Estate Group Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, whose shares are listed on the Main Board of the Stock Exchange with stock code 3333
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Accounts”	the unaudited statement of financial position of the Target Company as at the closing date as provided by the Vendor to the Purchaser on the Completion Date
“Completion Date”	the date of Completion
“Conditions Precedent”	the conditions precedent to Completion as stated in the Agreement
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Deposit”	the deposit as stated in the Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Property”	the property known as Mass Mutual Tower and located at No. 38 Gloucester Road and No. 25 Jaffe Road, Wanchai, Hong Kong
“Purchaser”	Shengyu (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Pioneer Time Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Transfer Shares”	the entire issued and paid up share capital of the Target Company
“Transfer Debt”	the debt receivables extended by the Vendor and/or its associates to the Target Company at Completion
“Valuation Report”	the valuation report prepared by Crowe Horwath (HK) Consulting & Valuation Limited, an independent appraiser, based on its assessment on the value of the Property on 12 November 2015
“Vendor”	Great System Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of Chinese Estates Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange with stock code 0127

By order of the Board
Evergrande Real Estate Group Limited
Hui Ka Yan
Chairman

Hong Kong, 12 November 2015

As at the date of this announcement, the executive Directors are Mr. Hui Ka Yan, Mr. Xia Haijun, Ms. He Miaoling, Mr. Tse Wai Wah, 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.