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Evergrande Real Estate Group Limited

恒大地产集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

**PROPOSED ISSUE OF US\$1,500,000,000, 7%
PERPETUAL CONVERTIBLE SECURITIES**

The Board is pleased to announce that the Company has on 23 December 2015 entered into the Subscription Agreements with the Subscribers pursuant to which the Subscribers have agreed to subscribe for the Securities in an aggregate principal amount of US\$1,500,000,000.

The Securities are convertible into Shares at an initial Conversion Price of HK\$8.06 per Share (subject to adjustments). Assuming full conversion of the Securities at the initial Conversion Price and that there is no further issue or repurchase of Shares by the Company, the Securities will be convertible into approximately 1,442,308,000 new Shares, representing approximately 10.32% of the issued share capital of the Company as at the date of this announcement and approximately 9.36% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares are to be issued under the General Mandate. The issue of the Securities is not subject to the approval of the Shareholders.

The estimated net proceeds from the Subscription is approximately US\$1,484,000,000. The Company intends to apply the proceeds from the Subscription for the acquisition and replenish projects which are competitive in the first and second-tier cities in the PRC.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription is subject to the satisfaction of the conditions precedent to the Subscription Agreements and may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

The Board announces that the Company as issuer have entered into the Subscription Agreement with the Subscribers pursuant to which the Subscribers have agreed to subscribe for the Securities in an aggregate principal amount of US\$1,500,000,000.

THE SUBSCRIPTION AGREEMENTS

(i) The First Subscription Agreement

Date

23 December 2015

Parties

- (i) the Company; and
- (ii) Sherson Limited and Vivid China Investment Limited as the First Subscribers.

Sherson Limited is an investment company and is a wholly-owned subsidiary of New World Development Company Limited, a company which is primarily involved in property development and the shares of which are listed on the Stock Exchange. Vivid China Investment Limited is an investment company and is a wholly-owned subsidiary of New World China Land Limited, a company which is primarily involved in property development in the PRC, the shares of which are listed on the Stock Exchange. To the best of the Directors' knowledge, information and belief, each of the First Subscribers is independent of and not connected with the Company and its connected persons.

Subject matter

Subject to the satisfaction of the conditions set out in the section headed “Conditions Precedent” below, the First Subscribers have agreed to subscribe for the Securities in an aggregate amount of US\$900,000,000.

(ii) The Second Subscription Agreement

Date

23 December 2015

Parties

- (i) the Company; and
- (ii) Dynamic Sino Global Limited, Glory Legacy Asia Limited, Sky Choice Trading Limited, Cosmos Key Investments Limited and Super Honorable Limited as the Second Subscribers.

Dynamic Sino Global Limited is an investment company and is a wholly-owned subsidiary of Chow Tai Fook Enterprises Limited, an investment holding company. Each of the other Second Subscribers is an investment company and are independent of Dynamic Sino Global Limited and each other. To the best of the Directors’ knowledge, information and belief, each of the Second Subscribers is independent of and not connected with the Company and its connected persons.

The Second Subscription

Subject to the satisfaction of the conditions set out in the section headed “Conditions Precedent” below, the Second Subscribers have agreed to subscribe for the Securities in an aggregate amount of US\$600,000,000.

CONDITIONS PRECEDENT

The respective obligations of the Company and the Subscribers under the Subscription Agreements are subject to, among others, the following conditions precedent:

- (a) the Listing Committee of the Stock Exchange having approved the listing of and permission to deal in the Conversion Shares;
- (b) the transactions contemplated under the Subscription being in compliance with all applicable laws and regulations and all necessary regulatory filings (if any) having been made and any approvals or authorisations of any governmental authorities, the absence of which would make the transactions under the Subscription

Agreements unlawful, having been obtained or made in form and substance satisfactory to the Company or, as applicable, the Subscribers (acting together); and

(c) at the Closing Date:

- (i) the respective representations and warranties of the Company and the Subscribers under the Subscription Agreements shall be true, accurate and correct in all material respects at, and as if made on, such date; and
- (ii) each of the Company and the Subscribers shall have performed all of their respective obligations under the Subscription Agreements expressed to be performed on or before such date.

TERMINATION OF THE SUBSCRIPTION AGREEMENTS

If, at the Closing Date, any of the conditions precedent of the Subscription Agreements has not been satisfied, or waived by the mutual agreement of the Company and the Subscribers (acting together), the Subscription Agreements shall automatically terminate.

PRINCIPAL TERMS OF THE SECURITIES

Set out below is a summary of the principal terms of the Securities:

Issuer	The Company
Aggregate principal amount	US\$1,500,000,000
Issue price	100% of the principal amount of the Securities, payable by the Subscribers in full in US\$ at Closing.
Distributions	Subject to the terms of the Securities, the Securities confer a right to receive distributions (each a “ Distribution ”) at the applicable rate of distribution (the “ Distribution Rate ”) from the Closing Date. Distributions will be payable on the Securities in US\$ semi-annually in arrear on each Distribution Payment Date, meaning 29 June and 29 December in each year, starting on (and including) 29 June 2016.

Distribution Rate

The Distribution Rate applicable to the Securities are:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, 29 December 2017 (the “**First Reset Date**”), the Initial Distribution Rate; and
- (ii) in respect of the periods (A) from, and including, the First Reset Date to, but excluding, the immediately following Reset Date and (B) from, and including, each Reset Date falling thereafter to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

Distribution deferral

The Company may, unless a Compulsory Distribution Payment Event has occurred, at its sole discretion, elect to defer a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice of not more than ten nor less than five Business Days prior to the relevant Distribution Payment Date. Any such deferred Distribution shall constitute “**Arrears of Distribution**”. The Company may, at its sole discretion, elect to further defer any Arrears of Distribution and is not subject to any limits as to the number of times Distributions and Arrears of Distribution can be deferred. Each amount of Arrears of Distribution shall bear interest at the prevailing Distribution Rate (the amount of such interest, the “**Additional Distribution Amount**”).

Restrictions in case of
deferral

If (a) on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Distribution deferral, or (b) a Credit Event or a payment default has occurred and is continuing, the Company shall not (1) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend or other payment is made on any Junior Securities, preference shares or Parity Securities (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement) or (2) at its discretion directly or through its subsidiaries repurchase, redeem or otherwise acquire any of its Junior Securities, preference shares or Parity Securities, unless and until (i) the Company satisfies in full all outstanding Arrears of Distribution and any Additional Distribution Amounts; or (ii) it is permitted to do so by an extraordinary resolution of the Holders.

No default

Notwithstanding any other provisions under the terms of the Securities, the deferral of any Distribution payment will not constitute a default for any purpose on the part of the Company under the Securities or for any other purpose.

Conversion period

Subject to the conditions of the Securities, each Holder has the right to convert the Securities in whole or in part into Conversion Shares at any time on or after the later to occur of (i) the Issue Date and (ii) the date upon which the Listing Committee of the Stock Exchange approves the listing of and permission to deal in the Conversion Shares, up to and including, if such Security shall have been called for redemption by the Company, the close of business on the date falling seven Business Days prior to the date fixed for the redemption.

Conversion Price

HK\$8.06 per Conversion Share, subject to adjustment on the occurrence of any adjustment events. The adjustment events are:

- (a) if there is an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (b) if the Company issues any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves and which would not have constituted a Capital Distribution;
- (c) in the case of an issue of Shares by way of a scrip dividend where the Current Market Price of such Shares multiplied by the number of Shares issued exceed 105% of the relevant cash dividends declared by the Company and which would not have constituted a Capital Distribution;
- (d) if the Company pays or makes any Capital Distribution to the Shareholders (except to the extent the Conversion Price falls to be adjusted under any conditions as set out in the Securities);
- (e) if the Company issues Shares, or grant rights, options, warrants or other rights to subscribe for Shares to all or substantially all Shareholders at less than 95% of the Current Market Price;
- (f) if the Company issues any securities (other than Shares or option to subscribe for Shares), or grant right, options, warrants or other rights to subscribe for such securities to all or substantially all Shareholders;
- (g) if the Company issues any Shares or grants options to subscribe for Shares at a price which is less than 95% of the Current Market Price;

- (h) if the Company or any of its subsidiaries or any other person issues any securities (other than the Securities) convertible into Shares at a consideration per Share which is less than the Current Market Price;
- (i) if any of the conversion rights referred to in (h) immediately above is modified so that the consideration per Share (for the number of Shares available on conversion following the modification) is reduced and is less than 95% of the Current Market Price;
- (j) if the Company or any of its subsidiaries or any other person issues, sells or distributes any securities in connection with any offer pursuant to which the Shareholders are generally entitled to acquire such securities (unless such issuance, sale or distribution also results in an adjustment due to another adjustment event); and
- (k) if the Company otherwise determines that an adjustment should be made to the Conversion Price.

Number of Conversion Shares issuable	1,442,308,000 Conversion Shares will be issued upon full conversion of the Securities based on the initial Conversion Price of HK\$8.06.
No fixed redemption date	The Securities are perpetual securities in respect of which there is no fixed redemption date and the Company will only have the right to redeem or purchase them in accordance with the terms of the Securities.

Redemption at the option of the Company	<p>The Company may at its option, at any time, on giving not less than 15 nor more than 30 days' notice to the Holders, redeem the Securities in whole or in part only on a date specified for such redemption in such notice (the dates of such redemption, each, a “Call Date”) provided that in the case of a redemption in part the aggregate principal amount of the Securities to be so redeemed should not be less than US\$10,000,000.</p> <p>On expiry of any such notice, the Company will be bound to redeem the Securities on the relevant Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).</p>
Purchase	<p>The Company or any of its subsidiaries may at any time and from time to time purchase Securities at any price in the open market or otherwise.</p> <p>All Securities which are redeemed or purchased by the Company or any of its subsidiaries will be cancelled.</p>
Transferability	<p>The Securities will be transferable, subject to the terms of the Subscription Agreements and the Securities.</p>
Status	<p>The Securities constitute direct, unsubordinated and unsecured obligations of the Company and will at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Company under the Securities will, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.</p>
Voting	<p>A holder of Securities is not entitled to vote at any general meetings of the Company by reason only of it being a holder of such Securities.</p>

Listing

No application will be made for the listing of the Securities on the Stock Exchange.

The Company will as soon as practicable following the Closing Date take all such steps as may be necessary or desirable in order to facilitate the clearance and settlement of the Securities through the automated facilities of the Clearing Systems, and take such steps as may be required for the purpose of obtaining a listing of the Securities on the Singapore Stock Exchange (“SGX”). As at the date of this announcement, no application has been made to the SGX.

Further issues

The Company may from time to time, with the consent of the Holders, create and issue further securities having the same terms and Conditions as the Securities in all respects (or in all respects except for the first payment of Distribution in respect of them) and so that such further issue will be consolidated and form a single series with the Securities.

CONVERSION SHARES

Assuming full conversion of the Securities at the initial Conversion Price of HK\$8.06 per Conversion Share, the Securities will be convertible into approximately 1,442,308,000 Conversion Shares, representing approximately 10.32% of the existing issued share capital of the Company and approximately 9.36% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares have a nominal value of US\$14,423,080 and a market value of approximately HK\$9,130 million based on the closing price of the Shares of HK\$6.33 on 23 December 2015.

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

CONVERSION PRICE

The initial Conversion Price of HK\$8.06 per Conversion Share was arrived at after arm's length negotiation between the Company and the Subscribers with reference to the recent share price and prospects of the Group. The Conversion Price represents:

- (i) a premium of approximately 27.3% over the closing price of the Shares of HK\$6.33 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of 30% over the average closing price of HK\$6.20 per Share for the last 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of 35.2% over the average closing price of HK\$5.96 per Share for the last 10 consecutive trading days up to and including the Last Trading Day.

GENERAL MANDATE

No shareholders' approval is required for the proposed issue of the Securities, and the Conversion Shares will be issued under the general mandate granted to the Board at the annual general meeting of the Company held on 16 June 2015, which authorised the Directors to allot, issue or otherwise deal with 3,128,097,980 Shares, representing 20% of the issued share capital of the Company as at that date. As at the date hereof, the general mandate has not been utilized. Without taking into consideration those Shares repurchased by the Company which may be added back to the general mandate to issue Shares, upon full conversion of the Securities at the initial Conversion Price, the Company will have general mandate left to issue up to 1,685,789,980 Shares.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon conversion of the Securities. No listing application will be made for the Securities on the Stock Exchange.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is a leading property developer in the PRC adopting a standardised operational model with high efficiency in execution, strengths in cost control, large-scale and fast development and quick sales. The ability of the Group's projects to return a profit is most prominent in the PRC property market. New World and Chow Tai Fook are renowned Hong Kong enterprises and they, together with the other Subscribers, have a strong capital base. The Subscription will raise proceeds of US\$1,500,000,000 which will be used for the acquisition and replenish projects which are competitive in the first and second-tier cities in the PRC. The Subscription will

combine the strengths of the Company and the Subscribers and foster the cooperation between the parties and enable the parties to mutually benefit from the results of the development in the PRC property market.

CAPITAL RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 28 May 2015, the Company conducted a top-up placing exercise and issued 820,000,000 new Shares at the issue price of HK\$5.67 per Share. The net proceeds from such top-up placing of Shares was approximately HK\$4,600 million and was applied by the Group for repayment of debts and as general working capital purpose.

Save as disclosed above, the Company has not carried out other equity capital raising activities in the twelve months immediately preceding this announcement.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the Company's shareholding structure as at the date of this announcement and upon the full conversion of the Securities.

	Shareholding as at the date of this announcement		Shareholding immediately after completion and upon full conversion of the Securities	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr. Hui Ka Yan and his associates	10,162,119,735	72.73	10,162,119,735	65.93
Holder	—	—	1,442,308,000	9.36
Other Shareholders	<u>3,809,626,165</u>	<u>27.27</u>	<u>3,809,626,165</u>	<u>24.71</u>
Total	<u>13,971,745,900</u>	<u>100.00</u>	<u>15,414,053,900</u>	<u>100.00</u>

GENERAL

Completion of the Subscription is subject to the satisfaction of the conditions precedent to the Subscription Agreement and may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“associate”	has the meaning given to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	means (i) in respect of transfer of the Securities, any day other than a Saturday or Sunday on which banks are open for business in the Cayman Islands; and (ii) in respect of Distribution and conversion, any day, excluding a Saturday and a Sunday on which banks are open for general business (including dealings in foreign currencies) in Hong Kong, New York and the PRC;
“Capital Distribution”	means, on a per Share basis, any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but excludes a scrip dividend adjusted under the terms of the Securities);
“Clearing Systems”	means Euroclear Bank S.A./N.V. and Clearstream Banking, S.A.;
“Closing”	completion of the Subscription;
“Closing Date”	the date Closing takes place;
“Company”	Evergrande Real Estate Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;

“Compulsory Distribution Payment Event”	means circumstances in which during the 12 month period ending on the day before the relevant Distribution Payment Date either or both of the following have occurred: <ol style="list-style-type: none"> (1) the Company (or in the case of any Parity Securities in respect of which the Company is not the issuer, the issuer thereof) declares or pays any dividend, distribution or other payment on or in respect of any Junior Securities, preference shares or Parity Securities (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, directors or consultants); or (2) the Company at its discretion directly or through its subsidiaries repurchases, redeems or otherwise acquires any of the Company’s Junior Securities, preference shares or Parity Securities;
“Conditions Precedent”	the conditions precedent set out in the paragraph headed “Conditions Precedent” of this announcement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Conversion Price”	the price under which Securities are convertible into Shares, which initially is HK\$8.06 per Share;
“Conversion Shares”	new Shares to be issued upon conversion of the Securities;
“Credit Event”	has the meanings ascribed to it in the terms of the Securities and include events of non-compliance by the Company with the terms of the Securities, including failure to make payment of principal, failure to pay Distribution, does not perform with or comply with its obligations;
“Current Market Price”	means, in respect of a Share on a particular date, the average of the daily closing price on each of the 20 consecutive trading days ending on and including the trading day immediately preceding such date;
“Directors”	the directors of the Company;

“First Subscribers”	Sherson Limited and Vivid China Investment Limited;
“First Subscription Agreement”	the conditional agreement entered into between the Company and the First Subscribers dated 23 December 2015, regarding the subscription by the First Subscribers of Securities of principal amount of US\$900,000,000;
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 16 June 2015, which authorised the Directors to allot, issue or otherwise deal with 3,128,097,980 Shares, representing 20% of the issued share capital of the Company as at that date;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Holders”	holders of the Securities;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Initial Distribution Rate”	7.00% per annum;
“Issue Date”	the day of issue of the Securities;
“Junior Securities”	(a) any class of the Company’s share capital (including preference shares); (b) any security issued by the Company which ranks, or is expressed to rank junior to the Company’s obligations under the Securities; and (c) any security guaranteed by the Company or for which the Company has otherwise assumed liability where the Company’s obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank junior to the Company’s obligations under the Securities;
“Last Trading Day”	23 December 2015, being the last full trading day immediately before the signing of the Subscription Agreements;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Parity Securities”	means: (i) any security issued or guaranteed by the Company which ranks or is expressed to rank <i>pari passu</i> with the Securities and under which distributions may be deferred at the discretion of the relevant issuer in accordance with the terms and Conditions thereof; and (ii) any security under which distributions may be deferred at the discretion of the relevant issuer in accordance with the terms and conditions thereof guaranteed by the Company or for which the Company has otherwise assumed liability where the Company’s obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank <i>pari passu</i> with the Company’s obligations under the Securities;
“PRC”	the People’s Republic of China;
“Relevant Reset Distribution Rate”	means with respect to each relevant Reset Date, the Initial Distribution Rate plus the Step-up Margin per annum applicable to the relevant Reset Distribution Period;
“Reset Date”	means the First Reset Date and each day falling thereafter on an anniversary of the First Reset Date;
“Reset Distribution Period”	means the period beginning on and including the First Reset Date and ending on but excluding the following Reset Date and each successive period beginning on and including a Reset Date and ending on but excluding the next succeeding Reset Date;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Subscribers”	Dynamic Sino Global Limited, Glory Legacy Asia Limited, Sky Choice Trading Limited, Cosmos Key Investments Limited and Super Honorable Limited;
“Second Subscription Agreement”	the conditional agreement entered into between the Company and the Second Subscribers dated 23 December 2015, regarding the subscription by the Second Subscribers of Securities of principal amount of US\$600,000,000;

“Securities”	the 7% unsecured US\$ settled perpetual convertible securities in the aggregate principal amount of US\$1,500,000,000 to be issued by the Company;
“Shareholders”	registered holders of Shares from time to time;
“Shares”	shares of US\$0.01 each in the capital of the Company;
“Step-up Margin”	means (a) in respect of the Reset Distribution Period beginning on and including the First Reset Date, 0.50%; (b) in respect of the Reset Distribution Period beginning on and including the first anniversary of the First Reset Date, 1.00%; (c) in respect of the Reset Distribution Period beginning on and including the second anniversary of the First Reset Date, 1.50%; (d) in respect of the Reset Distribution Period beginning on and including the third anniversary of the First Reset Date and thereafter, 3.00%;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	the First Subscribers and the Second Subscribers;
“Subscription”	the subscription of the Securities by the Subscribers pursuant to the terms of the Subscription Agreements;
“Subscription Agreements”	the First Subscription Agreement and the Second Subscription Agreement;
“trading day”	the day on which the Stock Exchange is open for business;
“US\$”	United States dollar, the lawful currency of the United States of America;
“%”	per cent.

For illustration purposes, amounts in US\$ in this announcement have been translated into HK\$ at US\$1.00 = HK\$7.75.

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

Hong Kong, 23 December 2015

As at the date of this announcement, the board of Directors comprises nine members, of which Mr. Hui Ka Yan, Mr. Xia Haijun, Ms. He Miaoling, Mr. Tse Wai Wah, Mr. Xu Wen and Mr. Huang Xiangui are the executive Directors; and Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi are the independent non-executive Directors.