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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)

MAJOR TRANSACTION

The Board announces that on 29 December 2015, Shengyu (BVI) Limited, a wholly-owned subsidiary of the Company, as the purchaser, entered into two agreements with the Vendor to acquire the interests in the relevant shares in and loans to the target companies held by the Vendor respectively. The target companies hold equity interests in the Chengdu Riverside Project and the Guiyang Project.

As the Vendor is the seller in these two agreements, and the Company entered into three agreements with the Vendor on 2 December 2015 to acquire the interests in projects in Haikou, Huiyang and Wuhan, respectively, the Acquisition would need to aggregate with the acquisitions dated 2 December 2015 in accordance with Rule 14.22 of the Listing Rules. As the aggregated applicable percentage ratios for the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the shareholders' approval. As no shareholder is interested in the transaction and is required to abstain from voting at the general meeting convened for the approval of the Acquisition, the Company has approved this Acquisition by the written approval of Xin Xin, a shareholder holding approximately 67.7% of the issued share capital of the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules and is exempt from the requirement to convene a shareholders' meeting for the approval of the Acquisition.

A circular containing details of the Acquisition will be despatched by the Company to shareholders pursuant to the Listing Rules.

As the Company expects that it requires more time to collate the information to be included in the circular, such circular is expected to be despatched to shareholders on or before 18 February 2016.

1. INTRODUCTION

The Board announces that on 29 December 2015, Shengyu (BVI) Limited, a wholly-owned subsidiary of the Company, as the purchaser, entered into two agreements with the Vendor to acquire the interests in the relevant shares in and loans to the target companies held by the Vendor respectively.

2. THE ACQUISITION

The principal terms of the Acquisition Agreements are as follows:

(1) First Acquisition Agreement

Date: 29 December 2015

Parties

Vendor: New World Development (China) Limited

Purchaser: Shengyu (BVI) Limited

To the best of the Directors' knowledge, information and belief upon making all reasonable enquiries, the Vendor and its beneficial owner are independent of and not connected with the Company and its connected persons.

Assets to be acquired

The entire equity interest in Rise Eagle. As at the date of entering into of the First Acquisition Agreement, Rise Eagle held a 60% equity interest in the Chengdu Project Company, which held the entire equity interest in the Chengdu Riverside Project.

The remaining 40% equity interest in the Chengdu Project Company is held by two independent third parties, namely Hing Pang Petroleum Chemicals (H.K.) Limited and Chengdu Shen Gang Petroleum Co., Ltd. (成都深港石化有限公司), each holding a 20% equity interest.

Consideration

The consideration for the acquisition of the equity interest in and loan to Rise Eagle is RMB2,000,000,000. The consideration for the transaction will be financed by the proceeds from the issue of perpetual securities by the Company to New World, and the internal resources of the Company. The consideration is determined after arm's length negotiations between the Vendor and the Purchaser with reference to the unaudited net asset value of the target company, the intrinsic value of the project and the amount of the loan to the target company. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the First Acquisition Agreement are fair and reasonable, and the entering into of the First Acquisition Agreement is in the interests of the Company and the shareholders as a whole.

Payment method

The consideration will be payable by the Purchaser to the Vendor in the following manner:

- (a) RMB400,000,000 (or its HKD equivalent), being the deposit, shall be paid on 6 January 2016.
- (b) RMB1,600,000,000 (or its HKD equivalent) will be paid on the completion date (or such other date as agreed in writing by both parties).

Conditions Precedent

Completion of the First Acquisition Agreement is subject to the fulfillment or waiver of the following Conditions Precedent:

- (a) the boards of directors of the Vendor, NWD and NWCL having approved the First Acquisition Agreement and the transactions thereunder. If it is so required under the Listing Rules or by Hong Kong Stock Exchange, NWD and/or NWCL will, in compliance with the Listing Rules, pass all necessary shareholders' resolutions (by way of shareholders' written approval or by an ordinary resolution passed at the general meeting (in case the relevant written approval is not obtained)) to approve the First Acquisition Agreement and the transactions thereunder, and comply with other relevant announcement requirements under the Listing Rules and obtain all other necessary approvals and waivers (if applicable);
- (b) the Vendor having obtained all relevant approvals required for the transactions under the First Acquisition Agreement (if necessary) from third parties (including the lending bank of the Project Company);

- (c) the boards of directors of the Purchaser and the Company having approved the First Acquisition Agreement and the transactions contemplated thereunder. If it is so required under the Listing Rules or by Hong Kong Stock Exchange, the Company will, in compliance with the Listing Rules, pass all necessary shareholder resolutions (by way of Shareholders' written approval or by an ordinary resolution passed at the general meeting (in case the relevant written approval is not obtained)) to approve the agreement and the transactions contemplated thereunder, comply with other relevant announcement requirements under the Listing Rules, and obtain all other necessary approvals and waivers (if applicable); and
- (d) the Purchaser having obtained all relevant approvals required for the transactions contemplated under the First Acquisition Agreement (if necessary) from third parties.

If the above Conditions Precedent are not fulfilled or waived by 29 February 2016 (or such other date as agreed by both parties), the First Acquisition Agreement will cease and terminate.

Completion

Completion of the relevant transaction will take place on 18 February 2016 (or such other date as agreed by the parties), subject to satisfaction (or waiver) of all the Conditions Precedent.

Information on the Chengdu Riverside Project

The Chengdu Riverside Project is located at Tianfu Avenue South Section, Tianfu New Area, Chengdu City, Sichuan Province (四川省成都市天府新區天府大道南段). Currently, the total planned gross floor area for commercial and residential use is approximately 3,040,000 square meters, of which approximately 470,000 square meters have been completed, approximately 580,000 square meters are under construction, approximately 1,990,000 square meters are to be developed, and approximately 2,560,000 square meters are to be sold. The overall acquisition includes all assets of the Chengdu Project Company, which comprises the completed properties, cost incurred for construction safety, undeveloped properties and cash, among which, the discounted trading price of the properties for future development is RMB943 per square meter. Acquiring the project shall only pay 20% of the consideration as the deposit, and the remaining consideration shall be financed through the issuance of perpetual bonds. The trading price of similar land around the project was RMB1,600 per square meter in September 2015, which shall be fully paid within six months. Compared with similar land and properties in the vicinity, the Chengdu Project is highly attractive in terms of trading price, payment conditions and profitability.

Reasons for and Benefits of the Acquisition

The existing properties and land under the Chengdu Project are located in Tianfu New Area, Chengdu, a state-level new area and the key area of the future urban development of Chengdu. With a well-developed road network around, the Project area is conveniently accessible. It also has outstanding conditions and increasingly improved municipal ancillary facilities. The project has a site area of approximately 1,425 mu, representing scarce resources for large scale commercial-residential development in the downtown of Chengdu in recent years, and favourable for integrated planning and sustainable development. Together with the brand advantage, operation and management experience of Evergrande, it can be developed into a strong and competitive product.

Information on Rise Eagle

Rise Eagle is a company incorporated in the British Virgin Islands with limited liability. Its authorised capital is USD50,000, divided into 50,000 shares of USD1.00 each, of which 1 share is issued. Rise Eagle holds a 60% equity interest in Chengdu Project Company.

The Chengdu Project Company was established on 16 December 2001 with a registered capital of USD99,500,000. It holds a piece of urban land of a net land area of 950,072.10 square meters for mixed commercial and residential use located at Guangfu Community, Huayang Street, Tianfu New Area, Chengdu City, Sichuan Province, the PRC.

Set out below is the audited consolidated financial results of Rise Eagle (including the Chengdu Project Company) for the two years ended 30 June 2014 and 2015:

	For the year ended 30 June	
	2014	2015
	(Audited)	(Audited)
	<i>RMB</i>	<i>RMB</i>
Net profit/(loss) before tax	87,620,601	(9,698,464)
Net profit/(loss) after tax [#]	5,614,937	(7,980,764)

As at 30 June 2015, the audited consolidated net asset value of Rise Eagle (including the Chengdu Project Company) was RMB1,817,913,362.

Upon completion, the Group will hold a 100% equity interest in Rise Eagle, through which the Group will hold a 60% equity interest in the Chengdu Project Company.

(2) Second Acquisition Agreement

Date : 29 December 2015

Parties

Vendor: New World Development (China) Limited

Purchaser: Shengyu (BVI) Limited

Assets to be acquired

The entire equity interest in Triumph Hero, which holds the entire equity interest in the Guiyang Project Company through Spread Glory. The Guiyang Project Company holds the real estate development project located to the east of Jinxi North Road, to the south of Longtan Road, to the west of Jinyang North Road and to the north of Jinzhu Road, Jinyang District, Guiyang City, the PRC (中國貴陽市金陽區金西北路以東，龍潭路以南、金陽北路以西及金朱路以北) (“Guiyang Project”).

The Guiyang Project Company also holds a 100% equity interest in Guiyang New Life Property Service Company Limited (貴陽新生活物業服務有限公司), an 83.33% equity interest in Guiyang Jinyang Hengtai Food Investment Company Limited (貴陽金陽恆泰食品投資有限公司), and a 95% equity interest in Guiyang New World International School (貴陽市新世界國際學校).

Consideration

The consideration for the acquisition of the equity interest in and loan to Triumph Hero is RMB5,300,000,000. The consideration for the transaction will be financed by the proceeds from the issue of perpetual securities by the Company to New World, and the internal resources of the Company. The consideration is determined after arm’s length negotiations between the Vendor and the Purchaser with reference to the unaudited net asset value of the target company, the intrinsic value of the project and the amount of the loan to the target company. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Second Acquisition Agreement are fair and reasonable, and the entering into of the Second Acquisition Agreement is in the interests of the Company and the shareholders as a whole.

The consideration will be payable by the Purchaser to the Vendor in the following manner:

- (a) RMB1,100,000,000 (or its HKD equivalent), being the deposit, shall be paid on 6 January 2016.
- (b) RMB4,200,000,000 (or its HKD equivalent) will be paid on the completion date (or such other date as agreed in writing by both parties).

Conditions Precedent

Completion of the Second Acquisition Agreement is subject to the fulfillment or waiver of the following Conditions Precedent:

- (a) the boards of directors of the Vendor, NWD and NWCL having approved the Second Acquisition Agreement and the transactions contemplated thereunder. If it is so required under the Listing Rules or by Hong Kong Stock Exchange, NWD and/or NWCL will, in compliance with the Listing Rules, pass all necessary shareholders' resolutions (by way of shareholders' written approval or by an ordinary resolution passed at the general meeting (in case the relevant written approval is not obtained)) to approve the Second Acquisition Agreement and the transactions contemplated thereunder, and comply with other relevant announcement requirements under the Listing Rules and obtain all other necessary approvals or waivers (if applicable);
- (b) the Vendor having obtained all relevant approvals required for the transactions contemplated under the Second Acquisition Agreement (if necessary) from third parties (including the lending bank of the Project Company);
- (c) the boards of directors of the Purchaser and the Company having approved the Second Acquisition Agreement and the transactions contemplated thereunder. If it is so required under the Listing Rules or by Hong Kong Stock Exchange, the Company will, in compliance with the Listing Rules, pass all necessary shareholders' resolutions (by way of Shareholders' written approval or by an ordinary resolution passed at the general meeting (in case the relevant written approval is not obtained)) to approve the agreement and the transactions contemplated thereunder, comply with other relevant announcement requirements under the Listing Rules, and obtain all other necessary approvals or waivers (if applicable); and
- (d) the Purchaser having obtained all relevant approvals required for the transactions contemplated under the Second Acquisition Agreement (if necessary) from third parties.

If the above Conditions Precedent are not fulfilled or waived by 29 February 2016 (or such other date as agreed by the parties thereof), the Second Acquisition Agreement will cease and terminate.

Completion

Completion of the relevant transaction will take place on 18 February 2016 (or such other date as agreed by the parties), subject to satisfaction (or waiver) of all the Conditions Precedent.

Information on the Guiyang Project

The Guiyang Project is located to the east of Jinxi North Road, to the south of Longtan Road, to the west of Jinyang North Road and to the north of Jinzhu Road, Jinyang District, Guiyang City, the PRC (中國貴陽市金陽區金西北路以東、龍潭路以南、金陽北路以西及金朱路以北). The project has a site area of 3,229 mu. Currently, the total planned gross floor area is approximately 4,070,000 square meters, of which approximately 930,000 square meters have been completed, approximately 720,000 square meters are under construction, and approximately 3,090,000 square meters are to be sold. The planned property patterns of the project include: villas, cottages, small high-rise residential buildings, high-rise residential buildings, commercial facilities, office buildings, hotel, school and other ancillary facilities. The aggregate price includes all assets of the Guiyang Project Company, which comprises the completed properties, cost incurred for construction safety, undeveloped properties and cash, among which, the discounted trading price of the properties for future development is RMB1,068 per square meter. 20.75% of the consideration shall be paid as the deposit for acquiring the project, while the rest will be financed by the issuance of perpetual bonds. In October 2012, the trading price of a similar surrounding land was RMB2,233 per square meter, which shall be fully paid within one year. From 2013 to this date, there has been no transaction for similar pieces of land in the area. The Guiyang Project is quite attractive in terms of trading price, payment conditions, profitability and scale when factors such as scarcity and price appreciation are taken into account.

Reasons for and benefits of the Acquisition

The existing properties and land under the Guiyang Project are located at the center of Guanshanhu District, a key area in Guiyang City. The project is located at the prestigious school area in Guiyang where a foreign primary school, a foreign middle school and two international schools are in operation. With a well-developed road network, the project lies within a 2km drive of the Guiyang municipal government, a 3km drive of Guanshanhu Wetland Park of a site area of 5,500 mu and a 3.5km drive of Guiyang International Financial Center. Established ancillary facilities for living ranging from shopping mall, urban wetland park to integrated Class-A hospital in the surroundings will enable the project to be an outstanding high-end residential community in Guizhou Province.

Information on Triumph Hero

Triumph Hero is a company incorporated in the British Virgin Islands with limited liability. Its authorised capital is USD50,000, divided into 50,000 shares of USD1.00 each, of which 1 share is issued. Triumph Hero holds the entire equity interest in Spread Glory, a company established in Hong Kong, which holds the entire equity interest in the Guiyang Project Company. The Guiyang Project Company was established on 30 May 2006 with a registered capital of USD301,350,000. It holds the equity interest in the Guiyang Project.

Set out below is the audited aggregated consolidated financial results of Triumph Hero for the two years ended 30 June 2014 and 2015:

	For the year ended 30 June	
	2014	2015
	(Audited)	(Audited)
	<i>RMB</i>	<i>RMB</i>
Net profit/(loss) before tax	7,953,322	(60,136,313)
Net profit/(loss) after tax [#]	1,349,119	(48,341,569)

As at 30 June 2015, the audited aggregated consolidated net asset value of Triumph Hero was RMB2,960,305,498.

Upon completion, the Group will hold 100% equity interest in Triumph Hero.

3. CONCLUSION AND LISTING RULES IMPLICATIONS

Evergrande will secure two projects in Chengdu and Guiyang from New World at favourable prices with a favourable term of payment. Evergrande only needs to pay RMB1.5 billion in advance, and all the remaining consideration will be financed by the proceeds from New World's subscription of Evergrande's perpetual securities. The transaction have demonstrated the long-established and close partnership between the parties, indicating New World's high recognition of the strength and brand of Evergrande. Meanwhile, leveraging on its standardised operational model with high efficiency in execution, strength in cost control, large-scale and fast development, and rapid sales growth, Evergrande will gain higher returns from such projects than those of other real estate enterprises in China, while New World is also able to share returns from Evergrande's project development through this transaction with subscription of Evergrande's perpetual securities. The parties will achieve mutual benefit with win-win results.

As the Vendor is the seller in these two agreements, and the Company entered into three agreements with the Vendor on 2 December 2015 to acquire the interests in projects in Haikou, Huiyang and Wuhan, respectively, the Acquisition would need to aggregate with the acquisitions dated 2 December 2015 in accordance with Rule 14.22 of the Listing Rules. As the aggregated applicable percentage ratios for the Acquisition exceed 25% but are less than 100%, the

Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the shareholders' approval. As no shareholder is interested in the transaction and is required to abstain from voting at the general meeting convened for the approval of the Acquisition, the Company has approved this Acquisition by the written approval of Xin Xin, a shareholder holding approximately 67.7% of the issued share capital of the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules and is exempt from the requirement to convene a shareholders' meeting for the approval of the Acquisition.

A circular containing details of the Acquisition will be despatched by the Company to shareholders pursuant to the Listing Rules.

As the Company expects that it requires more time to collate the information to be included in the circular, such circular is expected to be despatched to shareholders on or before 18 February 2016.

DEFINITIONS

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

“Acquisition”	the transactions and matters contemplated under the Acquisition Agreements;
“Acquisition Agreements”	the First Acquisition Agreement and the Second Acquisition Agreement entered into between the Vendor and the Purchaser;
“Board”	the board of Directors of the Company;
“Business Day(s)”	means the calendar day(s) on which major commercial banks in Hong Kong and the PRC are open for business (excluding Saturdays, Sundays and public holidays);
“Chengdu Project Company”	Chengdu Xinyi Real Estate Development Co., Ltd. (成都心怡房地產開發有限公司), a company incorporated in the PRC with limited liability;
“Chengdu Riverside Project”	a piece of urban land of a net land area of 950,072.10 square meters for mixed commercial and residential use located at Guangfu Community, Huayang Street, Tianfu New Area, Chengdu City, Sichuan Province, the PRC (中國四川省成都市天府新區華陽街道廣福社區) to be assigned;
“Company” or “Evergrande”	Evergrande Real Estate Group Limited (Hong Kong Stock Exchange stock code: 3333), a company incorporated in the Cayman Islands with limited liability;
“Conditions Precedent”	the conditions precedent stated in the Acquisition Agreements;

“Directors”	the director(s) of the Company;
“First Acquisition Agreement”	the equity interest and loan transfer agreement dated 29 December 2015 entered into between the Vendor and the Purchaser;
“Group”	the Company and its subsidiaries;
“Guiyang Project Company”	Guiyang New World Real Estate Co., Ltd. (貴陽新世界房地產有限公司), a company established in the PRC with limited liability;
“Guiyang Project”	the real estate development project located to the east of Jinxi North Road, to the south of Longtan Road, to the west of Jinyang North Road and to the north of Jinzhu Road, Jinyang District, Guiyang City, the PRC (中國貴陽市金陽區金西北路以東，龍潭路以南、金陽北路以西及金朱路以北);
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and its amendments from time to time;
“New World”	NWD and NWCL;
“NWCL”	New World China Land Limited (新世界中國地產有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Hong Kong Stock Exchange and the holding company of the Vendor;
“NWD”	New World Development Company Limited (新世界發展有限公司), the holding company of NWCL;
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of the Acquisition Agreements;
“Purchaser”	Shengyu (BVI) Limited (盛譽(BVI)有限公司), a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Rise Eagle”	Rise Eagle Worldwide Limited, a company incorporated in the British Virgin Islands holding a 60% equity interest in the Chengdu Project Company;

“RMB”	Renminbi, the lawful currency of the PRC;
“Second Acquisition Agreement”	the equity interest and loan transfer agreement dated 29 December 2015 entered into by the Vendor and the Purchaser;
“Spread Glory”	Spread Glory Investments Limited, a holding company established in Hong Kong;
“Vendor”	New World Development (China) Limited (新世界發展(中國)有限公司), a company incorporated in Hong Kong and wholly-owned by NWCL;
“Triumph Hero”	Triumph Hero International Limited, a holding company established in the British Virgin Islands; and
“Xin Xin”	Xin Xin (BVI) Limited, a substantial shareholder of the Company, holding 67.7% of the share capital in issue of the Company as at the date hereof.

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

Hong Kong, 29 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.

Note: the figures of statements denominated in HKD were converted into RMB based on the exchange rate of HKD1.00 = RMB0.83529, and rounded up to the nearest number for illustration purpose.

* *For identification purpose only*