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## **CHINA STRATEGIC HOLDINGS LIMITED**

**中策集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 235)**

### **DISCLOSEABLE TRANSACTION**

#### **SUBSCRIPTION OF SECURITIES**

The Board is pleased to announce that on 23 December 2015 (after trading hours), the Purchaser entered into the Subscription Agreement with Evergrande Real Estate Group Limited as Issuer, pursuant to which the Issuer has agreed to issue and the Purchaser has agreed to purchase the Subscription Securities which form part of the Securities issued by the Issuer. The Securities are convertible into fully paid ordinary shares of US\$0.01 each of the Issuer.

#### **LISTING RULES IMPLICATIONS**

As the applicable percentage ratio under the Listing Rules in respect of the Subscription is more than 5% but less than 25%, the Subscription is a discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

On 23 December 2015 (after trading hours), Glory Legacy Asia Limited, an indirect wholly owned subsidiary of the Company, as Purchaser, along with four other purchasers, entered into the Subscription Agreement with Evergrande Real Estate Group Limited as Issuer, pursuant to which the Issuer has agreed to issue and the Purchaser has agreed to purchase the Subscription Securities which form part of the Securities issued by the Issuer. The Securities will be convertible into fully paid ordinary shares of US\$0.01 each of the Issuer.

To the best knowledge of the Directors, the Issuer is a third party and independent of the Company and its connected person(s).

The principal terms of the Subscription Agreement are set out below.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

23 December 2015

### **Parties**

**Issuer:** Evergrande Real Estate Group Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange with stock code: 3333

**Purchaser:** Glory Legacy Asia Limited, an indirect wholly owned subsidiary of the Company

### **Aggregate Value of Consideration**

The Purchaser has agreed to subscribe for the Subscription Securities in the aggregate principal amount of US\$100,000,000 (equivalent to approximately HK\$775,000,000) on the Closing Date, or such other date as shall be agreed between the Issuer and the Purchaser, at a consideration of US\$100,000,000 (equivalent to approximately HK\$775,000,000) less a fee of 1% of the aggregate principal amount of the Subscription Securities (i.e. US\$1,000,000) (equivalent to approximately HK\$7,750,000) to be purchased by the Purchaser under the Subscription Agreement. The Group intends to fund the consideration for the Subscription Securities in cash from its internal resources.

### **Conditions Precedent**

The obligations of the Issuer and the Purchaser under the Subscription Agreement shall be subject to the following Conditions Precedent:

- (a) the Listing Committee of the Stock Exchange having approved the listing of and permission to deal in the shares to be issued on conversion of the Securities;
- (b) the transactions contemplated 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 Agreement unlawful, shall have been obtained or made in form and substance satisfactory to the Issuer or, as applicable, and the Purchasers (acting together);

- (c) on or prior to the Closing Date, there having been delivered to the Purchaser a copy, certified by a duly authorised signatory of the Issuer, of:
  - a. the constitutive documents of the Issuer (including certificate of incorporation, amended and restated memorandum and articles of association, register of directors, register of members and register of mortgages and charges); and
  - b. the resolution(s) of the Board of Directors of the Issuer or a duly authorised committee thereof authorising the execution of the Subscription Agreement, the issue of the Securities, the entry into and performance of the transactions contemplated hereby and thereby;
- (d) on or prior to the Closing Date, there having been delivered to each of the Purchasers legal opinions from each of:
  - a. Sidley Austin LLP, legal advisers to the Issuer as to English law;
  - b. Maples and Calder, legal advisers to the Issuer as to Cayman law;each dated the Closing Date and in a form satisfactory to the Purchasers (acting reasonably);
- (e) on or prior to the Closing Date, there having been delivered (a) to each of the Purchasers a copy of the Issuer's process agent's written acceptance of its appointment as set out in the Subscription Agreement; and (b) to the Issuer by each of the Purchasers, a copy of such purchaser's process agent's written acceptance of its appointment as set out in the Subscription Agreement;
- (f) at the Closing Date:
  - a. the respective representations and warranties of the Issuer and each of the Purchasers in the Subscription Agreement being true, accurate and correct in all material respects at, and as if made on, such date; and
  - b. the Issuer and each of the Purchasers shall have performed all of their respective obligations under the Subscription Agreement expressed to be performed on or before such date.

## **Termination**

If at the Closing Date, any of the Conditions Precedent has not been satisfied or waived by the mutual agreement of the Issuer and the Purchasers (acting together), the Subscription Agreement shall automatically terminate.

Notwithstanding anything contained in the Subscription Agreement, either of the Purchasers or, as the case may be the Issuer, may by notice in writing to the other parties given at any time prior to payment of the net subscription monies for the Securities to the Issuer, terminate the Subscription Agreement if there shall have come to the notice of either of the Purchasers or, as the case may be, the Issuer of any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Subscription Agreement or any failure by the other party to perform any of its undertakings or agreements in this Subscription Agreement.

## **Completion**

On the Closing Date, the Purchaser will pay or procure that the subscription monies payable are paid to the Issuer in US dollars. Against receipt of the confirmation of payment of such moneys, the Issuer shall on the Closing Date issue the Subscription Securities and deliver to the Purchaser a certificate and a copy of the register relating to the Subscription Securities, reflecting the issue of the Subscription Securities to the Purchaser.

## **PRINCIPAL TERMS OF THE SUBSCRIPTION SECURITIES**

Principal amount: US\$100,000,000 (equivalent to approximately HK\$775,000,000) in principal amount which forms part of the 7% perpetual convertible securities in the aggregate principal amount of US\$600,000,000 (equivalent to approximately HK\$4,650,000,000) to be issued by the Issuer.

Transferability: The Securities may be sold or transferred only with the prior written consent of the Issuer, and subject to other formalities.

Distribution: The Securities confer a right to receive distributions, which are payable in US dollars semi-annually in arrears and may be deferred as the Issuer may elect at its sole discretion (subject to certain formalities and the terms and conditions as provided in the Certificate). The initial distribution rate is 7% per annum.

- Conversion Price:** Initially HK\$8.06 per share, subject to adjustments upon occurrence of certain events as set out in the terms and conditions of the Securities.
- Conversion Period:** any time on or after the later to occur of (i) the date of issue of the Securities 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 referred to below, up to and including, if such Security shall have been called for redemption by the Issuer, the close of business on the date falling seven Business Days prior to the date fixed for redemption thereof.
- Conversion Shares:** Shares to be issued upon conversion will be fully paid and will in all respects rank *pari passu* with the fully paid shares in issue on the registration date.
- Based on the initial conversion price of HK\$8.06 per share, upon full conversion, the Subscription Securities will be convertible into a total of 96,153,846 shares representing approximately 0.69% of the issued share capital of the Issuer as at the date of this announcement.
- Redemption:** The Securities are perpetual securities in respect of which there is no fixed redemption date. The Issuer may, at any time by notice, redeem or purchase them for taxation reasons, or otherwise.

## **INFORMATION ON THE COMPANY AND THE ISSUER**

The Company is an investment holding company. The principal activities of its principal subsidiaries include (i) investments in securities, (ii) trading of metal minerals and electronic components, and (iii) money lending businesses.

The Issuer is principally engaged in the development of large-scale residential properties and integrated commercial properties.

Based on the 2014 annual report of the Issuer, it has recorded net profit before taxation of approximately RMB31,191,169,000 and RMB25,396,360,000 and net profit after taxation of approximately RMB18,016,078,000 and RMB13,709,032,000 for the two years ended 31 December 2014 and 31 December 2013, respectively. According to the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 of the Issuer, its total equity were of approximately RMB120,845,033,000 as at 30 June 2015.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The terms of the Subscription Agreement were settled after arm's length negotiation between the Purchaser and the Issuer and was also determined with reference to the terms upon which the other four purchasers have entered into the Subscription Agreement with the Issuer.

The Company considers that entering into the Subscription Agreement with the Issuer will be beneficial as this investment will be capable of generating stable income, while allowing for the flexibility and benefits of conversion of the Subscription Securities into the shares of the Issuer. The Directors consider that the terms of the Subscription Agreement are fair and reasonable and that entering into the Subscription Agreement is in the interests of the Company and its Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratio under the Listing Rules in respect of the Subscription is more than 5% but less than 25%, the Subscription is a discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

“Board”	the Board of Directors
“Business Day(s)”	any day other than a Saturday or Sunday on which banks are open for general business (including dealings in foreign currencies) in Hong Kong, New York and the People's Republic of China
“Certificate”	the definitive, registered certificate containing terms and conditions of the Subscription in the form of which the Subscription Securities will be issued

“Closing Date”	29 December 2015, or such other date as shall be agreed between the Issuer and the Purchaser
“Company”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Conditions Precedent”	conditions to be satisfied or waived (where applicable) before the obligations under the Subscription Agreement will be binding upon the Purchaser and Issuer
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issuer”	Evergrande Real Estate Group Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange with stock code: 3333
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Glory Legacy Asia Limited, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company
“Purchasers”	Glory Legacy Asia Limited and the other four purchasers of the Securities
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Securities”	7% perpetual convertible securities of the Issuer in the aggregate principal amount of US\$600,000,000
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	subscription of the Subscription Securities by the Purchaser
“Subscription Agreement”	the subscription agreement dated 23 December 2015 entered into between the Purchaser, the other four purchasers and the Issuer in relation to the subscription of the Securities
“Subscription Securities”	US\$100,000,000 in the aggregate principal amount of perpetual convertible securities which form part of the Securities
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

*For illustration purposes, amounts in US\$ or US dollar(s) in this announcement have been translated into HK\$ at US\$1.00 = HK\$7.75.*

By Order of the Board  
**China Strategic Holdings Limited**  
**Or Ching Fai**  
*Chairman*

Hong Kong, 23 December 2015

*As at the date of this announcement, the Board comprises five Executive Directors, namely Dr. Or Ching Fai (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine, Mr. Hui Richard Rui and Mr. Chow Kam Wah; and three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying.*