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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)**

### **DISPOSAL OF 49% OF THE EQUITY INTEREST IN GRANDDAY GROUP LIMITED**

The Board announces that on 16 May 2011, the Company and Shengjian, a wholly owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which Shengjian will sell the Sale Shares, representing 49% of the issued share capital of Grandday to the Purchaser for a consideration of US\$500 million (equivalent to approximately HK\$3,875 million).

As each of the applicable ratios under Rule 14.07 of the Listing Rules is below 5%, the Disposal does not constitute a notifiable transaction for the Company. This announcement is made by the Company on a voluntary basis.

#### **THE AGREEMENT**

Date: 16 May 2011

#### **Parties to the Agreement:**

- (1) Purchaser: Loyal Pride Limited, a company incorporated in the BVI, which is primarily engaged in the business of investment holding and is a wholly owned subsidiary of Chinese Estates Holdings Limited, a company listed on the main board of the Stock Exchange. To the best knowledge of the Directors, having made all reasonable enquiries, the Purchaser and Chinese Estates Holdings Limited and the controlling shareholders of Chinese Estates Holdings Limited are independent of and not connected with the Company or any of its connected persons.
- (2) Vendor: Shengjian
- (3) Guarantor: The Company

The Company and the Purchaser have not entered into any transactions in the past 12 months that would need to be aggregated with the Agreement pursuant to Rule 14.22 of the Listing Rules.

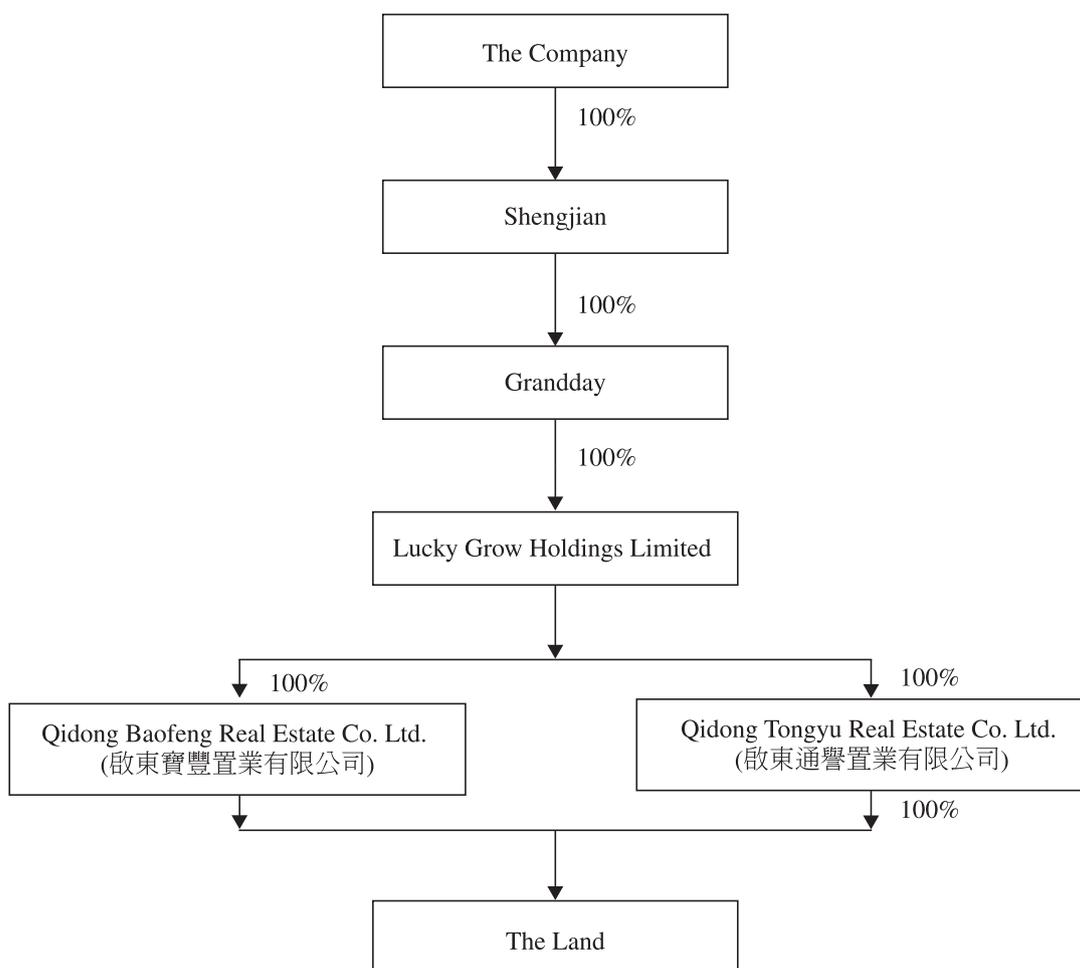
### The Disposal

Pursuant to the Agreement, Shengjian will sell and the Purchaser will purchase the Sale Shares, which represent 49% of the issued share capital of Grandday, at the Consideration.

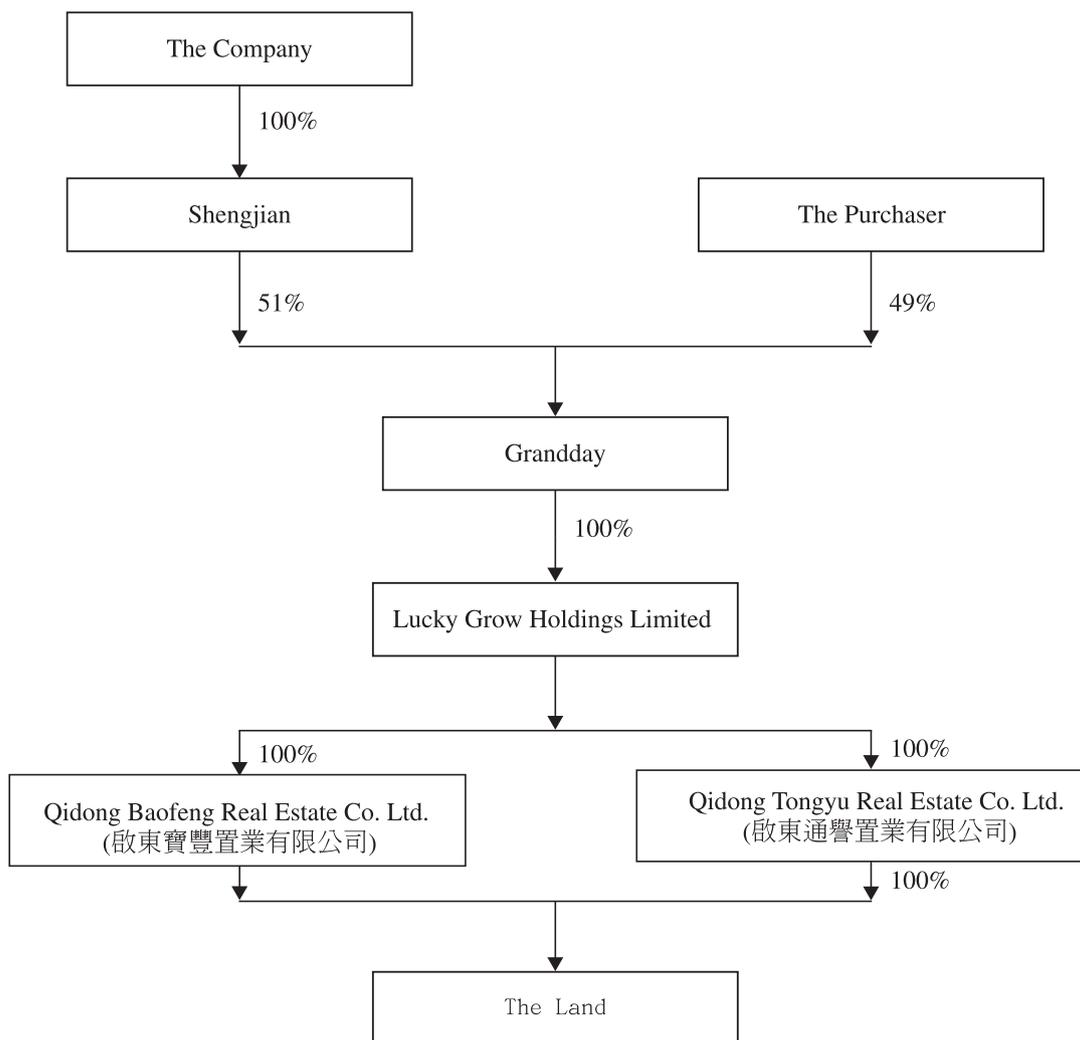
Grandday is a company incorporated in the BVI and is a wholly-owned subsidiary of the Company prior to the Disposal. Grandday is an investment holding company and its subsidiaries own the Land.

The charts below set out the structure of Grandday before and after Completion:

#### *Before Completion*



*After Completion*



The combined net assets value of Grandday and its subsidiaries as at 31 December 2010 was approximately RMB451.3 million. The financial results of Grandday and its subsidiaries for the two years immediately preceding the date of the transaction are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/profit before tax	(4,421)	7,956
Net (loss)/profit after tax	(4,421)	7,956

It is currently intended that the proceeds from the Disposal will be used as general working capital of the Company. After completion of the Disposal, the Company will still be indirectly interested in 51% of Grandday and Grandday and its subsidiaries will be accounted as non-wholly owned subsidiaries of the Group.

### **Consideration**

The Consideration is the sum of US\$500 million (equivalent to approximately HK\$3,875 million).

The Consideration was determined after arm's length negotiations between the parties. The Board is of the view that the Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The consideration will be payable by the Purchaser in cash at Completion.

### **CONDITIONS**

Completion is conditional on the following conditions being fulfilled or waived by the Purchaser before 28 June 2011:

- (a) completion of the due diligence on, among others, Grandday and its subsidiaries, the Sale Shares and the Land to the satisfaction of the Purchaser;
- (b) all legally required authorizations, consents and approvals required for the transfer of the Sale Shares have been obtained;
- (c) the delivery of a legal opinion of the Purchaser's BVI counsel covering, among others, the due incorporation of Grandday and its valid existence;
- (d) the delivery of a legal opinion of the Purchaser's PRC counsel covering, among others, the due incorporation of the PRC subsidiaries of Grandday and the legal title regarding the Land;
- (e) the delivery of a deed of release and/or such other documents, evidencing (i) the full and absolute release and discharge of the Sale Shares from any and all securities created over the Sale Shares and (ii) the transactions contemplated under the Agreement being in full compliance with the relevant provisions of the 2014 Notes, 2015 Notes and the 2016 Notes issued by the Company and the related security documents thereunder; and
- (f) the warranties under the Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion.

### **COMPLETION**

Completion shall take place on the 3rd business day after the conditions to the Agreement have been fulfilled.

Subject to the Agreement becoming unconditional, Shengjian, the Purchaser and Grandday will enter into the shareholders' agreement ("Shareholders' Agreement") in relation to the management of Grandday. Under the Shareholders' Agreement, Shengjian and Purchaser will have the rights to require the other party to sell the shares in Grandday beneficially held by it upon the occurrence of the following events:

- (1) Deadlock In the event of a deadlock, Shengjian or the Purchaser will be entitled to serve a notice to the other party and Grandday stating its intention to sell the shares in Grandday beneficially held by it within a prescribed period and the first notice received by Grandday will be the operative notice.
- (2) Change of control In the event of a change of control, the party not having a change of control shall have the right to purchase all the shares in Grandday beneficially held by the party having a change of control.
- (3) Default In the event Shengjian or the Purchaser materially defaults in the performance or observance of any of its obligations under the Shareholders' Agreement and such default cannot be remedied within the prescribed period, the non-defaulting party shall have the right to purchase all the shares in Grandday beneficially held by the defaulting party.
- (4) Insolvency In the event an insolvency event occurs, the non-liquidating party shall have the right to purchase all the shares in Grandday beneficially held by the liquidating party.
- (5) Default under the Relevant Notes Documents If there is an event of default by the Company under the 2014 Notes, the 2015 Notes and the 2016 Notes, the Purchaser shall have a right to purchase all the shares in Grandday held by the Vendor.

## **INFORMATION ON GRANDDAY AND THE LAND**

Grandday and its subsidiaries are investment holding companies and they own the title to the Land. The Land is located in Yinyang Town, Qidong City, Jiangsu Province, the PRC and comprises an aggregate land area of approximately 1.335 million square meters that is intended for the development of residential properties, commercial properties and related ancillary facilities. The final proposal of the development will be subject to the approved zoning plan of the government. As at the date of this announcement, construction of the first phase of the development has commenced.

## **REASONS FOR THE TRANSACTION**

The Group is principally engaged in the development of large scale residential properties and integrated commercial properties in the PRC. The Purchaser is a wholly owned subsidiary of Chinese Estates Holdings Limited, a leading property developer in Hong Kong. The Disposal would enable the Company to form a strategic alliance with Chinese Estates Holdings Limited to engage in property development in the PRC. Given that the Consideration was determined after arm's length negotiations, the Directors consider that the Agreement was entered into under normal commercial terms and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

As each of the applicable ratios under Rule 14.07 of the Listing Rules is below 5%, the Disposal does not constitute a notifiable transaction for the Company. This announcement is made by the Company on a voluntary basis.

## **DEFINITIONS**

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

“2014 Notes”	the RMB denominated US\$ settled 7.5% senior notes due 2014 issued by the Company
“2015 Notes”	the 13% senior notes due 2015 issued by the Company
“2016 Notes”	the RMB denominated US\$ settled 9.25% senior notes due 2016 issued by the Company
“Agreement”	the sale and purchase agreement dated 16 May 2011 between the Company, Shengjian and the Purchaser in relation to the sale of the Sale Shares to the Purchaser
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Company”	Evergrande Real Estates Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the transactions contemplated under the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Group pursuant to the Agreement
“Grandday”	Grandday Group Limited, a company incorporated in the BVI, a wholly-owned subsidiary of the Company prior to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Land”	the land indirectly owned by Grandday at Yingyang Town, Qidong City, Jiangsu Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
“Purchaser”	Loyal Pride Limited, a company incorporated in the BVI, an independent third party and the purchaser of the Sale Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	49 shares of US\$1.00 each in Grandday, representing 49% of the issued share capital of Grandday
“Shareholder(s)”	shareholder(s) of the Company
“Shengjian”	Shengjian (BVI) Limited, a company incorporated in the BVI, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollar, the lawful currency of the United States of America

*Unless otherwise specified in this announcement, translations of US\$ and RMB into HK\$ are made in this announcement, for illustration only, at the rate of US\$1.00 to HK\$7.75 and RMB1.00 to HK\$1.1955. No representation is made that any amounts in US\$, RMB or HK\$ could have been or could be converted at that rate or at any other rate or at all.*

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

Hong Kong, 16 May 2011

*As at the date of this announcement, the executive directors are Mr. Hui Ka Yan, Mr. Xia Haijun, Mr. Li Gang, Mr. Tse Wai Wah, Mr. Xu Xiangwu, Mr. Xu Wen, Mr. Lai Lixin and Ms. He Miaoling, and the independent non-executive directors are Mr. Yu Kam Kee, Lawrence, Mr. Chau Shing Yim, David and Mr. He Qi.*