

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Evergrande Real Estate Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND CONNECTED TRANSACTION**

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**



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A letter from the Board is set out on pages 4 to 11 of this circular and a letter from the Independent Board Committee is set out on page 12 of this circular. A letter from Proton Capital containing its advice to the Independent Board Committee and independent shareholders of the Company is set out on pages 13 to 23 of this circular.

29 November 2013

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms of the Agreement;
“Agreement”	the sale and purchase agreement dated 15 October 2013 between the Purchaser and the Vendor in relation to the purchase of the Sale Shares from the Vendor;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“BVI”	the British Virgin Islands;
“Company”	Evergrande Real Estate 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 acquisition of the Sale Shares in the amount of US\$550 million;
“Director(s)”	the director(s) of the Company;
“Grandday”	Grandday Group Limited, a company incorporated in the BVI, a 51% owned subsidiary of the Group as at the date of the Agreement;
“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;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent Non-executive Directors, appointed by the Board to advise the Independent Shareholders in relation to the Acquisition;

## DEFINITIONS

“Independent Shareholders”	Shareholders other than the Vendor and its associates;
“Land”	land located in Yinyang Town, Qidong City, Jiangsu Province of the PRC with an aggregate area of approximately 1.335 million square meters;
“Latest Practicable Date”	28 November 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“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 circular shall exclude Hong Kong, Macau and Taiwan;
“Proton Capital” or “Independent Financial Adviser”	Proton Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition;
“Purchaser”	Shengjian (BVI) Limited, a company incorporated in the BVI, a wholly-owned subsidiary of the Company;
“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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary shares of US\$0.01 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) 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;

## DEFINITIONS

“Vendor”	Dynamic Grand Limited, a company incorporated in the BVI and was interested in 49% of the issued share capital of Grandday as at the date of the Agreement and prior to Completion;
“Xin Xin”	Xin Xin (BVI) Limited, a company wholly-owned by Mr. Hui Ka Yan, the chairman and controlling shareholder of the Company; and
“%”	per cent.

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

LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Mr. Hui Ka Yan (*Chairman*)

Mr. Xia Haijun (*Vice Chairman and President*)

Mr. Li Gang (*Vice Chairman and  
Standing Vice President*)

Mr. Tse Wai Wah

Mr. Xu Wen

Mr. Lai Lixin

*Independent Non-executive Directors:*

Mr. Chau Shing Yim, David

Mr. He Qi

Ms. Xie Hongxi

*Registered Office:*

P.O. Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

*Principal place of business in the PRC:*

43rd Floor

Evergrande International Centre

No. 78 Huangpu Avenue West

Guangzhou, Guangdong Province

China (Postal Code: 510620)

*Principal place of business*

*in Hong Kong:*

Suites 1501–1507

One Pacific Place

88 Queensway, Hong Kong

29 November 2013

*To the Shareholders:*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**INTRODUCTION**

The Board announced on 15 October 2013 that the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has agreed to acquire the Sale Shares, representing 49% of the issued share capital of Grandday, from the Vendor at a consideration of US\$550 million (equivalent to approximately HK\$4,262.5 million).

## LETTER FROM THE BOARD

The purposes of this circular are:

- (a) to provide you with details on the Acquisition;
- (b) to set out the view of the Independent Board Committee in respect of the terms of the Agreement; and
- (c) to set out the letter of advice from Proton Capital to the Independent Board Committee and the independent Shareholders in respect of the fairness and reasonableness of the terms of the Agreement.

### **THE AGREEMENT**

**Date:** 15 October 2013

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

- (1) Purchaser: Shengjian (BVI) Limited, a wholly-owned subsidiary of the Company.
- (2) Vendor: Dynamic Grand Limited, which is an investment holding company wholly-owned by an international investment fund. The Vendor was a substantial shareholder of Grandday and was a connected person at the subsidiary level of the Company. Save for its interest in Grandday, the Vendor and its holding company are independent of and not connected with any controller of the Company.

#### **The Acquisition**

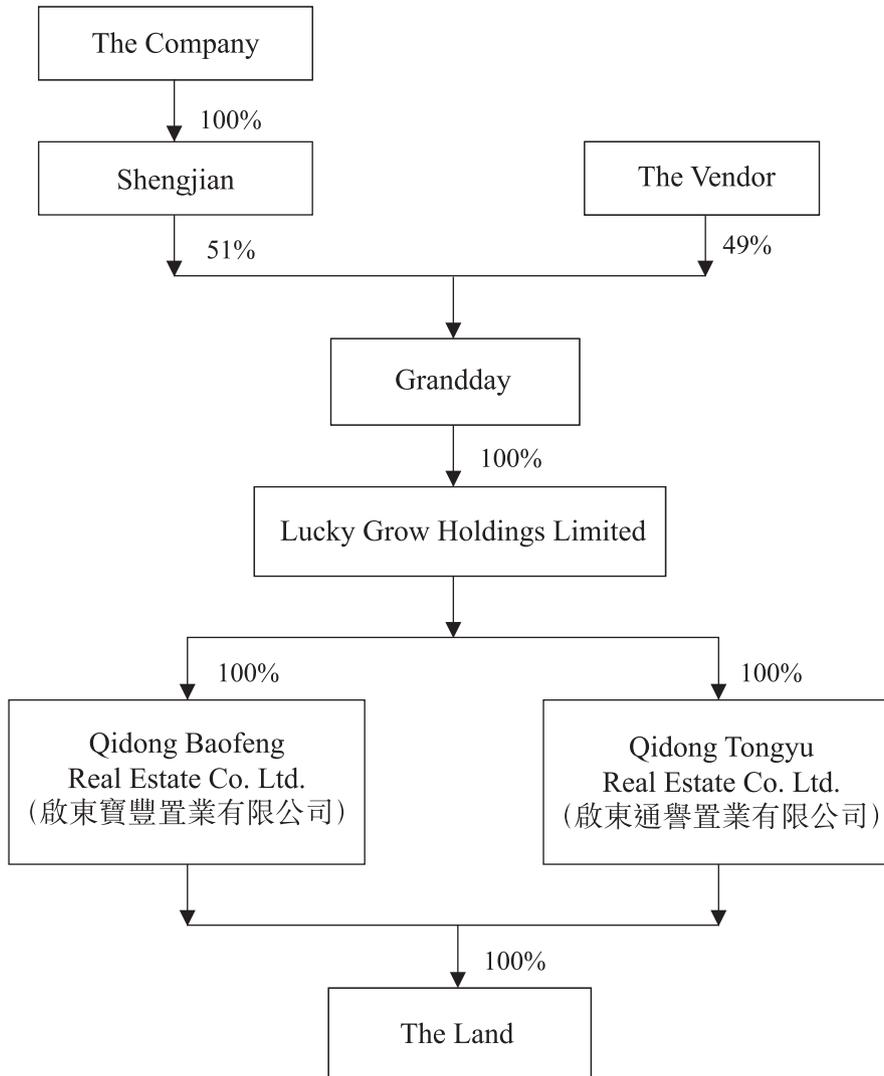
Pursuant to the Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares, which represent 49% of the issued share capital of Grandday, at the Consideration.

Grandday is a company incorporated in the BVI and was a 51% owned subsidiary of the Company. Grandday is an investment holding company and its subsidiaries own the Land.

## LETTER FROM THE BOARD

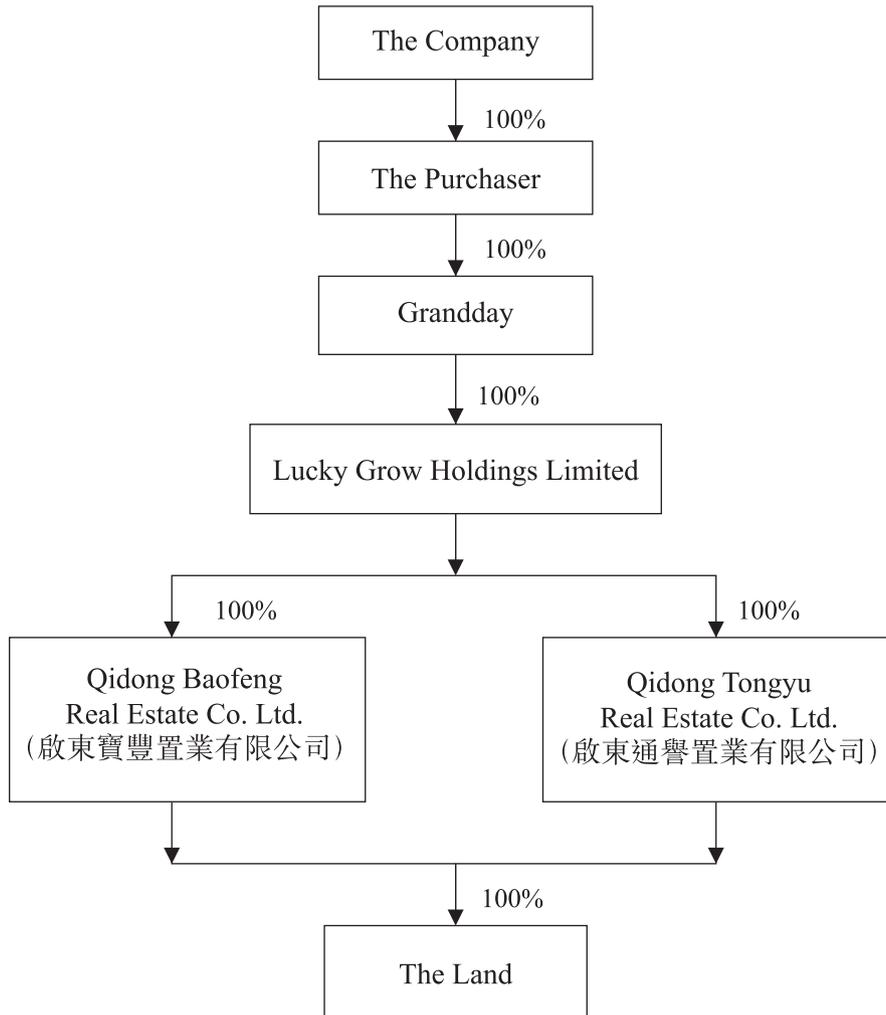
The charts below set out the structure of Grandday before and after Completion:

### *Before Completion*



**LETTER FROM THE BOARD**

*After Completion*



## LETTER FROM THE BOARD

The combined net asset value of Grandday and its subsidiaries as at 31 August 2013 was approximately RMB104,838,952. The financial results of Grandday and its subsidiaries for the two years immediately preceding the date of the transaction are as follows:

	For the year ended	
	31 December	
	2011	2012
	(audited)	(audited)
	RMB'000	RMB'000
Net (loss)/profit before tax	9,280	63,270
Net (loss)/profit after tax	11,227	12,060

Upon Completion, Grandday would become an indirect wholly-owned subsidiary of the Company and Grandday and its subsidiaries would be accounted as wholly owned subsidiaries of the Group.

### Consideration

The Consideration is the sum of US\$550 million (equivalent to approximately HK\$4,262.5 million). The Consideration was determined after arm's length negotiations between the parties with reference to an internal estimation of the value of the Land conducted by the Company based on the prevailing price of properties with similar facilities. The Directors considered that the Consideration was comparable to the market price of the Land. The Directors are therefore of the view that the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The consideration would be payable by the Group through its own internal resources in accordance with the following schedule:

- (a) a sum of US\$150 million (equivalent to approximately HK\$1,162.5 million) would be payable by the Purchaser to the Vendor upon the execution of the Agreement; and
- (b) the balance of the Consideration, equivalent to US\$400 million (equivalent to approximately HK\$3,100 million), would be payable by the Purchaser at Completion.

A delay payment interest of 5% per annum would be charged and be payable by the Purchaser if it fails to pay the relevant installment of the Consideration set out in paragraph (a) above.

## **LETTER FROM THE BOARD**

### **CONDITIONS**

Completion of the sale and purchase of the Sale Shares is conditional upon:

- (a) approval of the Agreement by the Independent Shareholders, and where applicable and subject to compliance with the Listing Rules, such approval may be satisfied by way of a written approval from Xin Xin; and
- (b) the obtaining of all other consents, approvals and authorisations in relation to the transactions contemplated under the Agreement.

If the conditions specified in the Agreement are not fulfilled or waived before 31 December 2013 or such later date as the parties may otherwise agree, the Agreement will forthwith become null and void and cease to have any effect whatsoever save for any antecedent breach.

### **COMPLETION**

Completion would take place no later than the 10th business day (or at such other time as the parties may otherwise agree) after the conditions to the Agreement have been fulfilled. As at the Latest Practicable Date, the Acquisition has been completed.

### **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 to be developed into residential properties, commercial properties and related ancillary facilities. Construction of the first phase of the development has already commenced.

### **REASONS FOR THE TRANSACTION**

The Group is principally engaged in the development of large scale residential properties and integrated commercial properties. The Group sold the 49% interest in Grandday to a wholly owned subsidiary of Chinese Estates Holdings Limited, a leading property developer in Hong Kong, in May 2011 for a consideration of US\$500 million to enable the Company to form a strategic alliance with Chinese Estates Holdings Limited to engage in property development in the PRC. Chinese Estates Holdings Limited sold its interest in Grandday to the Vendor in September 2012 at a consideration of US\$500 million. Given that the Vendor and its ultimate beneficial owner are financial investors and are not involved in the business of property development, the Company considers that it is in the interest of the Company to purchase the 49% interest in Grandday to enable the Group to consolidate its control over the management of Grandday and the development of the Land.

## **LETTER FROM THE BOARD**

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 the consideration ratio in respect of the Acquisition is over 5%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. At the time of the entering of the Agreement, the Vendor was a substantial shareholder of Grandday and was a connected person at the subsidiary level of the Company for the purpose of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

None of the Directors has a material interest in the Acquisition and is required to abstain from voting for the resolution of the Board to approve the Acquisition. As the Vendor and its associates are not interested in any Shares, no Shareholder is required to abstain from voting for the resolution to approve the Acquisition, should an extraordinary general meeting of the Company be convened to approve the Acquisition. Accordingly, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for, and the Stock Exchange has granted, a waiver from the requirement to hold a general meeting to approve the Acquisition on the basis of a written certificate provided by Xin Xin, a shareholder holding approximately 58.49% of the issued share capital of the Company as at the Latest Practicable Date.

The Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Agreement and Proton Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition.

### **GENERAL INFORMATION**

Your attention is drawn to the appendix headed "General Information" to this circular.

### **RECOMMENDATIONS**

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 12 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the Agreement; and (ii) the letter from Proton Capital set out on pages 13 to 23 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Agreement.

**LETTER FROM THE BOARD**

The Independent Board Committee, having taken into account the advice of Proton Capital, considers that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Yours faithfully

For and on behalf of

**EVERGRANDE REAL ESTATE GROUP LIMITED**

**Hui Ka Yan**

*Chairman*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Agreement.*



**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)**

29 November 2013

*To the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 29 November 2013 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Proton Capital set out on pages 13 to 23 of the Circular and the letter from the Board as set out on pages 4 to 11 of the Circular.

Having considered the terms of the Agreement and the situation of the Company, and the factors and reasons considered by Proton Capital and its opinion as stated in its letter of advice, we consider that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and (ii) the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee  
**Mr. Chau Shing Yim, David**  
**Mr. He Qi**  
**Ms. Xie Hongxi**  
*Independent Non-executive Directors*

## LETTER FROM PROTON CAPITAL

*Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Agreement for the purpose of inclusion in this circular.*



普頓資本有限公司  
PROTON CAPITAL LIMITED

Suite 06–07, 28/F.  
Shui On Centre  
6–8 Harbour Road  
Wanchai, Hong Kong

29 November 2013

*To: The independent board committee and the independent shareholders of Evergrande Real Estate Group Ltd.*

Dear Sirs,

### DISCLOSEABLE AND CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 29 November 2013 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 15 October 2013, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has agreed to acquire the Sale Shares, representing 49% of the issued share capital of Grandday, from the Vendor at a consideration of US\$550 million (equivalent to approximately HK\$4,262.5 million). Since Grandday is already a 51% owned subsidiary of the Company, upon Completion, Grandday will become a wholly-owned subsidiary of the Company.

With reference to the Board Letter, the Acquisition constitutes a discloseable transaction and connected transaction for the Company and is subject to the reporting, announcement and independent Shareholders’ approval requirements under the Listing Rules. None of the Directors has a material interest in the Acquisition and is required to abstain from voting for the resolution of the Board to approve the Acquisition. As the Vendor and its associates are not interested in any Shares, no Shareholder is required to abstain from voting for the resolution to approve the Acquisition, should an extraordinary general meeting of the Company be convened to approve the Acquisition. Accordingly, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for, and the Stock Exchange has granted, a

## LETTER FROM PROTON CAPITAL

waiver from the requirement to hold a general meeting to approve the Acquisition on the basis of a written certificate provided by Xin Xin, the Shareholder holding approximately 58.49% of the issued share capital of the Company as at the Latest Practicable Date.

An Independent Board Committee comprising Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, the Vendor or Grandday, and we have not been furnished with any such evaluation or appraisal, save as and except for the property valuation report of the Land (the “**Valuation Report**”) as set out in Appendix I to the Circular. The Valuation Report was prepared by Savills Valuation and Professional Services Limited (the “**Valuer**”). Since we are not experts in the valuation of land and/or properties, we have relied solely upon the Valuation Report for the market value of the Land as at 31 August 2013 (the “**Valuation**”).

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, that having made all reasonable enquiries, which to the best of their knowledge and belief, the information

## LETTER FROM PROTON CAPITAL

contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, Grandday, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Agreement, we have taken into consideration the following principal factors and reasons:

#### **1. Background of and reasons for the Agreement**

##### *Information on the Group*

With reference to the Board Letter, the Group is principally engaged in the development of large scale residential properties and integrated commercial properties.

## LETTER FROM PROTON CAPITAL

Set out below is the financial information of the Group for the six months ended 30 June 2013 and the two years ended 31 December 2012 as extracted from the Company's interim report for the six months ended 30 June 2013 (the "2013 Interim Report") and its annual report for the year ended 31 December 2012 (the "2012 Annual Report"), respectively:

	<b>For the six months ended 30 June 2013</b>	<b>For the year ended 31 December 2012</b>	<b>For the year ended 31 December 2011</b>	<b>% change from 2011 to 2012</b>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Turnover	41,952,314	65,260,838	61,918,185	5.4
— Property development	41,289,271	63,507,271	60,474,361	5.0
— Property investment	70,110	99,000	83,920	18.0
— Property management services	274,399	506,693	463,322	9.4
— Other businesses	318,534	1,147,874	896,582	28.0
Gross profit for the period/ year	11,452,017	18,210,367	20,607,627	(11.6)

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>	<b>As at 31 December 2011</b>	<b>% change from 2011 to 2012</b>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Restricted cash	8,992,310	7,399,279	8,122,405	(8.9)
Cash and cash equivalents	32,981,092	17,790,320	20,081,945	(11.4)
Total equity	58,001,402	41,691,325	34,130,753	22.2

As depicted by the above table, the Group's turnover increased by approximately 5.4% from 2011 to 2012, of which the revenue generated from property development (which constituted the majority of total turnover) recorded an increase of approximately 5.0%. Revenue generated from other business segments also expanded in 2012, in particular, the property investment segment and the other businesses (being property construction and hotel operation) segment experienced substantial growth of approximately 18.0% and 28.0% respectively. Nevertheless, for the year ended 31 December 2012, the Group's gross profit decreased by approximately 11.6% as compared to the prior financial year, which as referred to in the 2012 Annual Report, was mainly due to the increase in delivery proportion attributable to projects in third-tier cities for

## LETTER FROM PROTON CAPITAL

2012 and the launch of some sales promotion activities to foster the turnover of inventories in the third quarter of 2012 which lowered the average delivery price from last year.

With reference to the 2013 Interim Report, as outlined at the Central Economic Working Conference which was held on 15 December 2012 and 16 December 2012, the PRC government will maintain the continuity and stability of macro-economic policies in the second half of 2013, actively yet prudently pushing forward the people-oriented new urbanisation and enhance the steady and healthy development of the property market. The Board believes that financial revolution and institutional innovation will give a new impetus to the economic development of the PRC. Furthermore, the Board will continue to adopt comprehensive measures to optimise the geographical layout of residential real estate projects, reduce the net debt ratio, increase the total amount of cash and net profit margin of the Group's main operations.

### *Information on the Vendor*

With reference to the Board Letter, the Vendor is an investment holding company wholly-owned by an international investment fund. The Vendor was a substantial shareholder (as defined under the Listing Rules) of Grandday and was a connected person at the subsidiary level of the Company. Save for its interest in Grandday, the Vendor and its holding company are independent of and not connected with any controller (as defined under the Listing Rules) of the Company.

### *Information on Grandday*

As extracted from the Board Letter, Grandday is a company incorporated in the BVI and is a 51% owned subsidiary of the Company. Grandday is an investment holding company and its subsidiaries own the Land. Details of the shareholding structure of Grandday are set out in the sub-sections headed "Before Completion" and "After Completion" of the Board Letter.

## LETTER FROM PROTON CAPITAL

As extracted from the Board Letter, set out below are the audited consolidated financial results of Grandday for the two years ended 31 December 2012:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	63,270	9,280
Net profit after tax	12,060	11,227

We noted from the above table that both of Grandday's net profit before tax and after tax increased from 2011 to 2012, in particular the net profit before tax rose by more than fivefold. As advised by the Directors, the improving profitability of Grandday was mainly attributable to the commencement of selling of properties in 2012. Going forward, in light of the positive outlook of economic growth in Qidong City as illustrated below, the Directors are optimistic about the business prospects of Grandday.

### *Information on the Land*

As extracted from the Board Letter, 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 (sq.m.) that is intended to be developed into residential properties, commercial properties and related ancillary facilities. Construction of the first phase of the development has already commenced. Upon our further enquiry with the Directors, we understand that the development of the Land is expected to be divided into four phases and the entire development project will be completed by the end of 2015.

With reference to the Qidong City Statistical (啟東市統計局), Qidong City's gross domestic product increased by approximately 11.8% from 2011 to 2012 and reached approximately RMB58.9 billion in 2012. We further noted that investment in total real estate development for the first six months of 2013 in Qidong City increased by approximately 88.8% as compared to the corresponding period in 2012 and reached approximately RMB1.9 billion for the first six months of 2013, of which, investment in real estate development for (i) residential purpose was approximately RMB1.7 billion for the first six months of 2013, representing a significant growth of approximately 109.3% as compared to the corresponding period in 2012; and (ii) commercial purpose was approximately RMB79 million for the first six months of 2013, representing a significant growth of approximately 623.7% as compared to the corresponding period in 2012. The sales of commodity properties also rose considerably by approximately 123.5% to approximately 0.4 million sq.m. in the first six months of 2013, with sales revenue of approximately RMB2.8 billion, representing a substantial increase of approximately 191.1% as compared to the corresponding period in 2012. The sales of commodity

## LETTER FROM PROTON CAPITAL

properties (i) for residential purpose rose by approximately 116.3% to approximately 377,900 sq.m. in the first six months of 2013, with sales revenue increased by approximately 184.4%; and (ii) for commercial purpose rose by approximately 994% to approximately 12,700 sq.m. in the first six months of 2013, with sales revenue increased by approximately 499%.

### *Reasons for and possible benefits of the entering into of the Agreement*

According to the Board Letter, the Group sold the 49% interest in Grandday to a wholly-owned subsidiary of Chinese Estates Holdings Limited, a leading property developer listed on the Stock Exchange (Stock code: 127), in May 2011 to enable the Company to form a strategic alliance with Chinese Estates Holdings Limited to engage in property development in the PRC. Nonetheless, Chinese Estates Holdings Limited sold its interest in Grandday to the Vendor in September 2012 afterwards. Given that the Vendor and its ultimate beneficial owner are financial investors and are not involved in the business of property development, the Company considers that it is in the interest of the Company to purchase the 49% interest in Grandday to enable the Group to consolidate its control over the management of Grandday and the development of the Land.

Having taken into account of (i) the improving profitability of Grandday from 2011 to 2012; (ii) the favourable statistics as presented under the sub-section headed “Information on the Land” of this letter which may illustrate a positive outlook of the economic growth in Qidong City; (iii) the background of the Vendor and its ultimate beneficial owners and the fact that they are not involved in the business of property development; and (iv) the fact that the Group shall be able to fully control the management of Grandday and the development of the Land upon Completion, we concur with the Directors that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

## **2. Principal terms of the Agreement**

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

### *Consideration*

The Consideration is the sum of US\$550 million (equivalent to approximately HK\$4,262.5 million).

As confirmed by the Directors, the Consideration was determined after arm’s length negotiations between the parties with reference to an internal estimation of the Land conducted by the Company based on the prevailing price of properties with similar

## LETTER FROM PROTON CAPITAL

facilities. The Directors considered that the Consideration was comparable to the market price of the Land. The Directors are therefore of the view that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As referred to in the Board Letter, the Consideration would be payable by the Group through its own internal resources in accordance with the following schedule:

- (a) a sum of US\$150 million (equivalent to approximately HK\$1,162.5 million) would be payable by the Purchaser to the Vendor upon execution of the Agreement; and
- (b) the balance of the Consideration, equivalent to US\$400 million (equivalent to approximately HK\$3,100 million) would be payable by the Purchaser at Completion.

A delay payment interest of 5% per annum would be charged and be payable by the Purchaser if it fails to pay the relevant installment of the Consideration as set out above.

### *The Valuation*

Based on the Valuation Report, the Valuation was approximately RMB8,300.0 million (equivalent to approximately HK\$10,541.0 million based on the exchange rate of RMB1:HK\$1.27). According to the latest combined management accounts of Grandday and its subsidiaries (the “**Grandday Group**”), the combined net asset value of the Grandday Group as at 30 September 2013 was approximately RMB101.5 million (equivalent to approximately HK\$128.9 million). As advised by the Directors, the adjusted value of the Grandday Group would be approximately RMB6,947.8 million (equivalent to approximately HK\$8,823.7 million) (the “**Adjusted Value**”), representing the combined net asset value of the Grandday Group as at 30 September 2013 after replacement of the book value of the Land under the combined management accounts of the Grandday Group by the Valuation. The Consideration hence represents a discount of approximately 1.41% to “49% of the Adjusted Value”. For our due diligence purpose, we have reviewed and discussed with the Directors regarding the calculation of the Adjusted Value.

The Valuation was prepared by the Valuer using the direct comparison method under the market approach. For our due diligence purpose, we have reviewed and enquired into the Valuer regarding the methodology of, and basis and assumptions adopted for, the Valuation. Upon our enquiry, we noted that the Valuer carried out an on-site inspection of the Land in November 2013 and researched for necessary market information and data to determine the fair market value of the Land. The Valuer also explained that they have adopted the direct comparison method by making reference to the comparable sales

## LETTER FROM PROTON CAPITAL

evidence as available in the relevant markets and have also taken into account the construction costs that will be spent to complete the development to reflect the quality of the completed development.

The Valuer further confirmed that the valuation method they have adopted for the Valuation is commonly adopted for valuation of properties in the PRC, consistent with normal market practice, and complies with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

In light of that the Valuation was fairly and reasonably determined by the Valuer and the Consideration represents a discount of approximately 1.41% to “49% of the Adjusted Value”, we concur with the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

### *Conditions*

Completion of the sale and purchase of the Sale Shares is conditional upon:

- (i) approval of the Agreement by the Independent Shareholders, and where applicable and subject to compliance with the Listing Rules, such approval may be satisfied by way of a written approval from Xin Xin; and
- (ii) the obtaining of all other consents, approvals and authorisations in relation to the transactions contemplated under the Agreement.

If the conditions specified in the Agreement are not fulfilled or waived before 31 December 2013 or such later date as the parties may otherwise agree, the Agreement will forthwith become null and void and cease to have any effect whatsoever save for any antecedent breach.

### *Completion*

Completion would take place no later than the 10th business day (or at such other time as the parties may otherwise agree) after the conditions to the Agreement have been fulfilled. As at the Latest Practicable Date, the Acquisition had been completed.

Having considered all of the foregoing major terms and conditions of the Agreement, we concur with the Directors that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **3. Possible financial effects of the Acquisition**

Upon Completion, Grandday would become an indirect wholly-owned subsidiary of the Company and all members of the Grandday Group would be accounted for as wholly-owned subsidiaries of the Group.

## LETTER FROM PROTON CAPITAL

### *Effect on net asset value and earnings*

As extracted from the 2013 Interim Report, the consolidated net asset value of the Group was approximately RMB58.0 billion as at 30 June 2013. The Group expected that the net asset value of the Group would decrease upon Completion. On the other hand, taking into account the business prospects of Grandday as highlighted above, the Directors expected that the Acquisition would likely to have a positive impact on the future earnings of the Group.

### *Effect on gearing and liquidity*

With reference to the 2013 Interim Report and the 2012 Annual Report, the Group's gearing ratio, as calculated by total borrowings divided by total assets, was approximately 28% as at 30 June 2013. As confirmed by the Directors, the Group's total borrowings are expected to remain unchanged and its total assets are expected to decrease upon Completion. The gearing ratio of the Group would hence increase slightly upon Completion.

Regarding the liquidity of the Group, as the Consideration would be payable by the Group through its own internal resources without debt and/or equity financing, the Acquisition would lead to a reduction in the Group's total cash balance. From our discussion with the Directors, we understand that the Directors are confident that the Group shall be able to finance the Consideration given its total cash balance of approximately RMB42 billion as at 30 June 2013.

In addition, the development of the Land may incur future capital requirement of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

<b>LETTER FROM PROTON CAPITAL</b>
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**RECOMMENDATION**

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to approve the Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard if a general meeting were to be convened by the Company.

Yours faithfully,

For and on behalf of

**Proton Capital Limited**

**Graham Lam**

*Managing Director — Corporate Finance*

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuation as at 31 August 2013 of the Property held by the Group.*



Savills Valuation and  
Professional Services Limited  
23/F Two Exchange Square  
Central, Hong Kong

T : (852) 2801 6100  
F : (852) 2530 0756

EA Licence: C-023750  
savills.com

The Directors  
Evergrande Real Estate Group Limited  
Suites 1501–1507, One Pacific Place  
88 Queensway  
Hong Kong

29 November 2013

Dear Sirs,

**Re: Portions of The Life in Venice (恒大海上威尼斯) located at southeast side of Yinxingken District, Yinyang Town, Qidong, Jiangsu Province, the People's Republic of China (the "Property")**

In accordance with your instructions for us to value the Property held by Qidong Tongyu Real Estate Co., Ltd. ("Qidong Tongyu") (啟東通譽置業有限公司) and Qidong Baofeng Real Estate Co., Ltd. ("Qidong Baofeng") (啟東寶豐置業有限公司) in the People's Republic of China (the "PRC") in which Evergrande Real Estate Group Limited ("the Company") and its subsidiaries (together referred to as "the Group") have interests, we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 August 2013 ("date of valuation") for acquisition purpose.

**BASIS OF VALUATION**

Our valuation of the Property is our opinion of its market value which we would define as intended to mean ‘the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion’.

Our valuation is prepared in compliance with Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

**PROPERTY CATEGORIZATION AND VALUATION METHODOLOGY**

The Property is held by the Group for development in the PRC. We have valued the Property on the basis that it will be developed and completed in accordance with the latest development proposal provided by the Group. We have assumed that all consents, approvals and licenses from relevant government authorities for the proposed development have been obtained or will be granted without onerous conditions and delays. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to the comparable sales evidence as available in the relevant markets and have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

**TITLE INVESTIGATIONS**

We have been provided with copies of extracts of the title documents relating to the Property. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and its PRC legal adviser, Commerce & Finance Law Offices (通商律師事務所), regarding the titles to the Property.

**VALUATION CONSIDERATIONS AND ASSUMPTIONS**

In the course of our valuation, we have relied to a considerable extent on information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, expended and outstanding construction costs, estimated completion date, floor and site areas, and all other relevant matters. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations. We have not carried out detailed on-site measurements to verify the correctness of the site and the floor areas of the Property and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We have no

reason to doubt the truth and accuracy of the information provided to us is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

### SITE INSPECTION

We have inspected the Property. Site inspection was carried out on 7 November 2013 by our Ms. Apple Zhang and her colleague. Ms. Apple Zhang is a member of The Royal Institution of Chartered Surveyors and a registered real estate appraiser in the PRC. During the course of our inspection, we did not note any serious defects. Moreover, no structural survey has been made, we are therefore unable to report that the Property are free of rot, infestation, or any other structural defects. No test has been carried out to any of the services. However, we have not carried out any site investigations to determine the suitability of the ground conditions and the services etc, for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

### REMARKS

Unless otherwise stated, all money amounts are stated in Renminbi (“RMB”).

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Anthony C K Lau**  
*MHKIS MRICS RPS(GP)*  
*Director*

*Note:* Mr Anthony C K Lau is a qualified surveyor and has over 20 years’ post-qualification experience in the valuation of properties in Hong Kong and the PRC.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2013
Portions of The Life in Venice (恒大海上海威尼斯) located at southeast side of Yinxingken District, Yinyang Town, Qidong, Jiangsu Province, the PRC	<p>The Life in Venice (the “Development”) is a large-scale residential/commercial development to be erected on various parcels of land with a total site area of approximately 5 million sq.m..</p> <p>The Development is situated at the southeast side of Yinxingken District, Yinyang Town of Qidong and it takes about 30 minutes driving distance from the Development to the city centre of Qidong.</p> <p>As advised by the Group, the Property comprises portions of the Development and is being developed on 10 parcels of land with a total site area of approximately 1,335,530.90 sq.m..</p> <p>According to the latest development proposal provided by the Group, 9 parcels of land will be developed to provide a total gross floor area of approximately 1,061,518.96 sq.m. upon completion. The Property has a total gross floor area of approximately 856,525.36 sq.m. and is distributed on the said 9 parcels of land. Details of the uses and approximate gross floor areas of the Property to be developed on each of the 9 parcels of land are as follows:</p>	At the date of valuation, the Property is under construction.	RMB8,300,000,000
	<b>Land Lot No. 01-85-(002)-006-2</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area (sq.m.)</b>	
	Residential	<u>234,884.87</u>	
	Sub-total:	234,884.87	

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2013
	<b>Land Lot No. 01-85-(002)-006-3</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area</b> <i>(sq.m.)</i>	
	Residential	97,931.57	
	Ancillary Facilities	<u>3,277.22</u>	
	Sub-total:	101,208.79	
	<b>Land Lot No. 01-85-(002)-007-2</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area</b> <i>(sq.m.)</i>	
	Commercial	106,438.15	
	Ancillary Facilities	<u>37,112.97</u>	
	Sub-total:	143,550.24	
	<b>Land Lot No. 01-85-(002)-007-3</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area</b> <i>(sq.m.)</i>	
	Residential	<u>82,566.10</u>	
	Sub-total:	82,566.10	
	<b>Land Lot No. 01-85-(002)-007-4</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area</b> <i>(sq.m.)</i>	
	Residential	<u>39,536.63</u>	
	Sub-total:	39,536.63	

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2013
	<b>Land Lot No. 01-85-(002)-008-1</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area</b> (sq.m.)	
	Education Facilities	<u>73,601.10</u>	
	Sub-total:	73,601.10	
	<b>Land Lot No. 01-85-(002)-008-2</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area</b> (sq.m.)	
	Residential	<u>65,275.13</u>	
	Sub-total:	65,275.13	
	<b>Land Lot No. 01-85-(002)-009-1</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area</b> (sq.m.)	
	Residential	<u>41,160.87</u>	
	Sub-total:	41,160.87	
	<b>Land Lot No. 01-85-(002)-009-2</b>		
	<b>Use</b>	<b>Approximate Gross Floor Area</b> (sq.m.)	
	Commercial	19,976.89	
	Ancillary Facilities	<u>54,764.74</u>	
	Sub-total:	<u>74,741.63</u>	
	Grand total:	<u><u>856,525.36</u></u>	

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2013
	As advised by the Group, the proposed developments of the aforesaid land parcels are scheduled to be completed between March and December of 2014.		
	Development proposal in respect of the remaining parcel of land (Land Lot No. 01-85-(002)-006-1) has not been finalised.		
	The land use rights of the Property have been granted for three concurrent terms expiring on 6 January 2051 for commercial use, 6 January 2061 for science and technology use and 6 January 2081 for residential use respectively.		

*Notes:*

- As advised by the Group, a number of residential units to be erected on Land Lot Nos. 01-85-(002)-006-3, 01-85(002)-007-4 and 01-85-(002)-008-2 with a total gross floor area of approximately 205,003.60 sq.m. have been sold and hence are not included in our valuation. The aforesaid gross floor area is not included in our valuation.
- Pursuant to the following State-owned Land Use Rights Certificates issued by Qidong Municipal Government, the land use rights of the Property with a total site area of approximately 1,335,530.90 sq.m. have been granted to Qidong Tongyu and Qidong Baofeng. Details of the said certificates are as follows:

No.	Certificate No.	Land Lot No.	Owner	Use	Land Use Term Expiry Date	Site Area (sq.m.)
(i)	Qi Guo Yong (2011) Di 0257 Hao	01-85-(002)-006-1	Qidong Tongyu	Commercial Residential	6-Jan-2051 6-Jan-2081	664.8 65,815.50
(ii)	Qi Guo Yong (2011) Di 0258 Hao	01-85-(002)-006-2	Qidong Tongyu	Commercial Residential	6-Jan-2051 6-Jan-2081	1,360.70 134,709.40
(iii)	Qi Guo Yong (2011) Di 0101 Hao	01-85-(002)-006-3	Qidong Tongyu	Commercial Residential	6-Jan-2051 6-Jan-2081	1,359.34 134,574.96
(iv)	Qi Guo Yong (2011) Di 0259 Hao	01-85-(002)-007-2	Qidong Tongyu	Commercial	6-Jan-2051	134,371.00
(v)	Qi Guo Yong (2013) Di 0055 Hao	01-85-(002)-007-3	Qidong Tongyu	Residential	6-Jan-2081	80,320.50
(vi)	Qi Guo Yong (2013) Di 0054 Hao	01-85-(002)-007-4	Qidong Tongyu	Residential	6-Jan-2081	110,273.80
(vii)	Qi Guo Yong (2011) Di 0256 Hao	01-85-(002)-008-1	Qidong Baofeng	Science and Technology	6-Jan-2061	109,887.90
(viii)	Qi Guo Yong (2011) Di 0125 Hao	01-85-(002)-008-2	Qidong Baofeng	Residential	6-Jan-2081	246,883.70
(ix)	Qi Guo Yong (2011) Di 0126 Hao	01-85-(002)-009-1	Qidong Baofeng	Residential	6-Jan-2081	162,350.40
(x)	Qi Guo Yong (2011) Di 0255 Hao	01-85-(002)-009-2	Qidong Baofeng	Commercial	6-Jan-2051	152,958.90
<b>Total:</b>						<b><u>1,335,530.90</u></b>

- Pursuant to 9 Construction Land Planning Permits — Nos. Di Zi Di 2011003 Hao to Di Zi Di 2011008 and Di Zi Di 2011014 to Di Zi Di 2011016 issued by Qidong Urban Housing Planning and Construction Bureau, the land of the Property with a total site area of approximately 1,335,530.90 sq.m. were approved for construction.

4. Pursuant to 26 Construction Works Planning Permits — Nos. Jian Zi Di (2013) 110 Hao, Jian Zi Di (2013) 120 Hao, Qi Gui Cun (2012) 019 Hao Fu Ben to Qi Gui Cun (2012) 020 Hao Fu Ben, Qi Gui Cun (2012) 023 Hao Fu Ben to Qi Gui Cun (2012) 024 Hao Fu Ben, Qi Gui Cun (2012) 023-1 Hao Fu Ben to Qi Gui Cun (2012) 023-2 Hao Fu Ben, Qi Gui Cun (2012) 024-1 Hao Fu Ben to Qi Gui Cun (2012) 024-2 Hao Fu Ben, Qi Gui Cun (2012) 032 Hao Fu Ben to Qi Gui Cun (2012) 033 Hao Fu Ben, Qi Gui Cun (2012) 032-1 Hao Fu Ben to Qi Gui Cun (2012) 032-2 Hao Fu Ben, Qi Gui Cun (2012) 033-1 Hao Fu Ben to Qi Gui Cun (2012) 033-5 Hao Fu Ben, Qi Gui Cun (2012) 035 Hao Fu Ben to Qi Gui Cun (2012) 036 Hao Fu Ben, Qi Gui Cun (2012) 043 Hao Fu Ben, Qi Gui Cun (2012) 074 Hao Fu Ben, Qi Gui Cun (2013) 013 Hao Fu Ben, Qi Gui Cun (2013) 020 and Qi Gui Cun (2013) 031 Hao Fu Ben issued by Qidong Urban Housing Planning and Construction Bureau, the construction works of the Property with a total planned gross floor area of approximately 1,272,874 sq.m. are in compliance with the construction works requirements and have been approved.
5. Pursuant to 22 Construction Works Commencement Permits — Nos. 320681020120034 to 320681020120035, 320681020120051 to 320681020120054, 320681020120068 to 320681020120069, 320681020120071 to 320681020120073, 320681020120076, 320681020120100, 320681020120156, 320681020120160, 320681020120176, 320681020130027, 320681020130081, 320681020130103, 320681020130105, 320681020130108 and 320681020130155 issued by Qidong Urban Housing Planning and Construction Bureau, the construction works of the Property with a total gross floor area of 1,206,369 sq.m. are in compliance with the requirements for works commencement and have been approved.
6. Pursuant to the 18 Pre-sale Permits for Commodity Housing — Nos. 2012007 to 2012008, 2012012 to 2012018, 2012023, 2012033, 2013031, 2013034 to 2013036, and 2013038 to 2013040 all issued by Qidong Urban Housing Planning and Construction Bureau, a total gross floor area of 548,191.15 sq.m. is permitted for sale.
7. As advised by the Company, the total expended construction cost for the Property as at the date of valuation was approximately RMB1,552,287,827 whilst the outstanding construction cost for completion of the Property as at the date of valuation was approximately RMB765,104,412. We have taken into account such amounts in our valuation.
8. The market value of the Property assuming it was fully completed and available for immediate occupation as at 31 August 2013 is estimated to be at approximately RMB10,864,000,000.
9. We have been provided with a legal opinion on the title to the Property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following assumptions:
  - i. Qidong Tongyu and Qidong Baofeng have obtained the land use rights of the Property and are entitled to transfer, let, mortgage or by other legal means dispose of such land use rights;
  - ii. Land Lot Nos. 01-85-(002)-007-2 and 01-85-(002)-006-2 are mortgaged;
  - iii. as confirmed by the Group, except for the Land Lot Nos. 01-85-(002)-007-2 and 01-85-(002)-006-2 which are mortgaged, the land use rights of the Property are free from any seizures, mortgages or other kinds of limitation;
  - iv. in respect of the construction works of the Property that have already obtained the State-owned Land Use Rights Certificates and other relevant permits and approvals, Qidong Tongyu and Qidong Baofeng legally own such construction works and are entitled to transfer, mortgage or by other means dispose of such portions of the Property;
  - v. Qidong Tongyu and Qidong Baofeng are entitled to pre-sell the building areas as stipulated in the Pre-sale Permits for Commodity Housing mentioned above; and
  - vi. in respect of the portions of the Property which have been sold but transfer of ownership has not been completed, Qidong Tongyu and Qidong Baofeng are not entitled to transfer, let, mortgage or by other legal means dispose of such portions of the Property unless approvals have been obtained from the buyers or the relevant sale agreements have been cancelled.
10. Dynamic Grand Limited acquired 49% of the issued share capital of Grandday Group Limited, the owner of the Property, in September 2012 at a consideration of US\$500,000,000 (equivalent to approximately HK\$3,875,000,000).

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

#### (i) *Interests in Shares*

Names of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Hui Kai Yan ( <i>Note 1</i> )	Interest of controlled corporation	10,162,119,735(L)	63.43%

*Note:*

- (1) Of the 10,162,119,735 Shares held, 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Dr. Hui Ka Yan, and 791,248,238 Shares were held by Even Honour Holdings Limited, a company wholly owned by Dr. Hui Ka Yan’s spouse, Ms. Ding Yumei (“**Mrs Hui**”). The interest of Even Honour Holdings Limited in the Company is also deemed to be held by Dr Hui pursuant to the SFO.

(ii) *Interests in shares, underlying shares of the Company*(a) *Pre-IPO Share Option Scheme*

<b>Names of Director</b>	<b>Nature of interest</b>	<b>Number of Shares involved in the options granted under the Pre-IPO Share Option Scheme</b>	<b>Approximate percentage of shareholding of those options granted and exercised under the Pre-IPO Share Option Scheme based on the existing issued share capital of the Company</b>
Xia Haijun	Beneficial owner	20,000,000	0.13%
Li Gang	Beneficial owner	13,080,000	0.09%
Tse Wai Wah	Beneficial owner	6,000,000	0.04%
Xu Wen	Beneficial owner	6,000,000	0.04%
Lai Lixin	Beneficial owner	6,000,000	0.04%

*Note:* The Pre-IPO Share Options are exercisable at HK\$3.50 per Share.

(b) *Share Option Scheme*

<b>Names of Director</b>	<b>Nature of interest</b>	<b>Number of Shares involved in the options granted under the Share Option Scheme</b>	<b>Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company</b>
Xia Haijun	Beneficial owner	80,000,000	0.53%
Li Gang	Beneficial owner	30,000,000	0.20%
Tse Wai Wah	Beneficial owner	9,000,000	0.06%
Xu Wen	Beneficial owner	11,000,000	0.07%
Lai Lixin	Beneficial owner	9,000,000	0.06%

*Note:* The exercise price of the share options granted on 18 May 2010 was HK\$2.40 per Share.

(iii) *Interest in associated corporations of the Company*

<b>Names of Director</b>	<b>Name of associated corporation</b>	<b>Number of securities</b>	<b>Approximate percentage of shareholding</b>
Hui Kai Yan (Note 1)	Xin Xin (BVI) Limited	100 shares	100%
	Even Honour Holdings Limited	1 share	100%

*Note:* Pursuant to the SFO, Even Honour Holdings Limited is wholly owned by the spouse of Mr Hui Ka Yan and is deemed to be an associated corporation of the Company.

(iv) *Interest in debentures of the Company*

<b>Names of Director</b>	<b>Currency of debentures</b>	<b>Amount of debenture</b>	<b>Amount of debentures in same class in issue</b>
Xia Haijun	CNY	17,000,000	5,550,000,000
	US\$	1,500,000	1,500,000,000
Tse Wai Wah	CNY	1,500,000	3,700,000,000
Lai Lixin	CNY	2,000,000	3,700,000,000

**(b) Substantial Shareholders**

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

*Long positions in shares and underlying shares of the Company*

<b>Name of shareholder</b>	<b>Nature of interest held</b>	<b>Interest in the shares</b>	<b>Approximate percentage of shareholding</b>
Mrs. Hui	Interest of controlled company	10,162,119,735(L) (Note 1)	63.43%
Xin Xin (BVI) Limited	Beneficial owner	9,370,871,497(L) (Note 2)	58.49%
Even Honour Holdings Limited	Beneficial owner	791,248,238(L) (Note 3)	4.94%

*Notes:*

1. Of the 10,162,119,735 Shares held, 791,248,238 Shares were held by a company wholly owned by Mrs Hui, and 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Dr Hui Ka Yan, the spouse of Mrs. Hui. The interest of Xin Xin (BVI) Limited in the Company is also deemed to be held by Mrs Hui pursuant to the SFO.
2. Xin Xin (BVI) Limited is beneficially owned by Dr. Hui Ka Yan.
3. Even Honour Holdings Limited is wholly owned by Mrs Hui.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Mr. Hui Ka Yan is a director of Xin Xin (BVI) Limited. Save as disclosed, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

### 4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

### 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited accounts of the Company were made up.

### 6. EXPERTS' QUALIFICATIONS AND CONSENTS

Each of Proton Capital and Savills Valuation and Professional Services Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert or professional adviser who has given its opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Proton Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Savills Valuation and Professional Services Limited	Registered professional surveyors, valuers and property advisers

As at the Latest Practicable Date, Proton Capital and Savills Valuation and Professional Services Limited did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2012, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 7. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Mr. Fong Kar Chun, Jimmy. Mr. Fong is a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 2001.
- (d) The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong.
- (f) The branch share registrars of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (g) The principal share registrars of the Company is Royal Bank of Canada Trust Company (Cayman) Limited.
- (h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the Extraordinary General Meeting:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 12 of this circular;
- (c) the letter from Proton Capital, the text of which is set out on pages 13 to 23 of this circular;
- (d) the consent letters referred to in the section headed "Experts' Qualifications and Consents" in this appendix; and
- (e) the property valuation report from Savills Valuation and Professional Services Limited, the text of which is set out in Appendix I to this circular;
- (f) this circular.