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**EVERGRANDE HEALTH
INDUSTRY GROUP**

EVERGRANDE HEALTH INDUSTRY GROUP LIMITED

恒大健康產業集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

MAJOR TRANSACTION

THE ACQUISITION

The Company is pleased to announce that, on 24 January 2019, the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Share Sale and Purchase Agreement with the Seller and the Guarantor in relation to the Acquisition, pursuant to which the Purchaser agrees to acquire, and the Seller agrees to sell, the Sale Equity (i.e. 58.07% equity interest of the Target Company), free from all encumbrances, for a total consideration of RMB1,059,777,500. The Guarantor agrees to provide joint liability guarantee for all obligations of the Seller under the Share Sale and Purchase Agreement.

LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, as the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the announcement and Shareholders' approval requirements under the Listing Rules. The Share Sale and Purchase Agreement and the transactions contemplated thereunder have been approved in writing by the Controlling Shareholder. A circular will be despatched to the Shareholders by the Company as soon as practicable in accordance with the Listing Rules setting out, amongst other things, further details of the Acquisition. The Company will apply to the Stock Exchange for a waiver under Rule 14.41(a) of the Listing Rules to despatch the circular on or before 28 March 2019, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

INTRODUCTION

The Company is pleased to announce that, on 24 January 2019, the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Share Sale and Purchase Agreement with the Seller and the Guarantor in relation to the Acquisition, pursuant to which the Purchaser agrees to acquire, and the Seller agrees to sell, the Sale Equity (i.e. 58.07% equity interest of the Target Company), free from all encumbrances, for a total consideration of RMB1,059,777,500. The Guarantor agrees to provide joint liability guarantee for all obligations of the Seller under the Share Sale and Purchase Agreement.

SHARE SALE AND PURCHASE AGREEMENT

Date 24 January 2019

Parties: (1) the Purchaser;

 (2) the Seller; and

 (3) the Guarantor

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Seller, together with its ultimate beneficial owners, and the Guarantor are third parties independent of the Company and the connected persons of the Company.

CONSIDERATION

The consideration of RMB1,059,777,500, inclusive of an outstanding capital contribution of the Seller to the Target Company of RMB412,020,000, will be settled by the Group by internal resources and was agreed upon on normal commercial terms and after arm's length negotiations between the Company and the Seller.

The consideration was determined based on the overall valuation of the Target Company of RMB1,825,000,000.

As at the date of the Share Sale and Purchase Agreement, the Purchaser has paid an earnest money in the amount of RMB300,000,000 to the Seller. In case of, among others, release or termination of the Share Sale and Purchase Agreement, the Seller shall return the earnest money to the Purchaser. If the Acquisition proceeds to completion, the amount of earnest money may be deducted by the Purchaser from the following payments when they are being made.

Pursuant to the Share Sale and Purchase Agreement, the consideration for the equity interest is RMB1,059,777,500, which, after deducting the outstanding capital contribution of the Seller to the Target Company of RMB412,020,000, shall be satisfied by the Purchaser in instalments in the following manner:

1. First Instalment: RMB194,327,250, payable within 15 business days from the date on which all conditions precedent are satisfied or waived
2. Second Instalment: RMB259,103,000, payable within 20 business days from the date on which all conditions precedent are satisfied or waived
3. Third Instalment: RMB194,327,250, payable within 3 months from the date on which all conditions precedent and payment conditions for the third instalment are satisfied or waived

In light of the above, the Directors are of the view that the consideration is fair and reasonable, was determined on the basis of normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

CONDITIONS PRECEDENT

Pursuant to the Share Sale and Purchase Agreement, payment of the first instalment and the second instalment and the completion of the Acquisition are subject to the fulfilment of conditions precedent (or the Purchaser agreeing to time extension thereof), including, without limitation, the following:

- (i) the Share Sale and Purchase Agreement having been approved at the general meeting of the Target Company and the other shareholders having waived the right of first refusal on same terms;
- (ii) all necessary consents, waivers and approvals having been obtained by the Seller;
- (iii) all necessary consents, waivers and approvals in relation to the Acquisition having been obtained; and
- (iv) certain milestones having been achieved by the Target Company.

COMPLETION

Pursuant to the Share Sale and Purchase Agreement, completion shall take place within 5 business days after the date on which the Seller receives the payment of the first instalment from the Purchaser.

PAYMENT CONDITIONS FOR THE THIRD INSTALMENT

Pursuant to the Share Sale and Purchase Agreement, payment of the third instalment is subject to the fulfilment of payment conditions (or the Purchaser agreeing to time extension thereof), which include, without limitation, certain milestones having been achieved by the Target Company.

REVERSAL OF THE ACQUISITION

Pursuant to the Share Sale and Purchase Agreement, if any of the conditions precedent which has not been waived or any of the payment conditions for the third instalment is not fulfilled or waived by the Purchaser by 30 April 2019, the Purchaser shall have the right to demand the termination of the Share Sale and Purchase Agreement. The Seller shall return to the Purchaser the paid consideration within 5 days, and the Purchaser shall coordinate to return the Sale Equity to the Seller.

INFORMATION ON THE GROUP

The principal business activities of the Group include the “Internet+” community health management, international hospitals and elderly care and rehabilitation, as well as the investments in high technology new energy vehicle manufacture.

INFORMATION ON THE SELLER

The Seller is a company specialised in the research and development, production and sales of electrical instruments and apparatus, electronic energy meter and electric power automation products, which shares are listed on the Shenzhen Stock Exchange (stock code: 002121).

INFORMATION ON THE GUARANTOR

The Guarantor is an individual, currently acting as the chairman of the board of directors and the president of the Seller.

INFORMATION ON THE TARGET COMPANY

Established in the PRC, the Target Company is one of the leading enterprises in the industry focusing on ternary pouch type power battery. It was co-founded by China Automotive Technology and Research Center, an institution directly under the State-owned Assets Supervision and Administration Commission of the State Council, and ENAX, Inc. in Japan, with technology originating from Kazunori Ozawa, known as the “Father of Lithium Battery”, and his research and development team. The Target Company is among the first batch of companies in the PRC satisfying the “Standard Conditions for the Automobile Power Battery Industry” (《汽車動力蓄電池行業規範條件》) and is one of the key standard establishers for domestic power battery and battery system series. The Target Company has a global research and development team of over 300 experts, a technical team of over 1,500 personnel and four major production bases located in Shanghai, Jiangxi, Guangxi and Jiangsu. In 2018, among its industry peers in the PRC, it ranked top ten in terms of installed battery capacity and top three in terms of pouch type power battery.

The ternary pouch type product of the Target Company is industry-leading in many key indicators, including safety, energy density and cycle count. In particular, no safety-related accidents have ever been recorded from products installed with its batteries; its safety levels at the absolute leading standard in the industry.

As at 30 November 2018, the unaudited book value of the Target Company amounted to approximately RMB669,064,000. The unaudited net loss (both before and after tax), attributable to the Target Company for the two financial years in 2017 and 2018 are as follows:

	For the year ended (RMB)	
	2017	2018
Net loss before tax	(50,859,343.40)	(117,231,886.54)
Net loss after tax	(50,859,343.40)	(117,231,886.54)

Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company, and the financial results, assets and liabilities of the Target Company will be consolidated into the Group's accounts.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group acquires the Sale Equity of the Target Company with the aim of completing the layout of its new energy vehicle industry production chain as a whole. Power battery, being a core component of new energy vehicles, is crucial to making the new energy vehicle industry bigger and stronger. By investing in the Target Company, the Group wishes to achieve research and development of world-leading power battery technologies by utilizing international resources, leveraging on industrial synergies and placing the Group in a more advantageous position when facing intense market competition in the future.

The Directors believe that the terms of the Share Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, as the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders have a material interest in the Acquisition and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Share Sale and Purchase Agreement and the transactions contemplated thereunder. The Company will not be required to convene a general meeting for approving the Share Sale and Purchase Agreement and the transactions contemplated thereunder as the Company has

obtained written Shareholder's approval from the Company's Controlling Shareholder, in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. The Controlling Shareholder directly holds 6,479,500,000 Shares in the Company, representing approximately 74.99% of the issued Shares of the Company as at the date of this announcement.

GENERAL

A circular will be despatched to the Shareholders by the Company as soon as practicable in accordance with the Listing Rules setting out, amongst other things, further details of the Acquisition. The Company will apply to the Stock Exchange for a waiver under Rule 14.41(a) of the Listing Rules to despatch the circular on or before 28 March 2019, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement and any of the matters set out herein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place any excessive reliance on the information disclosed herein. Any Shareholder or potential investor who is in doubt is advised to seek advice from professional advisors.

DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following respective meanings:

“Acquisition”	the acquisition of the Sale Equity by the Purchaser from the Seller pursuant to the terms and conditions of the Share Sale and Purchase Agreement;
“Company”	Evergrande Health Industry Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder”	Evergrande Health Industry Holdings Limited, the controlling shareholder of the Company, which directly holds 6,479,500,000 Shares, representing approximately 74.99% of the issued Shares as at the date of this announcement;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;

“Guarantor”	Mr. RAO Luhua, who, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, is a third party independent of the Company and its connected persons;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Evergrande New Energy Power Technology (Shenzhen) Company Limited* (恒大新能源動力科技 (深圳) 有限公司), a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Equity”	the 58.07% equity interest held by the Seller in the registered capital of the Target Company, being RMB625,720,000;
“Seller”	Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司), a joint stock company legally established under the laws of the PRC, which, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, is a third party independent of the Company and its connected persons;
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Share Sale and Purchase Agreement”	the share sale and purchase agreement dated 24 January 2019 in relation to the Acquisition entered into by the Company, the Seller and the Guarantor;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Company” Shanghai CENAT New Energy Company Limited (上海卡耐新能源有限公司), a limited liability company established and validly existing under the laws of the PRC and the target company under the Share Sale and Purchase Agreement;

“%” Per cent.

By Order of the Board
Evergrande Health Industry Group Limited
Shi Shouming
Chairman

Hong Kong, 24 January 2019

As at the date of this announcement, the executive Directors of the Company are Mr. SHI Shouming, Mr. PENG Jianjun and Mr. LI Siqian; and the independent non-executive Directors of the Company are Mr. CHAU Shing Yim David, Mr. GUO Jianwen and Mr. XIE Wu.

* *For identification purpose only*