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中國自動化集團有限公司

China Automation Group Limited

(HK stock code 0569)

(Incorporated in the Cayman Islands with limited liability)

**MAJOR AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT IN RELATION TO
PROPOSED ACQUISITION OF 60% EQUITY INTEREST
IN THE TARGET HOSPITAL GROUP**

Reference is made to the announcement of China Automation Group Limited (the “**Company**”) dated 30 March 2017 (the “**Announcement**”) in relation to, among other things, the proposed acquisition of 60% equity interest in the target hospital group. Unless otherwise stated, capitalised terms and expressions used herein shall have the same meanings as those defined in the Announcement.

THE SUPPLEMENTAL AGREEMENT

On 23 June 2017, the parties to the Sale and Purchase Agreement, namely, the Company and the Vendor, entered into a supplemental agreement to the Sale and Purchase Agreement (the “**Supplemental Agreement**”), pursuant to which the parties have agreed to certain amendments to the terms and conditions of the Sale and Purchase Agreement.

Consideration

As set out in the Announcement, pursuant to the Sale and Purchase Agreement, the Consideration shall be an amount equal to the 2016 Actual Net Profit multiplied by twenty (20), provided that if the Consideration calculated in accordance with the aforesaid manner is less than RMB620,000,000 or more than RMB760,000,000, either the Vendor or the Company may elect not to proceed with the Completion. The “2016 Actual Net Profit” was defined to be the consolidated net profit after tax of the Target Group for the financial year ended 31 December 2016 which shall exclude non-recurring or non-operational items such as dividend withholding tax and gain or loss due to foreign exchange fluctuation.

Pursuant to the Supplemental Agreement, it is agreed that the Consideration shall be an amount equal to sixty per cent (60%) of the 2016 Actual Net Profit multiplied by twenty (20), provided that if the Consideration calculated in accordance with the aforesaid manner is less than RMB620,000,000 or

more than RMB760,000,000, either the Vendor or the Company may elect not to proceed with the Completion. The “2016 Actual Net Profit” was amended to be the consolidated net profit after tax of the Target Group attributable to owners of the Target Company for the financial year ended 31 December 2016 which shall exclude non-recurring or non-operational items such as dividend withholding tax and gain or loss due to foreign exchange fluctuation.

Conditions precedent

As set out in the Announcement, pursuant to the Sale and Purchase Agreement, the Proposed Acquisition is conditional upon the satisfaction of “(iv) the Anti-Monopoly Bureau of the PRC Ministry of Commerce having issued (or being deemed to have issued) all necessary clearances and approvals in respect of the transaction contemplated under the Sale and Purchase Agreement (such decision being either unconditional or on terms acceptable to the Vendor and the Company) and all waiting or other time periods for the above mentioned clearances and approvals (including any extensions thereof) having expired, lapsed or terminated”; and “(v) any other regulatory or governmental approvals required for the purpose of the transaction contemplated under the Sale and Purchase Agreement having been obtained by the Vendor or the Company to the extent applicable”.

Pursuant to the Supplemental Agreement, it is agreed that the above condition (iv) should be deleted in its entirety; and condition (v) should be amended to be “(iv) any other regulatory or governmental and third party’s approvals, consent or waiver required for the purpose of the transaction contemplated under the Sale and Purchase Agreement having been obtained by the Vendor or the Company to the extent applicable”.

Terms and conditions of the Convertible Bond

As set out in the Announcement, pursuant to the terms and conditions of the Convertible Bond as set out in the Sale and Purchase Agreement, (i) the Convertible Bond does not have a maturity date; and (ii) the term of the Convertible Bond is perpetual and the Company has the right but not the obligation to redeem the whole or any part (s) of the Convertible Bond then outstanding from the Bondholders at any time after thirty (30) years from the date of issuance of the Convertible Bond by giving not less than ten (10) Business Days’ written notice to the Bondholder at the amount equal to the then outstanding principal amount of the Convertible Bond or the principal of such part (s) of the Convertible Bond being redeemed (as the case may be).

Pursuant to the Supplemental Agreement, it is agreed that the above shall be replaced in their entirety by the following:- (i) the maturity date of the Convertible Bond will be the date falling on the 10th anniversary of the issue date of the Convertible Bond (the “**CB Maturity Date**”); and (ii) unless previously converted, redeemed or cancelled, the Convertible Bond shall be redeemed by the Company on the CB Maturity Date, at the principal amount then outstanding.

The Board (excluding the independent non-executive Directors whose views will, after receiving the advice from the independent financial adviser, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) considers that the terms of the Supplemental Agreement are fair and reasonable and the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole.

Save for the amendments as disclosed above, all other principal terms in the Sale and Purchase Agreement as set out in the Announcement shall remain in full force and effect.

Since the Proposed Acquisition is subject to fulfillment of the conditions precedent set out in the Sale and Purchase Agreement, and may or may not proceed to Completion, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Automation Group Limited
Xuan Rui Guo
Chairman

Hong Kong, 23 June 2017

As at the date of this announcement, the Board comprises Mr. Xuan Rui Guo and Mr. Wang Chuensheng as executive Directors; and Mr. Wang Tai Wen, Mr. Zhang Xin Zhi and Mr. Ng Wing Fai as independent non-executive Directors.