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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

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

The Company is pleased to announce that, on 25 June 2018, it has entered into a Share Sale and Purchase Agreement with the Seller in relation to the Acquisition, pursuant to which the Company (as the purchaser) agrees to acquire, and the Seller agrees to sell, the Sale Share and the Target Company Shareholder Loan, free from all encumbrances, for a total consideration of HK\$6,746,700,000. Completion of the Acquisition took place on the date of the Share Sale and Purchase Agreement.

THE LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but are 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 contemplated transaction thereunder have been approved in writing by the controlling shareholder of the Company. A circular will be despatched to the Shareholders by the Company as soon as practicable in accordance with the Listing Rules setting out (among others) further details of the Share Sale and Purchase Agreement. 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 15 October 2018, 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 25 June 2018, it has entered into a Share Sale and Purchase Agreement with the Seller in relation to the Acquisition, pursuant to which the Company (as the purchaser) agrees to acquire, and the Seller agrees to sell, the Sale Share and the Target Company Shareholder Loan, free from all encumbrances, for a total consideration of HK\$6,746,700,000.

SHARE SALE AND PURCHASE AGREEMENT

Date: 25 June 2018

Parties: (1) the Company (as the purchaser); and
(2) the Seller

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller is a third party independent of the Company and its connected persons.

CONSIDERATION

The consideration of HK\$6,746,700,000 (to be settled by the Group by internal resources and by the Shareholder Loan) was determined on normal commercial terms and after arm's length negotiations between the Company and the Seller. The consideration was determined with reference to the valuation of the Target Company, such valuation being based on the value of a 45% equity interest in the Joint Venture (on a fully diluted basis). In determining the value of the 45% equity interest in the Joint Venture, the Company has taken into consideration that the Faraday Future Group is wholly-owned by the Joint Venture and that, at the time of determining the valuation of the Faraday Future Group, reference was made to the valuation of other comparable new energy vehicle companies.

The consideration will be paid in one lump sum in cash on or prior to 3 July 2018. Completion of the Acquisition took place on the date of the Share Sale and Purchase Agreement.

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

THE ASSETS TO BE ACQUIRED

Pursuant to the Share Sale and Purchase Agreement, the Seller agrees to sell to the Company and the Company agrees to acquire from the Seller the Sale Share and the Target Company Shareholder Loan, free from all encumbrances. The only asset of the Target Company is its investment in the Joint Venture.

INVESTMENT IN THE JOINT VENTURE BY THE TARGET COMPANY

The Target Company and the Faraday Future Original Shareholder jointly established a new company (Smart King Ltd.) as a joint venture. The Target Company agreed to make a capital contribution of US\$2 billion to obtain a 45% equity interest in the Joint Venture (on a fully diluted basis); and the Faraday Future Original Shareholder agreed to contribute technical assets and business owned by the Faraday Future Group to obtain a 33% equity interest in the Joint Venture (on a fully diluted basis). The remaining 22% equity interest in the Joint Venture (on a fully diluted basis) is reserved as equity to be issued and allotted to the employees in accordance with the equity incentive plan.

As at the date of this announcement, the Target Company had received a notice from the Committee on Foreign Investment in the United States (CFIUS) on 18 June 2018 that CFIUS had completed its review of the relevant transactions, including the Acquisition.

MERGER AGREEMENT

As at the date of this announcement, pursuant to the Merger Agreement entered into with, amongst others, the Faraday Future Original Shareholder on 30 November 2017, the Target Company has invested a total amount of US\$800 million into the Joint Venture.

Pursuant to the Merger Agreement, the Target Company will invest a further aggregate amount of US\$1.2 billion into the Joint Venture by the following dates:

- (1) on or before 31 December 2019, US\$600 million in installments; and
- (2) on or before 31 December 2020, US\$600 million in installments.

MANAGEMENT OF THE JOINT VENTURE

The Target Company entered into the Joint Venture Shareholders Agreement with, amongst others, the Faraday Future Original Shareholder on 30 November 2017. The key terms of such agreement relating to management of the Joint Venture are summarized below:

Directors of the Joint Venture

The Target Company will designate two directors to the board of directors of the Joint Venture, one of whom shall be the chairman of the board of directors of the Joint Venture. The Company proposes to nominate Mr. Xia Haijun as the chairman of the board of directors of the Joint Venture and intends to nominate him to the said position as soon as possible following completion under the Share Sale and Purchase Agreement taking place. As at the date of this announcement, Mr. Xia Haijun serves as vice chairman, president and executive director of China Evergrande. The Company proposes to nominate Mr. Shi Shouming as the other director of the Joint Venture. Mr. Shi Shouming is the chairman and executive director of the Company.

Allocation of voting rights at shareholders' general meetings

At any annual or special shareholders' general meeting of the Joint Venture, each share held by the Target Company has one vote attached thereto; and in the case of normal operation of the Joint Venture each share held by the Faraday Future Original Shareholder has ten votes attached thereto (the “**Original Shareholder Voting Rights**”). However, when the management is unable to perform its duties in accordance with the terms of the Joint Venture Shareholders Agreement, such Original Shareholder Voting Rights will be reversed to the Target Company. Any shares to be issued and allotted to the employees under the equity incentive plan has no voting rights attached thereto.

FARADAY FUTURE

Faraday Future is wholly-owned by the Joint Venture and is a global internet company focused on building smart mobility ecosystems, with the objective to provide new energy, smart, interconnected and sharing products and services to users.

Faraday Future is established in May 2014 and built its core research and development team in the United States. As at June 2018, Faraday Future had close to 1,400 employees globally, of whom more than 1,000 are leading technology professionals in fields such as new energy vehicles, computer algorithms, the internet, information and communication systems and artificial intelligence. As of the date of this announcement, Faraday Future has filed close to 1,500 patent applications in the United States and the PRC and has been granted more than 380 patents in both countries. These patents cover the battery, powertrain and electric control system, autonomous driving, automotive connectivity and production and manufacturing sectors, including US patents granted for its large load electricity power output technology and a T-type power inverter. The charging equipment developed by Faraday Future has achieved an efficiency of 200kW/h, reaching one of the most advanced levels in the world. Its first high-end vehicle, the FF 91, has a designed 0-96kph acceleration of 2.39 seconds, a maximum cruising range of 700 kilometers and has numerous smart sensors and smart retractable 3D light detection and ranging radar enabling advanced technological features such as automatic parking, facial recognition technology and seamless entry system. The Hanford plant located in Los Angeles, United States, plans to complete start-of-production preparations by the end of 2018, and has obtained formal permission from Hanford city to commence construction and will soon fully commence the commissioning of the production line and equipment.

Concurrently, Faraday Future has established research and development centers in places such as Beijing and Shanghai in the PRC, and is preparing for the establishment of large comprehensive research, development and production bases in places such as Guangzhou, thus bringing advanced new energy automotive technology to take root in the PRC.

SHAREHOLDER LOAN AGREEMENT

The Company entered into the Shareholder Loan Agreement with China Evergrande on 25 June 2018. Pursuant to the Shareholder Loan Agreement, China Evergrande agrees to provide a three-year unsecured loan in the amount of HK\$6,750,000,000 to the Company. The annual interest rate under the Shareholder Loan Agreement is 7.6%.

Given that the terms under the Shareholder Loan Agreement are more favorable than those offered by the market, the Directors believe that the terms of the Shareholder Loan Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE GROUP

The principal business activities of the Group are healthcare, health management, high-end medical therapy and elderly care under the membership system.

INFORMATION ABOUT THE SELLER

Mr. CHIU Tao, the Seller, currently serves as the chairman and executive director of CST Group Limited which is listed on the Main Board of the Stock Exchange (stock code: 0985).

FINANCIAL INFORMATION ABOUT THE TARGET COMPANY

As the sole asset of the Target Company is its equity interest in the Joint Venture, the financial information of the Joint Venture is set out below.

As at 30 May 2018, the unaudited book value of the Joint Venture and its subsidiaries was approximately US\$110,583,000. The unaudited attributable losses of the Joint Venture and its subsidiaries for the financial year ended 2016 and 2017 (including net loss before and after taxation) are as follows:

	Year ended	
	2016	2017
Net loss before and after taxation	approximately US\$(568,988,000)	approximately US\$(339,619,000)

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

As the Joint Venture will be treated as an associate of the Target Company under Hong Kong Financial Reporting Standards, the Group will use equity accounting method to account for the Joint Venture upon completion of the Acquisition.

REASONS AND BENEFITS OF THE TRANSACTION

Through acquiring world-leading new energy automotive technology and products from the Acquisition, the Company has the opportunity to obtain a strong competitiveness in the fast-growing new energy automotive industry, capture market share and diversify its businesses.

In view of the above reasons and benefits, 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

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but are 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.

As at the date of this announcement, China Evergrande is the ultimate controlling shareholder of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, China Evergrande is a connected person of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, the Shareholder Loan Agreement and the transactions contemplated thereunder constitute connected transactions of the Company. As the Shareholder Loan Agreement constitutes financial assistance provided by a connected person of the Company for the benefit of the Group on normal commercial terms or better where no security over the assets of the Group is granted, the Shareholder Loan Agreement is exempted from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As Mr. CHAU Shing Yim David, the independent non-executive Director, is also serving as the independent non-executive director of China Evergrande, the Company is of the view that Mr. CHAU Shing Yim David is regarded as having a material interest in the Shareholder Loan Agreement and the transactions contemplated thereunder. Accordingly, Mr. CHAU Shing Yim David has abstained from voting on the relevant board resolutions of the Company. Save as disclosed above, no other Directors had material interest in the Shareholder Loan Agreement and the transactions contemplated thereunder and no other Director has abstained from voting on the relevant board resolutions of the Company.

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 15 October 2018, 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 Share and the Target Company Shareholder Loan by the Company from the Seller pursuant to the terms and conditions of the Share Sale and Purchase Agreement
“China Evergrande”	China Evergrande Group, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Stock Exchange, and the ultimate controlling shareholder of the Company
“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
“Faraday Future”	Smart Technology Holdings Ltd. (formerly known as FF Global Holdings Ltd.), a company incorporated in the Cayman Islands with limited liability and wholly-owned by the Joint Venture
“Faraday Future Group”	Faraday Future and its subsidiaries
“FF”	FF Hong Kong Holdings Limited (法法汽車生態(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Faraday Future Original Shareholder”	FF Top Holding Ltd., a company incorporated in the British Virgin Islands with limited liability, the other shareholder of the Joint Venture
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Joint Venture”	Smart King Ltd., an exempted company incorporated in the Cayman Islands with limited liability
“Joint Venture Shareholders Agreement”	the shareholders agreement dated 30 November 2017 in relation to the Joint Venture entered into by, among others, the Target Company, the Joint Venture and the Faraday Future Original Shareholder (as amended and supplemented from time to time)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merger Agreement”	the merger and subscription agreement and plan dated 30 November 2017 entered into by, among others, the Target Company, the Joint Venture and the Faraday Future Original Shareholder (as amended and supplemented from time to time)
“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
“Sale Share”	one (1) ordinary share in the share capital of the Target Company, being the entire share capital of the Target Company

“Seller”	Mr. CHIU Tao, whom, 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 Sale and Purchase Agreement”	the share sale and purchase agreement in relation to the Acquisition entered into on 25 June 2018 between the Company and the Seller
“Shareholder(s)”	holder(s) of Shares
“Shareholder Loan”	the loan provided by China Evergrande to the Company pursuant to the terms and conditions of the Shareholder Loan Agreement
“Shareholder Loan Agreement”	the shareholder loan agreement in relation to the Shareholder Loan dated 25 June 2018 entered into by the Company and China Evergrande
“Share(s)”	ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Season Smart Limited (時穎有限公司), the target company under the Share Sale and Purchase Agreement
“Target Company Shareholder Loan”	the shareholder loan owed to the Seller by the Target Company, outstanding amount of which was approximately HK\$4,697,138,704 as at the date of the Share Sale and Purchase Agreement
“US Dollar” or “US\$”	United States dollars, the lawful currency of the United States of America.
“%”	percentage

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

Hong Kong, 25 June 2018

As at the date of this Announcement, the executive directors of the Company are Mr. SHI Shouming and Mr. HAN Xiaoran; and the independent non-executive directors of the Company are Mr. CHAU Shing Yim David, Mr. GUO Jianwen and Mr. XIE Wu.