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CHINA EVERGRANDE NEW ENERGY VEHICLE GROUP LIMITED

中國恒大新能源汽車集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

**(1) CONNECTED TRANSACTION —
DISPOSAL OF THE ENTIRE EQUITY INTEREST
IN TWO SUBSIDIARIES;
AND
(2) CONTINUING CONNECTED TRANSACTION —
PROPERTY MANAGEMENT SERVICES**

THE DISPOSAL

On 11 September 2020, Guangzhou Hengze and Jialize Tourism, each an indirect subsidiary of the Company, entered into the Evergrande Hengkang Equity Transfer Agreement and the Jialize Equity Transfer Agreement with Jinbi Property, respectively, pursuant to which, each of Guangzhou Hengze and Jialize Tourism has agreed to sell, and Jinbi Property has agreed to acquire, the entire equity interest in Evergrande Hengkang and Jialize Property Management.

As at the date of this announcement, each of Evergrande Hengkang and Jialize Property Management is an indirect subsidiary of the Company, whose respective entire equity interest is owned by each of Guangzhou Hengze, an indirect wholly-owned subsidiary of the Company, and Jialize Tourism, an indirect subsidiary of the Company. Upon completion of the Disposal, the Group will cease to hold any equity interest in Evergrande Hengkang and Jialize Property Management, and the results of which will no longer be reflected in the results of the Company.

CONTINUING CONNECTED TRANSACTION

As at the date of this announcement, each of Evergrande Hengkang and Jialize Property Management provides property management services to the Group. Upon completion of the Disposal, each of Evergrande Hengkang and Jialize Property Management will become an indirect subsidiary of China Evergrande, and is expected to continue providing property management services to the Group. Therefore, the provision of such property management services will constitute continuing connected transactions of the Company, for which China Evergrande and the Company entered into the Property Management Framework Agreement on 11 September 2020.

LISTING RULES IMPLICATIONS

THE DISPOSAL

As at the date of this announcement, China Evergrande is the controlling shareholder of the Company. Therefore, China Evergrande is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Jinbi Property is an indirect subsidiary of China Evergrande, it is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Disposal and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal calculated in accordance with the Listing Rules exceeds 0.1% but is less than 5%, the Disposal and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION UNDER THE PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

The Property Management Framework Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the highest proposed annual cap contemplated under the Property Management Framework Agreement calculated in accordance with the Listing Rules exceeds 0.1% but is less than 5%, the Property Management Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(I) THE DISPOSAL

On 11 September 2020, Guangzhou Hengze and Jialize Tourism, each an indirect subsidiary of the Company, entered into the Evergrande Hengkang Equity Transfer Agreement and the Jialize Equity Transfer Agreement with Jinbi Property, respectively, pursuant to which, each of Guangzhou Hengze and Jialize Tourism has agreed to sell, and Jinbi Property has agreed to acquire, the entire equity interest in Evergrande Hengkang and Jialize Property Management.

As at the date of this announcement, each of Evergrande Hengkang and Jialize Property Management is an indirect subsidiary of the Company, whose respective entire equity interest is owned by each of Guangzhou Hengze, an indirect wholly-owned subsidiary of the Company, and Jialize Tourism, an indirect subsidiary of the Company. Upon completion of the Disposal, the Group will cease to hold any equity interest in Evergrande Hengkang and Jialize Property Management, and the results of which will no longer be reflected in the results of the Company. Further information on Evergrande Hengkang and Jialize Property Management is set out under the section headed “*Information on Evergrande Hengkang and Jialize Property Management*” in this announcement.

Evergrande Hengkang Equity Transfer Agreement

The principal terms of the Evergrande Hengkang Equity Transfer Agreement are as follows:

- Date:** 11 September 2020
- Parties:** (i) Guangzhou Hengze (as transferor, being an indirect wholly-owned subsidiary of the Company)
- (ii) Jinbi Property (as transferee, being an indirect subsidiary of China Evergrande, the controlling shareholder of the Company)
- Target company:** Evergrande Hengkang
- Consideration:** RMB46,856,700 (equivalent to approximately HK\$52,948,071)
- Basis of consideration:** The consideration was determined after arm’s length negotiations between the parties on normal commercial terms and with reference to the net asset value of Evergrande Hengkang as at 30 June 2020 of RMB46,856,700 (equivalent to approximately HK\$52,948,071).
- Payment of consideration:** The consideration shall be paid in cash by Jinbi Property to Guangzhou Hengze by 20 September 2020.

Upon completion of the equity transfer under the Evergrande Henggang Equity Transfer Agreement, the Company will cease to hold any equity interest in Evergrande Henggang. Therefore, the entire equity interest of Chongqing Hengjian will also be indirectly acquired by Jinbi Property.

Jialize Equity Transfer Agreement

The principal terms of the Jialize Equity Transfer Agreement are as follows:

- Date:** 11 September 2020
- Parties:**
- (i) Jialize Tourism (as transferor, being an indirect 80%-owned subsidiary of the Company)
 - (ii) Jinbi Property (as transferee, being an indirect subsidiary of China Evergrande, the controlling shareholder of the Company)
- Target company:** Jialize Property Management
- Consideration:** RMB684,400 (equivalent to approximately HK\$773,372)
- Basis of consideration:** The consideration was determined after arm's length negotiations between the parties on normal commercial terms and with reference to the net asset value of Jialize Property Management as at 30 June 2020 of RMB684,400 (equivalent to approximately HK\$773,372).
- Payment of consideration:** The consideration shall be paid in cash by Jinbi Property to Jialize Tourism by 31 December 2020.

Upon completion of the equity transfer under the Jialize Equity Transfer Agreement, the Company will cease to hold any equity interest in Jialize Property Management.

The Directors believe that the terms and conditions of the Disposal, including the respective consideration under the Evergrande Henggang Equity Transfer Agreement and the Jialize Equity Transfer Agreement, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PARTIES

The Company

The Company is a company incorporated in Hong Kong with limited liability. The Group is principally engaged in technology research and development, production and sales of new energy vehicles, as well as health management businesses such as the “Internet+” community health management, international hospitals, and elderly care and rehabilitation.

Guangzhou Hengze

Guangzhou Hengze is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Guangzhou Hengze is principally engaged in, amongst others, health and medical care service, health management and consultancy service, elderly care industry service, community, elderly and home care service, hospital management, beauty service and care-taking service in the PRC.

Jialize Tourism

Jialize Tourism is a company established in the PRC with limited liability and an indirect 80%-owned subsidiary of the Company. Jialize Tourism is principally engaged in, amongst others, tourism project development and hotel operation in the PRC.

Jinbi Property

Jinbi Property is a company established in the PRC with limited liability and an indirect subsidiary of China Evergrande, the controlling shareholder of the Company. Jinbi Property is principally engaged in the provision of:

- (a) property management services for residential properties and other properties (including commercial properties), including housekeeping, order maintenance, cleaning and greening, repair and maintenance, as well as parking lot management;
- (b) value-added services for non-property owners, such as pre-delivery services (including construction site management, demonstration home and sales office service, planning and consultation service), parking lots sales assistance, pre-delivery cleaning, pre-delivery acceptance service, as well as maintenance service within warranty period; and
- (c) value-added services for property owners and residents, such as community asset operation, garden management service, community operation and innovation service, community living and other services.

INFORMATION ON EVERGRANDE HENGKANG AND JIALIZE PROPERTY MANAGEMENT

As at the date of this announcement, the entire equity interest of each of Evergrande Hengkang and Jialize Property Management is owned by Guangzhou Hengze and Jialize Tourism (indirect subsidiaries of the Company), respectively.

Evergrande Hengkang

Evergrande Hengkang is a limited liability company established in 2018 and validly existing in accordance with the laws of the PRC, with a registered capital of RMB50,000,000. Its principal asset is the entire equity interest in Chongqing Hengjian, a company established in the PRC with limited liability which is principally engaged in property management business in the PRC.

The table below sets out a summary of the financial results of Evergrande Henggang for the two financial years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 prepared in accordance with the PRC GAAP:

	Year ended 31 December 2018 (Audited) RMB	Year ended 31 December 2019 (Audited) RMB	Six months ended 30 June 2020 (Unaudited) RMB
Gains/(losses) before tax and non-recurring items	925	2,312,484	5,121,484
Gains/(losses) after tax and non-recurring items	925	2,160,639	5,212,702

Jialize Property Management

Jialize Property Management is a limited liability company established and validly existing in accordance with the laws of the PRC, with a registered capital of RMB500,000. It is principally engaged in property management business in the PRC and did not have any operations prior to 2019.

The table below sets out a summary of the financial results of Jialize Property Management for the two financial years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 prepared in accordance with the PRC GAAP:

	Year ended 31 December 2019 (Audited) RMB	Six months ended 30 June 2020 (Unaudited) RMB
Gains/(losses) before tax and non-recurring items	665,150	(121,749)
Gains/(losses) after tax and non-recurring items	665,150	(216,174)

REASONS FOR AND BENEFITS OF THE DISPOSAL

Upon completion of the Disposal, Evergrande Henggang and Jialize Property Management will each become an indirect subsidiary of China Evergrande, which will enable the Group to integrate its resources and commit itself to further develop its automobile manufacturing business, promote the research and development of Hengchi products, continuously improve its product structure, and comprehensively cover the new energy vehicle market. In addition, the Disposal will enable China Evergrande, the controlling shareholder of the Company, to consolidate its control and management of the property management segment within the group.

Upon completion of the Disposal, based on the aggregate consideration receivable under the Disposal (being RMB47,541,000), the financial information and the valuation of Evergrande Hengkang and Jialize Property Management, the Group does not expect significant gains or losses to be generated from the Disposal. Net proceeds from the Disposal (after deducting fees) are intended to be used as the Group's general working capital.

The Directors (including the independent non-executive Directors apart from Mr. Chau Shing Yim, David) believe that the Evergrande Hengkang Equity Transfer Agreement, the Jialize Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that the Disposal is in the interests of the Company and the Shareholders as a whole.

(II) CONTINUING CONNECTED TRANSACTION

As at the date of this announcement, each of Evergrande Hengkang and Jialize Property Management provides property management services to the Group. Upon completion of the Disposal, each of Evergrande Hengkang and Jialize Property Management will become an indirect subsidiary of China Evergrande, and is expected to continue providing property management services to the Group. Therefore, the provision of such property management services will constitute continuing connected transactions of the Company, for which China Evergrande and the Company entered into the Property Management Framework Agreement on 11 September 2020.

Property Management Framework Agreement

The principal terms of the Property Management Framework Agreement are as follows:

- Date:** 11 September 2020
- Parties:** (i) China Evergrande (as service provider)
(ii) the Company (as service recipient)
- Term:** 11 September 2020 to 31 December 2022

In accordance with the Property Management Framework Agreement, subject to compliance with relevant provisions of the Listing Rules, the parties may renew the Property Management Framework Agreement within 30 days prior to its expiration.

**Scope of service
and pricing
policies:**

China Evergrande and its subsidiaries shall provide (1) fundamental property services, (2) value-added services for non-property owners and (3) community value-added services to the Group. The key scope of each service and its pricing policy are set forth as follows:

- (1) the scope of fundamental property services includes providing public order maintenance, cleaning, greening and public facility maintenance services for the Group's projects, including (but not limited to) delivered but unsold properties and unsold parking spaces, automobile bases and automobile research institutes, the fees payable for which shall be determined with reference to the local government guidance prices and services of the same grade in surrounding vicinities;
- (2) the scope of value-added services for non-property owners includes:
 - (a) providing site management services for the Group's projects, including (but not limited to) field service, engineering consultancy and blueprint review services, the fees payable for which shall be determined with reference to actual costs plus applicable taxes;
 - (b) providing pre-delivery indoor quality inspection services for the Group's projects, including (but not limited to) carrying out inspections, and arranging for rectifications by the construction team and re-inspection services, the fees payable for which shall be determined based on actual floor area with reference to the market pricing standards;
 - (c) providing maintenance services to property owners for the Group's projects, including (but not limited to) services to property owners during warranty periods, verification of on-site issues, coordination of maintenance and supervision work, settlement of repair orders and material management as well as repair services during warranty periods. For services to property owners during warranty periods, the fees payable shall be determined based on actual floor area with reference to the market pricing standards. For repair services during warranty periods, the fees payable shall be based on the actual amount of repair work completed with reference to prices set by comparable service providers in the market, or prices agreed upon between one of either China Evergrande or the Company and an independent third party for similar services;

- (d) providing cleaning services for the Group's projects, including (but not limited to) pre-delivery initial cleaning and daily cleaning services, the fees payable for which shall be determined based on the pricing standard of a cost-plus basis of 15–20% with reference to actual labor cost and remuneration of cleaning personnel in the market;
 - (e) providing sales assistance and introduction services for parking spaces for the Group's projects, including (but not limited to) sales assistance services for parking spaces. For sales assistance and introduction services for parking spaces, fees payable shall be determined based on the pricing standard of RMB10–12/month/parking space. For sales assistance services for parking spaces, the fees payable shall be determined based on the pricing standard of a bonus at 2%–5% of actual transaction amount; and
 - (f) providing leasing and management services for unsold stores for the Group's projects, including (but not limited to) one-stop asset management services, the fees payable for which shall be determined based on the pricing standard of 15%–20% of contract amount during the leasing period; and
- (3) providing entrusted operation services for the Group's health care facilities, including property operations management and operating income and expenditure management service for clubhouses, the fees payable for which shall be determined based on the pricing standard of 10%–15% of the operating income of the relevant entity.

The service fees contemplated under the Property Management Framework Agreement have been primarily determined based on the overall quality of services and market prices, as well as the current pricing inquiries conducted by the Company and pricing processes for the procurement of services. Particularly, with reference to quotations provided by other property management service providers for similar types of services, and to the appropriate extent, in consideration of the price movement of similar types of services in the market, the Company shall agree on such service fees with China Evergrande based on specific needs and required scope of services for each project of the Group, while safeguarding the reasonable interests of the Company and ensuring that the terms under the Property Management Framework Agreement are no less favorable than those offered to the Group by independent third parties.

Historical Transaction Amounts

For the financial year ended 31 December 2019, the transaction amount incurred by the Group in respect of the property management services provided by Evergrande Hengkang and Jialize Property Management was RMB13,467,899.04 (equivalent to approximately HK\$15,218,725.92).

Proposed Annual Caps

The proposed annual caps for the transactions under the Property Management Framework Agreement for the financial years ending 31 December 2020, 2021 and 2022 are as follows:

Proposed annual caps		
For the year ended 31 December		
2020	2021	2022
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
123,300,000	206,200,000	279,800,000

Basis of Determining the Proposed Annual Caps

The proposed annual caps stated above have been determined based on the following factors:

- (i) historical transaction amount for the year ended 31 December 2019;
- (ii) expected demand for property management services with reference to, among others, the estimated gross floor area of properties to be developed by the Group and managed by Evergrande Hengkang and Jialize Property Management;
- (iii) market prices for property management services of the same grade; and
- (iv) China Evergrande's qualification, experience, scope of service and pricing in property management services.

When identifying property management service providers, the Group selects the appropriate service provider through a public tender process. The procedures adopted in the public tender process include: (1) an issue of a tender notice by the tenderer on public media outlets approved by local government authorities, stating, among others, the name and address of the tenderer, basic information about the tender project and methods of obtaining tender documents; (2) preparation of bidding documents by bidders in accordance with the tender notice and submission of bid in a timely manner; (3) evaluation of all bidding documents and selection of the winning bidder by an independent bid evaluation panel established by the Group in accordance with the requirements under the tender notice and comprehensively taking into account the bidders' corporate visibility, reputation, service price and quality of service plans.

Reasons for and Benefits of Entering into the Property Management Framework Agreement

The Group currently owns and operates various elderly care valleys, commercial properties and other projects in the PRC, and has significant demand for property management services. China Evergrande, being one of the Global 500 companies, has extensive experience and capabilities in various property management services and possesses sufficient software and hardware resources and sophisticated service and management systems. Therefore, it will be able to provide quality and comprehensive property management services in accordance with the Group's demands. In view of the above, the Board believes that entering into the Property Management Framework Agreement with China Evergrande is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

THE DISPOSAL

As at the date of this announcement, China Evergrande is the controlling shareholder of the Company. Therefore, China Evergrande is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Jinbi Property is an indirect subsidiary of China Evergrande, it is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Disposal and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal calculated in accordance with the Listing Rules exceeds 0.1% but is less than 5%, the Disposal and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION UNDER THE PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

The Property Management Framework Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the highest proposed annual cap contemplated under the Property Management Framework Agreement calculated in accordance with the Listing Rules exceeds 0.1% but is less than 5%, the Property Management Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors of the Company apart from Mr. Chau Shing Yim, David) believes that the Disposal, the Property Management Framework Agreement and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms; and that the Property Management Framework Agreement has been entered into under terms no less favorable than those offered to the Group by independent third parties, and are therefore conducive to the Group's business development and are in the interests of the Company and the Shareholders as a whole. As Mr. Chau Shing Yim, David, an independent non-executive Director of the Company, is also an independent non-executive director of China Evergrande, the Company considers that Mr. Chau Shing Yim, David is deemed to have material interests in the Disposal, the Property Management Framework Agreement and the transactions contemplated thereunder. Therefore, Mr. Chau Shing Yim, David has abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the other Directors have material interests in the Disposal, the Property Management Framework Agreement or the transactions contemplated thereunder, nor has any other Director abstained from voting on the relevant resolutions of the Board.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“China Evergrande”	China Evergrande Group, a company incorporated in the Cayman Islands with limited liability and the controlling shareholder of the Company, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3333);
“Chongqing Hengjian”	Chongqing Hengjian Property Management Co., Ltd* (重慶恒健物業管理有限公司), a company established in the PRC with limited liability, the entire equity interest in which is held by Evergrande Henggang as at the date of this announcement;
“Company”	China Evergrande New Energy Vehicle Group Limited (formerly known as Evergrande Health Industry Group Limited), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 708);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;

“Directors”	the directors of the Company;
“Disposal”	the disposal of the entire equity interests in Evergrande Hengkang and Jialize Property Management by the Company to China Evergrande in accordance with the terms and conditions under the Evergrande Hengkang Equity Transfer Agreement and the Jialize Equity Transfer Agreement, respectively;
“Group”	the Company and its subsidiaries;
“Guangzhou Hengze”	Guangzhou Hengze Healthcare Service Company Limited* (廣州恒澤養生服務有限公司);
“Evergrande Hengkang”	Evergrande Hengkang Property Management Co., Ltd.* (恒大恒康物業有限公司);
“Evergrande Hengkang Equity Transfer Agreement”	the equity transfer agreement dated 11 September 2020 in relation to the transfer of the entire equity interest in Evergrande Hengkang entered into between Guangzhou Hengze and Jinbi Property
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Jinbi Property”	Jinbi Property Management Company Limited* (金碧物業有限公司);
“Jialize Property Management”	Kunming Jialize Property Management Co., Ltd.* (昆明嘉麗澤物業管理有限公司);
“Jialize Equity Transfer Agreement”	the equity transfer agreement dated 11 September 2020 in relation to the transfer of the entire equity interest in Jialize Property Management entered into between Jialize Tourism and Jinbi Property;
“Jialize Tourism”	Kunming Jialize Tourism Culture Co., Ltd.* (昆明嘉麗澤旅游文化有限公司);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“percentage ratio”	has the meaning ascribed to it under the Listing Rules;

“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Property Management Framework Agreement”	the property management framework agreement dated 11 September 2020 entered into between the Company and China Evergrande;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

By Order of the Board
China Evergrande New Energy Vehicle Group Limited
Shi Shouming
Chairman

Hong Kong, 13 September 2020

As at the date of this announcement, the executive Directors of the Company are Mr. SHI Shouming, Mr. LIU Yongzhuo and Mr. QIN Liyong; and the independent non-executive Directors of the Company are Mr. CHAU Shing Yim David, Mr. GUO Jianwen and Mr. XIE Wu.

For the purposes of this announcement, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1 to HK\$1.13 for the purposes of illustration only. No representation is made that any amount into HK\$ and RMB could have been or could be converted at the above rate or at any other rates.

* *For identification purpose only*