恒大健康产业集团
EVERGRANDE HEALTH INDUSTRY GROUP

Evergrande Health Industry Group Limited

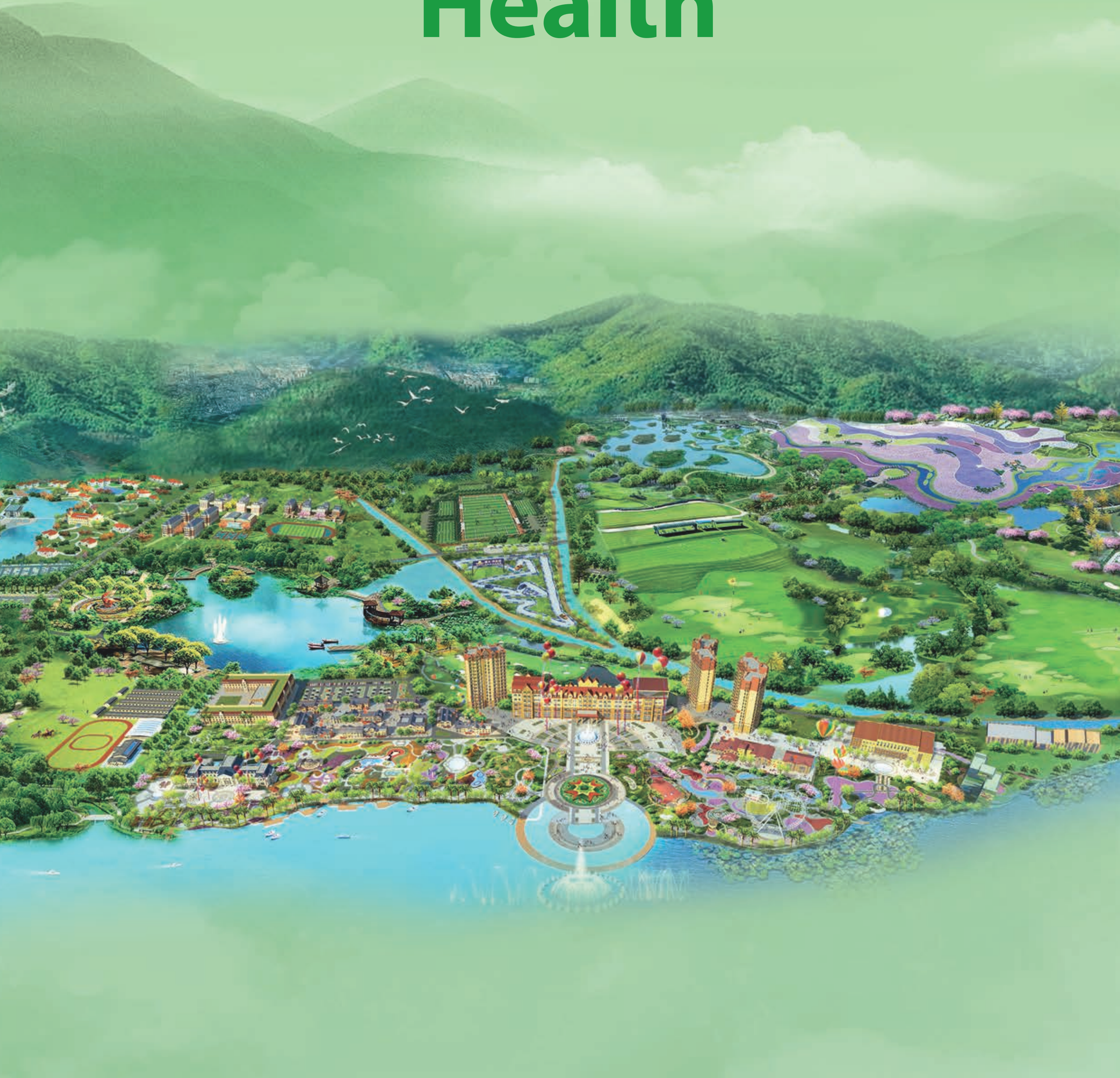
(Incorporated in Hong Kong with limited liability)
(Stock code: 0708)

ANNUAL REPORT 2019

Perfection

For Supreme

Health



Contents

02
Board of Directors and Committees

03
Corporate and Shareholder Information

04
Management Discussion and Analysis

13
Report of the Directors

26
Corporate Governance Report

41
Independent Auditor's Report

48
Consolidated Balance Sheet

50
Consolidated Statement of Comprehensive Income

52
Consolidated Statement of Changes in Equity

54
Consolidated Statement of Cash Flows

55
Notes to the Consolidated Financial Statements

150
Five Years Financial Summary

Board of Directors and Committees

Executive Directors

Mr. Shi Shouming *(Chairman)*
Mr. Peng Jianjun *(Vice Chairman)*
Mr. Qin Liyong *(appointed on 1 February 2019)*
Mr. Li Siquan *(resigned on 1 February 2019)*

Independent Non-Executive Directors

Mr. Chau Shing Yim, David
Mr. Guo Jianwen
Mr. Xie Wu

Audit Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Guo Jianwen
Mr. Xie Wu

Remuneration Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Shi Shouming
Mr. Guo Jianwen

Nomination Committee

Mr. Shi Shouming *(Chairman)*
Mr. Chau Shing Yim, David
Mr. Guo Jianwen

Corporate Governance Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Shi Shouming
Mr. Guo Jianwen

Authorised Representatives

Mr. Shi Shouming
Mr. Fong Kar Chun, Jimmy

Corporate and Shareholder Information

Head Office

28th Floor, Evergrande International Center
No. 78 Huangpu Avenue West
Guangzhou
Guangdong Province
The PRC
Postal code: 510620

Registered Office and Place of Business in Hong Kong

23rd Floor, China Evergrande Centre,
38 Gloucester Road, Wanchai, Hong Kong

Website

www.evergrandehealth.com

Company Secretary

Mr. Fong Kar Chun, Jimmy

Auditor

PricewaterhouseCoopers

Shareholder Information

Listing Information

The shares of the Company are listed on
The Stock Exchange of Hong Kong Limited
("**Hong Kong Stock Exchange**")

Stock Code

Hong Kong Stock Exchange: 0708.HK

Share Registrar

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Investor Relation

For enquiries, please contact:
Mr. Fong Kar Chun, Jimmy
Investor Relation Department
Email: evergrandeIR@evergrande.com
Telephone: (852) 2287 9208/2287 9218/2287 9207

Financial Calendar

Announcement of annual results: 30 March 2020

Management Discussion and Analysis

Overview

The principal business activities of Evergrande Health Industry Group Limited (the "**Company**") and its subsidiaries (the "**Group**") include "Internet+" community health management, international hospitals, elderly care and rehabilitation (collectively, the "**Health Management Segment**"), as well as the investment in high technology new energy vehicle manufacture (collectively, the "**New Energy Vehicle Segment**").

Health Management Segment

The Group proactively implements the national strategy of "Healthy China". Adhering to its corporate vision of "enhancing the healthy living standards for the general public", and centering on the healthcare needs of the general public, the Group has created a membership mechanism on all-round healthy life for all-age populations, and established a multilevel hierarchical medical, high-precision health management, all-age health care and diversified elderly care system, thereby enhancing the healthy living standards for the general public.

During the year ended 31 December 2019 (the "**Year**"), the Group continued to uphold the innovative services concept of integrating medical insurance with medical care, health management and elderly care. It provided, among others, medical, health management, healthcare and elderly care services through a membership platform. It developed and formulated an all-rounded and all-age healthcare service standard, and proceeded with the innovative development of Evergrande Elderly Care Valley. During the Year, 23 Evergrande Elderly Care Valley took root across China. The Group also continued its in-depth exchanges and cooperation with foreign and domestic healthcare resources including Brigham and Women's Hospital (being one of the main teaching hospitals of Harvard Medical School) in the United States, which comprehensively enhanced the healthcare services standards at Boao Evergrande International Hospital, the only affiliated hospital of Brigham and Women's Hospital in China. The Group also improved Evergrande Medical Linkage Service System, which integrated resources from well-known 3A hospitals across different areas, with Evergrande International Hospital at the top and Evergrande Rehabilitation Hospital as well as the community medical system at the end.

New Energy Vehicle Segment

Evergrande's entry into the new energy vehicle industry marks the active implementation of the strategy of building China as a strong technology nation, as well as an important action for protecting the environment and benefiting mankind.

Adhering to the development positioning of "the core technology must be world-leading, the product quality must be world-class, and the cost must be significantly reduced", the Group established a full industry chain of new energy vehicles covering vehicle manufacturing, electric motor control, power batteries, vehicle sales, smart charging, shared mobility and other aspects. Evergrande Health possessed the world's top core technology in all key aspects. The Group established Evergrande New Energy Automotive R&D Institute Global Headquarters, implemented a globally integrated research and development model, and carried out collaborative research and development in China, Sweden, Germany, the United Kingdom, the Netherlands, Austria, Italy, Japan, South Korea and other countries. The Group also owned several high-tier manufacturing bases in Sweden and Guangdong, Shanghai, Tianjin and Liaoning in China, and other regions to create a full range of world-class quality products.

Management Discussion and Analysis

Financial Review

During the Year, the Group's turnover amounted to RMB5,635.56 million, representing an increase of 79.88% as compared to RMB3,133.02 million for the year ended 31 December 2018. The turnover was mainly attributable to the revenue generated in the Health Management Segment.

The significant increase in turnover of the Health Management Segment during the Year was mainly due to the increase in revenue from Evergrande Elderly Care Valley (the "**Elderly Care Valley**") by 58.38% to RMB4,948.47 million from RMB3,124.42 million for 2018. In 2019, the new energy vehicle segment achieved a total of RMB660.50 million in revenue, which was mainly derived from the sales of lithium battery.

The gross profit of the Group was RMB1,887.12 million, representing an increase of 64.78% from RMB1,145.27 million for 2018. Gross profit margin dropped from 36.55% for 2018 to 33.49% for the Year, mainly due to the increase in total profit as a result of the increase in total income from the increased business volume of health and living projects. The gross profit margin corresponding to the income from the additional health and living projects decreased slightly due to the different locations of the projects.

Selling and marketing expenses increased by 226.46% to RMB868.18 million during the Year from RMB265.94 million in 2018, mainly due to the significant increase in marketing expenses for the Elderly Care Valley as a result of the increase in the number of commenced projects for the Elderly Care Valley to 23 during the Year from 12 in 2018.

Administrative expenses increased by 842.14% to RMB3,155.62 million during the Year from RMB334.94 million for 2018. As the business scale of the Company expanded, in particular the rapid development of the new energy automotive business, there was a relatively large increase in research and development expenses, salary expenses and other administrative expenses.

Finance costs, net, increased from RMB471.34 million for 2018 to RMB2,224.43 million during the Year. It was mainly due to the increase in interest expenses, arising from the increase in borrowings from shareholder.

Income tax expenses increased by 42.09% to RMB421.14 million during the Year from RMB296.38 million for 2018, mainly due to the increase in profit of the Elderly Care Valley business.

In 2019, the Group adopted the equity method to account for long-term equity investments in associates and joint ventures, and recognized an investment loss of RMB53.69 million in associates and joint ventures based on the shareholding ratio. The financial assets measured at fair value through profit and loss is recognised a loss of RMB132.13 million based on changes in fair value.

The Company recorded loss of RMB1,428.38 million for 2018. The business scale of the New Energy Vehicle Segment has expanded, and research and development expenses, administrative expenses and interest expenses increased significantly during the Year. The Group recorded a loss of RMB4,947.48 million in 2019. The loss attributable to shareholders of the Company was RMB4,426.31 million.

Management Discussion and Analysis

Business Review

Health Management Segment

Business Review for Evergrande Elderly Care Valley

In response to the demand for higher healthy living standards of community residents, the Group has developed and formulated the first all-rounded and all-age healthcare service standard in China and innovatively developed Evergrande Elderly Care Valley.

Evergrande Elderly Care Valley created a new high-quality comprehensive healthy living and care mode. Evergrande Health advocated the innovative concept of integrating medical insurance with preventative, medical and health care services, and established a membership platform. Through integrating the world-class medical, elderly care and wellness living and commercial insurance and other resources, Evergrande Elderly Care Valley provides its members with full life-cycle and all-rounded living and care services.

Evergrande Elderly Care Valley started a new chapter in all-rounded health care regime for all-age populations. Evergrande Health advocated the concept of healthy living, and implemented a healthy lifestyle. Supported by the four major gardens of Evergrande Elderly Care Valley that emphasize traditional Chinese medicine foundation and Chinese health culture as the core, Evergrande Elderly Care Valley integrated nutrition diet, scientific exercise, traditional culture, folk art, social activities and well-living travel, thereby providing healthcare and wellness-living services suitable for all-age populations and innovating a new healthy lifestyle for all-age populations. As of 31 December 2019, health preserving exhibition and experience centers were open to the public in 9 regions including Zhengzhou, Nanjing, Shenyang, Kunming and Xianning. The four major gardens in Xiangtan, Nanjing, Jiaozuo and Shenyang have been put into trial operation, while the Xi'an medical and nursing complex has officially commenced operation.

Evergrande Elderly Care Valley created a new high-precision and multi-dimensional health management mechanism. Keeping pace with international standards and the world's cutting-edge technology, such as those adopted in Brigham and Women's Hospital, and leveraging on the multi-level hierarchical medical system adopted in Henghe Secondary Rehabilitation Hospital, general practice clinic and other medical institutions, the Group established a health member data cloud platform to create a "1 + 1" health management model with high-end private family doctor and health consultant. The Group also formulated healthcare plan integrating physical examination, screening and intervention, and carried out businesses such as sub-health management, chronic disease conditioning and rehabilitation physiotherapy. By combining hundreds of Evergrande projects across the country, Evergrande Health has established an unique "health + tourism" model, thereby achieving high-precision health management.

Evergrande Elderly Care Valley created a new comprehensive multi-level health care mode for the elderly. Leveraging on Evergrande Elderly Care Valley, the Group innovated a new elderly care model of "one family with three generations, living in two apartments", thereby establishing a world-class elderly care center. With specialized elderly care centers, day care centers, elderly care apartments and apartments for the elderly as the main products, the Group forms a diversified elderly care system with home care as the basis, community care as the support, and institutional care as the supplement. The Group developed an in-depth cooperation with RIEI Company Limited, a well-known Japanese elderly care service operator, to jointly promote the construction of its first nursing home, namely Xi'an Evergrande Nursing Home (西安恒大養老院).

Evergrande Elderly Care Valley created a new system of full cycle health insurance with high coverage. Integrating domestic and overseas high-quality insurance resources, Evergrande Elderly Care Valley has established a high-level insurance system for all-age groups, customizing exclusive insurance for the elderly aged under 100 years old, thus realizing green service channel with hundreds of excellent top 3A hospitals in the country.

Management Discussion and Analysis

As of 31 December 2019, Evergrande Health established 23 Evergrande Elderly Care Valley in cities including Sanya, Ocean Flower Island, Xi'an, Zhengzhou, Zhenjiang, Xiangtan, Nanjing, Yuntaishan, Chongqing, Shenyang, Wuzhou, Hohhot, Cangzhou, Xianning, Liu'an, Jinhua, Kunming, Zibo, Tangshan, Yueyang and Lianyungang.

Business Review for Medical Service Business

As regards hospitals, the Group cooperated with top-tier medical institutions around the world to establish a high-end medical care system, and developed a multi-level hierarchical medical system with high-end leading international hospitals, domestic high-quality 3A hospitals and Henghe medical platform as the backbone, and community hospitals as the basis.

Invested by the Group and under the collaborative guidance of Brigham and Women's Hospital in the United States, Boao Evergrande International Hospital (the only affiliated hospital of Brigham and Women's Hospital in China) gathered outstanding worldwide medical experts and consolidated resources such as advanced technology, equipment and the latest medicament. The hospital operated steadily under the Brigham Model, and provided international advanced health medical services. Medical operation was comprehensively launched under the guidance of Brigham, and treatments on different diseases such as breast cancer have successfully commenced, thereby raising the brand influence of the hospital significantly. Taking advantages of the pilot zone, via the Boao Public Bonded Drug Warehouse (博鰲公共保稅藥倉), new anti-tumor drugs that have been approved internationally but not yet marketed in China were introduced and personalized treatment plans for patients were developed. The Group fully integrated quality medical resources in China, and formed an alliance with renowned medical institutions such as Fudan University Shanghai Cancer Center, The First Affiliated Hospital of Hainan Medical University and China Stem Cell Group Boao Stem Cell Hospital to explore different cooperation modes, thereby sharing resources and strengthening each other's advantages. After the COVID-19 Outbreak, Boao Evergrande International Hospital proactively arranged medical staff to travel to Hubei to fight against COVID-19, reflecting the commitments of Boao Evergrande International Hospital as an international hospital.

Sanya Evergrande Women's and Children's Hospital is committed to building a class three modern hospital for women and children that integrates medical treatment, preventive care and rehabilitation, and is currently under preparation for the hospital.

In respect of medications, supported by Boao Public Bonded Drug Warehouse with medical institutions in the pilot zone as end-point providers, the Group introduced a variety of licensed drugs from renowned international pharmaceutical and medical equipment companies such as AstraZeneca in the United Kingdom, Dr. Morse in Germany, Roche in Switzerland, and Novartis in Switzerland, practically realizing the use of internationally cutting-edge innovative licensed drugs by citizens without going abroad. At the same time, the Group had been actively sourcing advanced research, medicine, teaching, equipment and corporate resources from both international and domestic markets. The Group had also been exploring and integrating resources from various industries within Evergrande Group, so as to gradually build up a think tank platform for international cooperation, research and transformation.

New Energy Vehicle Segment

Automobile Manufacturing Business Review

During the Year, the Group implemented various investments and strategic cooperation, integrated top-class research and development (R&D) and manufacturing resources across the world to complete the full industry chain deployment, thus blazing a trail and succeeding in its venture.

Management Discussion and Analysis

In the core technology field, the Group cooperated with the Benteler Group and the FEV Group from Germany and possessed the world-leading intellectual property of new energy auto 3.0 chassis architecture, which greatly shortened the R&D and manufacturing cycle of new vehicles. The Group has established a joint venture, in which Evergrande holds 67% equity interests, with hofer AG, a German leading enterprise in the automotive powertrain field, possessing the world-leading core technology of integrated electric powertrain system. The Group has also established another joint venture, in which Evergrande holds 65% equity interests, with Koenigsegg, a top-tier supercar company, possessing the top core technology of automobile R&D and manufacturing in the world. On 3 March 2020, Gemera, the top-class new energy supercar jointly developed by Evergrande and Koenigsegg, had its world premiere with a limited production run of 300 units. The Group also acquired e-Traction from the Netherlands and Protean from the United Kingdom, thus obtaining the world's top-class electric in-wheel powertrain technology.

In the engineering and technology field, the Group carried out strategic cooperation with the world's automotive engineering technology leaders, such as FEV and EDAG from Germany, AVL from Austria and MAGNA from Canada. At the same time, the Evergrande New Energy Automotive R&D Institute Global Headquarters was established, which implements a globally integrated R&D model with collaborative R&D in countries including China, Sweden, Germany, the United Kingdom, the Netherlands, Austria, Italy, Japan and South Korea.

In the styling and design field, the Group carried out strategic cooperation with 15 world-class styling and design masters including Michael Robinson, Anders Warming and Stephane Schwarz, demonstrating that Evergrande possesses the capability of producing world-class automobile design. At the same time, the Group established the styling and design expert committee for Evergrande new energy automobile. All design masters served as experts of the committee to provide expert opinions on design optimization and deepening the styling plan for each of the "Hengchi" (恒馳) model, so as to create hot-selling "Hengchi" with perfectionism.

In the product planning field, the Group teamed up with a number of automotive engineering technology leaders to simultaneously develop 14 new models on the basis of the world's most advanced 3.0 chassis architecture, covering all series of products.

In the field of parts supply chain, the Group carried out strategic cooperation with world's top 60 auto parts companies such as Bosch, Magna, Continental and ZF, symbolizing that Evergrande has established an enormous world-class auto parts supply chain system.

In the manufacturing field, the Group plans to set up ten top production bases for automobile manufacturing in China, Sweden and the countries along the "Belt and Road Initiative" and construct parts production bases which own core technology as support. Currently, the Group has production bases for automobile manufacturing in Guangdong, Shanghai, Tianjin, Liaoning and other places, expecting the total production capacity for the first phase to exceed 1 million units, radiating to the major economies in China.

Power Battery Business Review

Through further increase in shareholding, the Group holds 79.86% equity interests in Shanghai CENAT New Energy Company Limited ("**CENAT**"). CENAT New Energy, being one of the leading enterprises in the industry focusing on ternary pouch type power battery, was co-founded by China Automotive Technology Research Center Co., Ltd. (中國汽車技術研究中心有限公司), 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 R&D team.

Currently, the Group has set up a number of production bases in Jiangsu and Liaoning, and will further expand the production size to meet the growing market demand.

Management Discussion and Analysis

Corporate Milestones in 2019

1. The Group successfully expanded its new energy vehicle business through its investments in NEVS, CENAT, Koenigsegg, e-Traction in Netherlands, Protean in the U.K. and hofer AG in Germany.

2. The memberships of Nanjing Evergrande Elderly Care Valley, Xiangtan Evergrande Elderly Care Valley, Yuntaishan Evergrande Elderly Care Valley, Shenfu Evergrande Elderly Care Valley, Hohhot Evergrande Elderly Care Valley, Wuzhou Evergrande Elderly Care Valley and Jialize Evergrande Elderly Care Valley in Kunming were officially launched and well-received by the market, indicating the distinct advantages of the Group's membership system.

3. On 13 May 2019, the Group and Guangzhou University of Traditional Chinese Medicine also entered into a strategic cooperation agreement to expand the Chinese medicine business and further improve the all-age healthcare system.

4. On 8 August 2019, Boao Evergrande International Hospital and the Medical Association of The First Affiliated Hospital of Hainan Medical University cooperated and entered into an agreement. Both parties will establish a two-way coordination mechanism, carry out two-way referral service and launch projects such as remote pathology and video consultation.

5. On 2 September 2019, the Group held a handover ceremony with the Benteler Group and the FEV Group from Germany, and obtained the world-leading intellectual property of new energy auto 3.0 chassis architecture.

6. On 6 September 2019, the Group established the Evergrande New Energy Automotive R&D Institute Global Headquarters, implementing globalized R&D model with collaborative R&D in countries including China, Sweden, Germany, the United Kingdom, the Netherlands, Austria, Italy, Japan and South Korea.

7. On 25 September 2019, the Group carried out strategic cooperation with the world's top automotive engineering technology leaders, namely the FEV Group and the EDAG Group from Germany, the AVL Group from Austria and the MAGNA Group from Canada, simultaneously developing 14 new car models and key technologies with independent intellectual property rights.

8. On 15 October 2019, the Group carried out strategic cooperation with 15 world-class automotive styling and design masters from Germany, Italy, the United States, France, Japan and other countries, forming the strongest styling and design team for new energy vehicles.

9. On 23 October 2019, the Group entered into a four-party strategic cooperation agreement with The First Affiliated Hospital of Sun Yat-sen University, University of Birmingham in the United Kingdom and BGP Medi-care Consulting Company Limited. It is intended to conduct in-depth cooperation in various fields including general practice services, training of general medical talents and the construction of a hierarchical diagnosis and treatment system with Evergrande Elderly Care Valley as the vehicle.

10. On 6 November 2019, Boao Evergrande International Hospital entered into cooperation agreements with Boston Scientific Corporation and Lawsgroup, respectively, announcing the introduction of TheraSphere Y90 radiation particles, the world's first type of radioactive glass microspheres as well as the drugs that have been marketed in Europe and the United States by Lawsgroup but have not yet entered the Chinese market.

11. On 12 November 2019, the Evergrande New Energy Auto Global Strategic Partners Summit was held in Guangzhou with CEOs and over 1,100 senior management from 206 world's leading companies in the automotive industry attended the summit, in which Evergrande carried out strategic cooperation with the world's top 60 auto parts leading companies.

Management Discussion and Analysis

Outlook

Health Management Segment

Outlook for Evergrande Elderly Care Valley

The Group will further integrate world-class resources on medical treatment, health management, wellness living, elderly care, insurance and tourism. Through the membership service platform as well as the unique and innovative "four major gardens", "five major creations" and "five major services", the Group provides members with full-cycle, high-quality and multi-dimensional health care services.

The Group plans to expand its operations into 70 livable wellness areas in the coming 3 years so as to provide services for members of the Group.

In respect of wellness-living, the Company will put into operation at least 11 major gardens of Elderly Care Valley, 4 mega health preserving complex and 4 sojourn apartments for the community in 2020, and establish exhibition and experience centers in multiple locations across China, facilitating the full implementation of the distinctive healthcare system of Elderly Care Valley.

In relation to health management, the Group will further integrate high quality domestic and foreign health management resources, draw on the experience of and introduce international advanced management, diagnosis and treatment service model of chronic diseases and comprehensively enhance the operational capacity of Elderly Care Valley. With the establishment of Elderly Care Valley spanning across China, the Group speeds up the optimization and implementation of high-precision health management services, building a leading brand specializing in the provision of domestic professional health management services.

For elderly care, the Group will further accelerate the nationwide distribution of Evergrande's characteristic elderly care services system with the foundation of Elderly Care Valley across the country. In cooperation with Japan RIEI Co., Ltd, it is expected that Xi'an Evergrande Nursing Home (西安恒大養老院) will officially commence trial operation by the end of 2020, creating the first retirement benchmarking project, and takes Xi'an Evergrande Nursing Home as a pilot center to promote institutional elderly care services across China; with Evergrande community across China, the Group will further advance the pilot implementation of home care and community care services for the elderly, facilitating the full implementation of the distinctive Evergrande system of healthcare and elderly care services.

In the future, the Group will cooperate with financial, tourism, internet and other fields to recruit more members and provide healthcare services to more people.

Outlook for Medical Service Business

With the expansion of coverage of Evergrande Elderly Care Valley across China, Evergrande Health will further accelerate the optimization and implementation of the tiered diagnosis and treatment system of "Evergrande Medical Association", integrate domestic and overseas quality medical resources, and provide members with quality and high value-added medical services, aiming to create a demonstrative brand in the Chinese private medical industry.

In 2020, Boao Evergrande International Hospital will continue to commence clinical diagnosis and treatment of multiple cancer diseases, actively expand the application of various new anti-tumor drugs, and strive to benefit more patients; actively prepare for the construction of the first proton center in Hainan Province; deepen its exchange program and cooperation with Brigham and Women's Hospital and continue to adopt the multidisciplinary diagnosis and treatment model to provide treatments for cancer diseases; build first-class international and domestic "clinical research centers", "phase I clinical trial ward" and "real-world clinical data research center"; fully utilize the policy advantages of the International Medical Tourism Pilot Zone in Boao Lecheng, thus realizing the implementation of 3–5 clinical research projects and enhancing influence in the hospital industry.

Management Discussion and Analysis

The main building of Sanya Evergrande Women's and Children's Hospital, aiming to create the "Best Childbirth Location for All Seasons" and the "Most Beautiful Bay Resort Assisted Women's and Children's Hospital", is expected to be delivered and commenced operation by the end of 2020.

The Group will continuously perfect the multi-level hierarchical medical system by uniting the Henghe (恒和) medical platform, high-quality 3A hospitals and community hospitals across China with the support from Evergrande International Hospital, and realize the one-stop services such as online medical service, two-way referral service and green channel.

In relation to medications, the Group will further expand its cooperation with leading domestic and overseas medical companies and medical institutions, and introduce more quality resources. Leveraging on the advantages of the relevant policies in the pilot zone and the convenience of Boao Public Bonded Drug Warehouse, the Group will provide comprehensive and three-dimensional licensed medical equipment supporting services for Boao Evergrande International Hospital and other medical institutions in the pilot zone from warehouse logistics, agency marketing and other aspects.

Meanwhile, the Group will introduce more high-quality medical and health products and build an all-in-one supply chain platform integrating drug and medical equipment, health products, wellness living and elderly care, with Evergrande Elderly Care Valley across China being the starting point.

Looking ahead in 2020, the COVID-19 Outbreak, which began around the Lunar New Year, will create a short-term impact on the Chinese economy. With the effective management and monitoring of the Chinese government, preliminary control of the pandemic has been achieved. The healthcare industry has been a strategic focus under the key development of China, also being an industry closely connected to the COVID-19 Outbreak. The government is expected to introduce more relaxed industry policies with the market demand for this industry growing significantly. As such, the Group will take a more proactive attitude to providing and improving its healthcare products and services and leverage on the crisis of the COVID-19 Outbreak as a growth opportunity for the Group and to safeguard healthy living of the public.

New Energy Vehicle Segment

Outlook for Automobile Manufacturing Business

In 2019, the sales volume of vehicles in China reached 25.769 million, accounting for approximately 28.5% of global sales, and continued to rank top in the world. The global sales volume of new energy vehicles reached approximately 2.21 million and the sales volume in China accounted for 54.6% of the global ones which reached 1.206 million. From the perspective of residents' income, per capita ownership, consumption upgrading and industrial development expectation, China's new energy vehicle market has huge potential and promising industrial development.

According to the positioning of "core technology must be world-leading, product quality must be world-class, and costs must be significantly reduced", the Group will strive to become the largest and most powerful new energy automobile group in the world in 3–5 years.

At present, the Group's new energy vehicle business is progressing steadily in line with our planned goals. The first vehicle type under Hengchi, namely "Hengchi 1", is expected to debut in 2020. Hengchi's full range of products will gradually commence mass production from 2021. The construction of production bases in Guangdong and Shanghai will be completed in the second half of 2020, with production to be commenced in 2021. The first phase of planned production capacity for both production bases will be 200,000 vehicles.

Outlook for Power Battery Business

The Group will focus on accelerating the global layout of the new energy industry and plan to set up several super factories with annual production capacity of 60GWh within 10 years, so as to build a complete industrial ecological chain covering battery materials, power lithium battery, solid state battery, hydrogen fuel cell, energy storage battery, wireless charging, power battery cascade recycling and utilization and other business segments.

Management Discussion and Analysis

Other Analysis

Capital institutions, Liquidity and Financial Resources

The Group financed its operations by borrowings, shareholders' equity and cash generated from operations.

As at 31 December 2019, the Group had borrowings, finance leases, lease liabilities and loans from shareholders (collectively "**total borrowings**") amounting to RMB62,824 million (As at 31 December 2018: RMB14,916 million).

As at 31 December 2019, the Group's gearing ratio was 67.26% (As at 31 December 2018: 67.24%). Gearing ratio was calculated as total borrowings divided by total assets.

Employee and Share Option Scheme

As at 31 December 2019, the Group had a total of 9,207 employees, and the staff with bachelors' degree or above accounted for approximately 80.97%. It incurred a total staff cost (including Directors' remuneration) of approximately RMB1,661.06 million during the period (2018: RMB330.36 million).

To provide incentives or rewards to the staff and the Directors of the Company, the Company adopted a share option scheme (the "**Share Option Scheme**") on 6 June 2018. No option was granted by the Company under such Share Option Scheme since its adoption and up to 31 December 2019.

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities (year ended 31 December 2018: nil).

Dividend

The Directors do not recommend the payment of dividend for the Year (year ended 31 December 2018: Nil).

Material Acquisition, Disposal and Investments

Save as disclosed in this report, for the Year, the Group did not make any other material acquisitions or make any disposals of subsidiaries, associates or joint ventures. Save as disclosed in this annual report, as at 31 December 2019, the Group did not hold any significant investments.

Charge on the Group's Assets

As at 31 December 2019, the Group's property, plant and equipment, land use rights, properties under development, completed properties held for sale, cash in bank, and equity interests of certain subsidiaries totalling RMB32,495,985,000 have been provided as security (2018: RMB10,005,096,000).

Foreign Exchange Risk

The Company mainly operates in China and collects revenues and pays costs/fees in RMB; therefore, exchange rate fluctuations have certain influence on the foreign currency reserve. The Group has currently not entered into any hedging arrangement against foreign exchange exposure.

Forward Looking Statements

There can be no assurance that any forward-looking statements regarding the Group set out in this annual report or 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 undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisers.

Report of the Directors

Principal Activities

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in Note 44 to the consolidated financial statements. An analysis of the Group's performance for the Year by operating segment is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 50 to page 51 of this annual report.

The Directors do not recommend the payment of a dividend for the Year.

Purchase, Sale or Redemption of Listed Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the Year.

Distributable Reserves

There is no distributable reserves of the Company as at 31 December 2019, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") (distributable reserves for year ended 31 December 2018: nil).

Equity Link Agreement — Share Options Granted to Directors and Selected Employees

Pursuant to the ordinary resolutions passed by the shareholders of the Company (the "**Shareholders**") on 6 June 2018, the Company adopted a share option scheme. The purpose of the Share Option Scheme is to enable the Group to grant options to selected eligible participants as incentives or rewards for their contribution to the Group. Under the Share Option Scheme, the directors of the Company may, at their discretion, grant options to any full-time or part time employee, any director including non-executive director and independent non-executive director of the Company and any of its subsidiaries and any adviser, professional or consultant, supplier, customer and agent whom the Board, at their absolute discretion, considered had or will have contribution for the Company and any of its subsidiaries, to subscribe for shares in the Company representing up to a maximum of 10% of the number of shares in issue as at the date of 6 June 2018. The Board may grant options to its specially designated eligible participant to subscribe for shares exceeding the 10% limit but subject to shareholders' approval. The number of shares in respect of which options (including both exercised and outstanding) may be granted to each eligible participant in aggregate within any 12-month period from the date of such grant is not permitted to exceed 1% of the Company's total issued share capital as at the date of such grant, without prior approval from the Shareholders.

Report of the Directors

Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's total number of shares in issue and, based on the closing price of the shares on the date of each grant, with a value in excess of HK$5,000,000 must be approved by the Shareholders. Options granted must be taken up within the specified date of acceptance, upon payment of HK$1 per each grant of options. Options may be exercised at any time from the date on which such option is granted and accepted and before the expiry of 10 years from such date. The exercise period of options shall be determined by the Board at its absolute discretion but shall not be exercised after the expiry of 10 years from the date of each grant. The exercise price is determined by the Company at its absolute discretion and will be not less than the highest price of the official closing price of the Company's shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the date of offer, the average official closing prices of the Company's shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

According to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effect for a period of 10 years commencing on 6 June 2018. As at 31 December 2019, no share option was granted under the Share Option Scheme.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 150 of the annual report.

Directors

(a) Directors of the Company

The directors of the Company during the Year and up to the date of this annual report were:

Executive Directors:

Mr. Shi Shouming *(Chairman)*
Mr. Peng Jianjun
Mr. Qin Liyong *(appointed on 1 February 2019)*
Mr. Li Siquan *(resigned on 1 February 2019)*

Independent Non-executive Directors:

Mr. Chau Shing Yim, David
Mr. Guo Jianwen
Mr. Xie Wu

In accordance with Article 81(1) of the Company's Articles of Association, Mr. Chau Shing Yim, David and Mr. Shi Shouming shall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

Report of the Directors

(b) Directors of the Company's Subsidiaries

The list of names of all the directors of the Company's subsidiaries during the Year and up to the date of this annual report are kept at the Company's registered office and available for inspection by the Shareholders free of charge during business hours.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Shi Shouming (時守明), aged 46, has more than 20 years of experience in corporate management and the management of project development and operation. He graduated from Sichuan University with a bachelor's degree in management engineering. Prior to joining the Company, he was the president of Hengda Real Estate Group, a subsidiary of China Evergrande Group (Stock Code: 3333), the controlling shareholder of the Company. He served in various capacities, including the vice president, and the general manager of the corporate development centre and investment centre of Hengda Real Estate Group, and the chairman of the Hohhot company, the Hainan company, the Beijing limited company and the Sichuan company of Hengda Real Estate Group. He was appointed as the president of Hengda Real Estate Group in March 2017.

Report of the Directors

Mr. Peng Jianjun (彭建軍), aged 49, currently serves as the vice chairman of the Company and the president of NEVS. Prior to joining the Company as an executive Director, Mr. Peng was the chairman of Evergrande Life Assurance Company Limited (恒大人壽保險有限公司) and the chairman of Evergrande Asset Management Company Limited (恒大資產管理有限公司). Mr. Peng was also the vice president of Evergrande Group Company Limited (恒大集團有限公司), the president of Evergrande Financial Holdings Group (Shenzhen) Company Limited (恒大金融控股集團(深圳)有限公司), and an executive director and the chairman of the board of directors of HengTen Networks Group Limited (a company whose shares are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 136), the vice president of Hengda Real Estate Group Company Limited (恒大地產集團有限公司) and the chairman of Hengda Grain and Oil Group Company Limited (恒大糧油集團有限公司). Mr. Peng graduated from Jinan University with a PhD degree in management, a master's degree in business administration, and obtained a bachelor's degree in economics from Xiangtan University. Mr. Peng has previously studied the Executive Master of Business Administration Program in Tsinghua University. He is also a senior economist. Mr. Peng has published books such as "Managing Customers' Complaints" (《顧客抱怨管理》).

Mr. Qin Liyong (秦立永), aged 42, works in the field of engineering management and supervision for more than 16 years. Mr. Qin graduated from Tongji University, majoring in engineering management, and subsequently graduated from Tongji University with a master's degree in management science and engineering. Prior to joining the Company, Mr. Qin was the assistant general manager and project engineer of Shanghai Jia'an Real Estate Co. Ltd (上海佳安置業有限 公司). He subsequently joined Hengda Real Estate Group, where he served as the manager and vice manager of the integrated planning department of management supervision center from 2005 to 2007. He held senior management positions such as the general manager and deputy general manager at the management center from 2007 to 2012. He was the vice president and general manager at the leadership, management and supervision center of the Company from 2012 to 2015. He served various positions including the chairman and general manager of Hengda Real Estate Group Grain and Oil Group (恒大地產集團糧油集團), Hengda Real Estate Group Shenzhen Company (恒大地產集團深圳公司) and Hengda Real Estate Group Heilongiang Company (恒大地產集團黑龍江公司) from 2015 to 2018. Before his appointment as an executive Director of the Company, Mr. Qin was the vice president and executive vice president of the Group.

Independent Non-executive Directors

Mr. Chau Shing Yim, David (周承炎), aged 56, has over 20 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position as their Head of Merger and Acquisition and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants of England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a member as well as director of the Hong Kong Securities Institute and the Chairman of Corporate Outreach Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("**PYNEH**") and the Trustee of the PYNEH Charitable Trust. He is also a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

Mr. Chau is currently an independent non-executive director of BC Technology Group Limited (Stock Code: 863), China Evergrande Group (Stock Code: 3333), Evergrande Health Industry Group Limited (Stock Code: 708), HengTen Networks Group Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Lee & Man Paper Manufacturing Limited (Stock Code: 2314) and Man Wah Holdings Limited (Stock Code: 1999). All the aforesaid companies are listed on the Hong Kong Stock Exchange.

Mr. Chau was also an independent non-executive director of Richly Field China Development Limited (Stock Code: 313) from February 2014 to September 2018 and Asia Grocery Distribution Limited (Stock Code: 8413) from March 2017 to August 2018. All the aforesaid companies are listed on the Hong Kong Stock Exchange.

Report of the Directors

Mr. Guo Jianwen (郭建文), aged 44, is currently the head and Chief Physician of the Cerebrovascular and Cardiovascular Pathology Division of the Brain Pathology Center of Guangdong Provincial Hospital of Traditional Chinese Medicine (Guangzhou University of Chinese Medicine 2nd Affiliated Hospital), the founder of Guangzhou Wen Mai Tang Technology Company Limited and the founder and director of Guangzhou Wen Mai Tang Traditional Chinese Medicine Center (Chain) Company Limited, the supervisor of the Strategic Development Committee of the Jiangsu Nantong Liangchun Hospital, the senior consultant of technological development at the Jiangsu Nantong Liangchun Clinical Research Institute of Traditional Chinese Medicine. He is a senior head practitioner of Traditional Chinese medicine and has level 3 surgeon qualifications in neurointervention. In addition, Mr. Guo is also a member of the standing committee and the secretary of the Brain Pathology Division of the China Academy of Chinese Medical Sciences, the secretary of the Expert Committee of Brain Pathology at the Guangdong Provincial Institute of Chinese Medicine, a member of the Consortium for Globalization of Chinese Medicine, an expert product pre-launch inspector of China Food and Drug Administration for new Traditional Chinese medicines, a professional academic commentator of the Guangdong Provincial Department of Science and Technology in the field of social development, an expert anonymous doctoral thesis examiner of the Guangdong Provincial Hospital of Traditional Chinese Medicine Degree Office and an expert anonymous academic title thesis examiner of the Guangzhou University of Chinese Medicine 2nd Affiliated Hospital. In July 1998, Mr. Guo received a bachelor's degree in medicine from Beijing University of Chinese Medicine. In July 2001, he received a master's degree in clinical internal Chinese medicine from Chengdu University of Traditional Chinese Medicine. In July 2004, he received a doctoral degree in clinical internal Chinese medicine (specialising in brain emergency diseases) from Chengdu University of Traditional Chinese Medicine.

Mr. Xie Wu (謝武), aged 55, is a physician of Traditional Chinese internal medicine. He has practiced clinical Chinese medicine for 28 years, with more than 10 years of experience in hemodialysis and extensive clinical experience in various sub-fields of nephrology. He worked in the kidney clinic in the People's Hospital in Luohu, Shenzhen and engaged in medical work in Yueyang Luowang Hospital, and is currently working at the hemodialysis center of nephrology and rheumatology of Yueyang Hospital of Traditional Chinese Medicine.

Certain Core Members of the Professional Team

Mr. Pan Darong (潘大榮), aged 47, has over 24 years of experience in financial management. He is currently the chief financial officer of the Group, responsible for financial planning and management. Mr. Pan graduated from the investment and economic faculty of Zhongnan University of Economics (中南財經大學) with a bachelor's degree in economic administration. He is an accountant.

Mr. Fong Kar Chun, Jimmy (方家俊), aged 45, has over 20 years of experience in merger, acquisition and capital market. He is currently the company secretary of the Company. Mr. Fong has been a qualified solicitor in Hong Kong since 2001, and is currently a member of the Law Society of Hong Kong. Mr. Fong graduated from London School of Economics and Political Science with a master's degree in Laws.

Mr. Yang Yi (楊毅), aged 57, a Doctor of Medicine, chief physician III, postgraduate supervisor, is the president of Boao Evergrande International Hospital, the affiliated hospital of Brigham and Women's Hospital in China. He was also the former superintendent (division head level) of Fourth Affiliated Hospital of Guangzhou Medical University, and the former superintendent (deputy division head level) of the Second Affiliated Hospital of Guangzhou Medical University. He is a member of the standing committee of China Pathology Workers Association (中國病理工作者協會) and a member of the standing committee of Ultra Micropathology and Molecular Pathology Association of the China Research Hospital Association (中國研究型醫院協會超微病理與分子病理協會).

Report of the Directors

Mr. Ye Gang (葉剛), aged 61, in clinical practice for over 20 years, is a Doctor of Medicine in the United States and the tumor medical director of Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital. He is experienced in the treatment of blood diseases and tumors and has unique insights in the medical systems in China and the United States, in particular the tumor treatment and clinical research. He worked in the University of Texas Medical Branch, a genetic cancer research institute, Vancouver Clinic and the Louisiana State University Health Sciences Center. He is a member of the American Society of Clinical Oncology, the American Society of Hematology and the American College of Physicians.

Mr. Yang Yuesong (楊岳松), aged 54, in clinical practice in Canada for 6 years, is a Doctor of Medicine in medical imaging and the deputy director of the imaging center of Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital. He was an attending physician and a chief physician of Radiology at Shanghai General Hospital and an adjunct assistant professor of Radiology at Johns Hopkins University. He was engaged in medical imaging clinical research and practice in Sunnybrook Health Sciences Centre affiliated with the University of Toronto. He is also an adjunct professor of medical imaging at South Zhongshan Hospital affiliated with Fudan University/Shanghai Public Health Clinical Center (復旦大學中山醫院南院/上海市公共衛生臨床中心).

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporation

At no time during the Year was the Company, its subsidiaries, its fellow subsidiaries, its parent companies or its other associated corporations a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

As at 31 December 2019, the interest and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**"), were as follows:

Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Beneficial interest in shares	Approximate percentage of shareholding
Shi Shouming	China Evergrande Group	Beneficial owner	4,000,000	0.03%
Peng Jianjun	China Evergrande Group	Beneficial owner	3,600,000	0.03%
Chau Shing Yim, David	China Evergrande Group	Beneficial owner	1,000,000	0.01%
Qin Liyong	China Evergrande Group	Beneficial owner	4,130,000	0.03%
	HengTen Networks Group Limited	Beneficial owner	12,000,000	0.02%
Li Siquan *(resigned on 1 February 2019)*	China Evergrande Group	Beneficial owner	400,000	0.00%

Report of the Directors

Save as disclosed above, as at 31 December 2019, none of the Directors, the chief executives of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules.

Substantial Shareholders

As at 31 December 2019, so far as was known to any Director or the chief executives of the Company, other than a director or the chief executive of the Company, the following persons had interests or short position in the shares or 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 under Section 336 of the SFO, or which were notified to the Company:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
China Evergrande Group (Note)	Interest of corporation controlled by the substantial shareholder	6,479,550,000 (Note)	74.99%

Note: Of the 6,479,550,000 shares held, 6,479,500,000 shares were held by Evergrande Health Industry Holdings Limited and 50,000 shares were held by Acelin Global Limited, both being wholly-owned by China Evergrande Group.

Independence of the Independent Non-executive Directors

The Company had received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Board was satisfied with the independence of all of the independent non-executive Directors.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Major Suppliers and Customers

The aggregate amount of sales to the Group's five largest customers accounted for less than 30% of the total sales for the Year and the aggregate amount of purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the Year.

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

Report of the Directors

Connected Transactions

Continuing Connected Transaction

For the year ended 31 December 2019, the Group has entered into the following non-exempt continuing connected transactions.

On 11 January 2019, Guangzhou Hengze Healthcare Service Company Limited (廣州恒澤養生服務有限公司) ("**Guangzhou Hengzhe**"), a wholly-owned subsidiary of the Company, and Evergrande Life Insurance Company Limited (恒大人壽保險有限公司) ("**Evergrande Life**") entered into an integrated insurance procurement agreement (the "**Integrated Insurance Procurement Agreement**"), pursuant to which, Evergrande Life procured group critical illness insurance based on the actual demand in the area covered by the Elderly Care Valley Project for the members of Elderly Care Valley of Guangzhou Hengze and their respective family members, and Guangzhou Hengze paid the insurance premium to Evergrande Life. The term of the Integrated Insurance Procurement Agreement commenced on 25 February 2019 and shall continue up to and including 31 December 2021.

The premium for group critical illness insurance is calculated with reference to, among others, the age and gender, and also determined in accordance with relevant requirements under the Notice on Rules of Accuracy Calculation (《關於下發有關精算規定的通知》) (Insurance Regulatory Commission [1999] No. 90), and the product has been filed for recordation with China Banking and Insurance Regulatory Commission.

For the three years ended 31 December 2019, 2020 and 2021, the annual caps under the Integrated Insurance Procurement Agreement were RMB1,000,000,000.00, RMB2,000,000,000.00 and RMB3,000,000,000.00, respectively. The actual amount incurred during the Year was RMB122,152,000.

As of 31 December 2019, Evergrande Life was a non-wholly-owned subsidiary of China Evergrande Group, the controlling shareholder of the Company. Therefore, Evergrande Life was a connected person of the Company and the transactions contemplated under the Integrated Insurance Procurement Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transaction as set out above and have confirmed that such continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Shareholders as a whole according to the Integrated Insurance Procurement Agreement.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transaction in accordance with Rule 14A.56 of the Hong Kong Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction: (i) has not been approved by the Board; (ii) was not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transaction; and (iii) has exceeded the maximum aggregate annual caps in respect of the disclosed continuing connected transaction.

Save as disclosed above, no other transactions between connected persons (as defined in the Hong Kong Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements are required to be made by the Company in accordance with Chapter 14A of the Hong Kong Listing Rules.

Report of the Directors

Save as disclosed above, related party transactions described in Note 38 to the consolidated financial statements of this annual report do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, or connected transactions or continuing connected transactions that are exempt from disclosure. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of such transactions.

Emolument Policy

The emolument policy of employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications, experience and competence. Please refer to the corporate governance report set out on pages 26 and 40 for the emolument policy of Directors.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's total issued shares during the Year and as at 31 December 2019.

Competing Business

None of the Directors or chief executives of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

Business Review

(a) Health Management Segment

Business Review for Evergrande Elderly Care Valley

In response to the demand for higher healthy living standards of community residents, the Group has developed and formulated the first all-rounded and all-age healthcare service standard in China and innovatively developed Evergrande Elderly Care Valley.

Evergrande Elderly Care Valley created a new high-quality comprehensive healthy living and care mode. Evergrande Health advocated the innovative concept of integrating medical insurance with preventative, medical and health care services, and established a membership platform. Through integrating the world-class medical, elderly care and wellness living and commercial insurance and other resources, Evergrande Elderly Care Valley provides its members with full life-cycle and all-rounded living and care services.

Report of the Directors

Evergrande Elderly Care Valley started a new chapter in all-rounded health care regime for all-age populations. Evergrande Health advocated the concept of healthy living, and implemented a healthy lifestyle. Supported by the four major gardens of Evergrande Elderly Care Valley that emphasize traditional Chinese medicine foundation and Chinese health culture as the core, Evergrande Elderly Care Valley integrated nutrition diet, scientific exercise, traditional culture, folk art, social activities and well-living travel, thereby providing healthcare and wellness-living services suitable for all-age populations and innovating a new healthy lifestyle for all-age populations. As of 31 December 2019, health preserving exhibition and experience centers were open to the public in 9 regions including Zhengzhou, Nanjing, Shenyang, Kunming and Xianning. The four major gardens in Xiangtan, Nanjing, Jiaozuo and Shenyang have been put into trial operation, while the Xi'an medical and nursing complex has officially commenced operation.

Evergrande Elderly Care Valley created a new high-precision and multi-dimensional health management mechanism. Keeping pace with international standards and the world's cutting-edge technology, such as those adopted in Brigham and Women's Hospital, and leveraging on the multi-level hierarchical medical system adopted in Henghe Secondary Rehabilitation Hospital, general practice clinic and other medical institutions, the Group established a health member data cloud platform to create a "1+1" health management model with high-end private family doctor and health consultant. The Group also formulated healthcare plan integrating physical examination, screening and intervention, and carried out businesses such as sub-health management, chronic disease conditioning and rehabilitation physiotherapy. By combining hundreds of Evergrande projects across the country, Evergrande Health has established a unique "health + tourism" model, thereby achieving high-precision health management.

Evergrande Elderly Care Valley created a new comprehensive multi-level health care mode for the elderly. Leveraging on Evergrande Elderly Care Valley, the Group innovated a new elderly care model of "one family with three generations, living in two apartments", thereby establishing a world-class elderly care center. With specialized elderly care centers, day care centers, elderly care apartments and apartments for the elderly as the main products, the Group forms a diversified elderly care system with home care as the basis, community care as the support, and institutional care as the supplement. The Group developed an in-depth cooperation with RIEI Company Limited, a well-known Japanese elderly care service operator, to jointly promote the construction of its first nursing home, namely Xi'an Evergrande Nursing Home (西安恒大養老院).

Evergrande Elderly Care Valley created a new system of full cycle health insurance with high coverage. Integrating domestic and overseas high-quality insurance resources, Evergrande Elderly Care Valley has established a high-level insurance system for all-age groups, customizing exclusive insurance for the elderly aged under 100 years old, thus realizing green service channel with hundreds of excellent top 3A hospitals in the country.

As of 31 December 2019, Evergrande Health established 23 Evergrande Elderly Care Valley in cities including Sanya, Ocean Flower Island, Xi'an, Zhengzhou, Zhenjiang, Xiangtan, Nanjing, Yuntaishan, Chongqing, Shenyang, Wuzhou, Hohhot, Cangzhou, Xianning, Liu'an, Jinhua, Kunming, Zibo, Tangshan, Yueyang and Lianyungang.

Business Review for Medical Service Business

As regards hospitals, the Group cooperated with top-tier medical institutions around the world to establish a high-end medical care system, and developed a multi-level hierarchical medical system with high-end leading international hospitals, domestic high-quality 3A hospitals and Henghe medical platform as the backbone, and community hospitals as the basis.

Report of the Directors

Invested by the Group and under the collaborative guidance of Brigham and Women's Hospital in the United States, Boao Evergrande International Hospital (the only affiliated hospital of Brigham and Women's Hospital in China) gathered outstanding worldwide medical experts and consolidated resources such as advanced technology, equipment and the latest medicament. The hospital operated steadily under the Brigham Model, and provided international advanced health medical services. Medical operation was comprehensively launched under the guidance of Brigham, and treatments on different diseases such as breast cancer have successfully commenced, thereby raising the brand influence of the hospital significantly. Taking advantages of the pilot zone, via the Boao Public Bonded Drug Warehouse (博鰲公共保稅藥倉), new anti-tumor drugs that have been approved internationally but not yet marketed in China were introduced and personalized treatment plans for patients were developed. The Group fully integrated quality medical resources in China, and formed an alliance with renowned medical institutions such as Fudan University Shanghai Cancer Center, The First Affiliated Hospital of Hainan Medical University and China Stem Cell Group Boao Stem Cell Hospital to explore different cooperation modes, thereby sharing resources and strengthening each other's advantages. After the COVID-19 Outbreak, Boao Evergrande International Hospital proactively arranged medical staff to travel to Hubei to fight against COVID-19, reflecting the commitments of Boao Evergrande International Hospital as an international hospital.

Sanya Evergrande Women's and Children's Hospital is committed to building a class three modern hospital for women and children that integrates medical treatment, preventive care and rehabilitation, and is currently under preparation for the hospital.

In respect of medications, supported by Boao Public Bonded Drug Warehouse with medical institutions in the pilot zone as end-point providers, the Group introduced a variety of licensed drugs from renowned international pharmaceutical and medical equipment companies such as AstraZeneca in the United Kingdom, Dr. Morse in Germany, Roche in Switzerland, and Novartis in Switzerland, practically realizing the use of internationally cutting-edge innovative licensed drugs by citizens without going abroad. At the same time, the Group had been actively sourcing advanced research, medicine, teaching, equipment and corporate resources from both international and domestic markets. The Group had also been exploring and integrating resources from various industries within Evergrande Group, so as to gradually build up a think tank platform for international cooperation, research and transformation.

(b) New Energy Vehicle Segment

Automobile Manufacturing Business Review

During the Year, the Group implemented various investments and strategic cooperation, integrated top-class research and development (R&D) and manufacturing resources across the world to complete the full industry chain deployment, thus blazing a trail and succeeding in its venture.

In the core technology field, the Group cooperated with the Benteler Group and the FEV Group from Germany and possessed the world-leading intellectual property of new energy auto 3.0 chassis architecture, which greatly shortened the R&D and manufacturing cycle of new vehicles. The Group has established a joint venture, in which Evergrande holds 67% equity interests, with hofer AG, a German leading enterprise in the automotive powertrain field, possessing the world-leading core technology of integrated electric powertrain system. The Group has also established another joint venture, in which Evergrande holds 65% equity interests, with Koenigsegg, a top-tier supercar company, possessing the top core technology of automobile R&D and manufacturing in the world. On 3 March 2020, Gemera, the top-class new energy supercar jointly developed by Evergrande and Koenigsegg, had its world premiere with a limited production run of 300 units. The Group also acquired e-Traction from the Netherlands and Protean from the United Kingdom, thus obtaining the world's top-class electric in-wheel powertrain technology.

Report of the Directors

In the engineering and technology field, the Group carried out strategic cooperation with the world's automotive engineering technology leaders, such as FEV and EDAG from Germany, AVL from Austria and MAGNA from Canada. At the same time, the Evergrande New Energy Automotive R&D Institute Global Headquarters was established, which implements a globally integrated R&D model with collaborative R&D in countries including China, Sweden, Germany, the United Kingdom, the Netherlands, Austria, Italy, Japan and South Korea.

In the styling and design field, the Group carried out strategic cooperation with 15 world-class styling and design masters including Michael Robinson, Anders Warming and Stephane Schwarz, demonstrating that Evergrande possesses the capability of producing world-class automobile design. At the same time, the Group established the styling and design expert committee for Evergrande new energy automobile. All design masters served as experts of the committee to provide expert opinions on design optimization and deepening the styling plan for each of the "Hengchi" model, so as to create hot-selling "Hengchi" with perfectionism.

In the product planning field, the Group teamed up with a number of automotive engineering technology leaders to simultaneously develop 14 new models on the basis of the world's most advanced 3.0 chassis architecture, covering all series of products.

In the field of parts supply chain, the Group carried out strategic cooperation with world's top 60 auto parts companies such as Bosch, Magna, Continental and ZF, symbolizing that Evergrande has established an enormous world-class auto parts supply chain system.

In the manufacturing field, the Group plans to set up ten top production bases for automobile manufacturing in China, Sweden and the countries along the "Belt and Road Initiative" and construct parts production bases which own core technology as support. Currently, the Group has production bases for automobile manufacturing in Guangdong, Shanghai, Tianjin, Liaoning and other places, expecting the total production capacity for the first phase to exceed 1 million units, radiating to the major economies in China.

Power Battery Business Review

Through further increase in shareholding, the Group holds 79.86% equity interests in CENAT. CENAT, being one of the leading enterprises in the industry focusing on ternary pouch type power battery, was co-founded by China Automotive Technology Research Center Co., Ltd. (中國汽車技術研究中心有限公司), 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 R&D team.

Currently, the Group has set up a number of production bases in Jiangsu and Liaoning, and will further expand the production size to meet the growing market demand.

Permitted Indemnity Provisions

At no time during the Year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Report of the Directors

Subsequent Event

Following the outbreak of 2019 coronavirus disease since the beginning of 2020 (the "**COVID-19 Outbreak**"), China had and will continue to implement various prevention and monitor measures across the nation. The Group will continue to closely monitor the development of the COVID-19 Outbreak, and assess the impacts of the COVID-19 Outbreak on the financial condition and operating results of the Group.

Auditor

The consolidated financial statements for the year ended 31 December 2019 were audited by PricewaterhouseCoopers ("**PwC**"). A resolution will be submitted to the forthcoming Annual General Meeting of the Company to reappoint PwC as auditor of the Company.

On behalf of the Board

Shi Shouming
Chairman

Hong Kong, 30 March 2020

Corporate Governance Report

The Board is committed to maintaining a high standard of corporate governance for the Company within a sensible framework. The Company has adopted and complied with all the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 of the Hong Kong Listing Rules throughout the Year, except as disclosed below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. In January 2019, the Company had fully complied with the Code provision A.2.1. Since 1 February 2019, the Company had not had any officer with the title of Chief Executive Officer. During such period, the overall responsibility of supervising and ensuring that the Group functions align with the order of the Board in terms of day-to-day operations and executions are vested in the Board itself.

Roles and Duties

Roles and Responsibilities of the Board and Management

The Board is responsible for the leadership, control and promotion of the success of the Group by directing and supervising its business operations in the interests of the Shareholders and by formulating strategy directions and monitoring the financial and management performance of the Group.

During the Year, the Company had at all times met the requirements of Rules 3.10(1) and (2) of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise. During the same period, the Company had also complied with the requirement to have independent non-executive Directors represent at least one-third of the Board under Rule 3.10A of the Hong Kong Listing Rules.

Each of the executive Directors has entered into a service contract with the Company for a term of three years. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years. The Directors are subject to retirement by rotation under the Articles of Association of the Company (the "**Articles**"). In accordance with the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

Delegation to the Management

The management team of the Company (the "**Management**") is led by the executive Directors of the Board and has delegated powers and authorities to carry out the day-to-day management and operation of the Group, formulate business policies and make decision on key business issues, and exercise such power and authority to be delegated by the Board from time to time. The team assumes full accountability to the Board for the operations of the Group.

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board has given clear directions to the Management that certain matters (including the following) must be reserved to the Board:

— Publication of final and interim results of the Company

— Dividend distribution or other distributions

— Major issues of treasury policy, accounting policy and remuneration policy

Corporate Governance Report

— Changes to major group structure or Board composition requiring notification by announcement

— Publication of the announcement for notifiable transaction and non-exempted connected transaction/continuing connected transaction

— Non-exempted connected transaction/continuing connected transaction

— Proposed transaction requiring Shareholders' approval

— Capital restructuring of the Company and issue of new securities of the Company

— Financial assistance to Directors

8 Board meetings were held during the Year. The attendance of individual Directors at the Board meetings, the meetings of the 4 Board committees and general meetings held during the year ended 31 December 2019 is set out below:

Board Composition

Up to the date of this annual report, the Board comprises:

Executive Directors

Mr. Shi Shouming *(Chairman)*
Mr. Peng Jianjun
Mr. Qin Liyong

Non-executive Directors

None

Independent Non-executive Directors

Mr. Chau Shing Yim, David
Mr. Guo Jianwen
Mr. Xie Wu

Biographical details of the current members of the Board are set out on page 15 to page 17 of this annual report.

Up to the date of this annual report, no Director has any personal relationship with any other Director or the Company's chief executive (including financial, business, family or other material/relevant relationships).

Corporate Governance Report

Board Committees

The Company has set up 4 Board committees, including an audit committee ("**Audit Committee**"), a remuneration committee ("**Remuneration Committee**"), a nomination committee ("**Nomination Committee**") and a corporate governance committee ("**Corporate Governance Committee**").

	No. of meetings attended/held					
	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**General Meeting**
Executive Directors						
Mr. Shi Shouming *(Chairman)* Note 1	6/8	N/A	2/2	2/2	Nil	1/1
Mr. Peng Jianjun	2/8	N/A	N/A	N/A	N/A	N/A
Mr. Qin Liyong *(appointed on 1 February 2019)*	4/8	N/A	N/A	N/A	N/A	N/A
Mr. Li Siquan *(resigned with effect from 1 February 2019)*	4/8	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Chau Shing Yim, David Note 2	8/8	2/2	2/2	2/2	Nil	1/1
Mr. Guo Jianwen Note 3	8/8	2/2	2/2	2/2	Nil	0/1
Mr. Xie Wu Note 4	8/8	2/2	N/A	N/A	N/A	0/1

Note 1: member of the Remuneration Committee and the Corporate Governance Committee and chairman of the Nomination Committee

Note 2: chairman of the Audit Committee, the Remuneration Committee and the Corporate Governance Committee and member of the Nomination Committee

Note 3: member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee

Note 4: member of the Audit Committee

Directors' Training

All Directors have complied with the code provision in relation to continuous professional development. This involved various forms of activities including reading materials relevant to corporate governance and other regulatory requirements.

The Company has an induction policy for new members of the Board. On appointment, the new member would receive an induction which would include meetings with the members of the Board, introducing the Group's business segments in which the Group operates, the roles and responsibilities as a director of the Company and the requirements under the Hong Kong Listing Rules in respect of the Code provisions in relation to continuous professional development.

Corporate Governance Report

The Company regularly updates Directors on the developments in respect of the Hong Kong Listing Rules and applicable regulatory requirements to enhance their awareness of good corporate governance practices.

All of the Directors who had served during the Year, namely, Mr. Shi Shouming, Mr. Peng Jianjun, Mr. Li Siquan, Mr. Chau Shing Yim David, Mr. Guo Jianwen and Mr. Xie Wu attended the above-mentioned training sessions to develop and refresh their knowledge and skills. The company secretary of the Company has also complied with the 15 hours training requirement under Rule 3.29 of the Hong Kong Listing Rules.

Audit Committee

The Audit Committee has been established in accordance with the requirements of the Hong Kong Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chau Shing Yim, David (as the chairman of the Audit Committee), Mr. Guo Jianwen and Mr. Xie Wu. The revised terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the Code.

The specific written terms of reference of the Audit Committee is available on the Company's website. The Audit Committee is primarily responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (b) approving the remuneration and terms of engagement of external auditor, (c) reviewing financial information; (d) overseeing the financial reporting system; and (e) reviewing the financial controls, risk management and internal control systems.

A summary of the work performed by the Audit Committee during the Year is set out below:

i. Reviewed with the Management/finance-in-charge and/or the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for the year ended 31 December 2018 and interim financial statements for the six months ended 30 June 2019;

ii. Reviewed with the Management and finance-in-charge the effectiveness of the internal control system of the Group;

iii. Annual review of the non-exempt continuing connected transactions of the Group for the Year;

iv. Met with external auditor and reviewed their work and findings relating to the audit for the Year;

v. Approved the audit plan for the Year, reviewed the external auditor's independence and approved the engagement of external auditor; and

vi. Recommended the Board on the re-appointment of external auditor.

Corporate Governance Report

During the Year, 2 meetings were held by the Audit Committee, including meetings to approve and review interim financial statements (including accounting policies and practices adopted) of the Group for the year ended 31 December 2018, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 28 of this annual report.

On 26 March 2020, the Audit Committee met to review the risk management and internal control systems of the Group, the annual financial statements and other reports for the Year and discussed any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval thereof. The Audit Committee recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2020 at the forthcoming annual general meeting of the Company.

Remuneration Committee

The Remuneration Committee has been established in accordance with the requirements of the Hong Kong Listing Rules. The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chau Shing Yim, David (as the chairman of the Remuneration Committee) and Mr. Guo Jianwen and one executive Director, namely Mr. Shi Shouming. During the Year, no changes were made to the terms of reference of the Remuneration Committee.

The specific written terms of reference of the Remuneration Committee is available on the Company's website. The Remuneration Committee is primarily responsible for making recommendation to the Board on (a) the Company's policy and structure for the remuneration of Directors and senior management; (b) the remuneration of non-executive Directors; (c) the specific remuneration packages of individual executive Directors and senior management; and (d) assessing performance of executive Directors, and approving executive directors' service contracts. Details of the remuneration of each of the Directors for the Year are set out in Note 43 to the consolidated financial statements in this annual report.

A summary of the work performed by the Remuneration Committee during the Year is set out as follows:

i. Reviewed and recommended the Board to approve the Directors' fees; and

ii. Reviewed the current level and remuneration structure/package of the executive Directors and senior management and recommended the Board to approve their specific packages.

The emoluments of the salaried executive Directors are decided by the Board as recommended by the Remuneration Committee having regard to the written remuneration policy. The remuneration policy ensures a clear link to business strategy and a close alignment with shareholders' interest and current best practice, and provides that operating results, individual performance and comparable market statistics should be considered when deciding the emoluments of directors. All Directors are paid fees in line with market practice. No Director or any of his/her associates is involved in deciding his or her own remuneration.

Two meetings were respectively convened by the Remuneration Committee for the year ended 31 December 2019 to review and make recommendations on the remuneration of newly appointed executive directors of the Company.

Corporate Governance Report

Nomination Committee

The Nomination Committee has been established in accordance with the requirements of the Hong Kong Listing Rules. The Nomination Committee comprises two independent non-executive Directors, namely Mr. Chau Shing Yim, David and Mr. Guo Jianwen and one executive Director, namely Mr. Shi Shouming (as the chairman of the Nomination Committee). The Nomination Committee's terms of reference are basically the same as those set forth in code provision A.5.2 of the Code. During the Year, no changes were made to the terms of reference of the Nomination Committee.

The primary duties of the Nomination Committee include (a) reviewing the structure, size and diversity of the Board; (b) determining the policy for the nomination of Directors and identifying potential candidates for directorship; (c) assessing the independence of independent non-executive Directors; (d) reviewing the time commitment of each Director; (e) reviewing the board diversity policy ("**Board Diversity Policy**"); and (f) making recommendations to the Board on any proposed changes to the Board or selection of individual nominated for directorships or on appointment or reappointment of Directors.

A summary of the work performed by the Nomination Committee during the Year is set out as follows:

i. Reviewed structure, size and diversity of the Board;

ii. Reviewed the independence of the independent non-executive Directors; and

iii. Recommended to the Board the nomination of Directors for election and re-election at the 2019 annual general meeting ("**AGM**").

As adopted by the Board, the Board Diversity Policy aims to achieve diversity on the Board in the broadest sense in order to have a balance of skills, experience and diversity of perspectives appropriate to the business nature of the Company. Selection of candidates on the Board is based on a range of diversity perspectives, including gender, age, length of service, professional qualification and experience. The Nomination Committee also assesses the merits and contribution of any Director proposed for re-election or any candidate nominated to be appointed as Director and against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the existing Board.

During the Year, two meetings were respectively held by the Nomination Committee to review the structure and composition of the Board.

Corporate Governance Committee

The Corporate Governance Committee comprises five members, including two independent non-executive Directors, namely Mr. Chau Shing Yim, David (as the chairman of Corporate Governance Committee) and Mr. Guo Jianwen and one executive Director, namely Mr. Shi Shouming, a representative from the Company's company secretarial function and a representative from the Company's finance and accounts function. The specific written terms of reference of the Corporate Governance Committee is available on the Company's website.

The primary duties of the Corporate Governance Committee include (a) reviewing the policies and practices on corporate governance and compliance with legal and regulatory requirements of the Company; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) reviewing the code of conduct applicable to Directors and relevant employees of the Group; and (d) reviewing the Company's compliance with the Code and disclosure in corporate governance reports.

Corporate Governance Report

A summary of the work performed by the Corporate Governance Committee during the Year is set out as follows:

i. Reviewed the Company's corporate governance policy;

ii. Reviewed the training and continuous professional development of Directors and senior management;

iii. Reviewed the policies and practices on compliance with legal and regulatory requirements;

iv. Reviewed the code of conduct applicable to Directors and relevant employees of the Group; and

v. Reviewed the Company's compliance with the Code and disclosure in its corporate governance report.

Securities Transactions by the Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 of the Hong Kong Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made specific enquiries to all the Directors, confirmed that all Directors have complied with the required standard set out in the Model Code during the Year.

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

The Directors are responsible for ensuring the maintenance of proper accounting records of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The reporting responsibilities of the external auditor, PwC, are set out in the Independent Auditor's Report on pages 41 to 47 of this annual report.

Risk Management and Internal Control

Duties of the Board and Management

The Board is responsible for the risk management and internal controls system and the review of the effectiveness thereof. The Board is also responsible for assessing and determining the nature and extent of the risks that the Group is willing to take to achieve its strategic objectives, and monitoring the establishment and maintenance of appropriate and effective risk management and internal controls system. The Management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system.

Sound risk management and internal controls systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.

Corporate Governance Report

Risk Management

1. Establishment of a risk management system and structure

Based on the measures in the previous year, the Company continued to improve the risk management system structure at the group level to guide the risk assessment activities and ongoing risk monitoring activities through the following measures:

- **Established a risk management organizational structure** — An organizational structure with the Audit Committee as the decision-maker, the leading groups and management of various business segments of the Company as the execution unit, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting line.

  Major roles and responsibilities under the risk management system are set out below:

Role	Major Responsibility
The Board (the decision-making party)	■ Evaluates and determines the nature and acceptable extent of risks so as to ensure that the strategic objectives can be achieved
	■ Ensures the establishment and maintenance of effective risk management and internal control system
	■ Supervises the management in designing, implementing and supervising the risk management and internal control system
The Audit Committee (the decision-making party)	■ Reviews the structure of risk management and monitors its effectiveness on a continuous basis, and reviews the fundamental risk management system
	■ Supervises the management in designing, implementing and supervising the risk management and internal control system
	■ Monitors the frequency of the occurrence of material control default or discovery of material control weakness, and the extent to which they have resulted in unforeseen and emergent outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition

Corporate Governance Report

Role	Major Responsibility
Senior management of the Group (the leader)	■ Facilitates the establishment of risk management system, and reviews the policy and mechanism in relation to the risk management on regular basis ■ Designs, implements and supervises the risk management of the Group, reports matters in relation to risk management to the Audit Committee on a regular basis, and reports and discloses significant risk information to the Audit Committee ■ Confirms to the Audit Committee as to whether or not the risk management system is effective
Management of the Group's headquarters and the management of the segments under the Group (the execution party)	■ Updates the risk exposure list of operations on a regular basis, and conducts relevant works such as risk identification and evaluation ■ Formulates and implements risk response plan for operations ■ Responsible for the execution and implementation of specific risk management measures ■ Monitors and controls various risk exposures in operations, and timely reports risk information to the coordinator and management of risk management matters ■ Conducts other works in relation to risk management
Coordinator of risk management matters	■ Organizes the commencement of risk identification and evaluation works; ■ Organizes the preparation of regular risk evaluation reports and submits the results to the management of risk management matters; ■ Organizes and coordinates risk management training and guidance;
Internal audit function	■ Acts as risk management supervisory institution, responsible for supervising and evaluating the risk management works conducted by the Group and its business segments

Corporate Governance Report

- **Updated risk assessment criteria** — During the Year, based on the changes in the internal and external environment, the Group updated the risk assessment criteria applicable to each business segment according to the nature, business characteristics and strategic objectives of the Group and various activities of the business segments and the risk appetite of the management. The risks that are most likely to affect the achievement of the objectives have also been assessed using commonly recognized assessment methods and assessment criteria.

- **Formulation and standardization of work flow for risk management work** — The Group has established risk management procedures (for details, please refer to Figure 1: Risk Management Procedures set out below), with major steps including identification, analysis, response, control and reporting, so as to systematically manage, mitigate and control risk exposures. By mainly considering the operating goals of the Group and different business segments, the Group identifies risk factors affecting the achievement of such operating goals. The Group also evaluates possible and potential impacts of each specific risk, adopts specific measures in response to identified risk exposures, and continuously supervises and evaluates changes in risk exposure and timely adjusting response measures. During the Year, the Group reviewed, adjusted and improved the risk management procedures to improve the efficiency and standardization of its operations.

- **Determination of frequency of risk management review** — The frequency of evaluation and report on risk management of the Group has been determined (at least once for every year). The aforesaid key elements standardized the format and frequency of report through the Company's risk management manual.

(Figure 1: Risk Management Procedures)

Corporate Governance Report

2. Risk Evaluation Conducted by the Company in 2019

In addition to the above risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance and improvement of the risk management system in 2019, details of which include the following:

- *Follow up on the implementation of risk management improvement measures from last year's risk assessment*

  During the Year, the management of the Group followed up on the implementation of the risk management improvement measures identified in prior year's risk assessment, as well as establishing a continuous risk management cycle which contains the process of "Risk assessment — Implementation the of the risk management procedures — Follow-up of the implementation of risk management measures — Risk management system ongoing monitoring" in order to ensure that the any risk management gaps are rectified and the ability to prevent and cope with risks is strengthened (for details, please refer to Figure 2: Risk assessment and management model).

(Figure 2: Management and Control Mode for Risk Management)

- *Conduct a comprehensive review of risk management system at the group level in 2019*

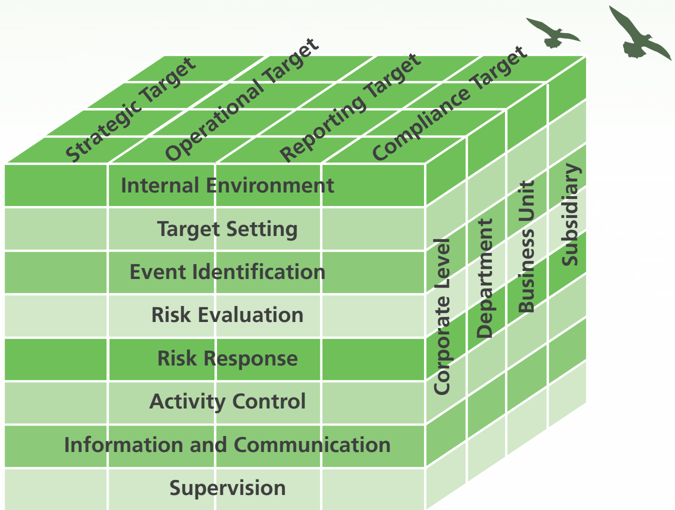
  The management of the Group updated the risk assessment standards and risk database based on the external market environment, changes in the internal operation environment, business development and risk preferences. In addition, it adopted a systematic risk assessment method to review the changes in the nature and degree of the material risks facing its business segments, identified the material risks facing its business segments, analyzed the status of risk management and control and countermeasures to be adopted and key risk management strategies, and reported the risk assessment results to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and degree of material risks on behalf of the Board, and completed the review of the risk management systems and considered the risk management systems are effective and sufficient.

Corporate Governance Report

Internal Control

1. Establishment of Internal Control and Management Framework

The Company has established its own internal control system by making reference to the internal control and management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to figure 3: COSO internal control and management framework). The Group's risk management system consists of five interdependent elements, which coordinates with each other and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.



(Figure 3: COSO Internal Control and Management Framework)

The Company's internal control system, as an integral part of its risk management, is established based on the risks facing the Group. The management at the headquarters of the Group, its business segments and other departments have designed and implemented a series of policies and procedures in view of the process relating to finance, operation and compliance, and monitors the implementation of these policies and procedures and their effectiveness.

2. Internal Audit

The Company has in place internal control functions. The Management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the internal controls review, which are followed up on by the Company's supervision department on a regular basis to ensure the timely implementation of the relevant measures for improvement.

Corporate Governance Report

Review of Risk Management and Internal Control System

The Board reviews the Group's risk management and internal control system at least once a year. During the Year, the Board had conducted a comprehensive review of the risk management and internal control system of the Group through the Audit Committee. Major works included the continuous implementation of the results of risk evaluation and internal control review in the prior year, as well as the commencement of various material risk evaluations for the Year and internal control review of key operating procedures. The period under review covered the accounting year of 2019. The scope of review covered the Group and major business segments, primarily focuses on review of controls over all major aspects, including financial control, operating control and compliance control. Such review had considered the changes in the nature and severity level of material risks and the capability of the Group in handling business and external environment changes. The Board considers that the relevant systems are effective and sufficient.

The Audit Committee has reviewed the resources, staff qualifications and experience of the Company on accounting, risk management, internal audit and financial reporting functions as well as its staff training programs and budget and confirmed the adequacy of the same.

Framework for Disclosure of Inside Information

The Company has put in place a framework for the handling and disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls, including but not limited to establishing controls for monitoring business and corporate developments and events so that any potential inside information is promptly identified and escalated, restricting access to inside information to a limited number of employees on a need-to-know basis, and ensuring employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality, for the handling and dissemination of inside information in a timely manner so as to allow all Shareholders and stakeholders to assess the latest position of the Group.

Auditor's Remuneration

For the Year, the remuneration paid and payable for the annual audit and review of interim financial statements amounted to approximately RMB3,314,000 and non-audit services amounted to approximately RMB6,513,000.

Amendments to the Company's Constitutional Documents

During the Year, the Company had not amended its Articles of Association.

Communication with Shareholders

The Company has established a shareholders' communication policy and the Board shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways: (i) the holding of annual general meetings and other general meetings, if any, which may be convened for specific purposes which provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports, circulars on the websites of the Company, the Hong Kong Stock Exchange; (iii) publication of press releases of the Company providing updated information of the Group; (iv) the availability of latest information of the Group in the Company's website; (v) the holding of investor/analyst briefings and media conference from time to time; and (vi) meeting with investors and analysts on a regular basis and participate investor road shows and sector conference.

Corporate Governance Report

There is regular dialogue with institutional shareholders and general presentations are usually made when financial results are announced. Shareholders and investors are welcomed to visit the Company's website and raise enquires through our investor relations department whose contact details are available on the Company's website and the "Corporate and Shareholder Information" section of this annual report.

Separate resolutions will be proposed at the general meetings for each substantially separate issue, including the re-election of retiring Directors. The Company's notice to Shareholders for the 2019 AGM will be provided to Shareholders at least 20 clear business days before the meeting.

The chairperson of the annual general meeting, chairperson/chairman/members of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee and the external auditors will be available at the 2019 AGM to answer questions from the Shareholders. The Chairperson of the meeting will also explain the procedures for conducting a poll during the meeting.

The forthcoming annual general meeting of the Company is planned to be held on 26 June 2020, the voting of which will be conducted by way of poll.

Shareholders' Rights

Set out below is a summary of certain rights of the Shareholders that are required to be disclosed pursuant to the Code.

Convening a General Meeting and Putting Forward Proposals at the Shareholders' Meeting

Shareholder(s) representing at least 5% of the total voting rights of all the members of the Company having a right to vote at general meetings can make a requisition to convene a general meeting pursuant to the Companies Ordinance. The requisition must state the general nature of the business to be dealt with at the meeting, signed by the relevant shareholder(s) and deposited at our registered office for the attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists.

Furthermore, the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or (ii) at least 50 shareholders having a relevant right to vote can put forward proposals for consideration at a general meeting of the Company by sending a requisition in writing to the registered office of the Company for the attention of the Company Secretary at least 7 days before the meeting to which it relates. The above requisitions must identify the statement of not more than 1,000 words with respect to the matter mentioned in a proposed resolution or other business to be dealt with at the meeting and must be authenticated by the person or persons making them.

Corporate Governance Report

Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Secretaries Limited. Other Shareholders' enquiries can be directed to the investor relations department of the Company whose contact details are shown on the "Corporate and Shareholder Information" section of this annual report.

Disclaimers

The contents of the section headed "Shareholders' Rights" in this annual report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the Shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance upon any contents of the section headed "Shareholders' Rights".

Investor Relations

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors. During the year ended 31 December 2019, the Directors and senior management of the Company participated in several roadshows and investment meetings. Additionally, the Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone: (852) 2287 9208/2287 9218/2287 9207
By post: 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong

Review of Consolidated Financial Information

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2019.

Independent Auditor's Report

羅兵咸永道

TO THE MEMBERS OF EVERGRANDE HEALTH INDUSTRY GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Evergrande Health Industry Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 149, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Health Management Segment — Assessment of net realisable value of properties under development and completed properties held for sale
- New Energy Vehicle Segment — Impairment assessment on goodwill
- New Energy Vehicle Segment — Fair value of financial asset at fair value through profit or loss

Key Audit Matters	How our audit addressed the Key Audit Matters
Health Management Segment — Assessment of net realisable value of properties under development and completed properties held for sale Refer to note 4(a)— critical accounting estimates and assumptions and note 13— properties under development ("PUD") and completed properties held for sale ("PHS") to the consolidated financial statements. The Group holds properties that are health and living projects for sale under the Health Management Segment.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the internal control over the Group's process in determining the net realisable values of PUD and PHS; (ii) We compared the relevant PUD and PHS balances against the result of management's net realisable value assessment made in the prior years to consider, with hindsight, whether management's net realisable value assessment estimation process had been subject to management bias;

Independent Auditor's Report

Key Audit Matters	How our audit addressed the Key Audit Matters
At 31 December 2019, PUD and PHS amounted to RMB29,317 million and RMB2,680 million respectively, and in aggregate accounted for 34% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value, write-down of carrying amounts of PUD and PHS to their net realisable value amounted to RMB53 million as at 31 December 2019. We focused on this net realisable value assessment because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.	(iii) We challenged the reasonableness of management's key estimates for: • Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions, such as the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location; • Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and • Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the construction contracts or compared to the actual costs of similar completed properties of the Group. We found that management's estimates on the net realisable value of the Group's PUD and PHS were supported by the available evidence.

Independent Auditor's Report

Key Audit Matters	How our audit addressed the Key Audit Matters
New Energy Vehicle Segment — Impairment assessment on goodwill Refer to note 4(b) — critical accounting estimates and assumptions and note 10 — goodwill to the consolidated financial statements. At 31 December 2019, the Group had goodwill balance of RMB6,193 million arose from acquisitions of New Energy Vehicle business for the year, which are subject to annual impairment assessment according to Hong Kong Accounting Standards 36. Management engaged independent external valuers to assist in determining the recoverable amounts of the cash generating units ("CGUs") and performing impairment assessment on the goodwill using fair value less cost of disposals and value in use calculations for the recoverable amounts. Significant management judgements were involved in the underlying assumptions of the impairment assessment, including the revenue growth rate, discount rate and terminal growth rate. This matter requires significant auditor's attention.	We have performed the following procedures to address this key audit matter: (i) We evaluated the independent external valuers' competence, capabilities and objectivity; (ii) We discussed with the external valuers on the scope and valuation process, and involved our in-house valuation experts to assist us in assessing appropriateness of the valuation methodologies and certain key assumptions used in determining the recoverable amounts of the CGUs; (iii) We discussed with management and assess the appropriateness of the key assumptions used by the external valuers such as the revenue growth rate, discount rate and terminal growth rate etc., by comparing these assumptions against relevant market data and industry research, as well as by testing the underlying supporting documentation; (iv) We also tested the arithmetical accuracy of the calculation of the recoverable amounts of the CGUs. We found the judgements and assumptions made by management in relation to the recoverable amounts calculations to be supportable by the available evidence.

Independent Auditor's Report

Key Audit Matters	How our audit addressed the Key Audit Matters
New Energy Vehicle Segment — Fair value of financial asset at fair value through profit or loss Refer to note 4(c) — critical accounting estimates and assumptions and note 18 — financial assets at fair value through profit or loss ("FVTPL") to the consolidated financial statements. At 31 December 2019, the Group held 32% preference shares of an automobile group with a call option granted to the original shareholder exercisable for a period within the next four years. It was accounted for as financial asset at FVTPL and measured at a fair value of RMB3,976 million as at 31 December 2019. Independent external valuation of the financial asset at FVTPL was obtained from an independent external valuer to support management's estimates. The valuation of the financial asset at FVTPL was dependent on certain key assumptions that required significant management judgement. These included the weighted average cost of capital ("WACC"), revenue growth rate, and volatility of the embedded call option.	We have performed the following procedures to address this key audit matter: (i) We evaluated the independent external valuer's competence, capabilities and objectivity; (ii) We involved our in-house valuation experts to assess the methodology used by the external valuer; (iii) We discussed with management and assess the appropriateness of valuation assumptions used. We tested the valuation by evaluating the underlying assumptions including WACC, revenue growth rate, and volatility of the embedded call option etc. based on our industry knowledge as well as underlying supporting documents. We also tested the arithmetical accuracy of the valuation computation. We found that the valuation methodology applied in determining the fair value of the financial asset at FVTPL is supportable by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

Consolidated Balance Sheet

As at 31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**10,422,736**	1,534,925
Land use rights	2.2	**—**	590,743
Right-of-use assets	7	**3,301,792**	—
Investment properties	8	**1,064,520**	—
Intangible assets	9	**7,581,130**	5,199
Goodwill	10	**6,193,274**	—
Prepayments	12	**1,776,031**	183,644
Investments accounted for using the equity method	17	**1,210,964**	—
Financial assets at fair value through profit or loss	18	**4,718,278**	3,979,937
Deferred income tax assets	27	**71,215**	34,472
Trade and other receivables	11	**73,735**	—
		36,413,675	6,328,920
Current assets			
Trade and other receivables	11	**4,593,702**	507,137
Prepayments	12	**7,585,624**	1,024,442
Properties under development	13(a)	**29,317,271**	11,170,539
Completed properties held for sale	13(b)	**2,679,747**	1,169,672
Inventories	14	**505,526**	34,619
Contract assets	5(d)	**40,014**	9,942
Restricted cash	15	**2,415,109**	367,825
Cash and cash equivalents	16	**9,857,780**	1,570,014
		56,994,773	15,854,190
Total assets		**93,408,448**	22,183,110
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	**250,936**	250,936
Reserves	22	**(2,237,168)**	101,536
Accumulated losses		**(5,514,204)**	(1,014,940)
		(7,500,436)	(662,468)
Non-controlling interests	39	**6,204,869**	—
Total deficit		**(1,295,567)**	(662,468)

Consolidated Balance Sheet

As at 31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	24	**1,551,100**	—
Borrowings	25	**47,214,338**	11,248,425
Finance leases	26	**—**	45,307
Lease liabilities	7	**223,221**	—
Deferred income tax liabilities	27	**2,591,663**	—
		51,580,322	11,293,732
Current liabilities			
Trade and other payables	23	**24,282,087**	7,330,851
Contract liabilities	5(d)	**2,444,932**	99,284
Borrowings	25	**15,172,530**	3,613,900
Finance leases	26	**—**	8,705
Lease liabilities	7	**214,373**	—
Current income tax liabilities		**1,009,771**	499,106
		43,123,693	11,551,846
Total liabilities		**94,704,015**	22,845,578
Total deficit and liabilities		**93,408,448**	22,183,110

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 48 to 149 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf by:

SHI SHOUMING
Director

PENG JIANJUN
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5(a)	**5,635,559**	3,133,018
Cost of sales	28	**(3,748,437)**	(1,987,750)
Gross profit		**1,887,122**	1,145,268
Other income/(costs)		**23,117**	(776)
Other gains/(losses), net	30	**33,483**	(141,839)
Selling and marketing costs	28	**(868,182)**	(265,938)
Administrative expenses	28	**(3,155,621)**	(334,940)
Net impairment losses on financial assets		**(50,233)**	(4,523)
Fair value gains on investment properties	8	**14,228**	—
Operating (loss)/profit		**(2,116,086)**	397,252
Finance income	31	**149,165**	21,155
Finance costs	31	**(2,373,593)**	(492,493)
Finance costs, net	31	**(2,224,428)**	(471,338)
Share of losses of associates and joint ventures accounted for using the equity method	17	**(53,694)**	(1,057,909)
Fair value losses on financial assets at fair value through profit or loss	18	**(132,128)**	—
Loss before income tax		**(4,526,336)**	(1,131,995)
Income tax expenses	32	**(421,142)**	(296,383)
Loss for the year		**(4,947,478)**	(1,428,378)
Other comprehensive income:			
Items that may be reclassified to profit and loss:			
Currency translation differences		**(526,616)**	(66,331)
Items that will not be reclassified to profit and loss:			
Revaluation gains arising from transfer of construction in progress to investment properties, net of tax	8	**6,631**	—
		(519,985)	(66,331)
Total comprehensive loss for the year		**(5,467,463)**	(1,494,709)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Loss attributable to:			
Owners of the Company		**(4,426,307)**	(1,429,381)
Non-controlling interests		**(521,171)**	1,003
		(4,947,478)	(1,428,378)
Loss for the year		**(4,947,478)**	(1,428,378)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(4,886,413)**	(1,495,712)
Non-controlling interests		**(581,050)**	1,003
Total comprehensive loss for the year		**(5,467,463)**	(1,494,709)
Loss per share for loss attributable to owners of the Company (expressed in RMB cents per share)			
— Basic and diluted loss per share	34	**(51.230)**	(16.544)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Special reserve RMB'000	Capital contribution reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	250,936	85,582	796	—	(10,438)	45,820	460,548	833,244	(1,003)	832,241
Comprehensive income										
(Loss)/profit for the year	—	—	—	—	—	—	(1,429,381)	(1,429,381)	1,003	(1,428,378)
Other comprehensive income	—	—	—	—	(66,331)	—	—	(66,331)	—	(66,331)
Total comprehensive loss	—	—	—	—	(66,331)	—	(1,429,381)	(1,495,712)	1,003	(1,494,709)
Transactions with owners in their capacity as owners										
Transfer to statutory reserve	—	—	—	—	—	46,107	(46,107)	—	—	—
Total transactions with owners in their capacity as owners	—	—	—	—	—	46,107	(46,107)	—	—	—
Balance at 31 December 2018	250,936	85,582	796	—	(76,769)	91,927	(1,014,940)	(662,468)	—	(662,468)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Special reserve RMB'000	Capital contribution reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	250,936	85,582	796	—	(76,769)	91,927	(1,014,940)	(662,468)	—	(662,468)
Comprehensive income										
Loss for the year	—	—	—	—	—	—	(4,426,307)	(4,426,307)	(521,171)	(4,947,478)
Other comprehensive income/(loss)	—	—	—	6,631	(466,737)	—	—	(460,106)	(59,879)	(519,985)
Total comprehensive loss	—	—	—	6,631	(466,737)	—	(4,426,307)	(4,886,413)	(581,050)	(5,467,463)
Transactions with owners in their capacity as owners										
Transfer to statutory reserve	—	—	—	—	—	72,957	(72,957)	—	—	—
Capital injection from non-controlling interests (note 39)	—	—	—	—	—	—	—	—	5,955,632	5,955,632
Non-controlling interests arising from business combination (note 39)	—	—	—	—	—	—	—	—	3,322,936	3,322,936
Changes in ownership interests in subsidiaries without change of control (note 39)	—	—	—	(1,951,555)	—	—	—	(1,951,555)	(2,492,649)	(4,444,204)
Total transactions with owners in their capacity as owners	—	—	—	(1,951,555)	—	72,957	(72,957)	(1,951,555)	6,785,919	4,834,364
Balance at 31 December 2019	250,936	85,582	796	(1,944,924)	(543,506)	164,884	(5,514,204)	(7,500,436)	6,204,869	(1,295,567)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows used in operating activities			
Cash used in operations	35(a)	**(13,926,140)**	(3,264,515)
Interest paid		**(1,651,675)**	(527,794)
Income tax paid		**(218,847)**	(145,892)
Net cash used in operating activities		**(15,796,662)**	(3,938,201)
Cash flows used in investing activities			
Purchases of property, plant and equipment and construction in progress		**(3,732,258)**	(700,903)
Purchases of intangible assets		**(1,181,782)**	(2,437)
Purchases of right-of-use assets		**(2,149,076)**	—
Investment accounted for using the equity method		**(706,226)**	(5,688,075)
Investment in financial assets at fair value through profit and loss	18	**(741,849)**	—
Prepayments for acquisition of land use rights		**—**	(20,279)
Proceeds from government grants for construction		**1,345,900**	—
Acquisition of subsidiaries, net of cash acquired	40	**(10,882,483)**	—
Interest received	31	**149,165**	21,155
Repayment from joint ventures		**508,153**	—
Cash advance to associates		**(14,715)**	—
Disposal for property, plant and equipment		**5,365**	—
Disposal for intangible assets		**140**	—
Net cash used in investing activities		**(17,399,666)**	(6,390,539)
Cash flows from financing activities			
Proceeds from borrowings	35(b)	**47,020,813**	13,292,325
Repayments of borrowings	35(b)	**(7,385,633)**	(3,689,400)
Prepaymens for acquisition of interests in subsidiaries without change of control	12	**(153,178)**	—
Acquisition of interests in subsidiaries without change of control		**(3,808,000)**	—
Capital injection from non-controlling interests		**5,955,632**	—
Principal element of lease payment (2018: Repayment of capital element of finance leases)	35(b)	**(111,240)**	(6,562)
Net cash generated from financing activities		**41,518,394**	9,596,363
Net increase/(decrease) in cash and cash equivalents		**8,322,066**	(732,377)
Cash and cash equivalents at beginning of year		**1,570,014**	2,301,683
Effect of exchange difference on cash and cash equivalents		**(34,300)**	708
Cash and cash equivalents at end of year	16	**9,857,780**	1,570,014

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

Evergrande Health Industry Group Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in technology research and development, production and sales of new energy vehicles in the People's Republic of China (the "PRC") and in other countries (collectively, the "New Energy Vehicle Segment"), as well as the "Internet+" community health management, international hospitals, and elderly care and rehabilitation (collectively, the "Health Management Segment") in the PRC.

The Company is incorporated in Hong Kong as a limited liability company under the Hong Kong Companies Ordinance. The address of its registered office is 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wan Chai, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's Taiwan depositary receipts listed on the Taiwan Stock Exchange were delisted in June 2019.

These consolidated financial statements are presented in Renminbi ("RMB") thousands, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(ii) New and amended standards adopted by the Group

The following new amendments to existing standards are mandatory for the first time for the financial period beginning 1 January 2019.

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
HKAS 28 (Amendment)	Long-term investment in an Associate or Joint Venture
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
Annual Improvements to HKFRSs 2015–2017 cycle	

The Group had changed its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules on 1 January 2019. This is disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when these new or revised standards and amendments become effective.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.29.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.67%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	58,762
Discounted using the lessee's incremental borrowing rate of at the date of initial application	52,167
Add: finance lease liabilities recognised as at 31 December 2018	54,012
Add: adjustments as a result of a different treatment of extension and termination options	48,585
(Less): short-term leases not recognised as a liability	(1,000)
Lease liability recognised as at 1 January 2019	**153,764**
Of which are:	
Current lease liabilities	41,449
Non-current lease liabilities	112,315
	153,764

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB153,919,000 of properties and RMB590,743,000 of land use rights
- land use rights — decrease by RMB590,743,000
- Property, plant and equipment — decrease by RMB54,167,000
- lease liabilities — increase by RMB153,764,000
- finance lease liabilities — decrease by RMB54,012,000

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting

2.3.1 Consolidation

(i) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) *Business combinations*

The Group applies the acquisition method to account for business combinations except for business combinations under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit and loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.1 Consolidation (Continued)

(ii) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit and loss.

2.3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.2 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of post-tax loss of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2.3.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's presentation currency. The Company's functional currency is Hong Kong dollar ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gain and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated statement of comprehensive income within "finance (costs)/income, net". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "administrative expenses".

(iii) Group entities

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement of the group entities are translated at average exchange rates; and

- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	1 to 3 years
Mold	5 to 10 years
Machinery and equipment	3 to 10 years
Furniture, fixtures and office equipment	3 to 5 years
Buildings	10 to 50 years
Land use rights	20 to 50 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.10 Intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives.

(i) Patent, proprietary technology and franchise right

Purchased patents, proprietary technology and franchise right are initially recorded at actual cost and are amortised on a straight-line basis over their estimated useful lives of 5 to 18 years.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of 2 to 10 years.

(iii) Development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on the Group's proprietary brands project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from related project of 5 years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during a financial period.

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group categories its debt instruments as amortised cost, which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

(b) Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in Fair value losses on financial assets at fair value through profit or loss in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.14 Properties under development

Properties represent the health and living project. Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises mainly construction costs, cost of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

2.15 Completed properties held for sale

Properties represent the health and living project. Completed properties remaining unsold at the end of each relevant year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business less applicable estimated selling expenses to make the sales.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.18 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2.19 Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is only recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.24 Current and deferred income tax (Continued)

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payables under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (the "MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Bonus plans

The Group recognises a liability and an expense for bonus. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.25 Employee benefits (Continued)

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.26 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sale of health and living projects, lithium batteries and vehicle components and render of services, stated net of discounts and returns, if any. The Group recognises revenue when control of the products has been transferred, the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Sales of health and living projects, lithium batteries and vehicle components

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the purchaser;
- Creates and enhances an asset that the purchaser controls as the Group performs;
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For health and living projects, lithium batteries and vehicle components, which the control of the property and products are transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and products and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) Income from medical cosmetology and health management and provision of technical services

Income from medical cosmetology and health management and provision of technical services are recognised when the services have been rendered to customers. The period of these services rendered is usually within a day.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.28 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.29 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 26). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.29 Leases (Continued)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.29 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 8). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.30 Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where applicable.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

Government grants relating to property, plant and equipment and intangible assets are charged against carrying amount of related assets or recognised as deferred income. If it is recognised as deferred income, it will credit to the relevant assets when it is ready for use and included in profit or loss over the useful life of related assets.

Notes to the Consolidated Financial Statements

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's major financial instruments include cash and bank deposits, financial assets at fair value through profit or loss, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from cash and cash equivalents, bank borrowings, loans from holding and other recognised assets and liabilities that are denominated in currencies other than the functional currency of the relevant entities. The revenue, expenses and borrowings of the foreign operations are denominated in functional currencies of those operations. The Group does not have a foreign currency hedging policy and has not entered into forward exchange contract to hedge its exposure to foreign exchange risk. However, the directors monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

	31 December 2019 RMB'000	31 December 2018 RMB'000
5% appreciation in RMB against HK$	**7**	5,602
5% depreciation in RMB against HK$	**(7)**	(5,602)
5% appreciation in RMB against US$	**744,899**	2,098
5% depreciation in RMB against US$	**(744,899)**	(2,098)
5% appreciation in RMB against EUR	**41,584**	—
5% depreciation in RMB against EUR	**(41,584)**	—

(ii) Interest rate risk

The Group's interest rate risk arises from cash and cash equivalents and borrowings. Cash and cash equivalents and borrowings at variable rates expose the Group to cash flow interest rate risk.

As at 31 December 2019, if interest rate on cash and cash equivalents and borrowings had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2019 would decrease/increase by approximately RMB2,460,000 (2018: decrease/increase by approximately RMB1,094,000).

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

The Group is exposed to credit risk in relation to its contract assets, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

For contract assets and trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For credit exposures to customers, credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 37. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The loss allowance provision of trade receivables as at 31 December 2019 is determined as follows, the expected credit losses below also incorporate forward looking information.

	Current RMB'000	Over 180 days and within 365 days overdue RMB'000	Over 1 year and within 2 years overdue RMB'000	Over 2 years and within 3 years overdue RMB'000	Total RMB'000
At 31 December 2019					
Expected loss rate	**0.10%**	**1.00%**	**10.00%**	**15.00%**	
Gross carrying amount	**748,140**	**20,892**	**7,484**	**78**	**776,594**
Loss allowance provision	**748**	**209**	**748**	**12**	**1,717**
At 31 December 2018					
Expected loss rate	0.10%	1.00%	10.00%	15.00%	
Gross carrying amount	432,927	260	3,243	—	436,430
Loss allowance provision	433	3	324	—	760

Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

Management considered other receivables from third parties and related parties to be low credit risk as they have a low risk of default and a strong capacity to meet its contractual cash flow obligations in the near term.

The expected loss rate of other receivables which are deposit in nature, such as deposits for acquisition of land use right, construction projects and borrowings, is assessed to be near to zero.

To measure the expected credit losses of other receivables other than deposits, other receivables excluding deposits have been grouped based on shared credit risk characteristics and the days past due.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of health and living projects, through internal funding resources and bank facilities to meet its working capital requirements. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

To cope with the investment on the New Energy Vehicle Segment business and the total deficit situation, China Evergrande Group agreed to provide three-year unsecured loans in the amount of RMB32,179 million to the Group from 3 July 2018. The annual interest rates under the shareholder loan agreements are ranging from 7.6% to 8.0%.

With the net current asset position and financial support from China Evergrande Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting development timetable to adapt the market environment and implementing cost control measures. The Group will pursue such options based on its assessment of relevant future costs and benefits.

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2019 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019				
Borrowings including accrued interests	**19,908,509**	**50,446,127**	**2,572,601**	**72,927,237**
Lease liabilities	**235,310**	**187,619**	**98,803**	**521,732**
Trade and other payables*	**21,446,249**	**—**	**—**	**21,446,249**
Total	**41,590,068**	**50,633,746**	**2,671,404**	**94,895,218**
At 31 December 2018				
Borrowings including accrued interests	6,332,772	12,467,555	424,580	19,224,907
Finance leases	13,605	43,391	—	56,996
Trade and other payables*	6,962,292	—	—	6,962,292
Total	13,308,669	12,510,946	424,580	26,244,195

* Excluding staff welfare benefit payable, other taxes payable and provisions.

The amounts have not included financial guarantee contracts:

— which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (note 37). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

The Group considers that it is more likely than not that no amount will be payable under the arrangement.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the sum of borrowings (including current and non-current borrowings and finance leases as shown in the consolidated balance sheet) and loan from shareholder divided by total assets.

The gearing ratios at 31 December 2019 and 2018 were as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Total borrowings (note 25)	**62,386,868**	14,916,337
Total assets	**93,408,448**	22,183,110
Gearing ratio	**67%**	67%

(c) Fair value estimation

Financial assets and liabilities

(i) Fair value hierarchy

	31 December 2019 RMB'000	31 December 2018 RMB'000
Level 3		
Financial assets at FVTPL — unlisted redeemable preferred shares and other unlisted shares	**4,718,278**	3,979,937

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2019.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices for similar instruments.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Valuation processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Financial assets and liabilities (Continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (Continued)

Valuation processes (Continued)

The valuation of the level 3 instruments mainly included the unlisted redeemable preferred shares (note 18), which was valued by GVA, an independent valuer not related to the Group, who hold recognised relevant professional qualification. As the investments are not traded in an active market, their fair value have been determined by WACC, terminal growth rate, debt-free cash flow and volatility. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- WACC: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset
- Revenue growth rate for unlisted equity securities: these are estimated based on market information for similar types of companies
- Expected cash inflows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.
- Volatility: these are based on historical volatility of the guideline companies commensurate with the time to liquidity.

Information about fair value measurements using significant unobservable inputs (level 3)

		Fair value as at 31 December				Range of unobservable inputs	
Asset Category	Components	2019 RMB'000	2018 RMB'000	Valuation techniques	Unobservable inputs	2019 RMB'000	2018 RMB'000
FVTPL- Unlisted redeemable preferred shares	Unlisted preferred shares	**5,225,174**	7,473,306	Discounted Cash Flow Method	WACC	**40%**	35.5%
					Revenue growth rate	**22%–686%**	21%–1560%
	Embedded call option	**(1,248,740)**	(3,493,369)	Binomial Lattice Model Approach	Volatility	**47.5%**	37.5%
	Total	**3,976,434**	3,979,937				

Relationship of unobservable inputs to fair value:

The higher WACC, the lower fair value;

The higher Terminal growth rate, the lower fair value;

The higher volatility, the lower fair value.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Non-financial assets and liabilities

(i) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

(ii) Valuation techniques

Valuations were based below:

Income capitalisation approach takes into account the current or estimated rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

(iii) Information about fair value measurements using significant unobservable inputs (level 3)

Asset category	Property category	Fair value as at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	1,064,520	Income capitalisation method	Capitalisation rate	5.25%–6.00%
				Expected vacancy rate	5%–10%
				Monthly rental (RMB/square meter/ month)	45–118

Relationship of unobservable inputs to fair value:

- The higher capitalisation rate, the lower fair value;
- The higher expected vacancy, the lower fair value;
- The higher monthly rental, the higher fair value.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and assumptions

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Assessment of net realisable value of properties under development and completed properties held for sale

Properties represent health and living projects. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed construction contracts and estimated net sales value based on prevailing market conditions. Write-down is made when the net realisable value is lower than the carrying amount. The assessment requires the use of judgement and estimates.

(b) Impairment assessment on goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.9. The recoverable amounts of CGUs have been determined based on fair value less cost of disposals and value-in-use calculations. These calculations require the use of estimates (note 10).

(c) Fair value of financial asset at fair value through profit or loss

The Group assesses the fair value of its financial asset at fair value through profit or loss by reference to valuation performed by the independent and professional qualified valuer. Discounted cash flow and Binomial Lattice Model approach are used for valuation of the fair value of financial asset at fair value through profit or loss and it is dependent on certain key assumptions that required significant management judgement. These include WACC, revenue growth rate, and volatility. Detailed disclosure of the valuation of financial asset at fair value through profit or loss is made in note 3(c) and note 18.

The change of the aforesaid key assumptions may lead to significant difference of the fair value estimation of financial asset at fair value through profit or loss.

(d) PRC corporate income taxes and deferred taxation

The Company's subsidiaries that operate in the PRC are subject to income tax in the PRC. Management judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and assumptions (Continued)

(e) PRC land appreciation taxes

The Group is also subject to land appreciation taxes ("LAT") in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC and accordingly, management judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(f) Recoverability of contract assets and trade and other receivables

The management assesses the recoverability of contract assets and trade and other receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and the impairment charge in the period in which such estimate has been changed.

5 Segment information

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess the performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into two segments:

Health Management: "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology, anti-ageing and sales of health and living projects in the PRC.

New Energy Vehicle: Technology research and development, production and sales of new energy vehicles in the PRC and in other countries.

Management has identified the reportable segments based on the Group's business model and assesses the performance of the operating segments based on profit before tax. Corporate expenses and income tax expense are not included in segment results.

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(a) Revenue by type

Revenue represents the net amounts received and receivable from customers during the year. An analysis of the Group's revenue by type for the year is as follows:

	2019 RMB'000	2018 RMB'000
Health Management		
Sales of health and living projects (i)	**4,948,468**	3,124,417
Income from medical cosmetology and health management (ii)	**26,596**	8,601
	4,975,064	3,133,018
New Energy Vehicle		
Sales of lithium batteries (i)	**587,779**	—
Provision of technical services (ii)	**65,796**	—
Sales of vehicle components (i)	**6,920**	—
	660,495	—
	5,635,559	3,133,018

(i) Revenue generated from the sales of health and living projects, lithium batteries and vehicle components are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the assets.

(ii) Revenue generated from medical cosmetology and health management and provision of technical services are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

(b) Geographical information

The Group's revenue from external customers based on the location where the sales occurred and information about its non-current assets (excluding deferred tax assets) by geographical location of the assets are detailed below:

	Revenue from customers		Non-current assets	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
— PRC	**5,558,832**	3,133,018	**25,831,416**	2,314,511
— United States	**—**	—	**3,976,434**	3,979,937
— Others	**76,727**	—	**6,534,610**	—
	5,635,559	3,133,018	**36,342,460**	6,294,448

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(c) Segment revenue and results

The segment information provided to the CODM for the years ended 31 December 2019 and 2018 are as follows:

Year ended 31 December 2019	**Health Management RMB'000**	**New Energy Vehicle RMB'000**	**Unallocated RMB'000**	**Total**
Segment revenue and revenue from external customers	**4,975,064**	**660,495**	**—**	**5,635,559**
Finance costs (i)	**(25,168)**	**(2,199,260)**	**—**	**(2,224,428)**
Share of net losses of associates and joint ventures accounted for using the equity method	**(316)**	**(53,378)**	**—**	**(53,694)**
Fair value losses on financial assets at fair value through profit or loss	**—**	**(132,128)**	**—**	**(132,128)**
Segment results	**837,319**	**(5,294,562)**	**(69,093)**	**(4,526,336)**
Loss before income tax				**(4,526,336)**
Income tax expense				**(421,142)**
Loss for the year				**(4,947,478)**
Other segment item:				
Depreciation and amortisation	**62,701**	**939,072**	**—**	**1,001,773**

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(c) Segment revenue and results (Continued)

Year ended 31 December 2018	Health Management RMB'000	New Energy Vehicle RMB'000	Unallocated RMB'000	Total
Segment revenue and revenue from external customers	3,133,018	—	—	3,133,018
Finance (costs)/income, net	11,611	(483,188)	239	(471,338)
Share of net losses of an associate accounted for using the equity method	—	(1,057,909)	—	(1,057,909)
Disposal loss of an associate	—	(138,253)	—	(138,253)
Segment results	606,459	(1,726,786)	(11,668)	(1,131,995)
Loss before income tax				(1,131,995)
Income tax expense				(296,383)
Loss for the year				(1,428,378)
Other segment item:				
Depreciation and amortisation	5,587	22,782	—	28,369

(i) The finance costs of New Energy Vehicle segment included interest expense of RMB1,944 million, arising from the borrowings from shareholder for acquisitions of subsidiaries and capital injections.

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(c) Segment revenue and results (Continued)

The segment assets and liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	Health Management RMB'000	New Energy Vehicle RMB'000	Unallocated RMB'000	Total RMB'000
As at 31 December 2019				
Segment assets	**43,839,728**	**49,497,505**	**71,215**	**93,408,448**
Segment liabilities	**36,838,144**	**54,264,437**	**3,601,434**	**94,704,015**
Capital expenditure	**1,670,973**	**4,402,403**	**—**	**6,073,376**
As at 31 December 2018				
Segment assets	17,401,152	4,747,486	34,472	22,183,110
Segment liabilities	16,089,993	6,256,479	499,106	22,845,578
Capital expenditure	749,989	474,760	—	1,224,749

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, completed properties held for sale, receivables, prepayments, cash balances and financial assets at fair value through profit or loss. They exclude deferred tax assets.

Segment liabilities consist of operating liabilities and borrowings. Unallocated liabilities comprise taxation.

Capital expenditure comprises additions to property, plant and equipment, land use rights, intangible assets and investment properties.

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(c) Segment revenue and results (Continued)

Reportable segments' assets are reconciled to total assets as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Segment assets	**93,337,233**	22,148,638
Unallocated:		
Deferred income tax assets	**71,215**	34,472
Total assets per consolidated balance sheet	**93,408,448**	22,183,110
Segment liabilities	**91,102,581**	22,346,472
Unallocated:		
Current and deferred income tax liabilities	**3,601,434**	499,106
Total liabilities per consolidated balance sheet	**94,704,015**	22,845,578

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(d) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Current contract assets	**40,014**	9,942

The Group has recognised the following revenue-related contract liabilities:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Sales of health and living projects	**2,437,546**	75,216
Others	**7,386**	24,068
	2,444,932	99,284

(i) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of health and living projects.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

Revenue recognised that was included in the balance of contract liabilities at the beginning of the period

	31 December 2019 RMB'000	31 December 2018 RMB'000
Sales of health and living projects	**73,346**	498,429

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Mold RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2019							
Cost	4,554,280	124,961	1,586,208	236,764	444,536	4,942,256	11,889,005
Accumulated depreciation and impairment	(721,524)	(8,893)	(300,748)	(173,163)	(261,941)	—	(1,466,269)
Net book amount	3,832,756	116,068	1,285,460	63,601	182,595	4,942,256	10,422,736
Opening net book amount	810,019	2,280	92,478	—	28,600	601,548	1,534,925
Adjustment for change in accounting policy (note 2.2)	—	—	(54,167)	—	—	—	(54,167)
Exchange differences	43,123	—	5,964	431	27	—	49,545
Additions	504	77,573	73,951	86	60,374	3,655,961	3,868,449
Acquired from business combination (note 40)	2,213,760	44,704	981,227	57,726	143,165	2,279,814	5,720,396
Transfer from construction in progress/transfer to property, plant and equipment	1,012,932	—	324,212	74,389	12,065	(1,423,598)	—
Transfer from construction in progress to investment properties	—	—	—	—	—	(171,469)	(171,469)
Government grants (note 24)	(85,000)	—	(16,800)	—	—	—	(101,800)
Disposals	(118)	—	(9,991)	—	(5,909)	—	(16,018)
Depreciation	(162,464)	(8,489)	(111,414)	(69,031)	(55,727)	—	(407,125)
Closing net book amount	3,832,756	116,068	1,285,460	63,601	182,595	4,942,256	10,422,736

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Mold RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2018							
Cost	810,019	2,739	128,431	—	38,109	601,548	1,580,846
Accumulated depreciation	—	(459)	(35,953)	—	(9,509)	—	(45,921)
Net book amount	810,019	2,280	92,478	—	28,600	601,548	1,534,925
Opening net book amount	—	164	30,183	—	14,684	658,994	704,025
Additions	—	2,520	24,150	—	16,703	805,836	849,209
Transfer from construction in progress/transfer to property, plant and equipment	810,019	—	53,263	—	—	(863,282)	—
Depreciation	—	(404)	(15,118)	—	(2,787)	—	(18,309)
Closing net book amount	810,019	2,280	92,478	—	28,600	601,548	1,534,925

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Cost of sales	**126,494**	4,370
Selling and marketing costs	**22,897**	426
Administrative expenses	**257,734**	13,513
	407,125	18,309

As at 31 December 2019, the Group pledged net book values of approximately RMB546,347,000 of property, plant and equipment and RMB1,855,490,000 of construction in progress to secure the borrowings of RMB1,178,277,000.

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

(i) Leased assets — 2018

As at 31 December 2018, machinery and equipment included the following amounts where the Group is a lessee under finance leases (refer to note 26 for further details):

	2019 RMB'000	2018 RMB'000
Leased equipment		
Cost	—	100,000
Accumulated depreciation	—	(45,833)
Net book amount	—	54,167

From 2019 leased assets are presented as a separate line item in the balance sheet (note 7). Refer to note 2.2 for details about the changes in accounting policy.

7 Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Leasehold land/land use rights	**2,757,189**	590,743
Buildings	**282,564**	99,752
Machinery and equipment	**261,715**	54,167
Furniture, fixtures and office equipment	**324**	—
	3,301,792	744,662
Lease liabilities		
Current	**214,373**	41,449
Non-current	**223,221**	112,315
	437,594	153,764

Additions to the right-of-use assets during the 2019 financial year were RMB1,855,736,000.

Notes to the Consolidated Financial Statements

7 Leases (Continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets		
Leasehold land/land-use rights	**51,103**	—
Buildings	**62,411**	—
Machinery and equipment	**42,189**	—
Furniture, fixtures and office equipment	**204**	—
	155,907	—
Interest expense (included in finance cost)	**42,813**	
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**32,113**	—

The total cash outflow for leases in 2019 was RMB186,166,000.

Right-of-use assets during the 2019 financial year acquired from business combination were RMB854,783,000 (note 40).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 year to 10 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of buildings, equipment, furniture, fixtures and office equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Notes to the Consolidated Financial Statements

8 Investment properties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening net book amount	—	—
Transfer from construction in progress	**171,469**	—
Acquisition of subsidiaries (note 40)	**872,192**	—
Revaluation gains arising from investment properties	**6,631**	—
Fair value gains on investment properties	**14,228**	—
Closing net book amount	**1,064,520**	—
Comprise of: Completed investment properties	**1,064,520**	—

(a) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income	**18,084**	—
Revaluation gains arising from transfer of construction in progress to investment properties, net of tax	**6,631**	—
Fair value gain recognised in fair value gain on investment properties	**14,228**	—

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, refer to note 36.

Notes to the Consolidated Financial Statements

9 Intangible assets

	Intangible assets			
	Computer software RMB'000	**Development costs** RMB'000	**Patent, proprietary technology and franchise rights** RMB'000	**Total** RMB'000
Years ended 31 December 2019				
Cost	**99,741**	**2,662,424**	**5,689,081**	**8,451,246**
Accumulated depreciation and impairment	**(17,239)**	**(122,677)**	**(730,200)**	**(870,116)**
Net book amount	**82,502**	**2,539,747**	**4,958,881**	**7,581,130**
Opening net book amount	**4,115**	**—**	**1,084**	**5,199**
Currency differences	**—**	**(418)**	**(2,258)**	**(2,676)**
Additions	**39,449**	**627,131**	**488,055**	**1,154,635**
Acquired from business combination (note 40)	**47,873**	**2,035,711**	**4,954,158**	**7,037,742**
Disposals	**(140)**	**—**	**—**	**(140)**
Amortisations	**(8,795)**	**(122,677)**	**(307,269)**	**(438,741)**
Impairment loss (i)	**—**	**—**	**(174,889)**	**(174,889)**
Closing book amount	**82,502**	**2,539,747**	**4,958,881**	**7,581,130**
Years ended 31 December 2018				
Cost	4,644	—	1,571	6,215
Accumulated depreciation	(529)	—	(487)	(1,016)
Net book amount	4,115	—	1,084	5,199
Opening net book amount	3,097	—	64	3,161
Additions	1,409	—	1,028	2,437
Amortisations	(391)	—	(8)	(399)
Closing book amount	4,115	—	1,084	5,199

Notes to the Consolidated Financial Statements

9 Intangible assets (Continued)

The Group is developing new energy vehicle projects for vehicles, batteries and motors. It has incurred research and development expenses of RMB295,058,000 in the current year (2018: nil) which are included in administration expenses in the statement of comprehensive income.

(i) Impairment loss

The impairment loss relates to intangible assets that were to be used for a terminated project. The whole amount was recognised as administrative expense in profit or loss.

(ii) Amortisation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	2019 RMB'000	2018 RMB'000
Cost of sales	**21,022**	—
Selling and marketing costs	**6,316**	—
Administrative expenses	**411,403**	399
	438,741	399

10 Goodwill

	2019 RMB'000	2018 RMB'000
Balance as at 1 January	—	—
Acquired from business combination (note 40)	**6,193,274**	—
Balance as at 31 December	**6,193,274**	—

Notes to the Consolidated Financial Statements

10 Goodwill (Continued)

(i) Impairment tests for goodwill

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

2019	**National Energy Vehicle Sweden AB ("NEVS")**	**Shanghai CENAT New Energy Company Limited ("CENAT")**	**TeT Drive Technology Company Limited("TeT")**	**Protean Company Limited ("Protean")**
Goodwill allocated (RMB'000)	5,457,199	200,023	231,918	304,134
Basis of determining the CGUs' recoverable amount	Fair value less costs of disposal	Value in use	Fair value less costs of disposal	Fair value less costs of disposal
Level of fair value hierarchy	Level 3	Level 3	Level 3	Level 3
Fair value valuation techniques	Discounted cash flow	Discounted cash flow	Discounted cash flow	Discounted cash flow
Independent valuers	CBRE Limited	Avista Group	Avista Group	Avista Group
Years of forecast period	10	5	10	14
Revenue growth rate during the forecast period (%)	2%–154%	3.9%–264%	3.8%–162.5%	1.6%–271%
Terminal growth rate (%)	1.82%	3%	3%	2%
Discount rate (%)	16.35%	18%	23%	16.6%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determining values**
Revenue growth rate	Average annual revenue growth rate over the forecast period; based on management's expectations of market development.
Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Discount rate	Reflect specific risks relating to the relevant segments and the countries in which they operate.

Notes to the Consolidated Financial Statements

11 Trade and other receivables

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables (i)	**774,877**	224,825
Other receivables (ii)	**3,892,560**	282,312
	4,667,437	507,137
Less: non-current portion of trade receivables and other receivables	**(73,735)**	—
Current portion	**4,593,702**	507,137
(i) Trade receivables		
— third parties	**776,594**	225,585
Less: allowance for doubtful debts	**(1,717)**	(760)
Trade receivables — net	**774,877**	224,825
Less: non-current portion	**(73,735)**	—
Current portion	**701,142**	224,825
(ii) Other receivables		
— third parties	**1,686,373**	156,393
— related parties (note 38(a)(ii))	**1,266,503**	1,168
— prepaid other taxes	**991,602**	128,514
	3,944,478	286,075
Less: loss allowance for other receivables (b)	**(51,918)**	(3,763)
Other receivables — net	**3,892,560**	282,312
	4,667,437	507,137

Notes to the Consolidated Financial Statements

11 Trade and other receivables (continued)

(a) Trade receivables mainly arose from sale of health and living projects. Proceeds in respect of sales of health and living projects are to be received in accordance with the terms of the related sales and purchase agreements. The following is an aging analysis of trade receivables based on the invoice date:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 90 days	**494,590**	175,076
Over 91 days and within 180 days	**163,144**	49,986
Over 180 days and within 365 days	**37,718**	—
Over 365 days	**81,142**	523
	776,594	225,585

(b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 31 December 2019 was determined for trade receivables and other receivables (note 3(a)(iii)).

Notes to the Consolidated Financial Statements

12 Prepayments

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments		
— Land use rights	**8,062,319**	1,044,721
— Property, plant and equipment	**1,031,293**	163,365
— Acquisition of subsidiaries	**153,178**	—
— Others	**114,865**	—
	9,361,655	1,208,086
Less: non-current portion:		
— Land use rights	**(564,413)**	(20,279)
— Property, plant and equipment	**(1,031,293)**	(163,365)
— Acquisition of subsidiaries	**(153,178)**	—
— Others	**(27,147)**	—
	(1,776,031)	(183,644)
Current portion	**7,585,624**	1,024,442

Prepayments mainly represented the prepayments and advances to third parties for acquisition of land use rights for health and living projects, purchase of equipment and acquisition of subsidiaries.

13 Properties under development and completed properties held for sale

(a) Properties under development

	31 December 2019 RMB'000	31 December 2018 RMB'000
Properties under development expected to be completed within one operating cycle included under current assets	**29,317,271**	11,170,539
Properties under development comprise:		
— Construction costs and capitalised expenditures	**9,020,188**	3,848,184
— Interests capitalised	**1,399,232**	564,500
— Land use rights	**18,897,851**	6,757,855
	29,317,271	11,170,539

Notes to the Consolidated Financial Statements

13 Properties under development and completed properties held for sale (Continued)

(a) Properties under development (Continued)

The amount of properties under development and held for sale expected to be recovered after more than one year is RMB6,478,355,000 (2018: RMB4,337,929,000). The remaining balance is expected to be recovered within one year.

The properties under development include costs of acquiring rights to use certain lands, which are located in the PRC for property development over fixed periods. Land use rights are held on leases of 40-70 years (2018: 40-70 years).

The capitalisation rate of borrowings for the year ended 31 December 2019 was 9.31% (2018: 7.91%).

As at 31 December 2019, the Group pledged properties under development with a net book value of approximately RMB3,750,699,000 to secure the borrowings of RMB970,301,000.

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC, among which RMB69,020,000 were measured at net realisable values.

As at 31 December 2019, completed properties held for sale of approximately RMB405,180,000 were pledged as collateral for the Group's borrowings of RMB177,234,000.

14 Inventories

	31 December 2019 RMB'000	31 December 2018 RMB'000
At cost:		
Raw materials and consumables	**153,237**	27,979
Work-in-progress	**122,252**	—
Finished goods and merchandise	**144,264**	6,640
	419,753	34,619
At net realisable values:		
Raw materials and consumables	**17,653**	—
Work-in-progress	**7,430**	—
Finished goods and merchandise	**60,690**	—
	85,773	—
	505,526	34,619

Notes to the Consolidated Financial Statements

14 Inventories (continued)

(i) Amounts recognised in profit or loss

Inventories recognised as cost of sales during the year ended 31 December 2019 amounted to RMB589,360,000 (2018: nil).

Write-downs of inventories to net realisable value amounted to RMB24,314,000 (2018: nil). These were recognised as an expense during the year ended 31 December 2019 and included in "cost of sales" in the statement of comprehensive income.

The Group reversed RMB31,473,000 of a previous inventory write-down from March to December 2019, as the Group sold the relevant goods that had been written down at original cost.

15 Restricted cash

As at 31 December 2019 and 2018, restricted cash of RMB2,415,109,000 (2018: RMB367,825,000) are mainly comprised of guarantee deposits for construction of pre-sale properties and guarantee deposits for bank acceptance notes and loans.

16 Cash and cash equivalents

	31 December 2019 RMB'000	31 December 2018 RMB'000
Cash at bank and in hand	**9,857,780**	1,570,014
Denominated in:		
RMB	**6,650,798**	1,469,065
US$	**2,778,082**	84,682
Other currencies	**428,900**	16,267
Cash and cash equivalents	**9,857,780**	1,570,014

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates. Cash and cash equivalents carry interest at market rates ranging from 0.05% to 1.96% (2018: 0.03% to 0.3 %).

Notes to the Consolidated Financial Statements

17 Investments accounted for using the equity method

The movements of the investments accounted for using the equity method are as follows:

	Year Ended 31 December	
	2019	2018
	RMB'000	RMB'000
Balance as at 1 January	**—**	—
Acquisition from subsidiaries (note 40)	**33,655**	—
Additions (a)	**1,229,440**	13,044,092
Disposals (a)	**—**	(11,986,183)
Exchange differences	**1,563**	—
Share of losses of associates and joint ventures	**(53,694)**	(1,057,909)
Balance as at 31 December	**1,210,964**	—

(a) During 2018, the Group acquired 45% equity interest of Smart King Limited at a consideration of US$2,000 million (equivalent to approximately RMB13,044 million). Smart King Limited is engaged in the research, development and production of battery electric vehicle. After certain arbitrations and litigations and as per the restructuring agreement on 31 December 2018, the Group owns 32% of preference shares of Smart King Limited with a call option granted to the original shareholder exercisable for a period within the next five years. As a result, the investment of RMB11,986 million was disposed and reclassified to financial assets at fair value through profit or loss at RMB3,980 million on (note 18).

(b) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2019 which, in the opinion of the directors, are immaterial to the Group.

Name of entity	Country of incorporation	% of ownership 2019	Nature of relationship	Measurement method	Carrying amount 2019 RMB'000
Meneko AB (i)	Sweden	65%	Joint venture	Equity method	1,020,363
Jinhua Henghe Real Estate Co., Ltd. (i)	PRC	75%	Joint venture	Equity method	149,572
Other associates	PRC		Associate	Equity method	31,282
Other joint ventures	PRC		Joint venture	Equity method	9,747
Total equity account investments					1,210,964

(i) The Group determined Meneko AB and Jinhua Henghe Real Estate Co., Ltd. as joint ventures as these two entities' process for nominating, appointing and displacing board members are through joint control, and decisions at board meetings need to be in agreement between all shareholders.

Notes to the Consolidated Financial Statements

17 Investments accounted for using the equity method (Continued)

(b) Interests in associates and joint ventures (Continued)

The combined information were shown as below:

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates and joint ventures	**1,210,964**	—
Aggregate amounts of the group's share of:		—
Loss of the year	**(53,694)**	(1,057,909)
Total comprehensive loss	**(53,694)**	(1,057,909)

(c) Commitments in respect of joint ventures

	2019 RMB'000	2018 RMB'000
Commitment to provide capital injection	**150,000,000**	—

18 Financial assets at fair value through profit or loss

	31 December 2019 RMB'000	31 December 2018 RMB'000
Unlisted redeemable preferred shares (i)	**3,976,434**	3,979,937
Other unlisted shares	**741,844**	—
	4,718,278	3,979,937

(i) The financial asset is an investment of 32% preference shares of Smart King Limited (note 17(a)) with a call option granted to the original shareholder exercisable for a period of five years from 31 December 2018. The Group assessed the financial asset's fair value as at 31 December 2019 by taking reference of the valuation carried out by Global View Advisors LLC (note 3(c)).

Notes to the Consolidated Financial Statements

18 Financial assets at fair value through profit or loss (Continued)

The movements of financial assets at fair value through profit or loss are as follows:

	Year Ended 31 December	
	2019	2018
	RMB'000	RMB'000
Balance as at 1 January (note 17(a))	**3,979,937**	—
Acquisition from subsidiaries (note 40)	**64,954**	—
Additions	**741,849**	3,979,937
Fair value losses	**(132,128)**	—
Exchange differences	**63,666**	—
Balance as at 31 December	**4,718,278**	3,979,937

19 Financial instrument by category

Assets as per consolidated balance sheet

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Financial assets at amortised cost		
Restricted cash (note 15)	**2,415,109**	367,825
Cash and cash equivalents (note 16)	**9,857,780**	1,570,014
Trade and other receivables excluding prepaid other taxes (note 11)	**3,675,835**	378,623
	15,948,724	2,316,462
Financial assets at fair value through profit or loss	**4,718,278**	3,979,937
	20,667,002	6,296,399

Liabilities as per consolidated balance sheet

Liabilities at amortised cost		
Borrowings (note 25)	**62,386,868**	14,916,337
Lease liabilities	**437,594**	—
Trade and other payables, excluding staff welfare benefit payable, other taxes payable and provisions (note 23)	**23,852,930**	6,962,292
	86,677,392	21,878,629

Notes to the Consolidated Financial Statements

20 Share capital

	Number of shares	Amount RMB'000
Ordinary shares, issued and fully paid:		
At 31 December 2019 and 2018	8,640,000,000	250,936

21 Share option schemes

No option was granted by the Company under the Share Option Scheme since its adoption and up to 31 December 2019.

22 Reserves

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity.

(a) Special reserve

The special reserve of the Group represents the differences between the aggregate amount of share capital and share premium of the relevant subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation scheme.

(b) Capital contribution reserve

The amount represent deemed capital contribution and deregistration of a subsidiary in 2006 and 2008, respectively.

(c) Other reserve

Other reserve represents the deemed contribution arising from discounting of the non-current interest-free loans from fellow subsidiaries and conversion difference of investment properties at transition date.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities with fluctuation currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.6(iii) to the consolidated financial statements.

(e) Statutory reserve

Pursuant to the relevant rules and regulations concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of fund reaches 50% of their registered capital. Statutory reserve is non-distributable and the transfers of these funds are determined by the board of directors of the relevant PRC subsidiaries in accordance with the relevant rules and regulations in the PRC.

Notes to the Consolidated Financial Statements

23 Trade and other payables

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade and other payables:		
Trade and bills payables (a)	**13,173,528**	5,299,958
Other payables to:		
— third parties (b)	**4,960,490**	1,056,409
— related companies (note 38(a)(ii))	**3,312,231**	605,925
Staff welfare benefit payable	**200,014**	12,609
Other taxes payable	**223,997**	119,054
Interest payable	**2,406,681**	236,896
— third parties	**190,406**	13,998
— related parties	**2,216,275**	222,898
Provisions	**5,146**	—
	11,108,559	2,030,893
Total trade and other payables	**24,282,087**	7,330,851

(a) The Group normally receives credit terms of 60 days to 90 days from its suppliers. The following is an aging analysis of trade payables based on the invoice date at the reporting date:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Age		
0–90 days	**3,437,825**	5,118,229
91–180 days	**1,372,626**	58,644
Over 180 days	**8,363,077**	123,085
	13,173,528	5,299,958

Notes to the Consolidated Financial Statements

23 Trade and other payables (Continued)

(b) Other payables to third parties mainly included the construction payable for property, plant and equipment, payable for purchase of land use rights, payable for acquisition of subsidiaries and etc.

The Group's trade and other payables are denominated in the following currencies:

	31 December 2019 RMB'000	31 December 2018 RMB'000
RMB	**24,199,648**	7,148,771
Others	**82,439**	182,080
	24,282,087	7,330,851

24 Deferred income

	Year Ended 31 December	
	2019 RMB'000	2018 RMB'000
Balance as at 1 January	**—**	—
Acquired from business combination (note 40)	**374,433**	—
Increase in government grants	**1,363,162**	—
Credited to fixed assets (note 6)	**(101,800)**	—
Amount recognised in profit or loss	**(84,695)**	—
Balance as at 31 December	**1,551,100**	—

Notes to the Consolidated Financial Statements

25 Borrowings

	31 December 2019 RMB'000	31 December 2018 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings	**6,489,950**	2,170,000
Shareholder borrowings (note 38(a)(ii))	**32,179,297**	5,690,925
Other borrowings (a)	**13,535,691**	4,787,500
	52,204,938	12,648,425
Less: current portion of non-current borrowings	**(4,990,600)**	(1,400,000)
	47,214,338	11,248,425
Borrowings included in current liabilities:		
Bank borrowings	**1,600,000**	26,400
Other borrowings (a)	**8,581,930**	2,187,500
Current portion of non-current borrowings	**4,990,600**	1,400,000
	15,172,530	3,613,900
Total borrowings	**62,386,868**	14,862,325

(a) Other borrowings

Certain group companies in the PRC which are engaged in development of health and living projects have entered into fund arrangements with financial institutions (the "Trustees"), pursuant to which Trustees raised trust funds and injected the funds to the group companies.

Notes to the Consolidated Financial Statements

25 Borrowings (Continued)

At 31 December 2019 and 2018, the Group's borrowings were repayable as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year	**15,172,530**	3,613,900
Between 1 and 2 years	**15,437,998**	3,467,500
Between 2 and 5 years	**29,861,498**	7,390,925
Over 5 years	**1,914,842**	390,000
	62,386,868	14,862,325

As at 31 December 2019, the Group's borrowings of RMB17,539,967,000 (2018: RMB7,513,900,000) were secured by pledge of the Group's property, plant and equipment, land use rights, properties under development, completed properties held for sale, cash in bank, and equity interests of certain subsidiaries, totalling RMB32,495,985,000 (2018: RMB10,005,096,000).

For the year ended 31 December 2019, the effective interest rate of borrowings of RMB57,473,693,000 (2018: RMB14,862,325,000) was fixed to 8.67% (2018: 8.75%) per annum.

The carrying amounts of bank borrowings were denominated in the following currencies:

	31 December 2019 RMB'000	31 December 2018 RMB'000
RMB	**30,207,571**	9,171,400
US$	**25,351,232**	—
HK$	**6,046,515**	5,690,925
EUR	**781,550**	—
	62,386,868	14,862,325

The carrying amounts of current borrowings approximate their fair values due to their short-term maturities.

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As at 31 December 2019 and 2018, the carrying amounts of non-current borrowings approximate their fair values.

Notes to the Consolidated Financial Statements

26 Finance leases — 2018

Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See note 2.2 for further information about the change in accounting policy for leases.

	31 December 2019 RMB'000	31 December 2018 RMB'000
Commitments in relation to finance leases are payable as follows:		
Within one year	—	13,605
Later than one year but not later than five years	—	45,866
Minimum lease payments	—	59,471
Future finance charges	—	(5,459)
Total lease liabilities	—	54,012
The present value of finance lease liabilities is as follows:		
Within one year	—	8,705
Later than one year but not later than five years	—	45,307
	—	54,012

27 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Deferred income tax assets to be recovered within 12 months	**36,333**	1,234
Deferred income tax assets to be recovered after more than 12 months	**34,882**	33,238
Deferred income tax assets	**71,215**	34,472
Deferred income tax liabilities to be settled within 12 months	**(3,557)**	—
Deferred income tax liabilities to be settled after more than 12 months	**(2,588,106)**	—
Deferred income tax liabilities	**(2,591,663)**	—
	(2,520,448)	34,472

Notes to the Consolidated Financial Statements

27 Deferred income tax (Continued)

The net movements on the deferred taxation are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**34,472**	6,577
Acquisition of subsidiaries (note 40)	**(2,702,851)**	—
Recognised in income tax expenses (note 32)	**147,931**	27,895
At 31 December	**(2,520,448)**	34,472

Movements in gross deferred tax assets and liabilities are as follows:

Deferred income tax assets

	Net impairment losses on financial assets RMB'000	Tax losses RMB'000	Revaluation of financial assets RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2018	—	6,457	—	—	120	6,577
Credited/(charged) to profit or loss for the year	1,130	26,781	—	—	(16)	27,895
As at 31 December 2018	1,130	33,238	—	—	104	34,472
Credited/(charged) to profit or loss for the year	721	1,644	33,032	1,362	(16)	36,743
Acquisition of subsidiaries	—	168,506	—	—	—	168,506
As at 31 December 2019	1,851	203,388	33,032	1,362	88	239,721

Notes to the Consolidated Financial Statements

27 Deferred income tax (Continued)

Deferred income tax assets (Continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred tax assets of RMB904,424,972 (2018: RMB56,060,750) in respect of tax losses amounting to RMB3,617,700,000 (2018: RMB224,243,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

Year	RMB'000
2020	6,003
2021	55,393
2022	113,645
2023	360,034
2024	3,082,625
	3,617,700

Deferred tax liabilities

	Excess of carrying amount of land use right and intangible asset over the tax bases RMB'000	**Temporary difference on recognition of fair value gain of investment properties**	**Total** RMB'000
As at 31 December 2018	—	—	—
Credited/(charged) to profit or loss for the year	114,745	(3,557)	111,188
Acquisition of subsidiaries	(2,871,357)	—	(2,871,357)
As at 31 December 2019	(2,756,612)	(3,557)	(2,760,169)

Notes to the Consolidated Financial Statements

28 Expense by nature

	2019 RMB'000	2018 RMB'000
Cost of health and living projects	**2,939,551**	1,836,265
Employee benefit expenses (including directors' emoluments) (note 29)	**1,379,488**	195,742
Employee benefit expenditure (including directors' emoluments)	**1,661,061**	330,357
Less: capitalised in properties under development and construction in progress	**(281,573)**	(134,615)
Research and development expenses	**295,058**	—
Changes in inventories of finished goods and work in progress	**445,310**	—
Amortisation of intangible assets	**438,741**	399
Advertising and promotion expenses	**466,442**	223,952
Depreciation of property, plant and equipment	**407,125**	18,309
Office expenses	**272,264**	23,714
Professional fees	**209,846**	13,814
Net impairment losses on intangible assets	**174,889**	—
Raw materials and consumables used	**144,050**	—
Depreciation of right-of-use assets and amortisation of land-use-rights (note 7)	**155,907**	9,660
Business tax and other levies	**119,218**	27,619
Transportation expenses	**106,146**	16,401
Legal expenses	**60,351**	47,533
Write-down of properties held for sale	**53,313**	—
Operating lease rentals for rented premises and machineries	**34,444**	21,824
Auditor's remunerations	**9,827**	6,849
— Audit services	**3,314**	2,696
— Non-audit services	**6,513**	4,153
Others	**60,270**	146,547
Total cost of sales, selling and marketing costs and administrative costs	**7,772,240**	2,588,628

29 Employee benefit expenses — including directors' emoluments

	2019 RMB'000	2018 RMB'000
Wages and salaries	**1,053,631**	179,732
Pension cost — defined contribution plans	**325,857**	16,010
	1,379,488	195,742

Notes to the Consolidated Financial Statements

30 Other gains/(losses), net

	2019 RMB'000	2018 RMB'000
Loss on disposal of an associate	**—**	(138,253)
Government grants	**84,695**	—
Exchange losses	**(34,300)**	(708)
Others	**(16,912)**	(2,878)
	33,483	(141,839)

31 Finance costs, net

	2019 RMB'000	2018 RMB'000
Finance income		
— Bank interest income	**149,165**	21,155
Finance costs		
— Interest expense on borrowings	**(3,709,621)**	(703,945)
— Interest expense on lease liabilities/finance leases	**(85,057)**	(11,589)
— Less: interest capitalised	**1,421,085**	483,331
	(2,373,593)	(232,203)
Other finance costs	**—**	(260,290)
Finance costs	**(2,373,593)**	(492,493)
Finance costs, net	**(2,224,428)**	(471,338)

Notes to the Consolidated Financial Statements

32 Income tax expense

The amount of income tax charged to profit or loss represents:

	2019 RMB'000	2018 RMB'000
Current income tax:		
PRC corporate income tax	**304,129**	196,508
PRC land appreciate tax	**264,944**	127,770
Deferred income tax	**(147,931)**	(27,895)
Income tax expense	**421,142**	296,383
Loss before income tax	**(4,526,336)**	(1,131,995)
Tax calculated at tax rates applicable to profits or losses in the respective countries or regions	**(1,131,584)**	(282,999)
PRC land appreciation tax deductible for PRC corporate income tax expense	**(66,236)**	(31,943)
Expenses not deductible for taxation purposes	**587,887**	437,887
Tax losses for which no deferred tax asset was recognised	**770,656**	45,668
Effect of different tax rates of subsidiaries	**(4,525)**	—
PRC corporate income tax	**156,198**	168,613
PRC land appreciation tax	**264,944**	127,770
	421,142	296,383

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2019 (2018: 16.5%). Hong Kong profits tax has not been provided for as the Group did not have any assessable profits during the year ended 31 December 2019 (2018: nil).

PRC corporate income tax

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the year ended 31 December 2019 (2018: 25%). The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

For subsidiaries which meet the inclusive tax reduction policy for small and micro enterprises, according to the existing policy of the PRC, they are entitled to enjoy a preferential corporate income tax rate and of the income tax provision of in respect of operations in the PRC of 20%.

For the subsidiaries which obtained the Certificate of High-Tech Corporation, according to the Corporation Income Tax Law of the PRC, they are entitled to enjoy a preferential corporate income tax rate and of the income tax provision of in respect of operations in the PRC of 15%.

Notes to the Consolidated Financial Statements

32 Income tax expense (Continued)

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of health and living projects less deductible including land use rights and all property development expenditures.

33 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

34 Loss per share

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2019	2018
Weighted average number of ordinary shares for the purpose of basic loss per share	**8,640,000,000**	8,640,000,000
Basic and diluted loss per share (RMB cents per share) (a)	**(51.230)**	(16.544)

(a) As there was no dilutive potential ordinary shares for the years ended 31 December 2019 and 2018, diluted loss per share equals basic loss per share.

Notes to the Consolidated Financial Statements

35 Notes to the consolidated statement of cash flows

(a) Cash used in operations

	2019 RMB'000	2018 RMB'000
Loss before income tax	**(4,526,336)**	(1,131,995)
Adjustments for:		
Finance income (note 31)	**(149,165)**	(21,155)
Finance costs (note 31)	**2,373,593**	492,493
Depreciation of property, plant and equipment (note 6)	**407,125**	18,309
Depreciation of right-of-use assets and amortisation of land-use-rights	**155,907**	9,660
Amortisation of intangible assets (note 9)	**438,741**	399
Fair value changes through profit and loss	**132,128**	—
Fair value changes on investment properties	**(14,228)**	—
Exchange loss (note 30)	**34,300**	708
Impairment loss	**174,889**	—
Share of losses of investments accounted for using the equity method (note 17)	**53,694**	1,057,909
Government grants recognised in profit or loss (note 24)	**(84,695)**	—
Loss on disposal of an associate (note 30)	**—**	138,253
Operating (loss)/profit before working capital changes	**(1,004,047)**	564,581
Changes in working capital:		
Increase in inventories, properties under development and completed properties held for sale	**(20,096,439)**	(9,502,260)
Increase in trade and other receivables and contract assets	**(3,109,952)**	(217,434)
Increase in trade and other payables and contract liabilities	**12,298,281**	6,041,230
Increase in government grants	**17,262**	—
Increase in restricted cash	**(2,031,245)**	(150,632)
Cash used in operations	**(13,926,140)**	(3,264,515)

Notes to the Consolidated Financial Statements

35 Notes to the consolidated statement of cash flows (Continued)

(b) Reconciliations of liabilities arising from financing activities

	Leases RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Total debt as at 1 January 2019	**54,012**	**3,613,900**	**11,248,425**	**14,916,337**
Recognised on adoption of HKFRS 16 (see note 2.2)	**350,546**	**—**	**—**	**350,546**
Interest paid	**(26,782)**	**(499,996)**	**(1,228,385)**	**(1,755,163)**
Repayment of capital element of finance leases	**(111,240)**	**—**	**—**	**(111,240)**
Repayments of borrowings	**—**	**(5,205,160)**	**(2,180,473)**	**(7,385,633)**
Acquisition of a subsidiary, net of cash acquired	**171,058**	**5,510,470**	**2,023,303**	**7,704,831**
Proceeds from interest-bearing borrowings	**—**	**11,253,320**	**35,767,493**	**47,020,813**
Foreign exchange adjustments	**—**	**—**	**355,590**	**355,590**
Total debt as at 31 December 2019	**437,594**	**15,172,530**	**47,214,338**	**61,096,081**

	Finance leases RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Total debt as at 1 January 2018	95,875	1,539,400	3,720,000	5,355,275
Interest paid	(35,301)	—	—	(35,301)
Repayment of capital element of finance leases	(6,562)	—	—	(6,562)
Repayments of borrowings	—	(2,839,400)	(850,000)	(3,689,400)
Proceeds from interest-bearing borrowings	—	4,913,900	8,378,425	13,292,325
Total debt as at 31 December 2018	54,012	3,613,900	11,248,425	14,916,337

Notes to the Consolidated Financial Statements

36 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2019 RMB'000	2018 RMB'000
Acquisition of land use rights and property, plant and equipment	**8,581,884**	805,292

(b) Non-cancellable operating leases

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to below:

	2019 RMB'000	2018 RMB'000
Minimum lease payments receivable on leases of investment properties are as follows:		
Within one year	**9,508**	—
In the first to second year	**9,933**	—
In the second to third year	**8,720**	—
In the third to fourth year	**7,896**	
	36,057	—

Notes to the Consolidated Financial Statements

37 Financial Guarantee

	31 December 2019 RMB'000	31 December 2018 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**1,832,517**	602,962

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and the financial guarantees measured at fair value is immaterial.

Notes to the Consolidated Financial Statements

38 Related party transactions

The Group is controlled by China Evergrande Group, which owns 74.99% of the Company's shares. The remaining 25.01% of the shares are widely held. The ultimate parent of the Group is Xin Xin (BVI) Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Dr. Hui Ka Yan.

Name	Relationship
China Evergrande Group	Intermediate controlling company
Evergrande Health Industry Holdings Limited	Parent company
Evergrande Life Assurance Co., Ltd.	Joint venture of the Group's holding company
Guangzhou Evergrande Taobao Football Club Co., Ltd.	Joint venture of the Group's holding company
Rise Gain Development Limited	Joint venture of the Group's holding company
Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	Fellow subsidiary
Evergrande Smart Energy Service Co., Ltd.	Fellow subsidiary
Guangzhou Jiasui Real Estate Co., Ltd.	Fellow subsidiary
Shenzhen Hengda Material Equipment Co., Ltd.	Fellow subsidiary
Guangzhou Hengda Material Equipment Co., Ltd.	Fellow subsidiary
Guangzhou Pinyan Catering Enterprise Management Co., Ltd.	Fellow subsidiary
Hengda Landscaping Group Co., Ltd.	Fellow subsidiary
Jinbi Property Management Co., Ltd.	Fellow subsidiary
Evergrande Architectural Design Institute Co., Ltd.	Fellow subsidiary
Foshan Nanhai Xinzhongjian Real Estate Development Co., Ltd.	Fellow subsidiary
Hengda Shijicheng (Qingyuan) Co., Ltd.	Fellow subsidiary
Chongqing Hengda Hotel Co., Ltd.	Fellow subsidiary
Guangzhou Hengda hotel Co., Ltd.	Fellow subsidiary
Chengdu Jintang Hengda Hotel Co. Ltd.	Fellow subsidiary
Pengshan Hengda Hotel Co., Ltd.	Fellow subsidiary
Tianjin Dongli Huheng Hotel Co. Ltd.	Fellow subsidiary
Nanjing Hengda Hotel Co., Ltd.	Fellow subsidiary
Linzhi Hengda Hotel Co., Ltd.	Fellow subsidiary
Qidong Hengda Hotel Co., Ltd.	Fellow subsidiary
Danzhou Xinheng Tourism Development Co., Ltd.	Fellow subsidiary
Hainan Henggan Material Equipment Co., Ltd.	Fellow subsidiary
Tianjin Hengda Hotel Co., Ltd.	Fellow subsidiary
Xuzhou Panan Town Cultural Tourism Development Co., Ltd.	Fellow subsidiary
Yueyang Hengyue Property Co., Ltd.	Joint venture
Handan Jinan New District Hengpeng Real Estate Development Co., Ltd.	Joint venture
Jinhua Henghe Real Estate Co., Ltd.	Joint venture
Yunnan Jialize Horse Industry Co., Ltd.	Associate
Yunnan Jialize Towards Physical Culture Development Co., Ltd.	Associate
Meneko AB	Joint venture

Notes to the Consolidated Financial Statements

38 Related party transactions (Continued)

(a) Related party transactions and balances

During the years ended 31 December 2019 and 2018, in addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties, which were carried out in the normal course of the Group's business:

(i) Transactions with companies related to China Evergrande Group:

	2019 **RMB'000**	2018 RMB'000
Borrowings guaranteed by intermediate controlling company	**23,911,293**	1,947,500
Interest charged by intermediate controlling company	**1,977,048**	222,898
Interest charged by joint venture of the Group's holding company	**140,294**	35,522
Integrated insurance procurement	**122,152**	62,257
Operating revenue	**—**	1,566
Operating leases	**2,546**	14,453
Advertising expenses	**—**	569
Miscellaneous charges and fees	**833**	435

Notes to the Consolidated Financial Statements

38 Related party transactions (Continued)

(a) Related party transactions and balances (Continued)

(ii) Balances with companies related to China Evergrande Group:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Due from related parties:		
fellow subsidiaries	**1,103,404**	2,133
parent company	**5**	5
joint venture	**131,114**	766
joint venture of the Group's holding company	**17,219**	—
Associate	**14,761**	—
	1,266,503	2,904
Cash deposits in associate of the Group's holding company	**154,802**	—
Due to related parties (note 23):		
intermediate controlling company	**243,406**	405,448
fellow subsidiaries	**1,907,059**	199,907
joint venture	**1,161,716**	—
Associate	**47**	—
joint venture of the Group's holding company	**3**	570
	3,312,231	605,925
Loans from intermediate controlling company (note 25)	**32,179,297**	5,690,925
Loans from joint venture of the Group's holding company	**1,810,000**	1,000,000
Loans from associate of the Group's holding company	**300,000**	—

Notes to the Consolidated Financial Statements

38 Related party transactions (Continued)

(a) Related party transactions and balances (Continued)

(ii) Balances with companies related to China Evergrande Group: (Continued)

The receivables arise mainly from cash advance to fellow subsidiaries for daily operation purpose. The receivables are unsecured in nature, bear no interest and repayable on demand. No provisions are held against receivables from fellow subsidiaries (2018: nil).

The payables arise mainly from cash advance from fellow subsidiaries for daily operation purpose. The payables are unsecured in nature, bear no interest and repayable on demand.

Loans from intermediate controlling company are unsecured with the interest rate from 7.6% to 8%.

Loans from joint venture of the Group's holding company are guaranteed with the interest rate from 12% to 13.09%.

Loans from associate of the Group's holding company are guaranteed with the interest rate from 8%.

(b) Compensation of key management personnel

Key management includes directors (executive and non-executive) of the Company. The compensation paid or payable to key management for employee services is shown below:

The emoluments of directors and other members of key management during the year were as follows:

	2019 **RMB'000**	2018 RMB'000
Short-term benefits	**34,997**	2,657
Contribution to a retirement benefit scheme	**1,605**	43
	36,602	2,700

Notes to the Consolidated Financial Statements

39 Non-controlling interests

The movements of non-controlling interests were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**—**	(1,003)
(Loss)/profit for the year	**(521,171)**	1,003
Currency translation differences	**(59,879)**	—
Acquisition of subsidiaries ((i) and note 40)	**3,322,936**	—
Capital injection	**5,955,632**	—
Changes in ownership interests in subsidiaries without change of control (ii)	**(2,492,649)**	—
	6,204,869	—

(i) Acquisition of subsidiaries

During 2019, the Group acquired controlling interests of certain companies in the PRC and Europe at considerations totalling approximately RMB9,714,791,000. These companies are engaged in new energy vehicle business. These acquisitions resulted in an increase in the non-controlling interests of the Group totalling RMB3,322,936,000.

(ii) Transaction with non-controlling interests

During 2019, the Group further acquired 17.89% equity interests of NEVS amounting to RMB2,170,053,000 from non-controlling shareholders, the difference between the considerations and carrying amount of equity interest acquired amounting to RMB1,868,627,000 was recognised as a decrease in reserve.

The Group further acquired 21.79% equity interests of CENAT amounting to RMB322,598,000 from non-controlling shareholders, the difference between the considerations and carrying amount of equity interest acquired amounting to RMB82,927,000 was recognised as a decrease in reserve.

	2019	2018
	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired	**(2,492,649)**	—
Considerations to non-controlling interests	**4,444,204**	—
Excess of considerations recognised in the transaction with non-controlling interests reserve within equity	**1,951,555**	—

There were no transaction with non-controlling interests in 2018.

Notes to the Consolidated Financial Statements

39 Non-controlling interests (Continued)

(iii) Set out below is the summarised financial information for subsidiary with non-controlling interests that are material to the Group. The amounts disclosed for the subsidiary are before inter-company eliminations.

Summarised balance sheet

	NEVS	
	31 December 2019 RMB'000	Acquisition date RMB'000
Current assets	**15,707,207**	1,360,297
Current liabilities	**9,107,738**	5,209,083
Current net assets	**6,599,469**	(3,848,786)
Non-current assets	**17,045,925**	5,431,585
Non-current liabilities	**5,474,673**	1,223,740
Non-current net assets	**11,571,252**	4,207,845
Net assets	**18,170,721**	359,059
Accumulated non-controlling interest	**5,538,157**	2,640,926

Summarised statement of comprehensive income

	NEVS	
	Period from acquisition date to 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Revenue	**66,306**	—
Loss for the period	**(2,491,839)**	—
Other comprehensive income	**—**	—
Total comprehensive income	**(2,491,839)**	—
Loss allocated to non-controlling interest	**(438,564)**	—
Dividends paid to non-controlling interest	**—**	—

Notes to the Consolidated Financial Statements

40 Business combination

During 2019, the Group acquired controlling interests of certain companies engaged in new energy vehicles business and health management business in the PRC and Europe.

The following table summarises the consideration paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

(i) Acquisition of NEVS

In January 2019, the Group entered into a Sale and Purchase Agreement with a third party in relation to the acquisition of 100% equity interest of Mini Minor Limited ("Mini Minor") with a consideration of US$1,130,000,000. Mini Minor Limited held 51% shareholding in NEVS. NEVS, with its headquarters based in Sweden, is a global electric vehicle company focused on intelligent automobiles. After the completion of above acquisition, Mini Minor subsequently acquired additional 31.4% equity interest of NEVS during the year ended 31 December 2019 (note 39(ii)).

	RMB'000
Cash consideration	7,755,416
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	4,442,227
Right-of-use assets	753,899
Financial asset at fair value through profit or loss	64,954
Intangible assets	6,064,513
Inventories	22,717
Trade and other receivables	281,421
Prepayments	77,322
Cash and cash equivalents	904,458
Restricted cash	16,039
Other non-current assets	353
Borrowings	(4,522,490)
Lease liabilities	(171,058)
Trade and other payables	(1,130,951)
Deferred income	(332,433)
Deferred income tax liabilities	(1,531,828)
Total identifiable net assets	4,939,143
Non-controlling interests	(2,640,926)
Identifiable net assets acquired	2,298,217
Goodwill (note 10)	5,457,199

Notes to the Consolidated Financial Statements

40 Business combination (Continued)

(ii) Acquisition of CENAT

In January 2019, the Group entered into a Sale and Purchase Agreement with a third party in relation to the acquisition of 58.07% equity interest of CENAT with a consideration of RMB1,059,778,000. CENAT is established in the PRC and is one of the leading enterprises in the industry focusing on ternary pouch type power battery. After the completion of above acquisition, the Group subsequently acquired additional 21.79% equity interest of CENAT during the year ended 31 December 2019 (note 39(ii)).

	RMB'000
Cash consideration	1,059,778
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	826,893
Right-of-use assets	27,154
Intangible assets	551,029
Inventories	287,439
Trade and other receivables	466,228
Prepayments	81,977
Cash and cash equivalents	462,989
Borrowings	(233,617)
Trade and other payables	(823,148)
Contract liabilities	(30,682)
Deferred income	(32,000)
Provision	(14,612)
Deferred income tax liabilities	(89,102)
Total identifiable net assets	1,480,548
Non-controlling interests	(620,793)
Identifiable net assets acquired	859,755
Goodwill (note 10)	200,023

Notes to the Consolidated Financial Statements

40 Business combination (Continued)

(iii) Acquisition of TeT

During 2019, the Group entered into equity transfer agreements with Tianjin Tianhai Group Co., Ltd., TeT. and Lv Chao. Pursuant to the Equity Transfer Agreement and the supplement agreement, the Group agrees to acquire 81.41% equity interest in TeT, free from any encumbrance, at the consideration of RMB500 million.

	RMB'000
Cash consideration	500,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	8,863
Intangible assets	320,800
Inventories	15,374
Trade and other receivables	46,811
Prepayments	7,540
Cash and cash equivalents	2,586
Other current assets	2,419
Trade and other payables	(9,638)
Contract liabilities	(384)
Other current liabilities	(2,874)
Deferred income tax liabilities	(62,198)
Total identifiable net assets	329,299
Non-controlling interests	(61,217)
Identifiable net assets acquired	268,082
Goodwill (note 10)	231,918

Notes to the Consolidated Financial Statements

40 Business combination (Continued)

(iv) Acquisition of Protean

In May 2019, NEVS acquired Protean Holdings Corp by effecting a merger of Protean with and into Virtue Surge Limited, a subsidiary of NEVS, with a consideration of US$58,000,000.

	RMB'000
Cash consideration	399,597
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	22,095
Intangible assets	98,955
Investments accounted for using the equity method	30,770
Inventories	20,540
Trade and other receivables	19,153
Cash and cash equivalents	4,493
Borrowings	(80,446)
Trade and other payables	(306)
Deferred income tax liabilities	(19,791)
Total identifiable net assets	95,463
Non-controlling interests	—
Identifiable net assets acquired	95,463
Goodwill (note 10)	304,134

Notes to the Consolidated Financial Statements

40 Business combination (Continued)

(v) Acquisition of Kunming Jialize Tourism Culture Co., Ltd. ("KJTC")

In September 2019, the Group acquired 100% equity interest of KJTC at total consideration of RMB3,600 million.

	RMB'000
Cash consideration	3,600,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	420,318
Right-of-use assets	73,730
Intangible assets	2,445
Investment properties	872,192
Investments accounted for using the equity method	2,885
Properties under development	5,453,793
Deferred income tax assets	168,506
Inventories	9,316
Trade and other receivables	134,218
Cash and cash equivalents	22,994
Borrowings	(1,892,303)
Trade and other payables	(257,911)
Contract liabilities	(63,615)
Current income tax liabilities	(168,130)
Deferred income	(10,000)
Deferred income tax liabilities	(1,168,438)
Identifiable net assets acquired	3,600,000
Goodwill	—

Reconciliation of total cash considerations of above business combinations and cash outflow on acquisitions is as follows:

Total cash considerations	13,314,791
Total considerations deferred	(1,034,788)
Total cash and cash equivalents acquired	(1,397,520)
Total payment for business combinations conducted in the year	10,882,483

The acquired businesses contributed revenues of RMB676,139,000 and net loss of RMB2,735,193,000 to the Group for the period from the respective acquisition dates to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated loss for the period would have been RMB5,827,727,000 and RMB5,080,073,000 respectively.

Notes to the Consolidated Financial Statements

41 Subsequent events

Upon the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020 in the PRC, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

In order to minimise the impact of the COVID-19 outbreak and changes in the market, the Group has actively coordinated relevant resources and adjusted the advertising and promotion strategies in a timely manner. Certain cases of the Group's sales of health and living projects were postponed for one or two months, while it will be caught up in the following months based on the enhanced advertising activities and adoption of online selling mode. Since the business of new energy vehicle is still under development and construction phase, the Group considers no material impact will be caused by the COVID-19 outbreak for the new energy vehicle segment.

The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

Notes to the Consolidated Financial Statements

42 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**4,402,671**	4,402,671
Current assets		
Other receivables	**23,120**	22,559
Amounts due from subsidiaries	**26,763,454**	589,002
Amounts due from fellow subsidiaries	**—**	549
Amounts due from parent company	**5**	5
Cash and cash equivalents	**44,548**	42,847
	26,831,127	654,962
Total assets	**31,233,798**	5,057,633
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**250,936**	250,936
Reserves (a)	**(3,597,771)**	(1,512,614)
Total equity	**(3,346,835)**	(1,261,678)
LIABILITIES		
Non-current liabilities		
Borrowings	**32,179,297**	5,690,925
Current liabilities		
Amounts due to intermediate controlling company	**2,401,279**	628,330
Other payables	**57**	56
	2,401,336	628,386
Total liabilities	**34,580,633**	6,319,311
Total equity and liabilities	**31,233,798**	5,057,633

The balance sheet of the Company was approved by the Board of Directors on 30 March 2020 and was signed on its behalf.

SHI SHOUMING
Director

PENG JIANJUN
Director

Notes to the Consolidated Financial Statements

42 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Merger reserve RMB'000	Exchange reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2018	68,050	(36,487)	201,714	233,277
Comprehensive loss				
Loss for the year	—	—	(1,567,393)	(1,567,393)
Other comprehensive loss	—	(178,498)	—	(178,498)
Total comprehensive loss	—	(178,498)	(1,567,393)	(1,745,891)
At 31 December 2018	68,050	(214,985)	(1,365,679)	(1,512,614)
At 1 January 2019	68,050	(214,985)	(1,365,679)	(1,512,614)
Comprehensive loss				
Loss for the year	—	—	(2,045,123)	(2,045,123)
Other comprehensive loss	—	(40,034)	—	(40,034)
Total comprehensive loss	—	(40,034)	(2,045,123)	(2,085,157)
At 31 December 2019	68,050	(255,019)	(3,410,802)	(3,597,771)

The merger reserve of the Company represented the difference between the consolidated net assets of the subsidiaries at the date of the Group reorganisation and the nominal amount of the Company's shares issued.

At 31 December 2019, the Company's reserves has no available for distribution (2018: nil) as calculated.

Notes to the Consolidated Financial Statements

43 Benefits and interests of directors

(a) Directors' and Chief Executive's emoluments

The remuneration of directors and the Chief Executive for the year ended 31 December 2019 is set out below:

	Fee RMB'000	Salary RMB'000	Estimated money value of other benefits RMB'000	Employer's Contribution to a retirement benefit scheme RMB'000	Total RMB'000
Shi Shouming	**180**	**5,580**	**6,553**	**51**	**12,364**
Peng Jianjun	**180**	**8,139**	**10,267**	—	**18,586**
Li Siquan (a)	—	—	—	—	—
Qin Liyong (b)	**165**	**1,200**	**3,157**	**51**	**4,573**
Chau Shing Yim, David	**300**	—	—	—	**300**
Guo Jianwen	**300**	—	—	—	**300**
Xie Wu	**300**	—	—	—	**300**
Total emoluments	**1,425**	**14,919**	**19,977**	**102**	**36,423**

(a) Appointed on 20 July 2018, and resigned on 1 February 2019

(b) Appointed on 1 February 2019

The remuneration of directors and the Chief Executive for the year ended 31 December 2018 is set out below:

	Fee RMB'000	Salary RMB'000	Estimated money value of other benefits RMB'000	Employer's Contribution to a retirement benefit scheme RMB'000	Total RMB'000
Shi Shouming	115	—	—	—	115
Tan Chaohui	65	—	—	—	65
Han Xiaoran	—	—	—	—	—
Peng Jianjun	69	—	—	—	69
Li Siquan	—	2,057	63	—	2,120
Qin Liyong	—	—	—	—	—
Chau Shing Yim, David	300	—	—	—	300
Guo Jianwen	300	—	—	—	300
Xie Wu	300	—	—	—	300
Total emoluments	1,149	2,057	63	—	3,269

Notes to the Consolidated Financial Statements

43 Benefits and interests of directors (Continued)

(b) Directors’ retirement benefits and termination benefits

Except for the details disclosed in note 38(b), none of the directors of the Company received or will receive any retirement benefits or termination benefits in respect of their services to the Group for the year ended 31 December 2019 (2018: nil).

(c) Consideration provided to third parties for making available directors’ services

During the year ended 31 December 2019, the Group has not paid any consideration to any third parties for making available directors’ services to the Company (2018: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings entered into by the Group in favour of the directors of the Company, or body corporate controlled by or entities connected with any of the directors of the Company at the end of the year or at any time during the year (2018: nil).

(e) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: nil).

(f) Five highest paid individuals

During the year ended 31 December 2019, the five highest paid individual include three of the directors (2018: three of the directors), whose emoluments are reflected in the analysis presented in note 38(b). The aggregate amounts of emoluments of the remaining highest paid individuals for the year ended 31 December 2019 are set out below:

	2019 **RMB’000**	2018 RMB’000
Salaries and other benefits	**9,245**	4,011

The emoluments fell within the following bands:

	2019	2018
HK$2,000,001 – HK$2,500,000	—	2
HK$5,000,001 – HK$5,500,000	**2**	—

Notes to the Consolidated Financial Statements

44 Subsidiaries

Particulars of principal subsidiaries

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	Percentage of attributable equity interest held indirectly	Principal activities
Right Bliss Limited	BVI	US$1	100%	—	Investment holdings
Flaming Ace Limited	BVI	US$1	100%	—	Investment holdings
時穎有限公司 Season Smart Limited	BVI	US$1	100%	—	Investment holdings
保匯有限公司 ASSEMBLE GUARD LIMITED	BVI	HK$8	100%	—	Investment holdings
完美環球集團有限公司 PERFECT GLOBAL GROUP LIMITED	BVI	HK$8	100%	—	Investment holdings
迅中有限公司 CENTRE RAPID LIMITED	BVI	HK$8	100%	—	Investment holdings
精良環球有限公司 EXQUISITE GLOBAL LIMITED	BVI	HK$8	100%	—	Investment holdings
偉祥發展有限公司 GREAT AUSPICIOUS DEVELOPMENTS LIMITED	BVI	HK$8	100%	—	Investment holdings
迅康集團有限公司 SWIFT WEALTH HOLDINGS LIMITED	Hong Kong	HK$1	—	100%	Investment holdings
Brave Beauty Limited	Hong Kong	HK$10	—	100%	Investment holdings
佳康發展有限公司(香港) Best Wealth Development Limited	Hong Kong	HK$1	—	100%	Investment holdings
ULTIMATE CHOICE HOLDINGS LIMITED	Hong Kong	HK$8	—	100%	Investment holdings
Solution King Investments Limited	Hong Kong	HK$8	—	100%	Investment holdings
溢康發展有限公司 ABUNDANT WELL DEVELOPMENTS LIMITED	Hong Kong	HK$8	—	100%	Investment holdings
安圖環球有限公司 ANTU GLOBAL LIMITED	Hong Kong	HK$8	—	100%	Investment holdings
恒大智慧汽車(香港)有限公司 Evergrande Intelligent Automotive (Hong Kong) Limited	Hong Kong	RMB633,003,115	—	100%	Investment holdings
殷盛有限公司 FLOURISHING FILL LIMITED	Hong Kong	HK$8	—	100%	Investment holdings
永頌有限公司 LONG CELEBRATION LIMITED	Hong Kong	HK$8	—	100%	Investment holdings
榮佳環球有限公司 GLORY BEST GLOBAL LIMITED	Hong Kong	HK$8	—	100%	Investment holdings

Notes to the Consolidated Financial Statements

44 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
萃成發展有限公司 JOLLY SUCCESS DEVELOPMENTS LIMITED	Hong Kong	HK$8	—	100%	Investment holdings
廣州市南凰貿易有限公司 Guangzhou Nanhuang Trading Co., Ltd.	PRC (i)	—	—	100%	Wholesales of home care and healthcare products
廣州市慧宇貿易有限公司 Guangzhou Huiyu Trading Co., Ltd.	PRC (i)	RMB19,085,700	—	100%	Wholesales of home care and healthcare products
廣州市輝遠貿易有限公司 Guangzhou Huiyuan Trading Co., Ltd.	PRC (i)	—	—	100%	Wholesales of home care and healthcare products
深圳市恒大數碼科技有限責任公司 Shenzhen Evergrande Digital Technology Co., Ltd.	PRC (i)	RMB5,000,000	—	100%	Provision of information technology consultancy services
深圳市恒大設備貿易有限公司 Shenzhen Evergrande Equipment Trading Co., Ltd.	PRC (i)	—	—	100%	Wholesales of home care and healthcare products
廣州市松慈貿易有限公司 Guangzhou Songci Trading Co., Ltd.	PRC (i)	—	—	100%	Wholesales of home care and healthcare products
南京恒合健康產業有限公司 Nanjin Henghe Health Industry Co., Ltd.	PRC (i)	RMB209,010,000	—	100%	Provision of care services for elderly and handicapped
Mini Minor Limited	Hong Kong	RMB7,118,626,289	—	100%	Investment holdings
嘉億國際有限公司 BILLION WELL INTERNATIONAL LIMITED	Hong Kong	HK$8		100%	Investment holdings
盟諾有限公司 ALLIANCE CONSENT LIMITED	Hong Kong	—	—	100%	Investment holdings
恒大凱隆智慧汽車集團有限公司 Evergrande FF Intelligent Automotive (China) Group Co., Ltd	PRC (i)	RMB633,003,115	—	100%	Investment holdings
良世有限公司 KIND WORLD CORPORATION LIMITED	Hong Kong	—	—	100%	Investment holdings
展全有限公司 TOTAL ACCORD LIMITED	Hong Kong	—	—	100%	Investment holdings
世曉有限公司 GLOBAL SUNNY CORPORATION LIMITED	Hong Kong	—	—	100%	Investment holdings
智標有限公司 WISE TARGET CORPORATION LIMITED	Hong Kong	—	—	100%	Investment holdings

Notes to the Consolidated Financial Statements

44 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
佳運創建有限公司 GOOD LUCK CREATION LIMITED	Hong Kong	—	—	100%	Investment holdings
廣州恒澤養生服務有限公司 Guangzhou Hengze Health Service Co., Ltd.	PRC (iii)	—	—	100%	Provision of healthcare services
廣州億恒園林綠化有限公司 Guangzhou Yiheng Landscaping Co., Ltd.	PRC (iii)	—	—	100%	Landscaping project
廣州恒隆設備材料有限公司 Guangzhou Henglong Equipment and Materials Co., Ltd.	PRC (iii)	—	—	100%	Wholesales of home care and healthcare products
恒大健康產業集團有限公司 Guangzhou Kaishang Health Industry Co., Ltd.	PRC (iii)	RMB5,000,000,000	—	100%	Wholesales of cosmetic products and provision of healthcare services
濟南熙樂薈養老服務有限公司 Jinan Xilehui Pension Service Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
佛山市御嘉養老服務有限公司 Foshan Yujia Pension Service Co., Ltd.	PRC (iii)	RMB3,000,000	—	100%	Provision of healthcare services
西安恒大養生谷養老服務公司 Xian Evergrande Health and Pension Service Co., Ltd.	PRC (iii)	—	—	100%	Provision of care services for elderly and handicapped
恒大恒康物業有限公司 Evergrande Hengkang Property Management Co., Ltd.	PRC (iii)	—	—	100%	Develop and sales of living units
濟南市歷城區王舍人恒大城長者日間照料中心 Jinan Lichen Wangsheren Evergrande Elderly Day Care Centre	PRC (iii)	RMB30,000	—	100%	Pension care
三亞恒大健康醫療有限公司 Sanya Evergrande Health Care Co., Ltd.	PRC (ii)	RMB129,000,000	—	100%	Develop and sales of living units
廣州恒麗醫療美容門診有限公司 Guangzhou Hengli Beauty Clinic Co., Ltd.	PRC (iii)	—	—	100%	Provision of healthcare services
海南博鼇恒大國際醫學美容醫院有限公司 Hainan Boao Evergrande International Medical Beauty Hospital Co., Ltd.	PRC (iii)	—	—	100%	Provision of healthcare services
海南博鼇恒大健康醫藥科技有限公司 Hainan Boao Evergrande Health Medicine Technology Co., Ltd.	PRC (iii)	—	—	100%	Research and development of pharmaceutical

Notes to the Consolidated Financial Statements

44 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
天津恒大原辰美容醫院有限公司 Tianjin Evergrande Wonjin Beauty Hospital Co., Ltd.	PRC (ii)	RMB53,000,000	—	96%	Provision of healthcare services
廣州恒大健康醫療投資有限公司 Guangzhou Evergrande Health Medical Investment Co., Ltd.	PRC (iii)	RMB15,000,000	—	100%	Investment holding
廣州市海珠區恒暉門診部有限公司 Guangzhou Haizhu Henghui Clinic Co., Ltd.	PRC (iii)	RMB4,000,000	—	100%	Provision of healthcare services
濟南恒暉門診部有限公司 Jinan Henghui Clinic Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
濟南綠洲恒暉醫療服務有限公司 Jinan Oasis Henghui Medical Service Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
南昌市恒暉醫院管理有限公司 Nanchang Henghui Hospital Management Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of hospital management, software and advertisement design service
石家莊恒暉門診部有限公司 Shijiazhuang Henghui Clinic Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
洛陽恒暉綜合門診部有限公司 Luoyang Henghui Polyclinic Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
成都恒暉門診部有限公司 Chengdu Henghui Clinic Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
長沙市恒暉門診部有限公司 Changsha Henghui Clinic Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
武漢恒暉健康諮詢服務有限公司 Wuhan Henghui Health Consulting Service Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
海南博鰲恒大國際醫院有限公司 Hainan Boao Evergrande International Hospital Co., Ltd.	PRC (ii)	RMB200,000,000	—	100%	Provision of healthcare services
瀋陽市於洪區恒暉綜合門診部有限公司 Shenyang Yuhong Henghui Polyclinic Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
天津恒美之源美容有限公司 Tianjin Hengmei Zhiyuan Beauty Hospital Co., Ltd.	PRC (iii)	RMB5,000,000	—	100%	Provision of healthcare services
西安恒甯健康置業有限公司 Xian Hengning Health Property Co., Ltd.	PRC (iii)	RMB25,000,000	—	100%	Provision of healthcare services

Notes to the Consolidated Financial Statements

44 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
儋州恒海養老服務有限公司 Danzhou Henghai Pension Service Co.,Ltd.	PRC (iii)	RMB24,784,519	—	100%	Develop and sales of living units
鄭州恒澤通健康置業有限公司 Zhengzhou Hengzetong Health Property e Co., Ltd.	PRC (iii)	RMB10,000,000	—	100%	Develop and sales of living units
廣州恒大雅苑健康管理服務有限公司 Guangzhou Evergrande Yayuan Health Management Service Co., Ltd	PRC (iii)	—	—	100%	Provision of healthcare services
佛山南海恒大御景健康管理服務有限公司 Foshan Nanhai Evergrande Yujin Health Management Service Co., Ltd.	PRC (iii)	RMB3,000,000	—	100%	Provision of healthcare services
廣州金碧花園養老服務有限公司 Guangzhou Jinbi Garden Pension Service Co., Ltd.	PRC (iii)	RMB3,911	—	100%	Provision of healthcare services
長沙市恒昀健康管理服務有限公司 Chansha Hengyun Health Management Service Co., Ltd.	PRC (iii)	—	—	100%	Provision of healthcare services
南京江寧恒雅薈醫療美容門診部有限公司 Nanjin Hengyahui Beauty Clinic Co., Ltd.	PRC (iii)	—	—	100%	Provision of healthcare services
河北恒大環晟置業有限公司 Hebei Evergrande Huanshen Property Co., Ltd.	PRC (iii)	—	—	85%	Real estate development and operation
海南德廣潤藥業有限公司 Hainan Deguangrun Pharmaceutical Co., Ltd.	PRC (iii)	RMB1,000,000	—	100%	Production of medical equipment
貴陽恒仁健康置業有限公司 Guiyang Hengren Health Property Co., Ltd.	PRC (iii)	—	—	100%	Provision of healthcare services
揚中市恒瑞置業有限公司 Yangzhong Hengrui Property Co., Ltd.	PRC (iii)	RMB200,000,000	—	100%	Real estate development and operation
海南博鼇恒康醫院有限公司 Hainan Boao Hengkang Hospital Co., Ltd.	PRC (iii)	—	—	100%	Provision of healthcare services
南京恒康置業有限公司 Nanjing Hengkang Property Co., Ltd.	PRC (iii)	RMB1,000,000,000	—	60%	Real estate development and operation
深圳恒妍醫療美容診所 Shenzhen Hengyan Beauty Clinic Co., Ltd.	PRC (iii)	—	—	100%	Provision of healthcare services
天階雲台(修武)投資有限公司 Tianjie Yuntai (Xiuwu) Investment Co., Ltd.	PRC (iii)	RMB21,000,000	—	70%	Real estate development and operation
湖南恒盛健康產業有限公司 Hunan Hengsheng Health Industry Co., Ltd.	PRC (iii)	RMB300,000,000	—	100%	Provision of care services for elderly and handicapped

Notes to the Consolidated Financial Statements

44 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
國能電動汽車(瑞典)有限公司 National Electric Vehicle Sweden AB	Sweden	SEK1,279,870,800	—	82%	Sales and manufacturing of smart mobility
天津恒大國瑞新能源科技有限責任公司 Tianjin Guo Rui New Energy Technology Co. Ltd.	PRC (iii)	RMB689,100,000	—	100%	Sales and manufacturing of smart mobility
國能汽車技術開發有限責任公司 National Vehicle Technology Development Co. Ltd.	PRC (iii)	RMB2,818,632,418	—	100%	Sales and manufacturing of smart mobility
恒大國能新能源汽車(上海)有限公司 Evergrande National New Energy Vehicle (Shanghai) Co., Ltd.	PRC (iii)	RMB1,141,250,000	—	100%	Sales and manufacturing of smart mobility
國能新能源汽車有限責任公司 National New Energy Vehicle Co. Ltd.	PRC (iii)	RMB3,070,655,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車控股(香港)有限公司 Evergrande New Energy Automotive Holdings (Hong Kong) Limited	Hong Kong	HK$9,045,440,100	—	100%	Investment holdings
恒大新能源汽車投資控股集團有限公司 Evergrande New Energy Automotive Investment Holdings Group Co., Ltd.	PRC (iii)	RMB7,904,747,991	—	100%	Investment holdings
恒大新能源汽車(廣東)有限公司 Evergrande National Energy New Energy Vehicle (Guangdong) Company Limited	PRC (iii)	RMB3,500,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車科技(廣東)有限公司 Evergrande National Energy New Energy Vehicle Technology (Guangdong) Co. Ltd.	PRC (iii)	RMB100,000,000		100%	Sales and manufacturing of smart mobility
恒大新能源汽車銷售(廣東)有限公司 Evergrande National Energy New Energy Vehicle Sales (Guangdong) Co. Ltd.	PRC (iii)	—	—	100%	Sales and manufacturing of smart mobility
深濤生活服務(廣東)有限公司 Shentao Life Service (Guangdong) Company Limited	PRC (iii)	RMB2,500,000,000	—	100%	Real estate development and operation
澎德有限公司 Virtue Surge Limited	Hong Kong	USD58,000,001	—	100%	Investment holdings
Protean Electric Ltd	England	GBP74,943,774	—	100%	Investment holdings
Evergrande hofer powertrain GmbH	Germany	EUR1,000,000	—	67%	Design, research and manufacture powertrain
恒大瑞博投資(深圳)有限公司 Evergrande Ruibo investment (Shenzhen) Co. Ltd.	PRC (iii)	RMB2,066,880,000	—	100%	Investment holdings

Notes to the Consolidated Financial Statements

44 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
恒大瑞博動力科技(深圳)有限公司 Evergrande Ruibo Power Technology (Shenzhen) Co. Ltd.	PRC (iii)	RMB500,000,000	—	80%	Design, manufacture, selling wheel hub motor
湖北泰特機電有限公司 TeT Drive Technology Co. Ltd.	PRC (iii)	RMB470,047,400	—	81%	Design, manufacture, selling wheel hub motor
歐洲電器牽引有限公司 e-Traction Europe B.V.	Netherlands	EUR29,810	—	100%	Design, manufacture, selling wheel hub motor
恒大凱宏投資(深圳)有限公司 Evergrande Kaihong Investment (Shenzhen) Co. Ltd.	PRC (iii)	RMB2,069,790,000	—	100%	Investment holdings
恒大新能源科技集团有限公司 Evergrande New Energy Technology Group Co. Ltd.	PRC (iii)	RMB2,072,100,000	—	100%	Design, manufacture, selling battery
上海卡耐新能源有限公司 Shanghai CENAT New Energy Company Limited	PRC (ii)	RMB625,720,000	—	80%	Design, manufacture, selling power lithium-ion battery
南昌卡耐新能源有限公司 Nanchang CENAT New Energy Company Limited	PRC (iii)	RMB202,300,000	—	85%	Manufacture, selling electric vehicles and power lithium-ion battery
日本卡耐新能源株式会社 Japan CENAT New Energy Company Limited	Japan	JPY79,778,364	—	100%	Design, manufacture, selling power lithium-ion battery
株式会社恒大新能源日本研究院 Evergrande New Energy Japan Research Institute Company Limited	Japan	JPY200,000,000	—	100%	Design, manufacture, selling power lithium-ion battery

^ Subsidiary incorporated during the year ended 31 December 2019

Notes:

(i) These subsidiaries are wholly foreign owned enterprises in the PRC.

(ii) These companies are registered as sino-foreign equity joint venture under PRC law in the PRC . Each of these entities is considered as a subsidiary of the Group because the Group has majority voting rights on the board of directors and its strategic, operating, investing and financing activities are controlled by the Group.

(iii) These subsidiaries are domestic enterprises in the PRC.

Five Years Financial Summary

Consolidated Statements of Comprehensive Income

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000 (Restated)	For the year ended 31 December 2016 HK$'000	For the 18 months ended 31 December 2015 HK$'000
Revenue	**5,635,559**	3,133,018	1,328,474	213,531	528,132	638,260
Profit before income tax	**(4,526,336)**	(1,131,995)	654,734	93,242	109,926	92,951
Income tax (expenses)/credit	**(421,142)**	(296,383)	(349,777)	(43,722)	(51,373)	3,513
Profit for the year/period	**(4,947,478)**	(1,428,378)	301,415	50,188	58,553	96,464
Other comprehensive income, net of tax	**(519,985)**	(66,331)	3,193	7,510	(38,276)	(3,054)
Total comprehensive income for the year/period	**(5,467,463)**	(1,494,709)	304,608	57,698	20,277	93,410

Consolidated Assets, Equity and Liabilities

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000 (Restated)	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
ASSETS						
Non-current assets	**36,413,675**	6,328,920	940,794	734,881	821,544	249,601
Current assets	**56,994,773**	15,854,190	6,715,533	2,087,555	2,333,739	610,841
Total assets	**93,408,448**	22,183,110	7,656,327	2,822,436	3,155,283	860,442
Total equity	**(1,295,567)**	(662,468)	832,241	566,851	633,700	579,813
LIABILITIES						
Non-current liabilities	**51,580,322**	11,293,732	3,797,165	1,120,619	1,252,773	126,071
Current liabilities	**43,123,693**	11,551,846	3,026,921	1,134,966	1,268,810	154,558
Total liabilities	**94,704,015**	22,845,578	6,824,086	2,255,585	2,521,583	280,629
Total equity and liabilities	**93,408,448**	22,183,110	7,656,327	2,822,436	3,155,283	860,442