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)

2018 Annual Report

Perfection For Supreme Health

Contents

Board of Directors and Committees

Executive Directors

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

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")
The Taiwan depository receipts of the Company are
listed on the Taiwan Stock Exchange
("Taiwan Stock Exchange")

Stock Code

Hong Kong Stock Exchange: 0708.HK
Taiwan Stock Exchange: 910708

Share Registrar

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Investor Relationship

For enquiries, please contact:
Mr. Fong Kar Chun, Jimmy
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Financial Calendar

Announcement of annual results: 22 March 2019

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 created a membership mechanism on all-round healthy life for all-aged populations, and established a multi-level hierarchical medical, all-aged health care, high-precision health management and diversified elderly care system, thereby enhancing the healthy living standards for the general public.

During the year ended 31 December 2018 (the "**Year**"), the Group continued to initiate the innovative services concept of integrating medical insurance with health management, medical care and elderly care, and built a membership platform. Through providing, among others, medical, healthcare, health management and elderly care services, the Group developed and formulated the first all-rounded and all-aged healthcare service standard in China, and created "Evergrande Elderly Care Valley". At present, "Evergrande Elderly Care Valley" has taken root in a number of livable cities across China. During the Year, the Group also deepened its exchanges and cooperations with top 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. Boao Evergrande International Hospital — the only affiliated hospital of Brigham and Women's Hospital in China officially launched its operations and was rated as a class three oncology specialist hospital. The Group also established and improved its multi-level hierarchical medical system, with high-end international hospitals at the top, domestic high-quality 3A hospitals and Henghe Hospital as the backbone and community hospitals as the basis.

During the Year, the Group's membership spending amount had reached approximately RMB3.46 billion, representing an increase of 139% compared to the membership spending amount for the year ended 31 December 2017.

New Energy Vehicle Segment

The automotive industry, at present, is under the window period of industry reform, providing unprecedented opportunities for new industry entrants to stand at the same starting line with traditional automotive companies. Through a series of measures of "New Four Modernizations" on automotive industry, namely motorization, networking, intelligent modernization and sharing, the Chinese government has shown that the automotive industry has entered the key strategic opportunity period which enables China to become a powerful automotive country through the golden opportunities arising from the industry reform. Such policies have already been elevated to the level of "national strategies".

Driven by policies and market conditions, the new energy vehicle market has grown rapidly, and the market potential is huge. In 2018, the sales volume of vehicles in China reached 28.08 million, representing approximately 31% of the global sales. The global sales volume of new energy vehicles exceeded 2.00 million, of which, the sales volume in China accounted for more than 53% and reached 1.256 million, representing an annual growth of 61.7%.

Financial Review

During the Year, the Group's revenue increased by 135.84% to RMB3,133.02 million, as compared with the revenue of RMB1,328.47 million for the year ended 31 December 2017. The revenue was mainly attributable to the revenue generated in the Health Management Segment.

The significant increase in revenue 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 137.89% to RMB3,124.42 million from RMB1,313.38 million in 2017. In 2018, revenue from medical cosmetology surgery and health management decreased by 43.03% to RMB8.60 million from RMB15.10 million in 2017, mainly due to the decrease in business volume.

The Group's gross profit amounted to RMB1,145.27 million, representing an increase by 35.33% from RMB846.30 million in 2017. It was mainly attributable to the increase in business volume of health and living projects. Gross profit margin decreased to 36.55% during the Year from 63.7% in 2017. It is mainly because the gross profit margin was maintained at an average level in 2018 without projects with exceptionally high margin. By comparison, the gross margin of Sanya Elderly Care Valley was over 60% in 2017. The project was at prime location with elderly care facilities and famous hospital nearby, which was therefore sold at a higher gross margin.

The Group recorded other losses of RMB141.84 million in the Year. It mainly results from the restructuring agreement with Faraday Future in 2018. A disposal loss of an associate was recorded at RMB138.25 million.

Selling and marketing expenses increased by 277.06% to RMB265.94 million during the Year from RMB70.53 million in 2017, mainly due to the increase in marketing expenses for the Elderly Care Valley and the increase in sales commissions related to contracted sales.

Administrative expenses increased by 149.78% to RMB334.94 million during the Year from RMB134.09 million in 2017. As the business scale of the Company expanded, there was an increase in salary expenses and other administrative expenses.

Finance costs, net, of RMB471.34 million was recorded during the Year, compared with finance income, net, of RMB14.47 million in 2017. It was mainly due to the increase in interest expenses, arising from new borrowings in 2018.

Income tax expense decreased by 15.27% to RMB296.38 million during the Year from RMB349.78 million in 2017, mainly due to decrease in gross profit margin.

The discontinued business recorded a net loss of RMB3.54 million in 2017, which was mainly due to the disposal of the Media Segment business in the second half of 2017. There was no such kind of disposal in the Year.

In 2018, the Group shared the net loss of an associated company, accounted for using the equity method. RMB1,057.91 million of loss was picked up by the Group by share-interest percentage.

Profit attributable to shareholders of the Company was RMB307.75 million in 2017. Due to share of loss and interest expenses, the Group recorded loss of RMB1,428.38 million in 2018 and loss attributable to owners of the Company amounted to RMB1,429.38 million.

Business Review

Health Management Segment

Business Review for Evergrande Elderly Care Valley

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

Evergrande Elderly Care Valley creates a new high-quality comprehensive healthy living and care mode. Evergrande Health group has initiated the innovative concept of integrating medical insurance with preventative, medical and health care services as a one-stop shop and built a membership platform. Through integrating the world class elderly care and wellness living, medical and commercial insurance and other resources, Evergrande Elderly Care Valley provides its members with full life-cycle and all rounded living and care services, enhances its members' awareness of health and improves the health of its members. Currently, the number of members has reached 22,275 in total.

Evergrande Elderly Care Valley starts a new chapter in all-round health care and regime for all-aged populations. Embracing people of all age groups, Evergrande Elderly Care Valley pioneers four major gardens, namely, YiYang (Keep fit), ChangLe (Cheerfulness), KangYi (Health) and Qinzi (Parent-child), which provide 852 types of facilities and 867 items of all- round services such as tourism, learning, meditation, music, cheer, diet, beauty, living, healthcare and nursing, and creates a new healthy life of "one family with three generations, living in two apartments". Currently there are health preserving exhibition and experience centers in various cities such as Sanya, Xi'an, Yangzhong, Zhengzhou, Nanjing, Xiangtan, etc.

Evergrande Elderly Care Valley creates a new high-precision and multi-dimensional health management mechanism. Evergrande International Hospital seeks to keep pace with international standards and the world's cutting-edge technology, such as those adopted in Brigham and Women's Hospital to establish a lifetime health tracking management system for all members to carry out health education, genetic test, risk assessment, preventive intervention, hierarchical diagnosis and treatment, intelligent monitoring, dietary therapy, psychological counseling and other multi-dimensional scientific life management.

Evergrande Elderly Care Valley creates a new comprehensive multi-level health care mode for the elderly. Evergrande Elderly Care Valley consolidates international frontier elderly care and wellness living model, providing the seniors with a "Trinity" integrated geriatric care service model including home care, community care and institutional care. Currently, we have entered into an cooperation with a well-known Japanese elderly care institution for preparing the operation of the first nursing home under Evergrande Health, Xi'an Evergrande Nursing Home, and driven the network expansion of Evergrande elderly care products across China. Xilehui (熙樂薈), an elderly care brand under Evergrande Health, has cooperated with the top elderly care service institution in China to establish an integrated community care product that includes elderly care and wellness living, health care and medical and elderly recreation.

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

At present, Evergrande Health has established Evergrande Elderly Care Valley in 12 livable cities such as Sanya, Ocean Flower Island, Xi'an, Zhengzhou, Zhenjiang, Xiangtan, Nanjing, Yuntaishan, Chongqing, Shenyang, Wuzhou and Hohhot. In 2018, the Group achieved a membership spending amount of RMB3.46 billion.

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 the multi-level hierarchical medical system, with high-end international hospitals at the top and domestic high-quality 3A hospitals and Henghe Hospital as the basis.

Invested by the Group and under the collaborative guidance of the 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 medical resources such as technology, equipment and the latest medicament. Boao Evergrande International Hospital has established and commenced a consolidated system involving a unique management system, diagnosis and treatment system, operation system, rehabilitation system etc., which provides comprehensive breast cancer diagnosis and high-end body-checking businesses. The hospital introduced international cutting- edge drugs for treatment of breast cancer, liver disease and other diseases under the support of Boao Public Bonded Drug Warehouse (博鰲公共保稅藥倉), realized the long-distance international medical consultation and international referral services. The hospital also formed a team comprised of distinguished experts from China and the United States to carry out MDT diagnosis and treatments, organize regular academic exchange meetings, and committed to building an international clinical, scientific research and academic center. It is worth noting that Boao Evergrande International Hospital was rated as a class three oncology specialist hospital.

Sanya Evergrande Obstetrics and Gynecology Hospital is a class three women's hospital specialized in gynecology and assisted reproduction and obstetrics with featured services such as rehabilitation and postpartum care centers. The construction of the hospital will be completed soon.

In respect of medications, Boao Public Bonded Drug Warehouse was put into operation in the first half of 2018. The Group had established strategic cooperation with more than ten internationally renowned pharmaceutical and medical equipment companies such as AstraZeneca in the United Kingdom, Novartis in Switzerland and Gilead in the United States. Supported by Boao Public Bonded Drug Warehouse, international new drugs could be introduced from overseas originator drug manufacturer to Boao Evergrande International Hospital through the all-rounded channels.

New Energy Vehicle Segment

Under the restructuring settlement agreement entered into on 31 December 2018, the Company owns 32% (on a fully-diluted basis) preference shares in Smart King Ltd. ("**Smart King**") and 100% shares in Evergrande Faraday Future Holding (Hong Kong) Limited (renamed Evergrande Intelligent Automotive (Hong Kong) Limited) ("**FF HK**"), a wholly-owned subsidiary of Smart King. FF HK owns relevant domestic assets under Guangzhou Nansha Project of Faraday Future. Only the shareholders of Smart King are entitled to repurchase shares at an agreed price within 5 years. The repurchase price will increase year by year from US$600 million in the first year to US$1.05 billion in the fifth year.

Corporate Milestones

On 28 February 2018, Boao Evergrande International Hospital, which was invested by the Group and built under the cooperative guidance from Brigham and Women's Hospital, was officially opened. On the same day, Boao Public Bonded Drug Warehouse (博鰲公共保稅藥倉) was officially launched.

From 1 April 2018 to 2 April 2018, Elizabeth Nabel, the Director of Brigham Health and Brigham and Women's Hospital, leading a team of core experts visited Boao Evergrande International Hospital, and provided guidance on hospital operations.

On 1 May 2018, the Group officially launched a membership mechanism for Evergrande Elderly Care Valley. As the first product offered under the membership services, Xi'an Evergrande Elderly Care Valley was popular in the market.

In June 2018, the Group expanded to hi-tech new energy industry.

On 12 August 2018, Boao Evergrande International Hospital under the Group held the Boao China-US Breast Cancer Summit (博鰲中美乳腺癌高峰論壇). During the summit, the applications and conversions of the latest academic research findings regarding breast cancer had been discussed.

On 22 October 2018, the Group and First Affiliated Hospital of Guangzhou University of Chinese Medicine entered into a strategic agreement, pursuant to which, both parties will commence the cooperation in areas such as Chinese medicine and healthcare service, and the corresponding conversions of Chinese medicine research findings.

On 16 November 2018, the Health Commission of Hainan Province officially approved and confirmed the Boao Evergrande International Hospital as a class three oncology specialist hospital.

Outlook

Health Management Segment

Outlook for Evergrande Elderly Care Valley

The Group will further integrate world-class resources on medical treatment, elderly care and wellness living, medical and commercial insurance. Through the membership service platform, the Group aims to provide members with 388 types of healthcare services, 389 types of health management services, 90 types of elderly care services, 5 major types of insurance as well as 852 facilities and equipment under the theme of tourism, learning, meditation, music, cheer, diet, beauty, living, health care, nursing, so as to cover the entire treatment cycle from pre- pregnancy, infants to centenarians, to create a new way of healthy living of "one family with three generations, living in two departments".

In 2019, the Group plans to expand its operations into over 50 livable wellness areas in the coming 3 years so as to provide services for Evergrande Health members.

After the comprehensive implementation of Evergrande Elderly Care Valley, the Group will further expand the diversified elderly care services across China. Focusing on the Evergrande community in the country, the Group will cooperate with international advanced elderly care service institutions, integrate domestic and foreign elderly care resources regarding health care and rehabilitation, establish Evergrande Elderly Care Valley across China and set up an diversified elderly care product system including standardized elderly care apartments, day care centers and elderly homes. The Group will integrate high quality domestic and foreign health management resources, introduce international advanced management, diagnosis and treatment services for chronic diseases and comprehensively enhance the new high-precision health management service system. In addition, the Group also plans to establish health preserving exhibition and experience centers in various cities in the country and facilitates a full implementation of all-aged healthcare services of Evergrande Elderly Care Valley. In the future, the Group will cooperate with financial, tourism, internet and other fields to recruit more members and provide health services for more people.

Outlook for Medical Service Business

In relation to hospitals, Boao Evergrande International Hospital — the only affiliated hospital of Brigham and Women's Hospital in China, will further deepen the cooperation with Brigham and Women's Hospital, introduce the world's leading cancer diagnosis and treatment technology and equipment and commence the precise diagnoses and treatments services; introduce nuclide-mediated targeted therapies and advanced equipment such as the latest fourth generation da Vinci surgical robotic system, which will be put into operation in the second quarter of 2019; commence the multiple organ chemoradiotherapy services and accelerate the preparation of proton heavy ion center establishment; make use of the advantage of the pilot zone to continue to integrate internationally renowned medical resources and build a high standard integrated medical research and transfer platform.

It is planned that the trial operation of Sanya Evergrande Obstetrics and Gynecology Hospital will commence in the second half of 2019, aiming to create "Best Childbirth Location for All Seasons" and "Most Beautiful Bay Resort Assisted Women's and Children's Hospital".

The Group will continuously perfect the multi-level hierarchical medical system by uniting the Henghe medical platform, high-quality 3A hospitals and community hospitals across the country 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 proactively commence cooperations with domestic and foreign advanced medical research institutions and originator drug manufacturers, foster the clinical observation and research of international new drug and medical equipment, accelerate the conversion and marketing of the drugs and perfect the universal health product lines; building a pharmaceutical cluster that consolidates clinical research, marketing, distribution functions and covers drugs, vaccines, health products and medical equipment.

New Energy Vehicle Segment

Through the introduction and development of world-leading new energy vehicle technologies, the entire industry chain layout of the Group can be enhanced. By leveraging its shareholders' resources and achieving industrial synergies, the Group strives to become an industry leader in the wave of rapid growth in the global new energy vehicle industry, thereby facilitating China in its transformation from a large automotive country into a powerful automotive country.

The Group has completed the layout of the new energy vehicle industry chain, and aims to become one of the largest, most reputable and best quality new energy vehicle global brand names within three to five years. The new energy auto mobile base of the Group in Tianjin is scheduled to be fully operational in June 2019.

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 2018, the Group had borrowings, finance leases and loans from shareholders (collectively "**total borrowings**") amounting to RMB14.916 billion (As at 31 December 2017: RMB5.355 billion).

As at 31 December 2018, the Group's gearing ratio was 67.24% (As at 31 December 2017: 69.95%). Gearing ratio was calculated as total borrowings divided by total assets.

Employee and Share Option Scheme

As at 31 December 2018, the Group had a total of 2,162 employees and incurred a total staff cost (including Directors' remuneration) of approximately RMB330.36 million during the Year (2017: RMB157.17 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 2018.

The staff of the Group with bachelors' degree or above accounted for approximately 87.88%. The Health Management Segment cooperated with top-notch international professional teams and established a pool of talents with strong academic background, excellent caliber and international vision.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities (year ended 31 December 2017: nil).

Dividend

The Directors do not recommend the payment of dividend for the Year (year ended 31 December 2017: Nil).

Report of the Directors

Principal Activities

The principal activity of the Company is investment holding. The activities of the Company's subsidiaries are set out in Note 36 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 75 to page 76 of this 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 at 31 December 2018, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (distributable reserves for year ended 31 December 2017: RMB460,548,000).

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

Pursuant to the ordinary resolutions passed by the then sole shareholder of the Company 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 the 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 Company's shareholders.

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 Company's 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 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 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 2018, 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 152 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 report were:

Executive Directors:

Mr. Shi Shouming *(Chairman)*
Mr. Peng Jianjun
Mr. Qin Liyong
Ms. Tan Chaohui *(Chairlady)* (resigned on 11 May 2018)
Mr. Han Xiaoran (resigned on 20 July 2018)

Independent Non-executive Directors:

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

In accordance with Article 80 of the Company's Articles of Association, Mr. Peng Jianjun and Mr. Qin Liyong will retire at the forthcoming annual general meeting of the Company (the "Annual General Meeting") and have been proposed to be re-appointed as executed directors by the Board. In accordance with Article 81(1) of the Company's Articles of Association, Mr. Guo Jianwen and Mr. Xie Wu shall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

Ms. Tan Chaohui resigned on 11 May 2018 as executive director of the Company. Ms. Tan Chaohui has confirmed that she has no disagreement with the Board and nothing relating to the affairs of the Company need to be brought to the attention of the shareholders of the Company. Mr. Han Xiaoran resigned on 20 July 2018 as executive director of the Company. Mr. Han Xiaoran has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company need to be brought to the attention of the shareholders of the Company.

(b) Directors of the Company's Subsidiaries

During the Year and up to the date of this Director's Report, Ms. Tan Chaohui was also a director in certain subsidiaries of the Company.

Other directors of the Company's subsidiaries during the Year and up to the date of this Director's Report included: Mr. Xie Wei, Mr. Sun Zhong, Ms. Luo Kunwen, Mr. Zhang Jiwen, Mr. Chen Cheng, Mr. Peng Laian, Mr. Li Mingzhe, Mr. Liu Fei, Mr. Li Xiangyu, Mr. Fong Kar Chun Jimmy, Mr. Huang Xiangui, Mr. Lu Pei, Mr. Peng Sheng, Mr. Ma Wei, Mr. Zhang Dawei, Mr. Lee Yat Pui Royce, Mr. Wong Chi Fai, Ms. Fan Man Seung Vanessa.

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 45, 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 has resigned from that position as at the date of this announcement. 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.

Mr. Peng Jianjun (彭建軍), aged 48, currently serves as the vice president of Evergrande High Technology Industrial (Shenzhen) Company Limited* (恒大高科技產業(深圳)有限公司). 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 Stock Exchange of Hong Kong Limited, 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), male, aged 41, 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

Chau Shing Yim, David, aged 55, he has over 20 years of experience in corporate finance covering projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a member of the Hong Kong Securities Institute, the member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. Mr. Chau is also the 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 the member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference ("CPPCC"), a director of Hong Kong Securities and Investments Institute and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital on 1 April 2017.

Mr. Chau is currently is an independent non-executive director of Man Wah Holdings Limited (Stock Code: 1999), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), China Evergrande Group (Stock Code: 3333), Richly Field China Development Limited (Stock Code: 313), HengTen Networks Group Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Asia Grocery Distribution Limited (Stock Code: 8413) and Branding China Group Limited (Stock code: 863). All the aforesaid companies are listed on the Stock Exchange.

Mr. Chau was also an executive director of China Solar Energy Holdings Limited (Stock Code: 155) from May 2015 to June 2015, an independent non-executive director of Up Energy Development Group Limited (Stock Code: 307) from June 2013 to September 2015, and Varitronix International Limited (Stock Code: 710) from July 2009 to June 2016. All the aforesaid companies are listed on the Stock Exchange.

Guo Jianwen (郭建文), male, aged 43, 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.

Xie Wu (謝武), male, aged 54, 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

Pan Darong (潘大榮), male, aged 46, 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.

Fong Kar Chun, Jimmy (方家俊), male, aged 44, has over 19 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.

Yang Yi (楊毅), male, aged 56, a Doctor of Medicine, chief physician III, postgraduate supervisro, 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).

Ye Gang (葉剛), male, aged 60, in clinical practice in the United States for 15 years, is a Doctor of Medicine and the 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.

Yang Yuesong (楊岳松), male, aged 53, in clinical practice in Canada for 6 years, is a Doctor of Medicine in medical imaging and the 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 2018, 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	5,700,000	0.04%
Peng Jianjun	China Evergrande Group	Beneficial owner	4,685,000	0.03%
Chau Shing Yim, David	China Evergrande Group	Beneficial owner	1,000,000	0.01%
Li Siquan (resigned on 1 February 2019)	China Evergrande Group	Beneficial owner	400,000	0.00%

Save as disclosed above, as at 31 December 2018, 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 Stock Exchange pursuant to the Hong Kong Listing Rules.

Substantial Shareholders

As at 31 December 2018, 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 percentages of cost of sales and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	7.85%
— five largest suppliers in aggregate	27.99%
Sales	
— the largest customer	0.43%
— five largest customers in aggregate	1.15%

None of the Directors, their associates or any shareholders of the Company (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.

Connected Transactions

A summary of the related party transactions entered into by the Group during the year ended 31 December 2018 is contained in Note 32 to the consolidated financial statements.

All related party transactions contained in Note 32 to the consolidated financial statements are connected transactions or continuing connected transactions fully exempt from all (including, among others, disclosure) requirements under Chapter 14A of the Hong Kong Listing Rules.

No 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, if necessary, had been made by the Company during the year ended 31 December 2018 in accordance with Chapter 14A of the Hong Kong Listing Rules.

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 2018.

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 rapid growth of the aging population and the demand for higher healthy living standards of community residents, the Group had developed and formulated the first all-rounded and all-age healthcare service standard in China. The Group innovatively created Evergrande Elderly Care Valley.

Evergrande Elderly Care Valley creates a new high-quality comprehensive healthy living and care mode. Evergrande Health group has initiated the innovative concept of integrating medical insurance with preventative, medical and health care services as a one-stop shop and built a membership platform. Through integrating the world class elderly care and wellness living, medical and commercial insurance and other resources, Evergrande Elderly Care Valley provides its members with full life-cycle and all rounded living and care services, enhances its members' awareness of health and improves the health of its members. Currently, the number of members has reached 22,275 in total.

Evergrande Elderly Care Valley starts a new chapter in all-round health care and regime for all-aged populations. Embracing people of all age groups, Evergrande Elderly Care Valley pioneers four major gardens, namely, YiYang (Keep fit), ChangLe (Cheerfulness), KangYi (Health) and Qinzi (Parentchild), which provide 852 types of facilities and 867 items of all-round services such as tourism, learning, meditation, music, cheer, diet, beauty, living, healthcare and nursing, and creates a new healthy life of "one family with three generations, living in two apartments". Currently there are health preserving exhibition and experience centers in various cities such as Sanya, Xi'an, Yangzhong, Zhengzhou, Nanjing, Xiangtan, etc.

Evergrande Elderly Care Valley creates a new high-precision and multi-dimensional health management mechanism. Evergrande International Hospital seeks to keep pace with international standards and the world's cutting-edge technology, such as those adopted in Brigham and Women's Hospital to establish a lifetime health tracking management system for all members to carry out health education, genetic test, risk assessment, preventive intervention, hierarchical diagnosis and treatment, intelligent monitoring, dietary therapy, psychological counseling and other multi-dimensional scientific life management.

Evergrande Elderly Care Valley creates a new comprehensive multi-level health care mode for the elderly. Evergrande Elderly Care Valley consolidates international frontier elderly care and wellness living model, providing the seniors with a "Trinity" integrated geriatric care service model including home care, community care and institutional care. Currently, we have entered into a cooperation with a well-known Japanese elderly care institution for preparing the operation of the first nursing home under Evergrande Health, Xi'an Evergrande Nursing Home, and driven the network expansion of Evergrande elderly care products across China. Xilehui (熙樂薈), an elderly care brand under Evergrande Health, has cooperated with the top elderly care service institution in China to establish an integrated community care product that includes elderly care and wellness living, health care and medical and elderly recreation.

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

At present, Evergrande Health has established Evergrande Elderly Care Valley in 12 livable cities such as Sanya, Ocean Flower Island, Xi'an, Zhengzhou, Zhenjiang, Xiangtan, Nanjing, Yuntaishan, Chongqing, Shenyang, Wuzhou and Hohhot. In 2018, the Group achieved a membership spending amount of RMB3.46 billion.

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 the multi-level hierarchical medical system, with high-end international hospitals at the top and domestic high-quality 3A hospitals and Henghe Hospital as the basis.

Invested by the Group and under the collaborative guidance of the 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 medical resources such as technology, equipment and the latest medicament. Boao Evergrande International Hospital has established and commenced a consolidated system involving a unique management system, diagnosis and treatment system, operation system, rehabilitation system etc., which provides comprehensive breast cancer diagnosis and high-end body-checking businesses. The hospital introduced international cutting-edge drugs for treatment of breast cancer, liver disease and other diseases under the support of Boao Public Bonded Drug Warehouse (博鰲公共保稅藥倉), realized the long-distance international medical consultation and international referral services. The hospital also formed a team comprised of distinguished experts from China and the United States to carry out MDT diagnosis and treatments, organize regular academic exchange meetings, and committed to building an international clinical, scientific research and academic center. It is worth noting that Boao Evergrande International Hospital was rated as a class three oncology specialist hospital.

Sanya Evergrande Obstetrics and Gynecology Hospital is a class three women's hospital specialized in gynecology and assisted reproduction and obstetrics with featured services such as rehabilitation and postpartum care centers. The construction of the hospital will be completed soon.

In respect of medications, Boao Public Bonded Drug Warehouse was put into operation in the first half of 2018. The Group had established strategic cooperation with more than ten internationally renowned pharmaceutical and medical equipment companies such as AstraZeneca in the United Kingdom, Novartis in Switzerland and Gilead in the United States. Supported by Boao Public Bonded Drug Warehouse, international new drugs could be introduced from overseas originator drug manufacturer to Boao Evergrande International Hospital through the all-rounded channels.

(b) New Energy Vehicle Segment

Under the restructuring settlement agreement entered into on 31 December 2018, the Company owns 32% (on a fully-diluted basis) preference shares in Smart King Ltd. ("Smart King") and 100% shares in Evergrande Faraday Future Holding (Hong Kong) Limited (renamed Evergrande Intelligent Automotive (Hong Kong) Limited) ("FF HK"), a wholly-owned subsidiary of Smart King. FF HK owns relevant domestic assets under Guangzhou Nansha Project of Faraday Future. Only the shareholders of Smart King are entitled to repurchase shares at an agreed price within 5 years. The repurchase price will increase year by year from US$600 million in the first year to US$1.05 billion in the fifth year.

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).

Auditor

The consolidated financial statements for the year ended 31 December 2018 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, 22 March 2019

Environmental, Social and Governance Report

I. Environmental, Social and Governance Report ("The Report")

The Group prepared this report in accordance with the Environmental, Social and Governance (ESG) Reporting Guide (the "**ESG Reporting Guide**") of the Hong Kong Exchanges and Clearing Limited ("**Hong Kong Stock Exchange**") to disclose our performance and effectiveness in environmental, social and governance aspects of the Group to improve the understanding and confidence of all stakeholders.

This report covers a time frame from 1 January 2018 to 31 December 2018, however includes some contents dating back to previous years. This report covers the principal business activities of the Group including the "Internet+" community health management, international hospitals, and elderly care and rehabilitation.

All data in this report is derived from official internal documents, statistical reports or related public reports, and third party questionnaires and interviews.

Details of the content index of the ESG Reporting Guide were set out in the final section for quick reference.

II. Environmental, Social and Governance Strategy

In response to the national strategic direction of "Healthy China 2030" actively, the Group adheres to the development concept of developing with the priority of people's livelihood, contributing to the country with efforts in doing business and regards "prioritize responsibilities, be accountable and benefit the society" as the essence of corporate culture and integrates it into the development process of the enterprise. The Group is committed to introducing quality medical resources into the community and establishing a "Trinity" medical service system for information exchange, grading diagnosis and treatment, and medical and healthcare integration, thus providing safe and secure medical and healthcare services for owners and patients; advocating the concept of "Green development" and striving to reduce the impact of business operations on the local environment; timely understanding and responding to the development needs of suppliers, employees and the communities, and striving to create long-term value for all stakeholders and earnestly fulfill our commitment to social welfare.

The Group has complied strictly with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange to form a Board of Directors and its management committees and clarify their responsibilities, establish a risk management and internal control system and conduct a review to ensure adequate and effective risk management. For details, please refer to the Corporate Governance Report.

The board of directors of the Group assumes full responsibility for the environmental, social and governance strategies and reporting and is responsible for reviewing and approving the annual ESG report.

The Group has also leveraged the preparation and disclosure of this report to strengthen communication with stakeholders and continuously improve ESG governance capabilities.

III. Stakeholder Communication

The trust and support of stakeholders are the foundation for a company's long-term sustainable development. During the operation, the Group builds a multi-channel communication mechanism such as complaints hotline, official website, WeChat Official Accounts, and organizes industry seminars, stakeholder's online questionnaire surveys, employee satisfaction surveys and other activities to timely understand and respond to the expectations and demands of various stakeholders, thus working with all stakeholders to promote social harmony and sustainable development.

Stakeholder	Expectations and requirements	Communication and response
Employees	• Protection of legal labor rights • Promotion and development platform • Promotion of healthy and safe working environment • Remuneration and benefits	• Employment in compliance with regulations • Improve training and promotion mechanisms • Safeguards the fairness of promotion • Provides competitive compensation
Customers	• High-quality products and services • Protection of customer privacy • Operations in compliance with regulations	• Product and service quality management • Strict customer information confidentiality • Optimizes internal control and risk management
Government	• Compliance with all applicable rules and regulations • Pays taxes on time • Promotes economic development	• Operates in compliance with laws and regulations • Pay tax in compliance with laws • Cooperates in government tax review • Promotes the transformation and upgrades of the industry
Industry associations	• Propels research and development in the industry • Actively cooperates for mutual benefits • Promotes industry development	• Enhances capability in research and development • Participates in industry conferences • Multi-channel cooperation and research
Shareholders	• Protection of legal interests • Return on investment • Information disclosure	• Convenes general meetings • Enhances profitability • Publishes regular reports
Suppliers	• Responsible purchases • Shares resources for win-win cooperation • Be open and fair and keeps promises	• Transparent tendering process • Conducts strategic cooperation • Executes agreements and contracts
Communities	• Provides quality healthcare projects • Supports public welfare • Performs environmental responsibilities	• Innovates health management mode • Carries out public welfare activities • Practices green operation

IV. ESG Materiality Assessment

In order to understand the interests and expectations of stakeholders more objectively and effectively, the Group assesses each ESG materiality topic in terms of the concern extent of stakeholders and the materiality for the Group's business development based on face-to-face interviews and online questionnaire surveys, thus determining the priority rankings of ESG materiality topics and preparing ESG materiality matrix.

The steps of the Group's 2018 ESG materiality assessment are as follows:

1. Identify topics

Consider the requirements of the ESG Reporting Guide and ESG management priorities of the industry comprehensively, and update the list of 2018 ESG materiality topics based on the characteristics of the Group's business development.

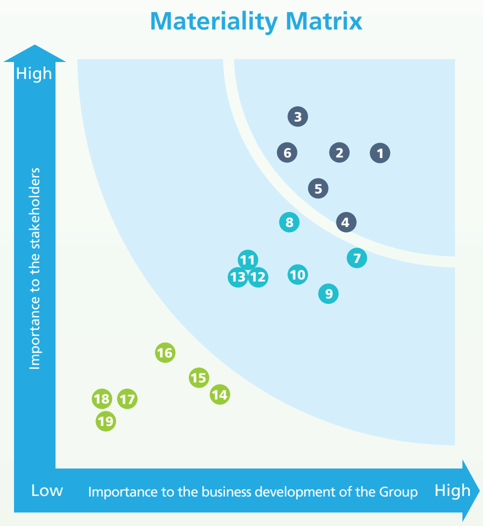
2. Conduct surveys

Understand the expectations and suggestion of stakeholders on the ESG work of the Group through face-to-face interviews and online questionnaire surveys.

3. Assess materiality

Determine the priority rankings and matrix of ESG material topics based on the survey results. The management reviews the results of the ESG materiality assessment, discusses and determines the focus of the disclosure for the year, and the key points for ESG management improvement in the future.

ESG materiality matrix and rankings of 2018 are as follow:



Materiality matrix of 2018

Materiality	Number	Result of materiality assessment
Very Important	1	Product and service quality management
	2	Customer satisfaction and compliant handling
	3	Staff recruitment and team building
	4	Customer privacy
	5	Community investment
	6	Anti-corruption management
Important	7	Medical waste treatment
	8	R&D, innovation and protection of property rights
	9	Performance appraisal and remuneration and benefits
	10	Prevention of child and forced labor
	11	Compliance management and anti-unfair competition
	12	Promoting sustainable development of supply chain
	13	Promoting community health
Less Important	14	Responsible marketing and promotion
	15	Occupational health and safety
	16	Staff training and education
	17	Energy consumption and energy saving measures
	18	Consumption of water resources and sewage treatment
	19	Carbon emission management

Compared with the materiality assessment results of 2017, the stakeholders remained highly focused on matters in relation to product responsibility and customer service, anti-corruption, and environmental management of medical services whilst the employee management was emphasized with a greater importance ranking. This report discloses information on ESG materiality topics in subsequent chapters and specifically responds to high ranking ESG material matters. At the same time, based on the materiality assessment results, the Group will continue to step up effort to enhance the Group's ESG management capabilities and investments to better fulfill its corporate social responsibility.

V. Operation Responsibility

The Group strictly abides by the requirements of national and local related laws and regulations on product quality, construction quality and customer services, emphasizes customer-centered concept, continuously improves the level of health care services, and innovates the health management service model to help achieve the "Health dream" of the community.

1. Product and service quality

Health care service quality assurance

In order to ensure the project quality of the Elderly Care Valley, the Group strictly follows the national laws and regulations such as the Construction Law of the People's Republic of China, the Regulations on the Quality Management of Construction Projects, and the requirements of local housing and construction departments, formulates and implements policy documents such as the "Evergrande Health Industry Group Construction Management System (Trial)" and "Evergrande Health Industry Group Construction Technology Guide" to ensure the project quality and safety. Among them, the Construction Management and Supervision Center is responsible for the formulation, supervision and implementation of the relevant systems for project management.

The Group conducts strict process management and quality control on all stages, including project design, construction, acceptance and other stages:

Design

- Before the start of the new project, the project management and supervision center will take the lead **in convening a comprehensive plan review meeting for the project development and construction**.
- The design center of engineering department, project management and supervision center and other relevant departments of the project company **organized a large-scale drawing review** 10 days before the start of construction.
- The design center must report and construct in strict accordance with the approved plan, and review the report and construction drawings of the external appointed design companies to ensure the design quality and the implementation of the drawings.

Construction

- **Implement the model first system**. The engineering department shall evaluate the construction models, and shall reject the construction if it did not meet the requirements; and then disclose construction technology to construction team.
- The project management and Supervision center shall **conduct two or more weekly inspections of each project** through video surveillance or on-site inspection and **implement monthly quality assessment** for each project.
- The general manager of the project organizes the engineering department and the general office **to hold engineering management and engineering quality seminars** every month, and summarizes and develops management and control measures.

Acceptance

- The project is jointly inspected and accepted by the Marketing Brand Center, Engineering Management and Supervision Center; **all new projects can open to public only after passing the inspection and acceptance**.

As at the end of 2018, all the supporting facilities of the four major gardens of the Elderly Care Valley are in the stage of design, planning, or construction, and were not yet officially open.

In order to protect the rights and interests of the proprieter and members of Elderly Care Valley, the Group will conduct inspections two months before the sale of Elderly Care Valley, three months before the home delivery, and three moths before the opening of the four major parks or the beginning of member services provision to ensure that owners and members enjoy high-quality professional services.

At the same time, the Group focuses on the health care needs of customers, and make great use of the eco-environmental advantages and humanistic characteristics of the project site to create health care and elderly care resorts with world-class scale and grade. On such basis, the Group establishes a health preserving service system combining the integration of medical treatment and rehabilitation, parent-child shared joy, sojourn and vacation, and entertainment and socializing. The system is committed to providing all-round healthcare service for customers of any age.

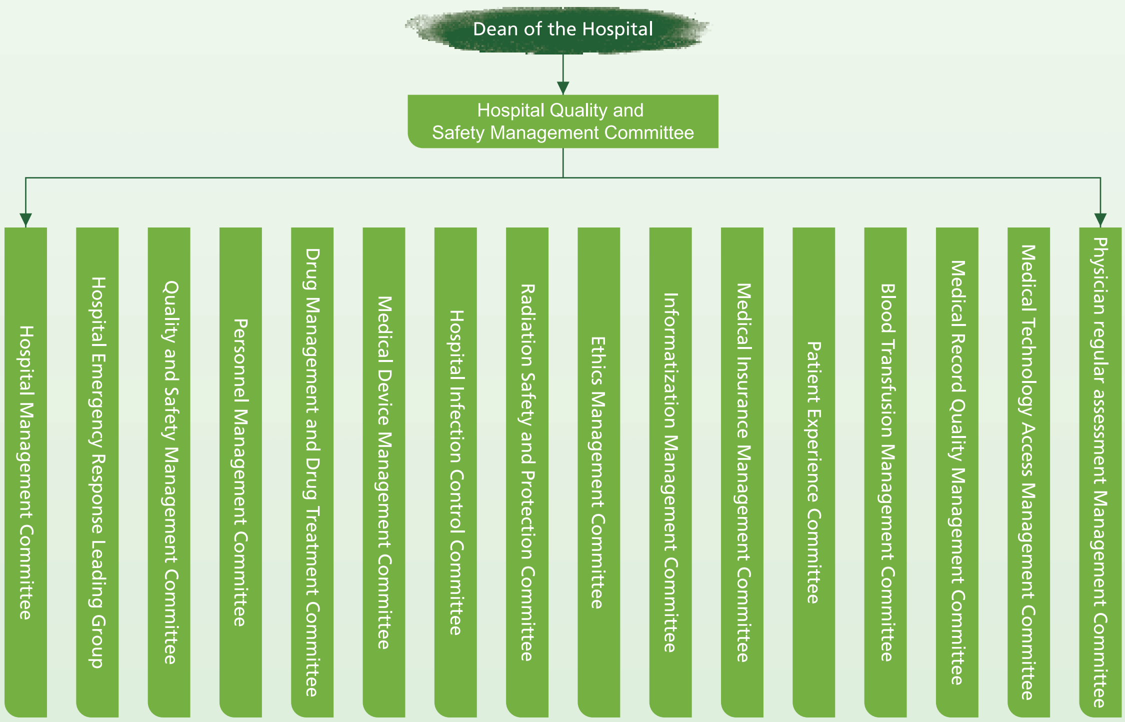
Sanya Evergrande Elderly Care Valley is located in the "National Coast" Haitang Bay, facing the mountain, surrounded by the river and adjacent to the sea. It integrates functions, including coastal living, health care, medical rehabilitation, sports and entertainment. The project is planned to include health and living projects a living club, a health management center and an international health care center. The greening rate of the Southeast Asian tropical style buildings and gardens will achieve 35%. The whole 6-story "health and living projects" with backward terrace design create a new paradigm of health care living.

Medical service quality assurance

The Group strictly abides by the national laws and regulations on medical quality and medical safety, such as Regulation on the Administration of Medical Institutions and Medical Quality Management Measures, ensuring the standardization of the medical services sector and continuously improving patient satisfaction.

The Group's Boao Evergrande International Hospital (hereinafter referred to as "**Boao Hospital**") was officially opened on 28 February 2018. Boao Hospital strived to gather top-class domestic and international outstanding medical experts and consolidate medical resources such as technology, equipment and the newest medicines and introduced advanced MDT diagnosis and treatment model to provide quality medical services. Boao Hospital formulated and implemented a series of management systems, including "Medical Quality Management Assessment Measures", "Medical Core System", "Nursing Core System", "Interim Measures for Drug Administration", "Administrative Measures for Medical Equipment and Consumables" and "Hospital Emergency Plan for Medical Safety Accidents" to identify the responsible institutions and requirements for medical quality and medical safety management; The hospital also formulated 18 guidelines for medical workflows including appointments, outpatient receptions, and sterilization and cleaning of medical equipment, appliances, and products to clarify the work requirements, processes, and standards for all aspects of medical services.

Boao Hospital established a hospital quality and safety management committee with the Dean as the highest leader, and set up 16 management committees including the Quality and Safety Management Committee, the Patient Experience Committee and the Medical Technology Access Management Committee, which were responsible for the leadership and coordination of medical care, nursing, radiation safety, and blood transfusion quality inspection, medical record management, etc., to ensure the standardization and safety of medical services.



Boao Hospital also actively exchanges and cooperates with well-known hospitals and research institutions at home and abroad to strengthen technical research and innovation and improve the management level, and is committed to providing customers with high-quality medical services. In 2018, Boao Hospital actively shared the latest developments in medical service related technologies with the industry through organizing or participating in academic salons, expert forums, and exchange seminar.

Case: Boao China-US Expert Forum

On the morning of 2 April 2018, Boao China-US Expert Forum was held at Boao Hospital. The forum topics included "Global Medical Healthcare and China-US International Cooperation Opportunities" and "Cooperation Opportunities for Cancer Research and Treatment".

At the forum, experts from both sides exchanged views on global healthcare and the opportunities for China-US cooperation, and promoted cooperation opportunities for cancer research and treatment. They also expressed that China and the United States had great cooperation opportunities in health management and cancer treatment research and expected that they would cooperate in clinical research and translational medicine platforms.

The Group had 8 community health management centers in 7 cities, including Guangzhou, Nanchang, Wuhan, Zhengzhou and Jinan. The Community Health Management Center formulated and implemented the job responsibilities and operational standards for each position, strictly implemented the system regulations for the acceptance, storage and use of drugs, and guaranteed the drug quality. The Group regularly conducted medical operation and safety training, professional qualification examination and update for the healthcare staff of the community health management centers, and regularly conducted clinical operation compliance inspections to ensure that community owners receive high-quality health management services.

2. Customer Rights and Interests Protection and Communication

The Group strictly abided by the requirements of laws and regulations such as the People's Republic Of China on Consumer Legitimate Rights and Interests Protection, and formulated and implemented Measures for the Administration of Owners and Members Legitimate Rights and Interests Protection, and effectively protected the rights and interests of owners and members; formulated and implemented Measures for the Administration of after-sales services, which stipulated duties of the after-sales service specialists and related requirements of after-sales management to timely follow up and handle customer complaints.

The Group's after-sales service center is responsible for coordinating the owners and members rights and interests protection, and supervising, inspecting and examining the risk pre-control work of the rights and interests of owners and members related to regional companies and Elderly Care Valley management companies. The after-sales service department of the regional companies is responsible for communicating directly with the after-sales service center of the Group, collecting, sorting out, providing feedback, and following up the rights and risk issues of various owners and members, and maintaining the relationship with the owners and members.

The Group set up a national customer service hotline, "Evergrande Healthcare Customer Service" WeChat service platform, "Evergrande Elderly Care Valley Membership" WeChat official account, after-sales service networks and other channels to timely obtain customer suggestions and opinions, and actively solve customer complaints and guarantee customer rights and interests.

Boao Hospital also strictly abided by the requirements of the Regulations on the Handling of Medical Accidents and other laws and regulations, and clarified the requirements for risk prevention and control of medical disputes in the Hospital Management Measures and Measures for Administration of Legal Risk Prevention and Control of Health Group Hospitals and established medical disputes handling leading groups and a crisis management mechanism to timely resolve medical dispute tendency, and mitigate medical disputes. Boao Hospital set up a complaint box in public places, posted a complaints supervision telephone information poster, etc., and actively listened to the patient's opinions; and set up the patient care group to be responsible for receiving and processing the patient's opinions to guarantee the legitimate rights and interests of the patients.

In 2018, the Group received 712 complaint calls from customers through the national customer service hotline, initiated external problem-solving communication and negotiation for 15 times, carried out 23 satisfaction return visits after the problems were solved, and handled 579 WeChat complaints from customers.

3. Protection of Customer Privacy

The Group strictly abided by the laws and regulations such as the "People's Republic of China on Guarding State Secrets" and the "Regulations on the Secrecy Management of State Secret Carriers". The Group promised to implement strict safety protection measures for customer personal information collected during the process of business operations to ensure customer personal information will not be disclosed or abused.

The Group conducts strict authority management on the inquiry, use and download of customer information and other data in the information system to prevent information leakage and abuse. For the customer personal information collected due to business needs, the Group uses information encryption, de-identification and other technical approaches to prevent information from being stolen or to ensure that when stolen, the member information will not be matched one by one, thus ensuring the security of customer information. At the same time, the Group stipulates that employees must also sign a confidentiality agreement when signing the labor contract, which specifies the confidentiality requirements of the employees during their employment and after they resign from the job, in order to enhance their awareness of confidentiality.

Boao Hospital also specially formulates the "Medical Record Protection and Information Security System", the "Copying System for Medical Record", the "Regulations and Measures for Avoiding and Protecting Patient Privacy" for the protection of medical record, and strictly restricts the internal and external personnel to view, copy, carry and keep the patients' medical records, thus ensuring that the patient's medical records are used within the scope of authorization.

4. Compliance Marketing

The Group strictly abides by the laws and regulations related to advertising and marketing such as the People's Republic of China Advertisement Law, formulates and implements the Measures for the Management of Marketing of Evergrande Health Group, the Measures for the Brand Management of Evergrande Health Group (Trial), and the Measures for the official media Management of Evergrande Health and other systems. The Group strictly reviews the publicly released publicity materials and sales commitments to prevent untrue or misleading content, and to protect customers' rights and interests from being infringed.

According to the requirements of the Group, all external image display, event promotion, marketing and publicity contents of all units, institutions and subordinate projects are subject to the signature confirmation of the principal and leaders of the initiating unit. The marketing brand center will review and report them to the leader in charge and the Chairman for approval. After that they can be produced and released to the public, thus ensuring the authenticity of the content.

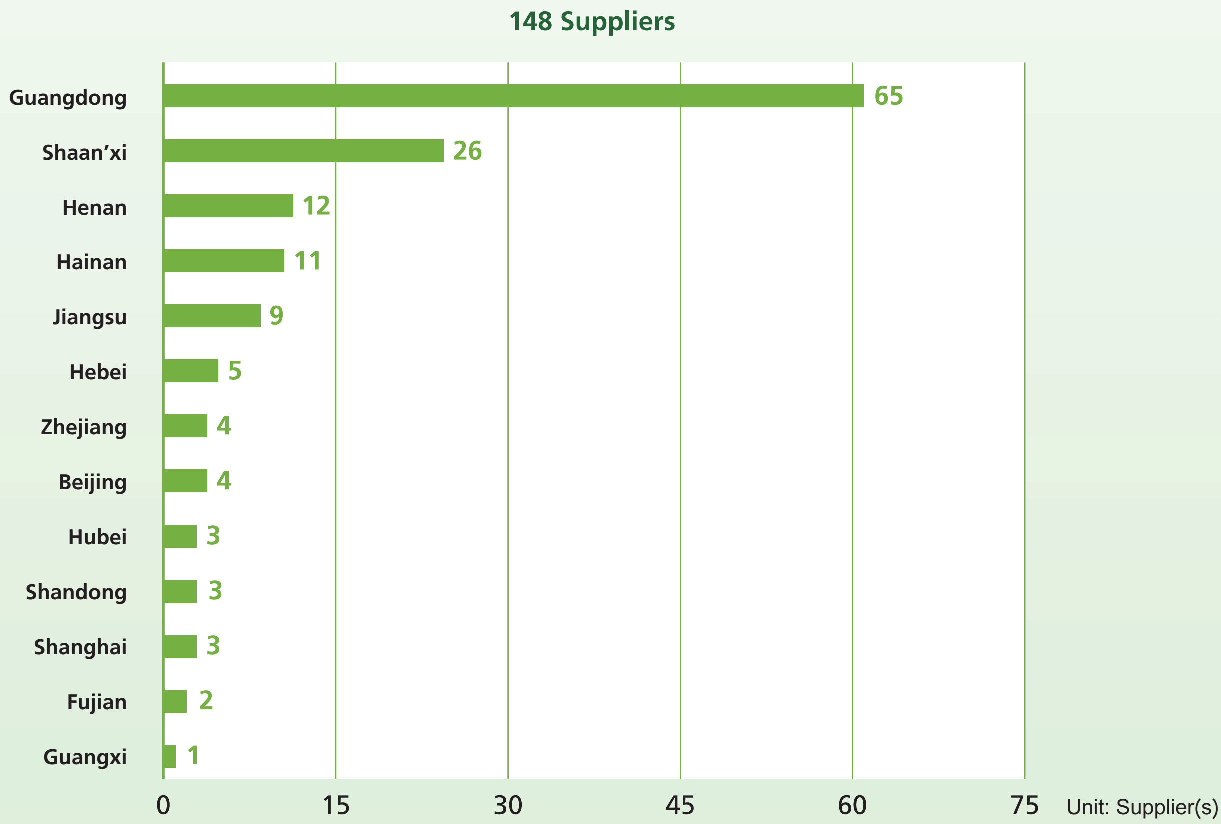
5. Protection of Intellectual Property

The Group strictly abides by the requirements of national and local laws and regulations related to protection of intellectual property. The Contract and Legal Affairs Center is responsible for the application, registration, filing and change of ownership of the Group's intellectual properties and other relevant information management. the Group's Contract and Legal Affairs Center organized special training sessions on a regular basis to enhance the capabilities and raise awareness in relation to maintenance and protection of the Group's intellectual properties among our employees.

VI. Supply Chain Management

The Group strictly abides by the relevant regulations of The Bidding Law of the People's Republic of China and Government Procurement Law of the People's Republic of China, and continuously improves the internal supply chain management policies to ensure the fair, harmonious and healthy cooperation with suppliers.

As at December 31, 2018, the Group has 148 suppliers. The type and geographical distribution of suppliers are as follows:



1. Supply Chain Management Policy

For the suppliers involved in the Elderly Care Valley project, the Group has formulated and implemented the "Construction Process Guidelines" and the "Measurement Standards for Product Quality", which clearly stipulates that contractors shall comply with the provisions under national laws and regulations and the relevant policies of the Group in terms of construction quality, construction safety, product quality and environmental protection standards and requires all contractors to regularly inspect the safety protection, environmental protection facilities and quality control of each project site, ensuring the safe and efficient operation of construction projects, and maintaining the mutual interest of the Group and contractors.

For suppliers involved in medical services, the Group has formulated and implemented the Medical Procurement Management System to ensure compliance of the medical procurement. The relevant management system of the Group requires that any medical device procurement must be strictly in accordance with the provisions of the Regulations on the Administration of Medical Device. The Group shall purchase qualified medical equipment from the manufacturing enterprises that have obtained the Medical Device Manufacturing Enterprise License or operating enterprises that have obtained the Medical Device Operation License; the drug suppliers shall provide a copy of the "Imported Drug Registration Certificate" or "Pharmaceutical Product Registration Certificate" and "Imported Drug Inspection Report" with the official seal.

In order to ensure the impartiality and normalization of the supplier selection process, the Group has formulated and implemented the "Health Group Bidding Management System", etc., and managed suppliers by means of warehousing before bidding. The Group stipulates important materials and projects such as construction main body, decoration, garden construction, professional medical engineering, should be procured by the headquarter through bidding. Other materials are purchased by local companies, hospitals and other units through bidding. The Group requires that the recruitment team composed of multi-sector members collect suppliers according to the "back-to-back" principle; the suppliers collected must pass the qualification review, on-site inspection, etc., and can enter the cooperation unit list after being approved by the Vice President of the Group.

The Group regularly evaluates and ranks suppliers in the partner units on a regular basis, and uses the evaluation results as one of the determinants of the scope of follow-up cooperation. After the completion and acceptance of each project, the Group will hold an evaluation meeting on the performance quality and performance capability of the construction unit. Based on evaluation results of the meeting, suppliers that with poor team financial ability, poor management, low technical level, serious delay in construction period, poor quality of the materials, non-compliance behaviors such as bidding collusion and major quality or safety incidents are included in the "Evergrande Health Group Temporary Non-cooperative Unit List" and are publicized in the internal system. The suppliers on the list are not allowed by the Group to undertake any project of the Group and the internal responsible person of the Group will be given administrative penalties.

2. Supplier Social Responsibility Requirements

The Group sets out the incorruptibility terms in all bidding documents and contracts, and requires any unit or individual not to alter, cover or damage the terms, reminds the suppliers of preventing the risks associated with corruption and bribery and reports any non-compliance found during the cooperation process to avoid corruption in the supply chain.

The Group regularly conducts a comprehensive inspection of the labor contract signing and salary payment of the construction unit, and implements the responsibility for risk management of the rights and interests of migrant workers to the general manager of the project and the general manager of the construction department to supervise the relevant responsible leaders to pay attention to the management and supervision of the compliance of the construction unit, thus effectively protecting the rights and interests of migrant workers.

VII. Development with Integrity

The Group actively responds to the call of the State for anti-corruption and integrity, and strictly abides by the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, the Anti-Monopoly Law of the People's Republic of China and other laws and regulations, and strives to maintain fair, just and transparent business environment. Under the leadership of the Board of Directors, the Inspection Office of the Group independently exercises the supervision right and disposition right, and is responsible for supervising and investigating major violations of laws and regulations that are suspected of corruption and other infringements of Che company's interests in the operations and management activities of the subordinate units. It is also responsible for implementing the risk control measures of the Group associated with corruption.

The Group set up informants' hotline and email as well as KK to receive the whistle-blowing related to internal and external corruption and infringement of the Company's interests. At the same time, the Group requires all units to set up reporting channel bulletin boards in the office area, project construction site, project sales center, property office, hospital and other notable locations to ensure smooth reporting channels.

When receiving such a report, the Inspection Office commences an investigation and handles the issue immediately, while the source of whistle-blowing will remain strictly confidential, and special protection measures are in place to protect informers. In response to the major disciplinary violations, the Group requires relevant responsible departments and personnel to carry out rectification within a time limit and impose administrative or economic penalties on relevant individuals; if violated the criminal law, it will be transferred to the judicial authorities for filing.

In addition, in 2018, the Group strengthened the guidance of supervision and enhanced employees' sense of incorruptibility through the supervision business training, anti-corruption education and other activities.

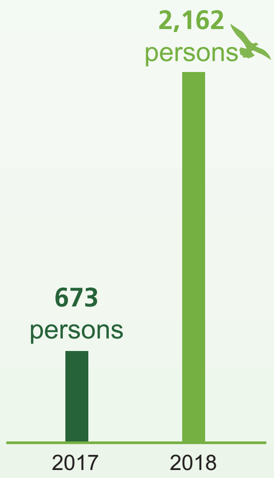
In 2018, there was no concluded litigation in relation to corruption which was initiated against the Group or its employees.

VIII. The Culture of Talent

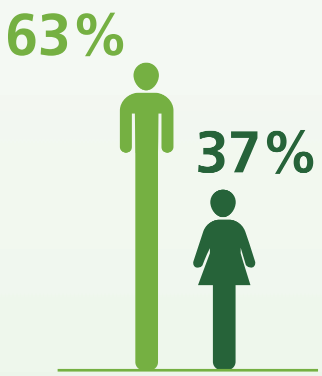
The Group strictly implemented the rules and regulations of the Labor Law of the People's Republic of China on Employment relations, improved the personnel introduction mechanism and training system, and provided a broad development platform for employees to promote the common development of employees and the Group.

The Group's rapid business development in 2018 came up with greater demand for professionals and high-end management personnel on the real estate and health care industries. To this end, under the regulations of Evergrande Health Group Recruitment and Entry Management System, the Group actively attracted talents though job competition, internal promotion, online recruitment, job fairs etc. and ensured the fairness and equity of recruitment by strictly implementing the internal relevant regulations. As of 31 December, 2018, completion rate of the Group's recruitment plan at the beginning of the year was more than 90%, the total number of employees reached 2,162, details of which are as follows:

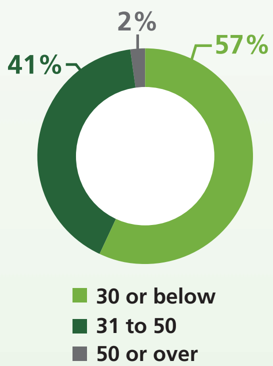
Total number of employees



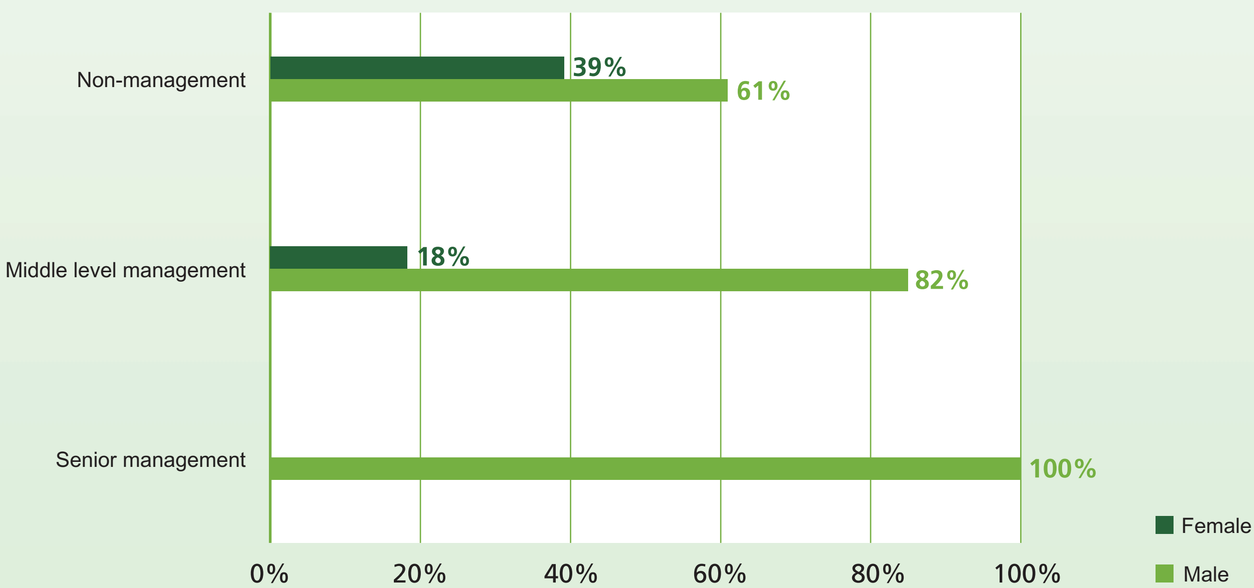
Employees by gender



Employees by age group



Employees by position and gender



1. Compliance employment and employee benefits

The Group formulates and implements the rules such as the Pay Calculation Management Regulations, the Labour Contract Management Rule, the Social Insurance, Housing Provident Fund Management Rule, the Freshman Transferred to Formal Employee Management Rule, the Personnel File Management Rule, the Labour Discipline Management Rule, and also signs formal labour contracts with employees for standardizing labour relationship management and employee turnover management.

The Group provides employees with reasonable and competitive remuneration in the industry and purchases social insurance (for five risks + medical assistance for employees with major diseases) and housing provident fund for all active employees in accordance to the law and regulation. The Group also purchases supplementary medical insurance for employees, and commercial insurance such as employer liability insurance for special staffs (eg. employment of retired staff, part-time staff, etc.), to provide comprehensive protection for employees. The Group complied with the statutory working time requirements and guarantees employees statutory holiday and adequate rest time according to relevant regulations, providing paid annual leave, sick leave, marriage leave, maternity leave, etc., to protect the legal rights of employees.

Meanwhile, the Group provided excellent benefits for employees in respect of food, housing, travel and other aspects:

Free self-served staff meals or meal subsidies

Complimentary hotel-style staff apartment

Complimentary shuttle bus transfer to and from work

Holiday welfare gifts (such as shopping cards, book buying cards, mooncakes, etc.)

Daily benefits (tickets discount, water benefit cards in summer, etc.)

2. Training

The Group has formulated and implemented the Training Management rule. In light of the characteristics of business and positions, the Group integrated internal and external training which aimed at enhancing the capabilities and technical expertise of our staff so as to guarantee the achievement of the Group's strategic goals. The Group's Personnel Administration Center is responsible for organizing the functional centers to formulate and carry out the annual staff training plan of their departments.

From 1 January 2018 to 31 December, 2018, the overall training of the Group's employees is as follows:

29,900
Total number of people in training

1,536
Total number of classes in training

99,413
Total number of hours in training

70.13
Number of training hours per person

Note: Number of training hours per person = Total annual training hour/Annual average number of employees; Average annual number of employees = (number of employees at the beginning of the year + number of employees at the end of the year)/2.

In 2018, the Group conducted different training programs for different types of employees, such as new staff and cadre leaders:

New staff from campus recruitment

The new staff can enhance their comprehensive quality and professional skills, quickly transform roles and adapt to job by participating six months of the "Star Program", a special training program organized by China Evergrande Group.

New staff from communities recruitment

The Group organizes a four-day induction training for new employees every two months. Training uses the "3+1 structure", that was, the first three days for the corporate culture and general quality courses, the last day for the Group's general situation, industry and professional basic knowledge and other courses, to help employees integrate into their jobs quickly.

Cadre team construction:

The Group organized for the middle level and above leading cadres from each of the headquarters center, the regional company and the subordinate units to conduct intensive business training. The training courses included introduction of real estate segment business details related to construction design, finance, marketing brand, procurement, legal affairs and personnel, but also covered the health industry profile, health operation system, hospital and medicine system and other knowledge for industry insights, to enhance and improve the quality and leadership ability for professional management.

Training course for project general managers of the Group

Case: "Sparks training camp" for new staff recruited from colleges

In 2018, the Group organized for 158 college graduates of 2018 to the South China Sea Military Academy to participate in a week-long induction training session for college students — the "Sparks training camp". This training takes closed-doors approach mainly including cultural integration, industry insight, team integration and other 20 training courses. The "Sparks training camp" is the beginning of the "Star Program" of college students training project, which provides an important assurance for college students to understand the corporate culture, quickly become familiar with and integrate into the Group. After 7 days of training, the Group's personnel administration center arranged for these newly recruited college graduates to continue a six-months deepening training at each of the center, and carried out tracking guidance on the development of new staff. New employees were provided with "one-on-one" mentors, to help them quickly grasp the responsibilities of the post, establish career development goals, and achieve common development with the Group.

2018 Sparks training camp of the Group

3. Career development and employee communication

The Group has formulated and implemented the Management rules for the Selection and Appointment of Leading Cadres and the Management rule of Personnel Transfer, and has constantly optimized the mechanism of employee performance appraisal, incentive and promotion, guarantees the open and fair promotion of employees and to meet the needs of employees on career development.

The Group attaches great importance to communicating with its employees, keeping abreast of their development aspirations and responding to them in order to maintain a good employment relationship. During 2018, the Group, through a comprehensive review of the overall human resources at the Group's headquarters, examined the performance of employees at all levels, their development potential and key business experiences, and gradually improve the training mechanism of business personnel as well as strengthen the construction of management team based on the results of the review. At the same time, the Group also listens to their needs for development and recommendations on the development of the Group and addresses the problems identified, in order to enhance the sense of collective identity of employees.

Case: New Employee satisfaction survey

The Group's Personnel Administration Center conducted a satisfaction survey of new recruits in the second quarter of 2018 to understand the satisfaction of employees with corporate culture, salary levels, departmental career guidelines, etc., and the adaptation of new positions. With a total of 282 copies of questionnaires sent out, the survey overall had an average score of 9.47 (maximum score is 10) and accessed the valuable comments and suggestions of new staff on the induction guidance. The Group will continue to improve the on-job guidance and assistance measures for new employees, facilitating them quickly become familiar with the job responsibilities and company culture, and to enhance the recognition and satisfaction of new employees with the Group.

4 Occupational health and safety

In the segment of Elderly Care Valley, the Group strictly complies with the People's Republic of China Law on the Prevention and Control of Occupational Diseases, the People's Republic of China Fire Protection Law and other laws and regulations, and protects employees's health and safety effectively by the standardized operation, muti-layer inspection, strict protection and other related measures.

The Group requires that regional companies set up quality inspection team which carried out daily inspection and timely check on safety risks and existing problems of the subordinate projects as well as rectification of safety hazards. The Group also conducts safety inspections for all projects and urge regional companies to rectify the problems identified through inspection reports and holding of the thematic meetings. At the same time, the Group regularly selects the "excellent construction project", "safety and civilized demonstration project" and other benchmarking projects, and holds thematic meetings to summarize production safety issues, in order to strengthen the demonstrative learning and communication of common safety issues among the projects and improved management capacity of project safety.

In the daily operation, the Group strictly requires the construction project to be executed in accordance to the site management requirements, including setting up of protective nets, warning signs, safety information signs and other facilities and equipment, and requires all construction personnel to wear helmets, safety ropes and other protective appliances.

In order to ensure the occupational health and safety of medical, nursing and technical personnel in the medical service segment, Boao Hospital has formulated and implemented systems such as the Boao Evergrande Hospital Medical Core rule, the Boao Evergrande Hospital Nursing Core rule, and set up management committees such as quality and safety management committee, radiation safety and protection management committee to strictly troubleshoot and rectify the hidden dangerous factors may lead to safety incidents. Medical staff are requires to carry out patient care and nursing work in accordance with operating procedures to prevent medical and health personnel involving in occupational injuries such as nosocomial infection and radiation hazards.

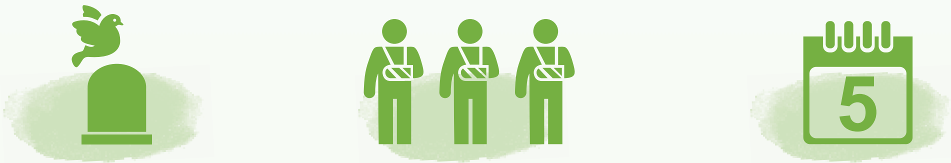
The Group also concerns the physical and mental health of employees. The Group provides annual medical check-ups for all employees, prompting them to pay attention to their health and to solve their health problems in a timely manner. In addition, the Group has opened a staff club, to provide employees with various types of fitness equipment, table tennis table, library and other facilities, so that the employees can relax their bodies and minds out of busy work.

Case: "Energetic Youth, accompanied by health" employee development activities

"Energetic Youth, accompanied by health" employee development activity

In order to increase employee sense of belonging, happiness, improve team cohesion and its centripetal force as well as to create a united, positive corporate culture atmosphere, the Group organizes beneficial physical and mental staff activities irregularly. In the August 2018, the Group organized a staff development activity on the theme of "Energetic Youth Travel Healthily". Through military training, games, case sharing and other links, the activity can improve the emotional communication of team members.

The number of the Group's working days lost as a result of work casualties and work incidents in 2018 was as follows:



0
Number of deaths at work (persons)

3
Number of injured at work (persons)

5
Number of working days lost due to work injuries (days)

5. Equal participation and labor rights

With strict adherence to the relevant provisions of the Labour Law of the People's Republic of China, the Group has been determined to create a good working atmosphere of "the capable ascends while the mediocre retires", improves the staff selection mechanism, and requires standardized regulations for the selection and appointment of employees, strictly prohibits the appointments and promotions of employees from being treated differently on the basis of gender, ethnicity, origin, etc., so as to protect the legitimate rights and interests of employees on equal employment.

The Group complies with the labour laws and regulations and the provisions of the State Council on the Prohibition of the Use of Child Labour, prohibits the recruitment of minors under the age of 18, and strictly supervises the compliance of subordinate units and contractors. The Group requires the relevant departments or units to check the identity documents of all candidates to ensure that their age meets the employment requirements; for the employee information to be completed through the internal system of the Group's works under construction, non-compliance must be corrected immediately if found during inspection. The Group complies with the relevant labour laws, does not permit any forced labor practices, nor any overtime or Labour to be committed against the will of employee, and pays statutory overtime payment for voluntary overtime employees. During 2018, the Group did not find any cases related to the use of child or forced labour.

IX. Environmental Management

The Group strictly complies with the relevant laws and regulations on environmental protection in the country and its operating location, carries out emission management and implements of various energy-saving measures for each business segment, enhances the awareness of employees' green environmental protection, and strives to reduce the impact of business operations on the ecological environment.

1. Emission management

In the segment of Elderly Care Valley, the Group strictly complies with the Environmental Protection Law of the People's Republic of China, Regulations on the Administration of Construction Project Environmental Protection and other laws and regulations in the operating area, as well as formulate and supervises the implementation of the Regulation on Safety and Civilized Construction Management in Construction Projects. The Group has set up group level inspection teams to oversee the implementation of environmental requirements on site. The Group requires the inspection team to carry out special inspection of safety and civilized construction on weekly and monthly basis according to the progress of each project. If illegal matters and violating issues are found during inspection, the head of relevant project company would order construction units to rectify within a time limit and follow up the result of rectification.

The Group's specific measures for the management of dust, noise, construction waste and other emissions during project construction are as follows:

- **Noise:** the Group places strict limitations on the daily schedule of construction and prohibits over-time work; the Group requires construction units to install noise monitoring devices at the project sites to carry out real-time monitoring of noise decibels so as to prevent noise exceeding the prescribed limit and impacting the lives of surrounding residents.

- **Prevention of dust:** the construction sites has set up sprinklers and dust-proof facilities to reduce emission of dust during construction while surface hardening treatment has been carried out on the road and area on site. Car-washing platform has been set up at the gates of entrance and exit for rinsing of vehicles passing the gates; cement and other building materials that easily emissed dust and exposed land at the construction site have been covered with dense mesh cloth.

- **Treatment of construction waste:** the construction sites have set up closed garbage stations, in which the construction waste has been categorized and stored separately from domestic waste and processed by qualified professional construction waste disposal company using corresponding container for transportation.

In the medical service segment, the Group strictly complies with the relevant laws and regulations such as the Regulation on Medical Waste Management, the Regulation on the Measures for Medial Waste Management and Administrative Measures for Hazardous Waste Transfer Manifests. The Group formulates and implements the Hospital Waste Management Rule, and the Emergency Plan for the lost, leakage, proliferation and accidents of medical waste in Boao Evergrande International Hospital to regulate the collection, transportation, temporary storage and disposal of medical waste, to prevent the pollution of medical waste to the environment and to reduce the possibility of disease transmission.

The Boao Hospital has all its departments allotted with medical waste categorization and collection containers in accordance with the national requirements of Regulations on Special Packing, Vessel Standard and Warning Sign for Medical Waste, and requires the medical waste to be categorized and collected separately from domestic waste while health care staffs are prohibited to reuse or mixing use of bags or other containers for waste collection.

For handling of harmful medical waste with infectious, radioactive, heavy metals, sharp- ended those have potential hazardous impact on environment or person, the Boao Hospital would promptly transfer it to the living environment harmless treatment center or qualified professional company for processing. The Boao Hospital has set up a sewage treatment station, and has hired a professional sewage treatment company to provide operation and maintenance services for the station, requires that all medical sewage to be treated by the sewage treatment station before it can be discharged.

2. Energy-saving and environment management

In daily operation, the Group actively adopts energy-saving and resources consumption-reducing measures to enhance the use efficiency of energy and resources and is committed to reducing the environmental impact on business development.

In view of the Elderly Care Valley project, the Group has taken full account of the climate and environmental factors of the project site in the architectural design stage, using thicker heating layer, installation of solar panels and other designs according to local conditions, in order to enable the building in the subsequent operation more in line with the green environmental protection requirements. In the construction phase, the Group, in strict adherence to the relevant provisions of the State, carries out environmental impact assessment of the building and developed countermeasures against the environmental risks of the construction process. The Group also actively makes use of assembly-type residential and other new construction technology with a view to reducing the impacts on the environment and energy or resource consumption consumption during the construction process. The Group requires that the Elderly Care Valley project to erect public signs about the information of energy saving and environmental protection information at the construction sites, and to accept government's environmental check-ups upon the completion of the project.

The Group proactively advocates the concept of "energy saving and consumption reduction" in response to the national energy conservation and environmental protection policy, by facilitating the green office concept and enhancing the employee's awareness of energy saving and environmental protection:

- The Group adopts the concept of green office, aims to minimize paper consumption in the process of management, contract approval and document issuance, through an integrated management system (EMS). The Group requires the use of paper in daily operation need to follow the principle of on-demand acquisition, and maintains facilities and equipments in office regularly, also advocates employees to use paper sparingly and to eliminate waste.

- Take advantage of the network, the Group convene video conferencing to avoid unnecessary travels and reduced the number of flight inspections through control measures, in order to resource consumption and greenhouse gas emissions arising from travel traffic. Meanwhile, through the registration management for the using company vehicles, the employees are required to provide information such as reasonable travel purposes and starting places, to reduce unnecessary vehicle travel.

- The Group strictly manages resource consumption within the office area, requires employees to turn off light and appliances as appropriate, and with installation of automatic faucets and water-saving taps in the office area, in order to avoid wasting. Notices are placed beside the faucets and switches to raise conservation awareness among the employees;

- Through training and publicity activities, the Group actively promotes green office and lifestyle to the staff, encouraging them to take every small step to practice the environmental protection concept.

Among them, the water for the Group's business activities mainly comes from the tap water of municipal pipe network, and through the use of water-saving equipment and facilities, the Group carries out staff water-saving education and other measures to enhance the use efficiency of water as well as reduced the consumption of water resources in business activities.

3. Key Environment Performance Indicators

The Group's Key Environment Performance Indicators of 2018 are as follows:

Code	Key Performance Indicators	Unit	Emission/ Consumption
A1.1	SOx emissions	Kg	1.67
	NOx emissions	Kg	211.47
	Particulate matter	Kg	16.83
A1.2	Total greenhouse gas emissions	Tonne	2,508.59
	Greenhouse gas emissions (Scope I)	Tonne	352.80
	Greenhouse gas emissions (Scope II)	Tonne	2,155.79
A1.3&1.4	Medical waste	Tonne	0.66
	Non-hazardous waste	Tonne	531.11
A2.1	Total energy consumption	GJ	13,580.64
	Direct energy consumption	GJ	4,423.61
	Indirect energy consumption	GJ	9,157.03
	Energy consumption intensity	GJ per employee	6.32
	Total electricity consumption	kWh	2,543,619.31
	Petrol consumption	Liter	113,771.43
	Pipeline natural gas consumption	m^3	22,373.22
A2.2	Water consumption	m^3	38,080.92
	Water consumption intensity	m^3 per employee	17.72

Notes:

(1) The time span of environmental data is from 1 January 2018 to 31 December 2018. The scope of environmental data includes, the headquarters' office area in Guangzhou, the Group's five regional companies and subordinates offices of Elderly Care Valley projects under construction in central China, east China, north China, south China and western region, the Boao Evergrande International Hospital and Guangzhou Hengli Cosmetology Center (廣州恒麗美容中心) and Shenzhen Shenzhen Hengyan Cosmetology Center (深圳恒研美容中心).

(2) The emission was the result of the use of company vehicles. Greenhouse gas emissions (Scope I) was primarily due to petrol consumption of company vehicles and fuel consumption of staff canteens, and greenhouse gas emissions (Scope II) primarily originated from purchased electricity.

(3) Source of emission factors: When calculating A1.1 emissions, the emission factors of natural gas were accounted for with reference to 2017 Calculation Methods of Pollutants Discharge Coefficient and Material Balance for Industries not Classified in Pollutants Discharge Permitting Administration, others referred to the Reporting Guidance on Environmental KPIs issued by Hong Kong Stock Exchange, while calculating A1.2 greenhouse gas emissions, the emission factors for purchased electricity were accounted for with reference to China Regional Power Grid Baseline Emission Factor for Emission Reduction Project for 2017 (《2017年度減排項目中國區域電網基準線排放因子》) issued by the Ministry of Ecology and Environment, other energy emission factors referred to Reporting Guidance on Environmental KPIs; GJ Unit conversion factor for various types of energy were accounted with reference to national GB2589-2008T General Principles of Comprehensive Energy Consumption Calculation.

X. Social Public Welfare Investment

The Group actively engages in social welfare undertakings, concerns and participates in charitable activities for Community residents health, donations to help education, etc., commits to take up the social responsibilities as a corporate citizen, and promote the development of harmonious society.

1. Promotion of health concepts

Relying on the Boao Hospital and community health management centers, the Group actively conducts public welfare activities such as voluntary medical consultations, health knowledge promotions and blood donations, and promotes health concepts to the community and the public, help to elevate health management capacity of community residents.

Voluntary medical consultations

In the morning of 11 November 2018, the Boao Hospital conducted the "Caring for Health and living well" campaign with voluntary medical consultations to promote health knowledge and medical consultation services for community residents. At the event site, 11 experts and 2 nursing staffs diagnosed and answered questions enthusiastically for patients, instructed them to correctly understand diseases and explained knowledge about disease prevention and conditioning, etc. At the same time, Various departments of Boao Hospital provided community residents with a number of free check-ups such as measurements of height and weight, blood glucose and blood pressure, ECG ultrasound, blood routine, urine routine, etc.

The compaign benefited people from various areas around the Boao Hospital, providing free medical check-ups for more than 100 community residents in total as well as raising the awareness of community residents about their health and disease knowledge, and hence for promotion of a healthy culture.

Voluntary blood donation at the Boao Hospital

On 23 November 2018, the Boao Hospital and Qionghai Sub-center of Hainan Province Blood Center jointly conducted a voluntary blood donation campaign themed as "Pass on love for life relay". This voluntary blood donation campaign was strongly supported by the staff of the whole hospital, a total of nearly 30 employees participated in blood donation, giving blood up to 7,300ml in total, ensuring the clinical blood demand of Boao Hospital.

2. Assisting disadvantaged groups

The Group is actively involved in donor assistance activities to provide more educational opportunities and a better educational environment for needy students. In 2018, the Group donated RMB10,000 for Hope Primary School in Xingyang, Henan, to provide better teaching resources for poor student.

Annex I. List of Laws and Regulations and Policies

ESG Index	Compliance with Regulations and Rules	Internal Policies
A Environment	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Regulations on the Administration of Construction Project Environmental Protection of the People's Republic of China Regulations on the Administration of Medical Wastes of the People's Republic of China Measures on Duplicated Form for Transfer of Hazardous Wastes	Safe and Civilized Construction Standards of Evergrande Health Clinical Waste Management Rule
B1 Employment	Labor Law of the People's Republic of China Labor Contract Law of the People's Republic of China Employment Promotion Law of the People's Republic of China Social Insurance Law of the People's Republic of China Provisions on Minimum Wages	Recruitment and Introduction Entry Management Rule Labor Contracts Management Rule Management Rule for Social Security and Housing Provident Fund Management Rule for New Employee Becoming Permanent Salaries Calculation Management Regulation Personnel Transfer Management Rule Personnel Files Management Rule Employee Resignation Management Rule Labor Discipline Management Rule

ESG Index	Compliance with Regulations and Rules	Internal Policies
B2 Health and Safety	Labor Law of the People's Republic of China Law of the People's Republic of China on Prevention and Treatment of Occupational Diseases Production Safety Law of the People's Republic of China Fire Control Law of the People's Republic of China Emergency Response Law of the People's Republic of China Regulations on the Safety Administration of Hazardous Chemicals Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents Interim Regulations on the Investigation and Treatment of Hidden Dangers in Safety Production Accidents Regulation on Work-Related Injury Insurance of the People's Republic Provisions on the Supervision and Administration of Occupational Health at Work Sites Occupation Disease Classification and Catalogue	Safe and Civilized Construction Standards of Evergrande Health Core Medical Rule of Boao Evergrande Hospital Core Nursing Rule of Boao Evergrande Hospital Emergency Plan for Medical Safety Incidents in Hospitals
B3 Development and Training		Training Management Rule Management Rule for Selecting and Appointing Leaders and Officers
B4 Labor Standards	Labor Law of the People's Republic of China Provisions on Prohibition of Child Labor	Recruitment and Entry Management Rule Labor Contracts Management Rule
B5 Supply Chain Management	Bidding Law of the People's Republic of China Government Procurement Law of the People's Republic of China Regulations on the Administration of Medical Procurement Construction Law of the People's Republic of China Regulation on the Quality Management of Construction Projects Measures for the Administration of Medical Quality Regulation on the Administration of Medical Institutions	Bidding and Tendering Management Rule Medical Procurement Management Rule Headquarter Management Measures Construction Technology Guidelines Standards for Measuring Product Quality Construction Technology Guidelines Construction Management Rule

ESG Index	Compliance with Regulations and Rules	Internal Policies
B6 Product Responsibility	Law of the People's Republic of China on the Protection of Consumer Rights and Interests Tort Law of the People's Republic of China Advertising Law of the People's Republic of China	Core Medical Rule Core Nursing Rule Medical Quality Assessment Interim Measures for Medication Management Management Measures for Medical Devices and Supplies Emergency Plan for Medical Safety Incidents in Hospitals Management Measures for Owners and Members' Rights Protection Management Measures for Elderly Care Valley Management Company Brand Management Measures (Trial) Management Measures for Sales and Planning in Evergrande Health Group Management Measures for Official Self-media (Trial) Management Measures for the Customer Expansion Team Notice on Enhancing Site-choosing and Management for Display Houses
B7 Anti-corruption	Anti-unfair Competition Law of the People's Republic of China Interim Provisions on Banning Commercial Bribery Anti-Monopoly Law of the People's Republic of China	Management Measures for Supervision Against Corruption Management Measures for Cash Gifts and Gifts
B8 Community Investment	Nil	Nil

Annex II. Directory for ESG Disclosure

No.	ESG Index	Disclosure Status	Corresponding Chapter
A1 General Disclosure	Information on emissions and greenhouse gas emissions, sewage to water and land, generation of hazardous and non-hazardous waste, and compliance with relevant laws and regulations that have a significant impact on the issuer.	Disclosed	IX. Environmental Management
A1.1	Types of emissions and relevant data.	Disclosed	IX. Environmental Management
A1.2	Total emission and density (if applicable) of greenhouse gas.	Disclosed	IX. Environmental Management
A1.3	Total amount and density (if applicable) of hazardous waste.	Disclosed	IX. Environmental Management
A1.4	Total amount and density (if applicable) of non-hazardous waste.	Disclosed	IX. Environmental Management
A1.5	Describe the measures to reduce emissions and the results obtained.	Disclosed	IX. Environmental Management
A1.6	Describe methods for handling hazardous and non-hazardous waste, measures to reduce production, and results obtained.	Disclosed	IX. Environmental Management
A2 General Disclosure	Policies for the effective use of resources, including energy, water and other raw materials.	Disclosed	IX. Environmental Management
A2.1	Total or indirect energy consumption and density.	Disclosed	IX. Environmental Management
A2.2	Total water consumption and density.	Disclosed	IX. Environmental Management
A2.3	Describe the energy use efficiency plan and the results obtained.	Disclosed	IX. Environmental Management
A2.4	Describe any problems that were encountered when searching for applicable water source, as well as water efficiency improvement plans and results.	Disclosed	IX. Environmental Management
A2.5	The total amount of packaging materials used in finished products and the amount per unit of production.	N/A	The Group mainly provides medical services and health care services, and is not involved in the use of packaging materials for finished products.
A3 General Disclosure	Policies that reduce the issuer's significant impact on the environment and natural resources.	Disclosed	IX. Environmental Management
A3.1	Describe the significant impact of business activities on the environment and natural resources and actions that have been taken to manage the impact.	Disclosed	IX. Environmental Management

No.	ESG Index	Disclosure Status	Corresponding Chapter
B1 General Disclosure	Information on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other treatments and benefits and compliance with relevant laws and regulations that have a significant impact on the issuer.	Disclosed	VIII. The Culture of Talent
B1.1	Total number of employees by gender, type of employment, age group, and region.	Partly Disclosed	VIII. The Culture of Talent
B1.2	Employee turnover ratio by sex, age group, region.	Not disclosed yet, considering disclosure at an appropriate and later time	
B2 General Disclosure	Information on policies to provide a safe working environment and to protect employees from occupational hazards and to comply with relevant laws and regulations that have a significant impact on the issuer.	Disclosed	VIII. The Culture of Talent
B2.1	Number and ratio of work-related death.	Disclosed	VIII. The Culture of Talent
B2.2	Number of working days lost due to work-related injuries.	Disclosed	VIII. The Culture of Talent
B2.3	Describe the occupational health and safety measures adopted, as well as related implementation and monitoring methods.	Disclosed	VIII. The Culture of Talent
B3 General Disclosure	Policies on enhancing the knowledge and skills of employees in performing their job duties. Describe training activities.	Disclosed	VIII. The Culture of Talent
B3.1	Percentage of trained employees by gender and employee category (e.g. senior management, middle management, etc.).	Not disclosed yet, considering disclosure at an appropriate and later time	VIII. The Culture of Talent
B3.2	The average number of training hours each employee completed, by gender and employee category.	Partly Disclosed	VIII. The Culture of Talent

No.	ESG Index	Disclosure Status	Corresponding Chapter
B4 General Disclosure	Information on policies to prevent child labor or forced labor and compliance with relevant laws and regulations that have a significant impact on the issuer.	Disclosed	VIII. The Culture of Talent
B4.1	Describe measures to review recruitment practices to avoid child labor and forced labor.	Disclosed	VIII. The Culture of Talent
B4.2	Describe the steps taken to eliminate the situation when a violation is discovered.	Disclosed	VIII. The Culture of Talent
B5 General Disclosure	Environmental and social risk policies for managing supply chain.	Disclosed	VI. Supply Chain Management
B5.1	Number of suppliers by region.	Disclosed	VI. Supply Chain Management
B5.2	Describe the practices relating to the hiring of suppliers, the number of suppliers that are being involved in the practices, and the implementation and monitoring methods of the relevant practices.	Disclosed	VI. Supply Chain Management
B6 General Disclosure	Information on the health and safety, advertising, labeling and privacy issues and remedies of the products and services provided and compliance with relevant laws and regulations that have a significant impact on the issuer.	Disclosed	V. Operation Responsibility
B6.1	The total percentage of sold or shipped products that have to be recalled for safety and health reasons.	N/A	The Group mainly provides medical services and health care services and is not involved in the recycling of sold or shipped products.
B6.2	Number of complaints about products and services received and how to respond.	Disclosed	V. Operation Responsibility
B6.3	Describe practices related to the maintenance and protection of intellectual property.	Disclosed	V. Operation Responsibility
B6.4	Describe the quality verification process and product recall procedures.	N/A	—
B6.5	Describe consumer data protection and privacy policies, as well as related implementation and monitoring methods.	Disclosed	V. Operation Responsibility

No.	ESG Index	Disclosure Status	Corresponding Chapter
B7 General Disclosure	Information on policies to prevent bribery, extortion, fraud and money laundering and compliance with relevant laws and regulations that have a significant impact on the issuer.	Disclosed	VII. Development with Integrity
B7.1	The number of corruption cases filed against the issuer or its employees and were concluded during the reporting period and the outcome of the proceedings.	Disclosed	VII. Development with Integrity
B7.2	Describe preventive measures and reporting procedures, as well as related implementation and monitoring methods.	Disclosed	VII. Development with Integrity
B8 General Disclosure	Policies on community involvement to understand the needs of the communities in which the Company operate and to ensure that its business activities take into account the interests of the communities.	Disclosed	X. Social Public Welfare Investment
B8.1	Focus on areas of contribution (e.g. education, environmental issues, labor needs, health, culture, sports).	Disclosed	X. Social Public Welfare Investment
B8.2	Resources (e.g. money or time) that were used in focused areas.	Disclosed	X. Social Public Welfare Investment

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 complied throughout the Year with all the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 of the Listing Rule, 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. During the period commencing from 20 July 2018 to 31 December 2018, the Company has fully complied with the Code provision A.2.1. Prior to the appointment of Mr. Li Siquan as an executive Director and the chief executive officer of the Company on 20 July 2018, the Company did not have 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.

Biographical details of the current members of the Board are set out on page 12 to page 14 of this annual report.

During the Year, the Board had at all times met the requirements of Rules 3.10 (1) and (2) of the 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.

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 had 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

— 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

The attendance of individual Directors at the Board meetings, the meetings of the four Committees and general meetings held during the year ended 31 December 2018 is set out below:

Committees of the Board

The Company has set up the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board.

	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. Li Siquan (resigned with effect from 1 February 2019)	4/8	N/A	N/A	N/A	N/A	N/A
Ms. Tan Chaohui (resigned with effect from 11 May 2018)	4/8	N/A	2/2	2/2	Nil	N/A
Mr. Han Xiaoran (resigned with effect from 20 July 2018)	4/8	N/A	N/A	N/A	N/A	0/1
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 Corporate Governance Committee and chairman of the Nomination Committee

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

Note 3: member of the Audit Committee, Remuneration Committee, Nomination Committee and 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 attending a presentation given by an external professional party in respect of the new regime on disclosure, reading materials relevant to corporate governance and other regulatory requirements.

The Company has an induction policy for the new member of the Board. On appointment, the new member received an induction which included 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 provision in relation to continuous professional development.

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, Ms. Tan Chaohui, Mr. Han Xiaoran, 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 requirements under Rule 3.29 of the Hong Kong Listing Rules.

Audit Committee

An 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, 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 in 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 2017 and interim financial statements for the six months ended 30 June 2018;

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.

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 2017, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 54 of this Annual Report.

On 18 March 2019, 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 2019 at the forthcoming annual general meeting of the Company.

Remuneration Committee

A 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 35 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' fee; 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 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 2018 to review and make recommendations on the remuneration of newly appointed executive directors of the Company.

Nomination Committee

A 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 are (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; 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 2018 Annual General Meeting ("**AGM**").

As adopted by the Board, the Board Diversity Policy aims to achieve diversity on 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 company secretarial function and a representative from 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.

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

i. Reviewed the 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 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, 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 67 to 72 of this Annual Report.

Risk Management and Internal Control

Duties of the Board and the Management

The Board is responsible for the risk management and internal controls system and has the responsibility to review the effectiveness of the system. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving the strategic objectives, and monitoring the establishment and maintenances 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.

Risk Management

1. Establishment of a risk management system and structure

Based on the measures in the previous year, Evergrande Health Industry Group 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 of Evergrande Health Industry Group 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

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 on whether the risk management system is effective or not
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

- **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 manage, mitigate and control risk exposures systematically. 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.

- **Frequency of risk management review is determined** — 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 Risk Management Manual of Evergrande Health Industry Group Limited.

(Figure 1: Risk Management Procedures)

2. Risk Evaluation Conducted by Evergrande Health Industry Group in 2018

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 2018, 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)

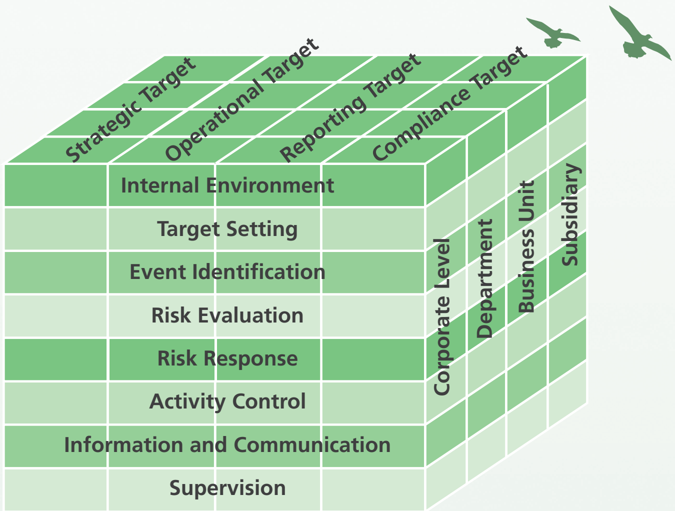
- *Conduct a comprehensive review of risk management system at the group level in 2018*

  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.

Internal Control

1. Establishment of Internal Control and Management Framework

Evergrande Health Industry Group 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 internal control system of Evergrande Health Industry Group, 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

Evergrande Health Industry Group 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 Supervision Department on a regular basis to ensure the timely implementation of the relevant measures for improvement.

Review of Risk Management and Internal Control System

During the Year, the Board of Evergrande Health Industry Group 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 2018. 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 the 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 RMB2,696,000 and non-audit services amounted to approximately RMB4,153,000.

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 Stock Exchanges of Hong Kong and Taiwan; (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.

There is regular dialogue with institutional shareholders and general presentations are usually made when financial results are announced. Shareholders and investors are welcome 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 are 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 2018 AGM was sent 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, Remuneration Committee, Nomination Committee and Corporate Governance Committee and the external auditors were available at the 2018 AGM to answer questions from the Shareholders. The Chairperson of the meeting had explained the procedures for conducting a poll during the meeting.

The forthcoming annual general meeting of the Company is planned to be held on 5 June 2019, 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.

Enquires 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 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 Relationship

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 2018, 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 2018.

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 73 to 151, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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, including 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 2018, 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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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:

- Health Management Segment — Assessment of net realisable value of properties under development and completed properties held for sale

- New Energy Vehicle Segment — Estimated 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) of critical accounting estimates and assumptions and note 9 of properties under development and completed properties held for sale 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 costs to completion of PUD and net realisable values of PUD and PHS based on prevailing market conditions; (ii) As part of our risk assessment in this area, 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;

Key Audit Matters	How our audit addressed the Key Audit Matters
At 31 December 2018, properties under development (“PUD”) and completed properties held for sale (“PHS”) amounted to RMB11,170,539,000 and RMB1,169,672,000 respectively, and accounted for 56% of the Group’s total assets. Management assessed the net realisable value (“NRV”) of the carrying amounts of PUD and PHS according to their expected NRV amounts, taking into account the anticipated costs to completion based on the Group’s past experience and the expected net sales value based on prevailing market conditions. No provision was made based on management’s assessment. We focused on this NRV 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 then 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 signed 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.

Key Audit Matters	How our audit addressed the Key Audit Matters
New Energy Vehicle Segment — Estimated fair value of financial assets at fair value through profit or loss Refer to note 4(b) of critical accounting estimates and assumptions and note 13 of financial asset at fair value through profit or loss to the consolidated financial statements. At 31 December 2018, 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 five years. It was accounted for as financial asset at fair value through profit or loss and measured at a fair value of RMB3,979,937,000 as at 31 December 2018. Independent external valuation of the financial assets at fair value through profit or loss was obtained to support management's estimates. The valuation of the financial assets at fair value through profit or loss was dependent on certain key assumptions that required significant management judgement. These included the operation forecast, projected growth rates, weighted average cost of capital, and exercise probabilities of the 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 Income Approach — discounted cash flow model, and Binomial Lattice Model approach 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 operation forecast, weighted average cost of capital, projected growth rates, exercise probabilities of the call option, based on our industry knowledge as well as underlying supporting documentation. 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 assets at fair value through profit or loss is acceptable and the assumptions made by management are supported by 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.

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 judgement 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.

- 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, 22 March 2019

Consolidated Balance Sheet

As at 31 December 2018

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6(a)	**1,534,925**	704,025
Land use rights	6(b)	**590,743**	221,923
Prepayments	8	**183,644**	5,108
Financial asset at fair value through profit or loss	13	**3,979,937**	—
Intangible assets		**5,199**	3,161
Deferred income tax assets	20	**34,472**	6,577
		6,328,920	940,794
Current assets			
Inventories		**34,619**	128
Trade and other receivables	7	**507,137**	458,851
Prepayments	8	**1,024,442**	37,827
Properties under development	9(a)	**11,170,539**	3,529,677
Completed properties held for sale	9(b)	**1,169,672**	170,174
Contract assets		**9,942**	—
Restricted cash	10	**367,825**	217,193
Cash and cash equivalents	11	**1,570,014**	2,301,683
		15,854,190	6,715,533
Total assets		**22,183,110**	7,656,327
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	**250,936**	250,936
Reserves	17	**101,536**	121,760
(Accumulated losses)/retained earnings		**(1,014,940)**	460,548
		(662,468)	833,244
Non-controlling interests		**—**	(1,003)
Total (deficit)/equity		**(662,468)**	832,241

Consolidated Balance Sheet

As at 31 December 2018

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19(b)	**11,248,425**	3,720,000
Finance leases	19(c)	**45,307**	77,165
		11,293,732	3,797,165
Current liabilities			
Trade and other payables	18	**7,330,851**	640,549
Contract liabilities	18	**99,284**	—
Receipt in advance from customers	18	**—**	507,542
Borrowings	19(b)	**3,613,900**	1,539,400
Finance leases	19(c)	**8,705**	18,710
Current income tax liabilities		**499,106**	320,720
		11,551,846	3,026,921
Total liabilities		**22,845,578**	6,824,086
Total (deficit)/equity and liabilities		**22,183,110**	7,656,327

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

The consolidated financial statements on pages 73 to 151 were approved by the Board of Directors on 22 March 2019 and were signed on its behalf by:

SHI SHOUMING
Director

PENG JIANJUN
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	5	**3,133,018**	1,328,474
Cost of sales	21	**(1,987,750)**	(482,172)
Gross profit		**1,145,268**	846,302
Other costs, net	23	**(776)**	(1,423)
Other losses	24	**(141,839)**	—
Selling and marketing costs	21	**(265,938)**	(70,526)
Administrative expenses	21	**(334,940)**	(134,092)
Net impairment losses on financial assets		**(4,523)**	—
Operating profit		**397,252**	640,261
Finance income	25	**21,155**	20,609
Finance costs	25	**(492,493)**	(6,136)
Finance (costs)/income, net		**(471,338)**	14,473
Share of net loss of an associate accounted for using the equity method	12	**(1,057,909)**	—
(Loss)/profit before income tax		**(1,131,995)**	654,734
Income tax expenses	26	**(296,383)**	(349,777)
(Loss)/profit from continuing operations		**(1,428,378)**	304,957
Discontinued operation			
Loss from discontinued operation		**—**	(3,542)
(Loss)/profit for the year		**(1,428,378)**	301,415
Other comprehensive income:			
Items that may be reclassified to profit and loss:			
Currency translation differences		**(66,331)**	3,193
Total comprehensive (loss)/income for the year		**(1,494,709)**	304,608

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	**2018 RMB'000**	2017 RMB'000
(Loss)/profit attributable to owners of the Company arising from:			
— Continuing operations		**(1,429,381)**	310,936
— Discontinued operation		**—**	(3,188)
		(1,429,381)	307,748
Other comprehensive income attributable to owners of the Company:			
Currency translation differences		**(66,331)**	6,957
Total comprehensive (loss)/income attributable to owners of the Company		**(1,495,712)**	314,705
Profit/(loss) attributable to non-controlling interests			
— Continuing operations		**1,003**	(7,573)
— Discontinued operation		**—**	1,240
		1,003	(6,333)
Other comprehensive loss attribute to non-controlling interests			
Currency translation differences		**—**	(3,764)
Total comprehensive profit/(loss) attributable to non-controlling interests		**1,003**	(10,097)
Total comprehensive (loss)/income for the year		**(1,494,709)**	304,608
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
(expressed in RMB cents per share)	28	**(16.544)**	3.562

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 2018

	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 RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	250,936	85,582	796	36,746	(17,395)	7,378	191,242	555,285	11,566	566,851
Comprehensive income										
Profit/(loss) for the year	—	—	—	—	—	—	307,748	307,748	(6,333)	301,415
Other comprehensive income	—	—	—	—	6,957	—	—	6,957	(3,764)	3,193
Total comprehensive income/(loss)	—	—	—	—	6,957	—	307,748	314,705	(10,097)	304,608
Transactions with owners in their capacity as owners										
Release of deemed contribution from fellow subsidiaries	—	—	—	(36,746)	—	—	—	(36,746)	—	(36,746)
Disposal of discontinued operation	—	—	—	—	—	—	—	—	(2,472)	(2,472)
Transfer to statutory reserve	—	—	—	—	—	38,442	(38,442)	—	—	—
Total transactions with owners in their capacity as owners	—	—	—	(36,746)	—	38,442	(38,442)	(36,746)	(2,472)	(39,218)
Balance at 31 December 2017	250,936	85,582	796	—	(10,438)	45,820	460,548	833,244	(1,003)	832,241

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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)

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 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash used in operations	29(a)	**(3,264,515)**	(1,700,122)
Interest paid		**(527,794)**	(194,573)
Income tax paid		**(145,892)**	(61,551)
Net cash used in operating activities from continuing operations		**(3,938,201)**	(1,956,246)
Net cash generated from operating activities from discontinued operation		**—**	34,780
Cash flows from investing activities			
Purchases of property, plant and equipment and construction in progress		**(700,903)**	(339,526)
Purchases of intangible assets		**(2,437)**	(283)
Interest received		**21,155**	20,609
Investment accounted for using the equity method		**(5,688,075)**	—
Prepayments for acquisition of land use rights		**(20,279)**	(150,457)
Sales proceeds from short term investments		**—**	7,463
Net proceeds from disposal of subsidiaries		**—**	(3,120)
Net cash used in investing activities from continuing operations		**(6,390,539)**	(465,314)
Net cash used in investing activities from discontinued operation		**—**	(1,951)
Cash flows from financing activities			
Proceeds from interest-bearing borrowings	29(b)	**13,292,325**	4,576,200
Repayments of borrowings	29(b)	**(3,689,400)**	(555,460)
Repayments of loans from fellow subsidiaries		**—**	(362,293)
Repayment of capital element of finance leases	29(b)	**(6,562)**	(4,900)
Net cash generated from financing activities from continuing operations		**9,596,363**	3,653,547
Net decrease/(increase) in cash and cash equivalents		**(732,377)**	1,264,816
Cash and cash equivalents at beginning of year		**2,301,683**	1,033,585
Effect of exchange difference on cash and cash equivalents		**708**	3,282
Cash and cash equivalents at end of year	11	**1,570,014**	2,301,683

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") is engaged in "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing (collectively, the "Health Management Segment") in the People's Republic of China (the "PRC"), as well as the investment in high technology new energy vehicle manufacture (collectively, the "New Energy Vehicle Segment"). Previously, the Group also engaged in magazine publishing, distribution of magazines, digital business and provision of magazine content (collectively, the "Media Segment") in Hong Kong which was disposed in November 2017.

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") and it has deposit receipt listed on the Taiwan Stock Exchange.

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

Key event

The Group acquired an associate on 3 July 2018. Details refer to notes 12 and 13.

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 HKFRS and HKCO

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

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(i) Compliance with HKFRS and HKCO (Continued)

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10.

The preparation of consolidated financial statements in conformity with HKFRS 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.

(ii) New amendments to existing 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 2018. The adoption of these amended standards does not have any significant impact to the results or financial position of the Group.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
Amendments to HKAS 40	Transfers to Investment Property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

Save for the impact of adoption of HKFRS 9 and HKFRS 15 disclosed in note 2.2, the adoption of the other new and amended standards did not have any significant impact to the results and financial position of the Group.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New standards and interpretations not yet adopted

The following new standards and interpretations and amendments to standards have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRSs 2015–2017 cycle	Clarifying previously held interest in a joint operation under HKFRS3 Business Combinations and HKFRS 11 Joint Arrangements	1 January 2019
	Clarifying income tax consequences of payments on financial instruments classified as equity under HKAS 12 Income Taxes	
	Clarifying borrowing costs eligible for capitalisation under HKAS 23 Borrowing Costs	
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	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 they become effective except the one set out below:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New standards and interpretations not yet adopted (Continued)

HKFRS 16 Leases (Continued)

Impact

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. Management expects there will be no significant impact on the Group's financial statements when it becomes effective as the Group does not have material lease arrangements as lessee.

Date of adoption of Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 only resulted in changes in accounting policies. No adjustments were made to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.12 below.

The effects of the adoption of HKFRS 9 are as follows:

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(a) Adoption of HKFRS 9 (Continued)

Impairment of financial assets

The Group has two types of financial assets measured at amortised cost that are subject to HKFRS 9's new expected credit loss model either on a 12-month basis or a lifetime basis:

- Trade receivables and contract assets
- Other financial assets at amortised cost (2017: other receivables)

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(i) **Trade receivables and contract assets**

The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets.

(ii) **Other financial assets at amortised cost (2017: other receivables)**

The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on its other financial assets at amortised cost (2017: other receivables).

(b) Adoption of HKFRS 15

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The directors of the Group consider the changes on the Group's revenue recognition do not have material impact on the amounts recognised in the financial statements.

Impact on financial statements

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

For the year ended 31 December 2018, the Group has assessed and considered that there is an enforceable right to payment from the customers for performance completed to date for certain properties, but the Group considered that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. For the year ended 31 December 2018, the Group has assessed and considered that the financing component effect is insignificant.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) Adoption of HKFRS 15 (Continued)

Impact on financial statements (Continued)

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2017 As originally presented RMB'000	**Reclassification** RMB'000	**1 January 2018 Restated** RMB'000
Contract assets	—	5,599	5,599
Trade and other receivables	5,599	(5,599)	—
Contract liabilities	—	507,542	507,542
Receipt in advance from customers	507,542	(507,542)	—

Presentation of assets and liabilities related to contracts with customers

The excess of cumulative revenue recognised in consolidated income statement over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Under HKFRS 15, the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, such as sales commissions, are capitalised as contract assets.

Under HKFRS 15, contract liabilities for progress billing recognised in relation to property.

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.

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.1 Consolidation (Continued)

(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.

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.

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.1 Consolidation (Continued)

(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.

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.

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.2 Associates (Continued)

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.

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.

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
Machinery and equipment	3 to 10 years
Furniture, fixtures and office equipment	3 to 5 years
Buildings	20 years
Land use rights	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.

2.8 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.

2 Summary of significant accounting policies (Continued)

2.8 Goodwill (Continued)

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.

2.9 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 of 10 years.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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.

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

(i) Classification (Continued)

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.

(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 other gains/(losses) 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.

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

(vi) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The subsequent changes in fair value is recognised immediately in profit or loss within 'other income and gains — net'.

(vii) Accounting policy applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

(vii) Accounting policy applied until 31 December 2017 (Continued)

(c) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

(vii) Accounting policy applied until 31 December 2017 (Continued)

(c) Impairment of financial assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

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.

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 Summary of significant accounting policies (Continued)

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.

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 Summary of significant accounting policies (Continued)

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.

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.

2 Summary of significant accounting policies (Continued)

2.24 Current and deferred income tax (Continued)

(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.

(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.

2 Summary of significant accounting policies (Continued)

2.25 Employee benefits (Continued)

(ii) Retirement benefits (Continued)

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.

(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.

2 Summary of significant accounting policies (Continued)

2.26 Provisions and contingent liabilities (Continued)

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.

A contingent liability is not recognised but is disclosed in the notes to the financial statements.

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 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

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 property development and sales contract for which the control of the property is 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 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.

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

(ii) Income from medical cosmetology and health management

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

(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

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit and loss on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

Land use rights under operating lease, which mainly comprised land use rights to be developed for self-use buildings, are stated at cost and subsequently amortised in the profit and loss on a straight-line basis over the operating lease periods, less accumulated impairment provision.

2 Summary of significant accounting policies (Continued)

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.

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 asset 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 2018 RMB'000	31 December 2017 RMB'000
5% appreciation in RMB against HK$	**5,602**	—
5% depreciation in RMB against HK$	**(5,602)**	—
5% appreciation in RMB against US$	**2,098**	6,682
5% depreciation in RMB against US$	**(2,098)**	(6,682)

(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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2018, 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 2018 would decrease/increase by approximately RMB1,094,000 (2017: decrease/increase by approximately RMB2,499,000).

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

(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 31. 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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

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.

For financial assets originated from 1 January 2018, the following credit risk modelling applies:

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.

The loss allowance provision of trade receivables as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

Trade receivables and contract assets (Continued)

	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	Over 3 years overdue RMB'000	Total RMB'000
At 31 December 2018						
Expected loss rate	0.10%	1.00%	10.00%	15.00%	20.00%	
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.

(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, China Evergrande Group agreed to provide a three-year unsecured loan in the amount of HK$6,750,000,000 to the Group. The annual interest rate under the shareholder loan agreement is 7.6% and was provided on 3 July 2018.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

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 net current asset position, 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.

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 2018 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.

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 undiscount 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 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**
At 31 December 2017				
Borrowings including accrued interests	1,656,178	3,920,286	603,134	6,179,598
Finance leases	20,490	89,087	—	109,577
Trade and other payables*	598,080	—	—	598,080
Total	2,274,748	4,009,373	603,134	6,887,255

* Excluding staff welfare benefit payable and other taxes payable.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

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 31). 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.

(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 as shown in the consolidated balance sheet) and loan from shareholder divided by total assets.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Total borrowings (note 19)	**14,916,337**	5,355,275
Total assets	**22,183,110**	7,656,327
Gearing ratio	**67%**	70%

3 Financial risk management (Continued)

(c) Fair value estimation

(i) Fair value hierarchy

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	total RMB'000
At 31 December 2018				
Financial assets at FVTPL — unlisted preferred shares	—	—	3,979,937	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.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2018.

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 or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2018:

	31 December 2018 RMB'000
Unlisted redeemable preferred shares	
Opening balance	—
Additions	3,979,937
Gains recognised in "other gains, net"	—
Closing balance	3,979,937

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.

The valuation of the level 3 instruments included the unlisted preferred shares (note 13) only. As the investments in private companies are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: 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
- Earnings growth factor 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

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) Provision for properties under development and completed properties held for sale

Properties represent health and living project. 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 contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(b) Estimated 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. Income approach 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 the operation projection, the timing and probability of the exercise of the call option, the weighted average cost of capital. Detailed disclosure of the valuation of financial asset at fair value through profit or loss is made in note 3(c) and note 13.

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.

(c) 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.

4 Critical accounting estimates and assumptions (Continued)

(d) 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.

(e) 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.

Media (disposed in November 2017): Magazine publishing, distribution of magazines, digital business and provision of magazine content in Hong Kong.

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, investment income, finance income and costs and income tax expense are not included in segment results.

(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:

	2018 RMB'000	2017 RMB'000
Health Management		
— Sales of health and living projects (a)	**3,124,417**	1,313,376
— Income from medical cosmetology and health management (b)	**8,601**	15,098
	3,133,018	1,328,474
New Energy Vehicle	**—**	—
Media (discontinued operation)		
— Advertising income	**—**	74,712
— Circulation income	**—**	24,797
— Digital business income	**—**	85,269
— Provision of magazine content	**—**	317
	—	185,095

5 Segment information (Continued)

(a) Revenue by type (Continued)

(a) Revenue generated from sales of health and living projects is recognised at a point in time when the customer obtains control of the assets.

(b) Income from medical cosmetology and health management is 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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Continuing operations				
— United States	**—**	—	**3,979,937**	—
— PRC	**3,133,018**	1,328,474	**2,314,511**	934,217
	3,133,018	1,328,474	**6,294,448**	934,217
Discontinued operation				
— Hong Kong	**—**	185,095	**—**	—

5 Segment information (Continued)

(c) Segment revenue and results

The segment information provided to the CODM for the years ended 31 December 2018 and 2017 are as follows:

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

Year ended 31 December 2017	Continuing operations Health Management RMB'000	Continuing operations New Energy Vehicle RMB'000	Continuing operations Unallocated RMB'000	Continuing operations Sub-total RMB'000	Discontinued operation Media RMB'000	Total RMB'000
Segment revenue and revenue from external customers	1,328,474	—	—	1,328,474	185,095	1,513,569
Finance income, net	14,484	—	—	14,484	—	14,484
Loss on disposal	—	—	—	—	(15,956)	(15,956)
Segment results	671,762	—	(17,028)	654,734	(1,840)	652,894
Profit before income tax						652,894
Income tax expense						(351,479)
Profit for the year						301,415
Depreciation and amortisation	(21,047)	—	—	(21,047)	(4,255)	(25,302)

5 Segment information (Continued)

(c) Segment revenue and results (Continued)

The segment assets and liabilities as at 31 December 2018 and 31 December 2017 are as follows:

	Continuing operations				Discontinued operation	
	Health Management	**New Energy Vehicle**	**Unallocated**	**Sub-total**	**Media**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018 Segment assets	**17,401,152**	**4,747,486**	**34,472**	**22,183,110**	**—**	**22,183,110**
As at 31 December 2017 Segment assets	7,649,750	—	6,577	7,656,327	—	7,656,327

The segment assets as at 31 December 2018 and 31 December 2017 are as follows:

	Continuing operations				Discontinued operation	
	Health Management	**New Energy Vehicle**	**Unallocated**	**Sub-total**	**Media**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018 Segment liabilities	**16,089,993**	**6,256,479**	**499,106**	**22,845,578**	**—**	**22,845,578**
Capital expenditure	**749,989**	**474,760**	**—**	**1,224,749**	**—**	**1,224,749**
As at 31 December 2017 Segment liabilities	6,503,366	—	320,720	6,824,086	—	6,824,086
Capital expenditure	481,001	—	—	481,001	—	481,001

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. Unallocated liabilities comprise taxation.

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

5 Segment information (Continued)

(c) Segment revenue and results (Continued)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Segment assets	**22,148,638**	7,649,750
Unallocated:		
Deferred income tax assets	**34,472**	6,577
Total assets per consolidated balance sheet	**22,183,110**	7,656,327
Segment liabilities	**22,346,472**	6,503,366
Unallocated:		
Current income tax liabilities	**499,106**	320,720
Total liabilities per consolidated balance sheet	**22,845,578**	6,824,086

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 2018 RMB'000
Current contract assets relating to properties sold contracts	**9,942**
Loss allowance	**—**
Total contract assets	**9,942**

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

	31 December 2018 RMB'000
Contract liabilities	**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 2018

	RMB'000
Sales of health and living projects	498,429

6 Property, plant and equipment and land use rights

(a) Movements of property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2017						
Cost	—	17,475	58,467	76,369	192,984	345,295
Accumulated depreciation	—	(8,760)	(21,184)	(60,753)	—	(90,697)
Net book amount	—	8,715	37,283	15,616	192,984	254,598
Year ended 31 December 2017						
Opening net book amount	—	8,715	37,283	15,616	192,984	254,598
Currency translation differences	—	(329)	(32)	(201)	—	(562)
Additions	—	1,016	5,125	8,567	466,010	480,718
Disposals	—	(3,471)	(23)	(10)	—	(3,504)
Depreciation	—	(1,124)	(11,785)	(6,031)	—	(18,940)
Disposal of discontinued operation	—	(4,643)	(385)	(3,257)	—	(8,285)
Closing net book amount	—	164	30,183	14,684	658,994	704,025
As at 31 December 2017						
Cost	—	219	51,018	21,406	658,994	731,637
Accumulated depreciation	—	(55)	(20,835)	(6,722)	—	(27,612)
Net book amount	—	164	30,183	14,684	658,994	704,025
Year ended 31 December 2018						
Opening net book amount	**—**	**164**	**30,183**	**14,684**	**658,994**	**704,025**
Additions	**—**	**2,520**	**24,150**	**16,703**	**805,836**	**849,209**
Transfers	**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**
As at 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**

6 Property, plant and equipment and land use rights (Continued)

(a) Movements of property, plant and equipment (Continued)

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

	2018 RMB'000	2017 RMB'000
Continuing operations		
Cost of sales	**4,370**	11,088
Selling and marketing costs	**426**	362
Administrative expenses	**13,513**	3,235
	18,309	14,685
Discontinued operation	**—**	4,255
Total depreciation	**18,309**	18,940

As at 31 December 2018, the Group pledged construction in progress with a net book value of approximately RMB90,288,000 and property, plant and equipment with a net book value of approximately RMB321,631,000 to secure the borrowings of RMB640,000,000.

(b) Movements of land use rights

Land use rights are related to properties outside Hong Kong, held on leases of over 50 years: (2017: 50 years)

	2018 RMB'000	2017 RMB'000
At 1 January	**221,923**	226,593
Additions	**378,480**	—
Amortisation	**(9,660)**	(4,670)
At 31 December	**590,743**	221,923

Land use rights comprise cost of acquiring rights to use certain lands located in the PRC.

7 Trade and other receivables

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade receivables (note (a))		
— third parties	**225,585**	213,845
Less: loss allowance for trade receivables (note (b))	**(760)**	—
	224,825	213,845
Other receivables		
— third parties	**156,393**	223,122
— related parties (note 32(a)(ii))	**1,168**	1,064
— prepaid other taxes	**128,514**	20,820
	286,075	245,006
Less: loss allowance for other receivables (note (b))	**(3,763)**	—
	282,312	245,006
	507,137	458,851

(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 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**175,076**	199,422
Over 91 days and within 180 days	**49,986**	301
Over 180 days and within 365 days	**523**	14,122
	225,585	213,845

The expected loss rate of the other receivables from bidding deposit for land acquisition and VAT input is determined as zero.

(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 2018 was determined for trade receivables and other receivables (note 3(a)(iii)).

8 Prepayments

	31 December 2018 RMB'000	31 December 2017 RMB'000
Prepayments		
— Land use rights	**1,044,721**	37,827
— Property, plant and equipment	**163,365**	5,108
	1,208,086	42,935
Less: non-current portion:		
— Land use rights	**(20,279)**	(5,108)
— Property, plant and equipment	**(163,365)**	—
	(183,644)	(5,108)
Current portion	**1,024,442**	37,827

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

9 Properties under development and completed properties held for sale

(a) Properties under development

	31 December 2018 RMB'000	31 December 2017 RMB'000
Properties under development comprise:		
— Construction costs and capitalised expenditures	**2,848,184**	420,815
— Interests capitalised	**164,500**	87,553
— Land use rights	**8,157,855**	3,021,309
	11,170,539	3,529,677

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 (2017: 40–70 years).

The capitalisation rate of borrowings for the year ended 31 December 2018 was 7.91% (2017: 7.54%).

As at 31 December 2018, the Group pledged properties under development with a net book value of approximately RMB7,823,255,000 to secure the borrowings of RMB4,075,162,000.

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

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC.

As at 31 December 2018, completed properties held for sale of approximately RMB138,239,000 were pledged as collateral for the Group's borrowings of RMB85,185,000.

10 Restricted cash

As at 31 December 2018 and 2017, restricted cash of RMB367,825,000 (2017: RMB217,193,000) are mainly comprised of guarantee deposits for construction of projects.

11 Cash and cash equivalents

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash at bank and in hand	**1,570,014**	1,960,047
Short-term bank deposits	**—**	341,636
Cash and cash equivalents	**1,570,014**	2,301,683
Denominated in:		
RMB	**1,469,065**	2,299,785
HK$	**16,267**	1,186
US$	**84,682**	712
Cash and cash equivalents	**1,570,014**	2,301,683

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 0.03% to 0.3% (2017: 0.01% to 0.5 %).

12 Investments accounted for using the equity method

On 25 June 2018, the Group entered into a Share Sale and Purchase Agreement with a third party in relation to the acquisition of Season Smart Limited (the "Target Company"). Pursuant to the aforementioned agreement, the Group acquires the equity interest of the Target Company for a total consideration of HK$6,746,700,000 (equivalent to RMB5,688,143,000). The consideration was paid in one lump sum on 3 July 2018.

The Company entered into a shareholder loan agreement with China Evergrande Group on 25 June 2018. Pursuant to the shareholder loan agreement, China Evergrande Group agreed to provide a three-year unsecured loan of HK$6,750,000,000 (equivalent to RMB5,690,925,000) to the Group. The annual interest rate was 7.6% and the loan was provided on 3 July 2018.

The Target Company and FF Top Holding Limited jointly established a new company (Smart King Limited, "Smart King"), the Target Company agreed to make a capital contribution of US$2 billion to obtain a 45% equity interest in Smart King on a fully diluted basis; and FF Top Holding Limited agree to contribute technical assets and automobile business owned by the Faraday Future Group to obtain a 33% equity interest in Smart King (on a fully diluted basis). The remaining 22% equity interest in Smart King (on a fully diluted basis) is reserved as equity to be issued and be allotted to the employees in accordance with the equity incentive plan.

Following completion of the acquisition, with the appointment of 2 out of 7 directors to the board of directors, the Target Company becomes an associate company of the Group, the Group adopts equity accounting method to account for Smart King.

On 18 July 2018, in order to give full support to Smart King's development, the Target Company, Smart King and FF Top Holding Limited ("Original Shareholder") entered into a supplemental agreement, pursuant to the agreement, the Target Company agreed to pay in advance US$700 million subject to fulfilment of payment conditions.

There were certain arbitrations and litigations during October to December 2018.

On 31 December 2018, the Company, the Target Company, Smart King and other relevant parties entered into a restructuring agreement (the "Restructuring Agreement"). The major terms of the Restructuring Agreement include the following:

(i) The Target Company's investment into Smart King was restructured as follows:

- ownership of 32% (on a fully diluted basis) preference shares in Smart King;

- ownership of 100% shares in Evergrande Faraday Future Holding (Hong Kong) Limited (renamed Evergrande Intelligent Automotive (Hong Kong) Limited) ("FF HK"), a wholly-owned subsidiary of Smart King, together with other rights under the Restructuring Agreement, at an aggregate consideration of US$200 million. FF HK owns relevant assets of Faraday Future Group in the PRC.

(ii) All the original agreements are terminated with immediate effect. The Target Company will no longer be required to make additional investment into Smart King pursuant to the original agreements. No appointment of director to the board of directors. The Target Company has also agreed to release all securities and charges.

(iii) The parties have agreed to withdraw and waive all current litigations and arbitration proceedings, and all rights to any future claims.

12 Investments accounted for using the equity method (Continued)

(iv) Original Shareholder is entitled to a call option (the "Call Option") to purchase the Target Company's 32% shares within 5 years. The exercise price of the Call Option is follows:

Exercise within the 1st year: US$600 million
Exercise within the 2nd year: US$700 million
Exercise within the 3rd year: US$800 million
Exercise within the 4th year: US$920 million
Exercise within the 5th year: US$1.05 billion

The movements of the interests in an associate was as follows:

	RMB'000
Investment and related expenses paid	5,688,075
Payable of further capital contribution	7,356,017
Total investment cost	13,044,092
Share of post-tax loss of an associate for period upon investment ended 31 December 2018	(1,057,909)
Waiver of further capital contribution at fair value accords with Restructuring Agreement	(7,616,307)
Acquisition of FF HK at fair value	(422,735)
Net loss on de-recognition (note 24)	(138,253)
Currency translation difference	171,049
Reclassification to financial assets at fair value through profit or loss (note 13)	3,979,937

13 Financial assets at fair value through profit or loss

	31 December 2018 RMB'000
Unlisted redeemable preferred shares (note 12)	**3,979,937**

(i) Valuation processes

The Group measures its financial assets at fair value. The fair value of the Group's financial assets has been determined on the basis of valuation carried out by Globalview Advisors LLC, 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.

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

(ii) Financial assets mandatorily measured at FVPL include the following:

	31 December 2018 RMB'000
Unlisted redeemable preferred shares	**3,979,937**

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

Asset Category	Fair value as at 31 December 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
FVTPL	**3,979,937**	Discounted Cash Flow Method	Weighted Average Cost of Capital ("WACC")	35.5%
			Terminal Growth Rate Debt-Free Net Cash Flows	3%

Relationship of unobservable inputs to fair value:

The higher WACC, the lower fair value;
The higher Terminal Growth Rate, the higher fair value;
The higher Debt-Free Net Cash Flows, the higher fair value.

14 Financial instrument by category

Assets as per consolidated balance sheet

	31 December 2018 RMB'000	31 December 2017 RMB'000
Loans and receivables		
Restricted cash (note 10)	**367,825**	217,193
Cash and cash equivalents (note 11)	**1,570,014**	2,301,683
Trade and other receivables excluding prepaid other taxes (note 7)	**378,623**	438,031
	2,316,462	2,956,907
Financial assets at fair value through profit or loss	**3,979,937**	—
	6,296,399	2,956,907

Liabilities as per consolidated balance sheet

Other financial liabilities at amortised cost		
Borrowings (note 19)	**14,916,337**	5,355,275
Trade and other payables, excluding staff welfare benefit payable and other taxes payable (note 18)	**6,962,292**	598,080
	21,878,629	5,953,355

15 Share capital

	Number of shares	Amount RMB'000
Ordinary shares, issued and fully paid:		
At 31 December 2018 and 2017	8,640,000,000	250,936

16 Share option schemes

No option was granted by the Company under the Share Option Scheme since its adoption and up to 31 December 2018.

17 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.

(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.

18 Trade and Other Payables and Contract Liabilities

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade and other payables:		
Trade payables	**5,299,958**	155,560
Other payables to:		
— third parties	**1,056,409**	298,127
— related companies (note 32(a)(ii))	**605,925**	136,210
Staff welfare benefit payable	**12,609**	13,178
Other taxes payable	**119,054**	29,291
Interest payable	**236,896**	8,183
	2,030,893	484,989
Total trade and other payables	**7,330,851**	640,549
Contract liabilities from:		
— sale of health and living projects	**75,216**	—
— other customers	**24,068**	—
Total contract liabilities	**99,284**	—
Receipt in advance from:		
— sale of health and living projects	**—**	505,450
— other customers	**—**	2,092
Total receipt in advance	**—**	507,542

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 2018 RMB'000	31 December 2017 RMB'000
Age		
0–90 days	**5,118,229**	147,846
91–180 days	**58,644**	3,229
Over 180 days	**123,085**	4,485
	5,299,958	155,560

18 Trade and Other Payables and Contract Liabilities (Continued)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
RMB	**7,148,771**	506,179
HK$	**73**	4
US$	**182,007**	134,366
	7,330,851	640,549

19 Borrowings

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bank borrowings	**2,196,400**	5,259,400
Shareholder borrowings (note 32(a)(ii))	**5,690,925**	—
Other borrowings (note a)	**6,975,000**	—
Borrowings excluding finance leases (note b)	**14,862,325**	5,259,400
Finance leases (note c)	**54,012**	95,875
Total borrowings	**14,916,337**	5,355,275

(a) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

19 Borrowings (Continued)

(b) Borrowings excluding finance leases

	31 December 2018 RMB'000	31 December 2017 RMB'000
Borrowings	**14,862,325**	5,259,400
Less: non-current borrowings	**(11,248,425)**	(3,720,000)
Current borrowings	**3,613,900**	1,539,400

At 31 December 2018 and 2017, the Group's borrowings were repayable as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 1 year	**3,613,900**	1,539,400
Between 1 and 2 years	**3,467,500**	2,400,000
Between 2 and 5 years	**7,390,925**	920,000
Over 5 years	**390,000**	400,000
	14,862,325	5,259,400

As at 31 December 2018, the Group's borrowings of RMB7,513,900,000 (2017: RMB3,959,400,000) 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, intangible asset, account receivables and equity interests of certain subsidiaries, totalling RMB10,005,096,000 (2017: RMB4,760,671,000).

For the year ended 31 December 2018, the interest rate of borrowings of RMB14,862,325,000 (2017: RMB4,926,200,000) was fixed to 8.75% (2017: 8.68%) per annum. Interest expense on borrowings for the year ended 31 December 2018 is RMB686,007,000 (2017: RMB191,433,000).

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
HK$	**5,690,925**	—
RMB	**9,171,400**	5,529,400
	14,862,325	5,529,400

19 Borrowings (Continued)

(b) Borrowings excluding finance leases (Continued)

The carrying amounts of the current borrowings approximate their fair values due to its short maturities. The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	31 December 2018 RMB'000	31 December 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Long-term bank loans	**2,170,000**	3,720,000	**2,115,860**	3,226,331
Other long-term loans	**3,387,500**	—	**3,387,500**	—
Shareholder loans	**5,690,925**	—	**5,690,925**	—

The fair value of the Group's bank borrowings, other borrowings and shareholder borrowings approximates their carrying amounts at each of the balance sheet date for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

(c) Finance leases

The Group leases various construction in progress with a carrying amount of RMB100,878,000 (2017: RMB100,878,000) under finance leases expiring with three years. Under the terms of the leases, the Group has the option to acquire the leased assets for 50% of their agreed fair value on expiry of the leases. This option lapses in the event the Group fails to maintain its credit rating at the level prevailing at inception of the lease.

	31 December 2018 RMB'000	31 December 2017 RMB'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**13,605**	20,490
Later than one year but not later than five years	**45,866**	89,087
Minimum lease payments	**59,471**	109,577
Future finance charges	**(5,459)**	(13,702)
Total lease liabilities	**54,012**	95,875
The present value of finance lease liabilities is as follows:		
Within one year	**8,705**	18,710
Later than one year but not later than five years	**45,307**	77,165
	54,012	95,875

20 Deferred Income Tax Assets

The analysis of deferred tax assets and deferred tax liabilities is as follow:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deferred tax assets	**34,472**	6,577
Deferred tax liabilities	**—**	—
Deferred tax assets, net	**34,472**	6,577

The following are the major deferred tax assets recognised and movements thereon during the year:

	Accelerated tax depreciation RMB'000	**Bad debt provision** RMB'000	**Unrealised profit of intercom transaction** RMB'000	**Tax losses** RMB'000	**Disposal of a subsidiary** RMB'000	**Total** RMB'000
As at 1 January 2017	(485)	—	—	3,721	382	3,618
Credited to profit or loss for the year	—	—	120	2,736		2,856
Currency translation differences	485	—	—	—	(382)	103
As at 31 December 2017	—	—	120	6,457	—	6,577
Credited/(charged) to profit or loss for the year	—	1,130	(16)	26,781	—	27,895
As at 31 December 2018	—	1,130	104	33,238	—	34,472

20 Deferred Income Tax Assets (Continued)

At 31 December 2018, the Group had unused tax losses of approximately RMB357,195,000 (2017: RMB81,394,000) available for offset against future profits. As at 31 December 2018, a deferred tax asset had been recognised in respect of approximately RMB132,952,000 (2017: RMB26,307,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB224,243,000 (2017: RMB55,087,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2018 are losses of approximately RMB224,243,000 (2017: RMB55,087,000) that will expire in the following years:

Year	RMB '000
2022	41,572
2023	182,671
	224,243

21 Operating Profit

An analysis of major expenses as stated in cost of sales, selling and marketing costs and administrative expenses is as follows:

	2018 **RMB'000**	2017 RMB'000
Cost of inventories	**1,836,265**	442,667
Employee benefit expenses (including directors' emoluments) (note 22)	**195,742**	107,670
Employee benefit expenditure (including directors' emoluments)	**330,357**	157,171
Less: capitalised in properties under development and construction in progress	**(134,615)**	(49,501)
Auditor's remuneration	**6,849**	2,405
— Audit services	**2,696**	2,405
— Non-audit services	**4,153**	—
Depreciation of property, plant and equipment	**18,309**	14,685
Net exchange loss/(gain)	**708**	(4,674)
Operating lease expenses	**21,824**	2,196
Amortisation of land use rights	**9,660**	4,670
Amortisation of intangible assets	**399**	1,692
Legal expenses	**47,533**	20

22 Employee Benefit Expenses — Including Directors' Emoluments

	2018 RMB'000	2017 RMB'000
Wages and salaries	**179,732**	89,118
Pension cost — defined contribution plans	**16,010**	18,552
	195,742	107,670

23 Other Costs, Net

	2018 RMB'000	2017 RMB'000
Other income		
— Investment income	**—**	7,463
— Income recognised upon expiry of prepaid cards	**—**	2,507
— Others	**13**	1,405
	13	11,375
Other costs		
— Other tax expenses	**—**	(12,242)
— Other	**(789)**	(556)
	(789)	(12,798)
Other costs, net	**(776)**	(1,423)

24 Other Losses

	2018 RMB'000	2017 RMB'000
Loss on disposal of an associate (note 12)	**138,253**	—
Others	**3,586**	—
	141,839	—

25 Finance (Costs)/Income

	2018 RMB'000	2017 RMB'000
Finance income		
— Bank interest income	**21,155**	20,609
Finance costs		
— Interest expense on borrowings	**(703,945)**	(191,433)
— Interest expense on finance leases	**(11,589)**	(3,140)
— Less: interest capitalised	**483,331**	188,437
	(232,203)	(6,136)
Other finance costs (note a)	**(260,290)**	—
Finance costs	**(492,493)**	(6,136)
Finance (costs)/income, net	**(471,338)**	14,473

(a) Other finance costs is the amortisation cost of the payables of further capital contribution for the investment in Smart King (note 12).

26 Income Tax Expense

The amount of income tax charged/(credited) to profit or loss represents:

	2018 RMB'000	2017 RMB'000
Current income tax:		
PRC corporate income tax	**196,508**	125,118
PRC land appreciate tax	**127,770**	227,515
Deferred income tax	**(27,895)**	(2,856)
Income tax expense	**296,383**	349,777
(Loss)/profit before income tax	**(1,131,995)**	654,734
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(282,999)**	165,131
PRC land appreciation tax deductible for PRC corporate income tax expense	**(31,943)**	(56,879)
Expenses not deductible for taxation purposes	**437,887**	3,193
Temporary difference not recognised	**—**	424
Tax losses for which no deferred tax asset was recognised	**45,668**	10,393
PRC corporate income tax	**168,613**	122,262
PRC land appreciation tax	**127,770**	227,515
	296,383	349,777

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2018 (2017: 16.5%).

PRC corporate income tax

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the year ended 31 December 2018 (2017: 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.

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.

27 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

28 (Loss)/Earnings Per Share

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

	2018 **RMB'000**	2017 RMB'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**8,640,000,000**	8,640,000,000
Basic and diluted (loss)/earnings per share (RMB cents per share) (note (a))		
— from continuing operations	**(16.544)**	3.599
— from discontinued operation	**—**	(0.037)
	(16.544)	3.562

(a) As there was no dilutive potential ordinary shares for the years ended 31 December 2018 and 2017, diluted (loss)/earnings per share equals basic earnings/(loss) per share.

29 Notes to the Consolidated Statement of Cash Flows

(a) Cash used in operations

	2018 RMB'000	2017 RMB'000
(Loss)/profit before income tax	**(1,131,995)**	654,734
Adjustments for:		
Finance income (note 25)	**(21,155)**	(20,609)
Finance costs (note 25)	**492,493**	6,136
Depreciation of property, plant and equipment (note 6(a))	**18,309**	14,685
Amortisation of intangible assets	**399**	2,788
Amortisation of land use rights (note 6(b))	**9,660**	4,670
Loss on disposal of discontinued operation	**—**	3,542
Exchange loss/(gain) (note 21)	**708**	(4,674)
Investment income	**—**	(7,463)
Share of loss of investments accounted for using the equity method (note 12)	**1,057,909**	—
Loss on disposal of an associate (note 12)	**138,253**	—
Operating profit before working capital changes	**564,581**	653,809
Changes in working capital:		
Increase in inventories, properties under development and completed properties held for sale	**(9,502,260)**	(2,520,361)
Increase in trade and other receivables and contract assets	**(217,434)**	(383,285)
Increase in trade and other payables and contract liabilities	**6,041,230**	549,715
Increase in restricted cash	**(150,632)**	—
Cash used in operations	**(3,264,515)**	(1,700,122)

(b) Reconciliations of liabilities arising from financing activities

	Finance leases due within 1 year RMB'000	Finance leases due after 1 year 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	18,710	77,165	1,539,400	3,720,000	5,355,275
Interest paid	(3,443)	(31,858)	—	—	(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	8,705	45,307	3,613,900	11,248,425	14,916,337

30 Commitments

(a) Capital commitments

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

	2018 RMB'000	2017 RMB'000
Acquisition of land use rights	**805,292**	—

(b) Operating lease commitments

The Group had future aggregate minimum lease payments in relation of related premises and machineries under non-cancellable operating leases as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**24,092**	633
In the first to second year	**18,996**	—
In the second to third year	**10,226**	—
In the third to fourth year	**5,448**	—
	58,762	633

31 Financial Guarantee

	31 December 2018 RMB'000	31 December 2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**602,962**	140,410

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.

32 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
Hengda Real Estate Tianjin Expo International Center Company Ltd.	Fellow subsidiary
Guangzhou Jiasui Real Estate Company Ltd.	Fellow subsidiary
Chengdu Jintang Hengda Hotel Company Ltd.	Fellow subsidiary
Hengda Shijicheng (Qingyuan) Hotel Company Ltd.	Fellow subsidiary
Liaoning Hengyang Health Industry Company Ltd.	Joint venture

(a) Related party transactions and balances

During the years ended 31 December 2018 and 2017, 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:

	2018 **RMB'000**	2017 RMB'000
Borrowings guaranteed by intermediate controlling company	**1,947,500**	—
Interest charged by intermediate controlling company	**222,898**	—
Interest charged by joint venture of the Group's holding company	**35,522**	—
Integrated insurance procurement	**62,257**	—
Operating revenue	**1,566**	—
Operating lease	**14,453**	155
Advertising expenses	**569**	37
Miscellaneous charges and fees	**435**	1,234

32 Related Party Transactions (Continued)

(a) Related party transactions and balances (Continued)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Due from related parties:		
— fellow subsidiaries	**2,133**	1,064
— parent company	**5**	—
— joint venture	**766**	—
	2,904	1,064
Due to related parties (note 18):		
— intermediate controlling company	**405,448**	—
— fellow subsidiaries	**199,907**	1,844
— parent company	**—**	134,366
— joint venture of the Group's holding company	**570**	—
	605,925	136,210
Loans from intermediate controlling company (note 19)	**5,690,925**	—
Loans from joint venture of the Group's holding company	**10,000,000**	—

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 (2017: nil).

The payables arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest (2017: nil).

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

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

(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:

	2018 RMB'000	2017 RMB'000
Short-term benefits	**2,657**	1,078
Contribution to a retirement benefit scheme	**43**	9
	2,700	1,087

33 Subsequent Events

(1) Acquisition on Mini Minor

On 15 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$930,000,000. China Evergrande Group has agreed to provide a three-year unsecured loan in the amount of US$1,100,000,000 to the Group at an interest rate of 8% per annum.

The only asset of the Mini Minor Limited is its 51% shareholding in National Energy Vehicle Sweden AB ("NEVS"). NEVS, with its headquarters based in Sweden, is a global electric vehicle company focused on intelligent automobiles.

Pursuant to the NEVS Investment Agreement, Mini Minor holds a 51% equity interest in NEVS and the total investment amount is US$1,100,000,000. Part of the consideration (being US$747,000,000) was paid by Mini Minor prior to the date of this announcement, and the remaining balance of the consideration will be paid by Mini Minor on or before 30 June 2019. Mini Minor has additionally invested US$153,000,000 in the form of a shareholder loan.

Pursuant to the NEVS Shareholder Agreement entered into between, among others, the directors appointed by Mini Minor shall compose of the majority of the NEVS Board.

(2) NEVS' investment agreement

On 29 January 2019, NEVS entered into the Transaction Agreement with Spirit of Performance AB ("SOP") and Alpraaz AB, Alpraaz AB agreed to issue and allot to NEVS, and NEVS agreed to subscribe for the New Shares and hold 20% equity interest of Alpraaz AB with an aggregate consideration of EUR150 million. SOP is indirectly held the equity interest of KAAB through Alpraaz AB.

On 29 January 2019, NEVS also entered into the Joint Venture Agreement with Koenigsegg Automotive AB (a subsidiary of SOP, "KAAB"), to the establishment of the Project Company. The Project Company will be owned as to 65% by NEVS and as to 35% by KAAB. KAAB, a supercar company based in Sweden, is one of the supercar brand names at the forefront of the world.

Pursuant to the Joint Venture Agreement, NEVS shall make a series of investments in the Project Company in the form of unconditional shareholder's contributions, amounting to a total of US$150 million as agreed mile stone.

(3) Acquisition on CENAT

On 24 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 Shanghai CENAT New Energy Company Limited ("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

Pursuant to the Share Sale and Purchase Agreement, if any of the conditions precedent which has not been waived or any of the payment conditions for the third instalment is not fulfilled or waived by the Group by 30 April 2019, the Group shall have the right to demand the termination of the Share Sale and Purchase Agreement.

34 Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**4,402,671**	—
Current assets		
Other receivables	**22,559**	530
Amounts due from subsidiaries	**589,002**	273,946
Amounts due from fellow subsidiaries	**549**	—
Amounts due from parent company	**5**	—
Cash and cash equivalents	**42,847**	344,134
	654,962	618,610
Total assets	**5,057,633**	618,610
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**250,936**	250,936
Reserves (note a)	**(1,512,614)**	233,277
Total equity	**(1,261,678)**	484,213
LIABILITIES		
Non-current liabilities		
Borrowings	**5,690,925**	—
Current liabilities		
Amounts due to fellow subsidiaries	—	31
Amounts due to parent company	—	134,366
Amounts due to intermediate controlling company	**628,330**	—
Other payables	**56**	—
	628,386	134,397
Total liabilities	**6,319,311**	134,397
Total equity and liabilities	**5,057,633**	618,610

The balance sheet of the Company was approved by the Board of Directors on 22 March 2019 and was signed on its behalf.

SHI SHOUMING
Director

PENG JIANJUN
Director

34 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 2017	68,050	(8,321)	223,681	283,410
Comprehensive income				
Loss for the year	—	—	(21,967)	(21,967)
Other comprehensive loss	—	(28,166)	—	(28,166)
Total comprehensive loss	—	(28,166)	(21,967)	(50,133)
Balance at 31 December 2017	68,050	(36,487)	201,714	233,277
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)

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 2018, the Company's reserves has no available for distribution (2017: RMB201,714,000) as calculated.

35 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information About Benefits of Directors) Regulation (Cap. 622G) and Hong Kong Listing Rules)

(a) Directors' and Chief Executive's emoluments

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

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking				
	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(note a)	**115**	—	—	—	**115**
Tan Chaohui(note b)	**65**	—	—	—	**65**
Han Xiaoran (note c)	—	—	—	—	—
Peng Jianjun(note d)	**69**	—	—	—	**69**
Li Siquan(note e)	—	**2,057**	**63**	—	**2,120**
Qin Liyong(note f)	—	—	—	—	—
Chau Shing Yim, David	**300**	—	—	—	**300**
Guo Jianwen	**300**	—	—	—	**300**
Xie Wu	**300**	—	—	—	**300**
Total emoluments	**1,149**	**2,057**	**63**	—	**3,269**

(a) Appointed on 11 May 2018

(b) Resigned on 11 May 2018

(c) Resigned on 20 July 2018

(d) Appointed on 14 August 2018

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

(f) Appointed on 1 February 2019

35 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information About Benefits of Directors) Regulation (Cap. 622G) and Hong Kong Listing Rules) (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

The remuneration of directors and the Chief Executive for the year ended 31 December 2017 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking				
	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
Tan Chaohui	175	—	—	9	184
Peng Sheng	12	—	—	—	12
Han Xiaoran	—	—	—	—	—
Chau Shing Yim, David	291	—	—	—	291
Guo Jianwen	300	—	—	—	300
Xie Wu	300	—	—	—	300
Total emoluments	1,078	—	—	9	1,087

(b) Directors' retirement benefits and termination benefits

Except for the details disclosed in note 35(a), 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 2018 (2017: nil).

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

During the year ended 31 December 2018, the Group has not paid any consideration to any third parties for making available directors' services to the Company (2017: 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 (2017: 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 (2017: nil).

35 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information About Benefits of Directors) Regulation (Cap. 622G) and Hong Kong Listing Rules) (Continued)

(f) Five highest paid individuals

During the year ended 31 December 2018, the five highest paid individual include three of the directors (2017: none), whose emoluments are reflected in the analysis presented in note 34(a). The aggregate amounts of emoluments of the other five highest paid individuals for the year ended 31 December 2018 are set out below:

	2018 RMB'000	2017 RMB'000
Salaries and other benefits	10,383	15,057

The emoluments fell within the following bands:

	2018	2017
HK$1 – HK$1,000,000	—	—
HK$1,000,001 – HK$2,000,000	—	—
HK$2,000,001 – HK$3,000,000	5	3
HK$3,000,001 – HK$4,000,000	—	—
HK$4,000,001 – HK$5,000,000	—	1
HK$5,000,001 – HK$6,000,000	—	1

36 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	indirectly	Principal activities
Right Bliss Limited	BVI	US$1	100%	—	Investment holdings
Flaming Ace Limited	BVI	US$1	100%	—	Investment holdings
Brave Beauty Limited	Hong Kong	HK$10	—	100%	Investment holdings
SWIFT WEALTH HOLDINGS LIMITED	Hong Kong	HK$1	—	100%	Investment holdings
佳康發展有限公司(香港) Best Wealth Development Limited	Hong Kong	HK$1	—	100%	Investment holdings
時穎有限公司 Season Smart Limited	BVI	US$1	100%	—	Investment holdings

36 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	Percentage of attributable equity interest held indirectly	Principal activities
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
廣州市凱尚健康產業有限公司 Guangzhou Kaishang Health Industry Co., Ltd.	PRC (iii)	RMB5,000,000,000	—	100%	Wholesales of cosmetic products and provision of healthcare services
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	—	96.25%	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
濟南綠洲恒暉門診部有限公司 Jinan Oasis Henghui Clinic 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
洛陽市恒暉健康服務有限公司 Luoyang Henghui Health Service 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
海南恒大國際醫療有限公司 Hainan Evergrande International Medical Co., Ltd.	PRC (ii)	RMB200,000,000	—	100%	Provision of healthcare services
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

36 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
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
西安恒寧健康置業有限公司 Xian Hengning Health Property Co., Ltd.	PRC (iii)	RMB25,000,000	—	100%	Provision of healthcare services
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
廣州市松慈貿易有限公司 Guangzhou Songci Trading Co., Ltd.	PRC (i)	—	—	100%	Wholesales of home care and healthcare products
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
廣州市輝遠貿易有限公司 Guangzhou Huiyuan Trading Co., Ltd.	PRC (i)	—	—	100%	Wholesales of home care and healthcare products
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
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
廣州市南凰貿易有限公司 Guangzhou Nanhuang Trading Co., Ltd.	PRC (i)	—	—	100%	Wholesales of home care and healthcare products
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
佛山市禦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
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

36 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
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
海南博鰲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
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
海南博鰲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
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
海南博鰲恒康醫院有限公司 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
西安恒大養生穀養老服務公司 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

36 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	Percentage of attributable equity interest held indirectly	Principal activities
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
廣州億恒園林綠化有限公司 Guangzhou Yiheng Landscaping Co., Ltd.	PRC (iii)	—	—	100%	Landscaping project
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
濟南市曆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
湖南恒盛健康產業有限公司 Hunan Hengsheng Health Industry Co., Ltd.	PRC (i)	RMB300,000,000	—	40%	Provision of care services for elderly and handicapped
恒大法拉第未來智能汽車(中國)集團有限公司 Evergrande FF Intelligent Automotive (China) Co., Ltd.	PRC (i)	RMB633,003,115	—	100%	Investment holdings
浩俊生活服務(廣東)有限公司 HaoJun Life Service (Guangdong) Co., Ltd.	PRC (i)	—	—	100%	Retail of smart mobility
恒大汽車銷售(廣東)有限公司 Evergrande Automotive Sales (Guangdong) Co., Ltd.	PRC (i)	—	—	100%	Retail of smart mobility
恒大智慧汽車(廣東)有限公司 Evergrande Intelligence Vehicle (Guangdong) Co., Ltd.	PRC (i)	RMB632,390,000	—	100%	Sales and manufacturing of smart mobility
恒大智慧科技(廣東)有限公司 Evergrande Intelligence Technology (Guangdong) Co., Ltd.	PRC (i)	—	—	100%	Sales and manufacturing of smart mobility
恒大智能汽車(香港)有限公司 Evergrande FF Holding (Hong Kong) Limited	HK	US$100,000,000	—	100%	Investment holdings

^ Subsidiary incorporated during the year ended 31 December 2018

Notes:

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

(ii) These subsidiaries are sino-foreign co-operative joint venture 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 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	For the year ended 30 June 2014 HK$'000
Revenue	**3,133,018**	1,328,474	213,531	528,132	638,260	455,624
(Loss)/profit before income tax	**(1,131,995)**	654,734	93,242	109,926	92,951	12,914
Income tax (expenses)/credit	**(296,383)**	(349,777)	(43,722)	(51,373)	3,513	(1,895)
(Loss)/profit for the year/period	**(1,428,378)**	301,415	50,188	58,553	96,464	11,019
Other comprehensive (loss)/income, net of tax	**(66,331)**	3,193	7,510	(38,276)	(3,054)	—
Total comprehensive (loss)/income for the year/period	**(1,494,709)**	304,608	57,698	20,277	93,410	11,019

Consolidated Assets, Equity and Liabilities

	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	As at 30 June 2014 HK$'000
ASSETS						
Non-current assets	**6,328,920**	940,794	734,881	821,544	249,601	320,084
Current assets	**15,854,190**	6,715,533	2,087,555	2,333,739	610,841	192,154
Total assets	**22,183,110**	7,656,327	2,822,436	3,155,283	860,442	512,238
Total equity	**(662,468)**	832,241	566,851	633,700	579,813	456,060
LIABILITIES						
Non-current liabilities	**11,293,732**	3,797,165	1,120,619	1,252,773	126,071	2,575
Current liabilities	**11,551,846**	3,026,921	1,134,966	1,268,810	154,558	53,603
Total liabilities	**22,845,578**	6,824,086	2,255,585	2,521,583	280,629	56,178
Total equity and liabilities	**22,183,110**	7,656,327	2,822,436	3,155,283	860,442	512,238