EVERGRANDE HEALTH INDUSTRY GROUP LIMITED
恒大健康產業集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	2018	2017	**Difference**
	RMB million	*RMB million*	
Membership spending amount	**3,460**	1,445	139%
Revenue			
Health management segment	**3,133**	1,328	136%
Gross profit (Continuing operation)	**1,145**	846	35%
(Loss)/profit for the year	**(1,428)**	301	(1,729)

The board of directors (the "**Board**" or the "**Directors**") of Evergrande Health Industry Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2018 (the "**Year**") together with comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
Continuing operations			
Revenue	*3*	**3,133,018**	1,328,474
Cost of sales	*5*	**(1,987,750)**	(482,172)
Gross profit		**1,145,268**	846,302
Other costs, net		**(776)**	(1,423)
Other losses	*4*	**(141,839)**	—
Selling and marketing costs	*5*	**(265,938)**	(70,526)
Administrative expenses	*5*	**(334,940)**	(134,092)
Net impairment losses on financial assets		**(4,523)**	—
Operating profit		**397,252**	640,261
Finance income	*6*	**21,155**	20,609
Finance costs	*6*	**(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	*3*	**(1,057,909)**	—
(Loss)/profit before income tax		**(1,131,995)**	654,734
Income tax expenses	*7*	**(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 (loss)/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

	Note	**2018** *RMB'000*	2017 *RMB'000*
(Loss)/profit attributable to owners of the Company:			
— Continuing operations		**(1,429,381)**	310,936
— Discontinued operation		**—**	(3,188)
		(1,429,381)	307,748
Other comprehensive (loss)/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)	*8*	**(16.544)**	3.562

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		**1,534,925**	704,025
Land use rights		**590,743**	221,923
Prepayments	*10*	**183,644**	5,108
Financial asset at fair value through profit or loss	*12*	**3,979,937**	—
Intangible assets		**5,199**	3,161
Deferred income tax assets		**34,472**	6,577
		6,328,920	940,794
Current assets			
Inventories		**34,619**	128
Trade and other receivables	*11*	**507,137**	458,851
Prepayments	*10*	**1,024,442**	37,827
Properties under development		**11,170,539**	3,529,677
Completed properties held for sale		**1,169,672**	170,174
Contract assets		**9,942**	—
Restricted cash		**367,825**	217,193
Cash and cash equivalents		**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		**250,936**	250,936
Reserves		**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

	Note	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*13(a)*	**11,248,425**	3,720,000
Finance leases	*13(b)*	**45,307**	77,165
		11,293,732	3,797,165
Current liabilities			
Trade and other payables	*14*	**7,330,851**	640,549
Contract liabilities	*14*	**99,284**	—
Receipt in advance from customers	*14*	**—**	507,542
Borrowings	*13(a)*	**3,613,900**	1,539,400
Finance leases	*13(b)*	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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 asset at fair value through profit or loss, which is carried at fair value.

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 draft financial information relating to the year ended 31 December 2018 and the financial information relating to the year ended 31 December 2017 included in this preliminary announcement results for the year ended 31 December 2018 does not constitute the Company's statutory annual consolidated financial statements for these years but, in respect of the year ended 31 December 2017, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2018 to the Registrar of Companies in due course.

The Company's auditor has reported on the financial statements for the year ended 31 December 2017 and 2018. The auditor's report were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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.

2. ACCOUNTING POLICIES

(i) 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(iii), the adoption of the other new and amended standards did not have any significant impact to the results and financial position of the Group.

(ii) 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.

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).

(iii) 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 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.

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.

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	**Reclassification**	**1 January 2018 Restated**
	RMB'000	*RMB'000*	*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.

3. 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. Income tax expense is 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	2017
	RMB'000	*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

(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 are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

(b) Segment revenue and results

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

	Continuing operations				Discontinued operation	Total
	Health Management *RMB'000*	New Energy Vehicle *RMB'000*	Unallocated *RMB'000*	Sub-total *RMB'000*	Media *RMB'000*	*RMB'000*
Year ended 31 December 2018						
Segment revenue and revenue from external customers	**3,133,018**	**—**	**—**	**3,133,018**	**—**	**3,133,018**
Finance (cost)/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**	**22,781**	**—**	**28,368**	**—**	**28,368**

	Continuing operations				Discontinued operation	Total
	Health Management	New Energy Vehicle	Unallocated	Sub-total	Media	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017						
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

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

	Continuing operations				**Discontinued operation**	**Total**
	Health Management	**New Energy Vehicle**	**Unallocated**	**Sub-total**	**Media**	
	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	Total
	Health Management	**New Energy Vehicle**	**Unallocated**	**Sub-total**	**Media**	
	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, financial assets at fair value through profit or loss, receivables, prepayments and cash balances. They exclude deferred tax assets.

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

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

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

	31 December 2018	31 December 2017
	RMB'000	*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

4 OTHER LOSSES

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

5 OPERATING PROFIT

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories	**1,836,265**	442,667
Employee benefit expenses (including directors' emoluments)	**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

6 FINANCE (COSTS)/INCOME, NET

	2018	2017
	RMB'000	*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	**(260,290)**	—
Finance costs	**(492,493)**	(6,136)
Finance (costs)/income, net	**(471,338)**	14,473

7 INCOME TAX EXPENSES

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

	2018	2017
	RMB'000	*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 expenses	**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 properties less deductible including land use rights and all property development expenditures.

8 (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	2017
	RMB'000	*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.

9 DIVIDENDS

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

10 PREPAYMENTS

	31 December 2018	31 December 2017
	RMB'000	*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

Prepayment 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.

11 TRADE AND OTHER RECEIVABLES

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Trade receivables *(note (a))*		
— third parties	**225,585**	213,845
Less: loss allowance for trade receivables	**(760)**	—
	224,825	213,845
Other receivables		
— third parties	**284,907**	243,942
— related parties	**1,168**	1,064
	286,075	245,006
Less: loss allowance for other receivables	**(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	31 December 2017
	RMB'000	*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

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Unlisted redeemable preferred shares	**3,979,937**	—

13 BORROWINGS

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

(a) Borrowings excluding finance leases

	31 December 2018	31 December 2017
	RMB'000	*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

(b) Finance leases

	31 December 2018	31 December 2017
	RMB'000	*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

14 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	**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 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

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 hospital 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 RMB8.6 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 63.70% 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 277.08% to RMB265.94 million during the Year from RMB70.5 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 RMB349.8 million in 2017, mainly due to decrease in gross profit margin.

The discontinued business recorded a 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 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).

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors.

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and reviewed the Group's annual results and financial statements for the Year.

The figures in this preliminary announcement of the results of the Group have been agreed to the amounts set out in the Group's consolidated financial statements for the Year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance will be expressed on the preliminary results announcement.

Important Events After the Reporting Period

On 11 January 2019, Guangzhou Hengze Healthcare Service Company Limited* (廣州恒澤養生服務有限公司), a wholly-owned subsidiary of the Company ("**Guangzhou Hengze**"), and Evergrande Life Insurance Company Limited* (恒大人壽保險有限公司) ("**Evergrande Life**") entered into an integrated insurance procurement agreement ("**Integrated Insurance Procurement Agreement**"), pursuant to which, Evergrande Life shall procure group critical illness for the members of Elderly Care Valley of Guangzhou Hengze and their respective family members, and Guangzhou Hengze shall pay the insurance premium to Evergrande Life. Since the Company has obtained independent shareholders' approval at the general meeting of the Company held on 25 February 2019 regarding the aforesaid continuing connected transactions, the term of the Integrated Insurance Procurement Agreement has commenced and shall continue up to and including 31 December 2021.

On 15 January 2019, Solution King Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company ("**Solution King**"), has entered into a sale and purchase agreement with Kerryman Holdings Limited ("**Kerryman**"), pursuant to which, Solution King agreed to acquire, and Kerryman agreed to sell 300 ordinary shares in the share capital of Mini Minor Limited for a total consideration of US$930,000,000. Completion of the aforesaid acquisition took place on the date of the sale and purchase agreement.

On 15 January 2019, the Group acquired 51% equity interests in National Electric Vehicle Sweden AB ("**NEVS**") at a consideration of US$930 million, and obtained the control of majority of its board of directors. NEVS, with its headquarters based in Sweden, is a global electric vehicle company focused on intelligent automobiles and is striving to become a global leader in sustainable and sharing-based smart mobility ecosystems. In 2012, NEVS successfully acquired core assets and intellectual property rights of Saab Automobile AB, a Swedish company with 75 years of history. Carrying on the brand DNA of Saab, which sought to conjoin mobility with driver to achieve seamless driving experiences (人車合一、貼地飛行), and the profound technological heritage originated from Scandinavia, NEVS houses the world's top smart electric vehicles research and development centre in Sweden with a global research and development team consisted of over 500 personnel, and a diversified international management team with more than 1,800 employees. The proprietary intellectual properties of NEVS cover the areas of electric battery, powertrain and control systems, in-car connectivity and production. These include battery thermal management system, automotive safety systems and an in-car air filtration and purification system, all of which are regarded as world-leading technologies. NEVS, being one of the few automobile developers with forward research and development capabilities, owns intellectual property rights over the "Phoenix" series, a platform catered specifically for the research and development of pure electric automobiles. The world-leading vehicle controller specifically designed for autonomous driving is also ready for mass production.

NEVS, as one of the ten qualified new energy automobile companies currently approved by the PRC National Development and Reform Commission and the PRC Ministry of Industry and Information Technology, has developed two pure electric vehicle models that have reached production standards. It also owns production bases in Trollhättan, Sweden and Tianjin, China, which have mass production capabilities and is planning to develop a production base in Shanghai.

On 24 January 2019, the Group acquired 58.07% equity interest in Shanghai CENAT New Energy Company Limited ("**Shanghai CENAT**"), a power battery company, at a total consideration of RMB1,059,777,500 in order to expand its layout to the power battery field.

Shanghai CENAT was co-founded by China Automotive Technology and Research Center, an institution directly under the State-owned Assets Supervision and Administration Commission of the State Council, and ENAX, Inc. in Japan, with technology originating from Kazunori Ozawa, known as the "Father of Lithium Battery", and his research and development team. Currently, Shanghai CENAT has a global research and development team of over 300 experts and a technical team of over 1,500 personnel. Its products are featured with outstanding functions such as high safety level, energy density and cycle count, as well as outstanding battery performance. Especially, Shanghai CENAT's safety levels at the absolute leading standard in the industry, with a promising outlook. In 2018, among its industry peers in the PRC, Shanghai CENAT ranked top three in terms of installed battery capacity and top three in terms of pouch type power battery. The acquisition of Shanghai CENAT can enhance the key layout of the new energy vehicle segment of Evergrande.

On 29 January 2019, National Electric Vehicle Sweden AB ("**NEVS**", a subsidiary of the Company) entered into an agreement with Spirit of Performance AB ("**SOP**") and Alpraaz AB, pursuant to which, Alpraaz AB agreed to issue and allot to NEVS, and NEVS agreed to subscribe for certain new shares; and SOP agreed to sell, and that NEVS agreed to purchase certain sale shares. Based on the total issued share capital of the Alpraaz AB as at 29 January 2019 and assuming there will be no other change to the total issued share capital of Alpraaz AB other than pursuant to the relevant transaction agreement, (1) upon completion on the first closing, NEVS will hold approximately 5% of the issued share capital of Alpraaz AB as enlarged by the issuance of the new shares; and (2) further assuming first closing takes place and upon completion on the second closing, NEVS will hold in aggregate approximately 20% of the issued share capital of Alpraaz AB as enlarged by the further issuance of the new shares.

On 29 January 2019, NEVS, a subsidiary of the Group, entered into a transaction agreement with KAAB. Pursuant to the agreement, NEVS acquired its 20% shares at a total consideration of EUR150 million. On the same day, NEVS further entered into a joint venture agreement with KAAB in relation to the establishment of a joint venture. NEVS shall make a series of capital contribution to the joint venture in form of shareholder's contributions, amounting to US$150 million in total. KAAB shall make capital contribution in the project company in the form of shareholder's contributions, amounting to US$70 million prior to the production of the car. The joint venture will be owned as to 65% and 35% by NEVS and KAAB, respectively. The joint venture is entitled to use the technical patents and brand of KAAB.

KAAB, a supercar company based in Sweden, is one of the supercar brand names at the forefront of the world. KAAB enjoys the reputation as a "ghost sports car". The top speed of KAAB's world-record breaking mass production vehicles exceeds 447 km/h, and 0-440-0km/h only takes 33.29 seconds. KAAB owns various world-leading technologies in the fields of lightweight, engine-powered systems, electrification and AI driving etc., possessing one of the most leading new energy vehicle technologies in the world. As a world leading supercar company, KAAB can serve as a strong driver for Evergrande in respect of the technology, brand and talent pool of the new energy vehicle segment.

On 15 March 2019, a subsidiary of the Company entered into an equity transfer agreement with Tianjin Tianhai Group Co., Ltd. (天津天海同步集團有限公司), TeT Drive Technology Co. Ltd. (湖北泰特機電有限公司) and Lv Chao (呂超). Pursuant to the equity transfer agreement, such subsidiary of the Company shall acquire 70% equity interest in TeT at a total consideration of RMB500 million. Upon the completion of the acquisition, TeT will become a subsidiary of the Company.

TeT is the leader in the worldwide research, development and production of in-wheel motors, and wholly-owns e-Traction, an international leading research, development and production enterprise in in-wheel motors and electric automobile powertrain systems. e-Traction was established in 1981 and is headquartered in the Netherlands. It is equipped with internationally advanced in-wheel motor technologies and numerous patent technologies. With the same mileage, TeT's Turn-Key EV powertrain technology is able to preserve more electricity as compared to those installed with centralised motors, which is utilized by current mainstream new energy vehicles. By virtue of optimizing the overall vehicle structure, space utilization is improved, while design, manufacturing and maintenance costs are correspondingly reduced. In terms of safety, the optimization in the energy management system coupled with the advanced battery management system allow TeT to ensure safety of both the battery and the entire vehicle; the application of TeT's in-wheel motor also lowers the height of gravity centre, ensuring a smoother, steadier and safer drive. e-Traction has production layouts in the Netherlands and China, and its products have been widely applied in 14 cities across 8 countries in Europe since 2009. Electric motor is one of the core components of new energy vehicles. Through the acquisition, the Group is able to introduce the world's most advanced Turn-Key EV powertrain technology, thereby consolidating its competitive edge in electric motor control, further improving the layout for its new energy vehicle industry chain, while securing a strategically beneficial position with industrial synergies, and elevating its overall competitiveness.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Year, except as disclosed below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2018 to 20 July 2018, since 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 in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself. Since Mr. Li Siquan acted as the Chief Executive Officer of the Company during the period between 20 July 2018 to 31 December 2018, during such period, the Company fully complied with the Code provision A.2.1.

Model Code for Securities Transactions

The Company had adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

2019 ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date on which the Company's 2019 annual general meeting will be held and the relevant book closure arrangement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

PUBLICATION OF THE ANNUAL RESULTS

This annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.evergrandehealth.com).

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

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

Hong Kong, 22 March 2019

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