Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

EVERGRANDE HEALTH INDUSTRY GROUP

EVERGRANDE HEALTH INDUSTRY GROUP LIMITED

恒大健康產業集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	2019	2018	Difference
	RMB million	*RMB million*	
Membership spending amount			
— Health management segment	**8,210**	3,460	+137.3%
Revenue			
Health management segment	**4,975**	3,133	+58.8%
Other segment income	**661**	—	—
Total	**5,636**	3,133	+79.9%
Gross profit	**1,887**	1,145	+64.8%
(Loss) for the year	**(4,947)**	(1,428)	—

The board (the "**Board**") of directors (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 2019 (the "**Year**") together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**5,635,559**	3,133,018
Cost of sales	*4*	**(3,748,437)**	(1,987,750)
Gross profit		**1,887,122**	1,145,268
Other income/(costs)		**23,117**	(776)
Other gains/(losses), net		**33,483**	(141,839)
Selling and marketing costs	*4*	**(868,182)**	(265,938)
Administrative expenses	*4*	**(3,155,621)**	(334,940)
Net impairment losses on financial assets		**(50,233)**	(4,523)
Fair value gain on investment properties		**14,228**	—
Operating (loss)/profit		**(2,116,086)**	397,252
Finance income	*5*	**149,165**	21,155
Finance costs	*5*	**(2,373,593)**	(492,493)
Finance costs, net	*5*	**(2,224,428)**	(471,338)
Share of net losses of associates and joint ventures accounted for using the equity method		**(53,694)**	(1,057,909)
Fair value losses on financial assets at fair value through profit or loss		**(132,128)**	—
Loss before income tax		**(4,526,336)**	(1,131,995)
Income tax expenses	*6*	**(421,142)**	(296,383)
Loss for the year		**(4,947,478)**	(1,428,378)

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Other comprehensive income:			
Items that may be reclassified to profit and loss:			
Currency translation differences		**(526,616)**	(66,331)
Items that will not be reclassified to profit and loss:			
Revaluation gains arising from transfer of construction in progress to investment properties, net of tax		**6,631**	—
		(519,985)	(66,331)
Total comprehensive loss for the year		**(5,467,463)**	(1,494,709)
Loss attributable to:			
Owners of the Company		**(4,426,307)**	(1,429,381)
Non-controlling interests		**(521,171)**	1,003
		(4,947,478)	(1,428,378)
Loss for the year		**(4,947,478)**	(1,428,378)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(4,886,413)**	(1,495,712)
Non-controlling interests		**(581,050)**	1,003
Total comprehensive loss for the year		**(5,467,463)**	(1,494,709)
Loss per share for loss attributable to owners of the Company			
(expressed in RMB cents per share)			
— Basic and diluted loss per share	*7*	**(51.230)**	(16.544)

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**10,422,736**	1,534,925
Land use rights	*2*	**—**	590,743
Right-of-use assets		**3,301,792**	—
Investment properties		**1,064,520**	—
Intangible assets		**7,581,130**	5,199
Goodwill		**6,193,274**	—
Prepayments	*9*	**1,776,031**	183,644
Investments accounted for using the equity method		**1,210,964**	—
Financial assets at fair value through profit or loss	*10*	**4,718,278**	3,979,937
Deferred income tax assets		**71,215**	34,472
Trade and other receivables	*11*	**73,735**	—
		36,413,675	6,328,920
Current assets			
Trade and other receivables	*11*	**4,593,702**	507,137
Prepayments	*9*	**7,585,624**	1,024,442
Properties under development		**29,317,271**	11,170,539
Completed properties held for sale		**2,679,747**	1,169,672
Inventories		**505,526**	34,619
Contract assets	*3*	**40,014**	9,942
Restricted cash		**2,415,109**	367,825
Cash and cash equivalents		**9,857,780**	1,570,014
		56,994,773	15,854,190
Total assets		**93,408,448**	22,183,110

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**250,936**	250,936
Reserves		**(2,237,168)**	101,536
Accumulated losses		**(5,514,204)**	(1,014,940)
		(7,500,436)	(662,468)
Non-controlling interests		**6,204,869**	—
Total deficit		**(1,295,567)**	(662,468)
LIABILITIES			
Non-current liabilities			
Deferred income		**1,551,100**	—
Borrowings	*12*	**47,214,338**	11,248,425
Finance leases		**—**	45,307
Lease liabilities		**223,221**	—
Deferred income tax liabilities		**2,591,663**	—
		51,580,322	11,293,732
Current liabilities			
Trade and other payables	*13*	**24,282,087**	7,330,851
Contract liabilities	*3*	**2,444,932**	99,284
Borrowings	*12*	**15,172,530**	3,613,900
Finance leases		**—**	8,705
Lease liabilities		**214,373**	—
Current income tax liabilities		**1,009,771**	499,106
		43,123,693	11,551,846
Total liabilities		**94,704,015**	22,845,578
Total deficit and liabilities		**93,408,448**	22,183,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

(i) Compliance with HKFRSs and HKCO

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

The draft financial information relating to the year ended 31 December 2019 and the financial information relating to the year ended 31 December 2018 included in this preliminary announcement results for the year ended 31 December 2019 do not constitute the Company's statutory annual consolidated financial statements for these years but, in respect of the year ended 31 December 2018, 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 2018 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 2019 to the Registrar of Companies in due course.

The Company's auditor has reported on the financial statements for the year ended 31 December 2018 and 2019. 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 HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2 ACCOUNTING POLICIES

2.1 New and amended standards adopted by the Group

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

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

The Group had changed its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules on 1 January 2019. This is disclosed in note 2.3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 New standards and interpretations not yet adopted

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

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

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

2.3 Changes in accounting policies

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

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

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

(i) *Practical expedients applied*

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

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

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

(ii) ***Measurement of lease liabilities***

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

(iii) ***Measurement of right-of-use assets***

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

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

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

- right-of-use assets — increase by RMB153,919,000 of properties and RMB590,743,000 of land use rights

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

(v) ***Lessor accounting***

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

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.

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

(a) Revenue by type

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

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

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

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

(b) **Segment revenue and results**

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

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

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

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

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

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

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

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

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

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

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

(c) Assets and liabilities related to contracts with customers

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

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

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

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

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

(ii) Revenue recognised in relation to contract liabilities

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

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

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

4 EXPENSE BY NATURE

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

5 FINANCE COSTS, NET

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

6 INCOME TAX EXPENSE

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

	2019	2018
	RMB'000	*RMB'000*
Current income tax:		
PRC corporate income tax	**304,129**	196,508
PRC land appreciate tax	**264,944**	127,770
Deferred income tax	**(147,931)**	(27,895)
Income tax expense	**421,142**	296,383

Hong Kong profits tax

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

PRC corporate income tax

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

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

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

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.

7 LOSS PER SHARE

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

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

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

8 DIVIDENDS

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

9 PREPAYMENTS

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

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

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

11 TRADE AND OTHER RECEIVABLES

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

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

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

12 BORROWINGS

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

13 TRADE AND OTHER PAYABLES

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

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

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

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

SUBSEQUENT EVENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

Health Management Segment

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

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

New Energy Vehicle Segment

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

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

Financial Review

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

The significant increase in turnover of the Health Management Segment during the Year was mainly due to the increase in revenue from Evergrande Elderly Care Valley (the "**Elderly Care Valley**") by 58.38% to RMB4,948.47 million from RMB3,124.42 million for 2018. In 2019, the new energy vehicle segment achieved a total of RMB660.5 million in revenue, which was mainly derived from the sales of lithium battery.

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

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

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

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

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

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

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

Business Review

Health Management Segment

Business Review for Evergrande Elderly Care Valley

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

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

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

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

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

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

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

Business Review for Medical Service Business

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

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

Hainan Medical University and China Stem Cell Group Boao Stem Cell Hospital to explore different cooperation modes, thereby sharing resources and strengthen each other's advantages. After the COVID-19 Outbreak, Boao Evergrande International Hospital proactively arranged medical staff to travel to Hubei in fighting against COVID-19, reflecting the commitments of Boao Evergrande International Hospital as an international hospital.

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

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

New Energy Vehicle Segment

Automobile Manufacturing Business Review

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

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

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

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

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

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

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

Power Battery Business Review

Through further increase in shareholding, the Group holds 79.86% equity interests in CENAT New Energy. CENAT New Energy, being one of the leading enterprises in the industry focusing on ternary pouch type power battery, was co-founded by China Automotive Technology Research Center Co., Ltd.* (中國汽車技術研究中心有限公司), an institution directly under the State-owned Assets Supervision and Administration Commission of the State Council, and ENAX, Inc. in Japan, with technology originating from Kazunori Ozawa, known as the "Father of Lithium Battery", and his R&D team.

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

Corporate Milestones in 2019

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

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

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

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

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

6. On 6 September 2019, the Group carried out strategic cooperation with 15 world-class automotive styling and design masters from Germany, Italy, the United States, France, Japan and other countries, forming the strongest styling and design team for new energy vehicles.

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

8. On 15 October 2019, the Group established the Evergrande New Energy Automotive R&D Institute Global Headquarters, implementing globalized R&D model with collaborative R&D in countries including China, Sweden, Germany, the United Kingdom, the Netherlands, Austria, Italy, Japan and South Korea.

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

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

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

OUTLOOK

Health Management Segment

Outlook for Evergrande Elderly Care Valley

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

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

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

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

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

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

Outlook for Medical Service Business

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

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

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

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

In relation to medications, the Group will further expand its cooperation with leading domestic and overseas medical companies and medical institutions, and introduce more quality resources. Leveraging on the advantages of the relevant policies in the pilot zone and the convenience of Boao Public Bonded

Drug Warehouse, the Group will provide comprehensive and three-dimensional licensed medical equipment supporting services for Boao Evergrande International Hospital and other medical institutions in the pilot zone from warehouse logistics, agency marketing and other aspects.

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

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

New Energy Vehicle Segment

Outlook for Automobile Manufacturing Business

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

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

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

Outlook for Power Battery Business

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

OTHER ANALYSIS

Capital institutions, Liquidity and Financial Resources

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

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

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

Employee and Share Option Scheme

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

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

Contingent Liabilities

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

DIVIDEND

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

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

Since the COVID-19 Outbreak in early 2020, a series of prevention and control measures have been implemented and maintained across the country/respective region. The Group will closely monitor the development of the COVID-19 Outbreak and assess its impact on the Group's financial position and operating results. As at the date of approval of the publication of these financial statements, the Group was not aware of any significant adverse impacts of the COVID-19 Outbreak on the financial statements.

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. Since 1 February 2019, the Company had not had any officer with the title of Chief Executive Officer, during such period, the overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution was vested in the Board itself.

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 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

2020 ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date on which the Company's 2020 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 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, 30 March 2020

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.