恒大汽车
EVERGRANDE AUTO

China Evergrande New Energy Vehicle Group Limited

(Incorporated in Hong Kong with limited liability)
(Stock code : 00708)

ANNUAL REPORT 2020

Contents

Board of Directors and Committees

Executive Directors

Mr. Siu Shawn *(Chairman)*
Mr. Liu Yongzhuo (Vice *Chairman)*
Mr. Qin Liyong
Mr. Shi Shouming *(resigned with effect on 8 January 2021)*
Mr. Peng Jianjun *(resigned with effect on 26 June 2020)*

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Siu Shawn
Mr. Guo Jianwen

Nomination Committee

Mr. Siu Shawn *(Chairman)*
Mr. Chau Shing Yim, David
Mr. Guo Jianwen

Corporate Governance Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Siu Shawn
Mr. Guo Jianwen

Authorised Representatives

Mr. Siu Shawn
Mr. Fong Kar Chun, Jimmy

Corporate and Shareholder Information

Head Office

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

Registered Office and Place of Business in Hong Kong

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

Website

www.evergrandehealth.com

Company Secretary

Mr. Fong Kar Chun, Jimmy

Auditor

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

Shareholder Information

Listing Information

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

Stock Code

Hong Kong Stock Exchange: 0708.HK

Share Registrar

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

Investor Relation

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

Financial Calendar

Announcement of annual results: 25 March 2021

Management Discussion and Analysis

Overview

The principal business activities of China Evergrande New Energy Vehicle Group Limited (the "**Company**" or "**Evergrande Auto**") and its subsidiaries (the "**Group**") include the technology research and development ("**R&D**") and manufacturing of, and sales services in respect of new energy vehicles (collectively, the "**New Energy Vehicle Segment**"), as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation (collectively, the "**Health Management Segment**").

New Energy Vehicle Segment

The Group actively responds to the national strategy of building a strong country through science and technology, and forayed into the new energy automobile industry with a huge market scale by forward planning. Through the closed loop of technology and data, the Group will create an intelligently connected mobile space of "car and home integration", and establish Hengchi as a world-renowned Chinese automobile brand.

Dedicated to the global R&D and promotion of new energy vehicles applications, the Group adhered to its core technology vision of "achieving world-class core technology and proprietary intellectual property rights", and its quality goal of "achieving world-class product quality", and has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, power batteries, vehicle sales, smart charging, shared mobility and other aspects. The Group cooperated with global automotive engineering technology leaders and top styling and design masters to simultaneously develop and design 14 vehicle models, 9 of which have been released. The Group also built advanced intelligent manufacturing bases in Tianjin, Shanghai, Guangzhou and other locations in accordance with the Industry 4.0 Standard. The Group strives to become the world's largest and most powerful new energy vehicle enterprise, with a goal of achieving annual production and sales volume of over 1 million vehicles by 2025 and 5 million vehicles by 2035, respectively.

Focusing on the three major pillars of core technology, quality and scale, the Group has integrated top talents, technologies and equipments from all over the world. At present, the Group has formed core advantages on talent, capital, core technology, quality, cost, sales, after-sales services, corporate management and strong execution capabilities.

The new energy vehicle business of the Group achieved breakthrough progress for the twelve months ended 31 December 2020 (the "**Reporting Period**").

In March 2020, Gemera, the top new energy super sports car jointly developed by the Group and Koenigsegg, made its global debut. In August 2020, the first batch of the six models of Hengchi were released globally, and several production bases built in accordance with the Industry 4.0 Standard were unveiled. In November 2020, Hengchi's car branding and naming system were released, with the Tianjin, Shanghai and Guangzhou production bases fully initiated trial production and commissioning, and preparations for mass production having progressed smoothly. In December 2020, the interior design of Hengchi 1 was unveiled with remarkable features. Given its excellent interior and exterior designs and outstanding performance, Hengchi 1 was well-received enthusiastically within the market.

Entering 2021, the Group's new energy vehicle business segment has achieved another major breakthrough. In February, Hengchi conducted a three-week winter calibration test in Yakeshi, Hulunbuir, to comprehensively test the reliability, safety, stability and comfortability of Hengchi in extremely cold environment. Three new models, namely Hengchi 7, Hengchi 8 and Hengchi 9, were released. In March, the Group established a joint venture with Tencent to jointly develop a world-leading smart vehicle operating system with proprietary intellectual property rights. For the first time, the Group announced its forward-looking layout and a series of innovations in the field of intelligent network connection, and released the H-Smart OS (Hengchi smart vehicle operating system), which covers the dual ecosystems of Tencent and Baidu and brings users an unprecedented intelligent life experience.

Management Discussion and Analysis

The Group will endeavor to facilitate the mass production of the nine Hengchi models at full speed, and continue to devote itself to the innovation and application of new energy vehicle technologies and product R&D. At the same time, the Group will introduce additional vehicle models to enrich its product mix and elevate the smart manufacturing standards in China.

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 multi-level hierarchical medical care, high-precision health management, all-age health care and diversified elderly care system, thereby comprehensively enhancing the healthy living standards for the general public.

During the Reporting Period, the Group continued to uphold the innovative service concept of integrating medical insurance with health management, medical care, rehabilitation and elderly care. It provided, among others, health management, health care, medical care, rehabilitation 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 Reporting Period, 29 Evergrande Elderly Care Valley took root across China. The Group also continued its in-depth exchanges and cooperation with 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 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.

Financial Review

In 2020 (the "**Year**"), the Group's turnover amounted to RMB15,486.63 million, representing an increase of 174.8% as compared to RMB5,635.56 million in 2019. 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 208.54% to RMB15,268.13 million for the Year from RMB4,948.47 million for 2019. During the Year, revenue from medical cosmetology and outpatient services increased by 16.39% to RMB30.96 million from RMB26.60 million in 2019, mainly attributable to the increase in business volume of this segment. During the Year, revenue from new energy vehicle segment decreased by 71.61% to RMB187.53 million from RMB660.50 million in 2019, mainly attributable to the decrease in revenue from sales of batteries. Based on the reform and upgrade of new battery products, CENAT Plant was mainly disposing current battery inventories during the Year.

During the Year, the gross profit of the Group was RMB2,694.82 million, representing an increase of 42.80% from RMB1,887.12 million for 2019. Gross profit margin dropped from 33.49% for 2019 to 17.40% 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. However, the gross profit margin corresponding to the income from the additional health and living projects decreased due to the different locations of the projects. Moreover, in order to accelerate sales, the Group offered greater discount to customers.

Other net gains of the Group increased to RMB214.64 million for the Year from RMB33.48 million for 2019, mainly due to the exchange gains of RMB156.94 million recorded during the Year, while exchange losses of RMB34.30 million were recorded last year.

Selling and marketing expenses increased by 157.76% to RMB2,237.85 million for the Year from RMB868.18 million in 2019, mainly due to the 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.

Administrative expenses increased by 62.08% to RMB5,114.52 million for the Year from RMB3,155.62 million for 2019, mainly due to the significant increase in R&D expenses invested in the new energy vehicle industry. Furthermore, the Group made impairment provision for certain intangible assets acquired and the goodwill arising from such acquisition.

Finance costs, net, increased from RMB2,224.43 million for 2019 to RMB2,695.13 million during the Year, mainly due to increased interest expenses as a result of increased borrowings from shareholders.

Income tax expenses decreased by 35.97% to RMB269.64 million during the Year from RMB421.14 million in 2019, mainly due to the decrease of PRC land appreciation tax.

During the Year, the Group recorded loss of RMB7,664.91 million, representing an increase of 54.93% from loss of RMB4,947.48 million for 2019, mainly due to the decline in gross profit of health management business and the increase in marketing expenses, interest expenses and R&D expenses in new energy vehicle business.

Business Review

New Energy Vehicle Segment

In 2020, affected by various factors including the trade disputes between China and the United States as well as the COVID-19 pandemic, global economic downturn risks increased. In order to maintain stability of automobile market, relevant State authorities have emphasized their encouragement and support towards the development of the automobile industry.

Driven by such policy directions, the domestic automobile market has achieved rapid recovery. According to data sourced from the China Association of Automobile Manufacturers, between January and March 2020, production and sales volume of vehicles in China fell by 45.2% and 42.4% year-on-year, respectively. Production and sales volume between April and December showed positive growth for nine consecutive months, achieving annual sales of 25.31 million vehicles, having declined by 1.9% year-on-year, nonetheless continued to rank first in the world. As for new energy vehicle market, in 2020, China's new energy vehicle production and sales volume achieved 1.36 million vehicles and 1.36 million vehicles, representing year-on-year increase of 7.5% and 10.9% respectively. The overall development has exceeded expectations.

The Group believes that the development of the new energy automobile industry will continue to improve in the long term. With the emerging wave of electrification, intelligence transformation and network advancement of automobiles, irreversible structural changes have taken place in automobile products and industry landscape. Automobiles are progressing from being simple means of transportation to super mobile intelligent terminals.

Management Discussion and Analysis

During the Reporting Period, following the release of the design of the new energy automobile industry, the New Energy Automobile Industry Development Plan (2021–2035) (《新能源汽車產業發展規劃(2021-2035年)》), overall deployment was made in technological innovation, industrial ecology, integrated development, infrastructure and open cooperation, which further reinforces the medium and long-term health-centric development of the industry. In terms of specific measures, the consumption, usage and infrastructure construction of new energy vehicles benefited from various fiscal and tax policy support in China. Meanwhile, standards of and requirements for electric car manufacturing technology have been further enhanced and optimized, thus ensuring the sustainable and health-centric development of the industry. For example, the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles jointly issued by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the National Development and Reform Commission on 23 April 2020 announced that the financial subsidy policies for the promotion and application of new energy vehicles will be extended to the end of 2022.

The Group will strive to seize the once-in-a-century industry development opportunity, strengthen its technology R&D and innovation, and at the same time enhance its "hard power" in hardware design and high-end manufacturing, as well as its "soft power" in software and services, and further improve product layout and fully promote the continuous development and growth of the new energy vehicle business.

During the Reporting Period, the Group continued to integrate top resources from all around the world, deepened cooperation with strategic partners, improved the layout of the full industry chain, and implemented a number of major achievements in an orderly manner.

Products Aspects:

On 3 March 2020, Gemera, the top new energy super sports car jointly developed by the Group and Koenigsegg, made its global debut.

On 3 August 2020, the first batch of the six models of Hengchi were revealed at the same time. The outstanding body designs have been well-received overall at the market. Hengchi 1, a pure Electric flagship sedan in the "D-class"; Hengchi 2, a pure electric sports ultra-luxury sedan in the "B-class"; Hengchi 3, a pure electric large ultra-luxury SUV in the "C-class"; Hengchi 4, a pure electric large ultra-luxury MPV with seven seats; Hengchi 5, a pure electric luxury SUV in the "A-class"; and Hengchi 6, a pure electric luxury cross-over SUV in the "A-class", were all designed by world-famous automotive designers such as Anders Warming and Michael Robinson.

On 10 November 2020, the Group released the Hengchi car logo, which embodies creative source and profound connotation of "protecting the blue sky and victory in the red sea, the oriental lion standing proudly over the world".

On 11 November 2020, the Group announced the naming system for the Hengchi series. Each Hengchi will be named according to its launching order, grade and model, striving to position itself as declining with luxury, ultra-luxury, flagship with each Hengchi vehicle built in accordance with luxury car standards.

On 9 December 2020, the interior design of Hengchi 1 was unveiled, which was equipped with ultra-luxury and top-level configuration and high-tech intelligent experience.

R&D Aspects:

During the Reporting Period, the Group's R&D strength continued to improve. The Group established R&D organizations including the R&D Institute Global Headquarters and the Academy of Intelligent Sciences, which are primarily responsible for product planning, styling and design, engineering development, virtual analysis, trial production testing and other vehicle R&D, as well as core component R&D such as powertrains and major research and development work such as forward-looking technology research. The Group continues to recruit top professionals worldwide, and currently employs more than 3,500 scientific research personnel.

During the Reporting Period, the Group also continued to strengthen its independent R&D and innovation capabilities. While continuously improving core key technologies on the batteries aspects of new energy vehicles, the Group also increased technological exploration and innovation in areas such as intelligent network connection and autonomous driving to establish R&D core competitiveness.

In terms of **power batteries**, the Group has established R&D bases in Shenzhen, Shanghai and Osaka, Japan, and introduced top global scientists. There are currently more than 800 members on the core scientific research team focusing on the deployment of lithium-ion batteries, solid state batteries, battery materials, battery management system (BMS), and forward- looking development and application of next-generation battery technology. We have 40 professional R&D and testing laboratories that focus on material synthesis, electrolyte R&D, solid electrolyte synthesis, module, battery pack R&D, thermal management, with more than 15,000 test points. Evergrande Auto's battery adopts a power battery system with high specific energy, high safety, high performance, longevity, low cost and ultra-fast charging. The product system covers ternary soft packs, lithium iron phosphate, and serves to provide a full set of solutions for EV/PHEV/HEV/storage application. Mass production is expected to commence in the second half of 2021.

In terms of **electric drive system**, Evergrande Auto independently developed a three-in-one electric drive assembly system, including flexible and expandable power module technology, leading three-in-one integrated battery case technology, the efficient and easy-to-produce "continuous wave" hair-pin stator technology, variable shaft length and expandable power motor technology, oil cooling technology, advanced chip control technology, in order to supporting the diversified demands of Hengchi vehicles with high-performance, standardized and universal advanced power.

In terms of **intelligent network connection and autonomous driving**, the Group has jointly developed smart cockpits and networking ecosystems with Tencent, Baidu and others. In the future, the Group will seek to independently develop and integrate with Evergrande Auto's own ecology, and create a vehicle-home travel and mobile lifestyle through a powerful vehicle- cloud integrated data platform. Evergrande Auto implements self-developed, full-stack and multi-dimensional integration solutions that are vehicle-based, field-based and cloud-based, supplemented by advanced technologies such as multi-sensor stereo perception technology, super computing power platform and high-precision map positioning to target roads scenarios with Chinese characteristics. The automatic driving technology upgrade is promoted in stages, bringing users the ultimate smart mobile experience under all weather and in all scenarios, as well as comprehensive safety guarantees.

Manufacturing Aspects:

During the Reporting Period, the construction of the Group's Tianjin, Shanghai and Guangdong production bases were completed in accordance with the Industry 4.0 Standard. These bases fully launched trial production and commissioning, utilizing advanced equipment and techniques to realize the advanced intelligent manufacturing in the world.

In particular, the press workshops utilize the press equipment supplied by Schuler in Germany, which is equipped with the MMS smart self-diagnostic system, being one of the most advanced and fully automated press production line in the world.

The vehicle body workshop utilizes equipment supplied by Kuka in Germany and Fanuc in Japan and employs digital twin technology. Production data can be shared across different assembly lines, helping to establish the world-class high-end smart "dark factories".

The vehicle paint workshops have introduced world-class production lines supplied by Dürr in Germany to realize fully automated painting and gluing. The advanced technologies such as horizontal drying-out and fast color changing are also introduced to achieve intelligent, environmentally-friendly and customized painting.

The assembly workshops utilize assembly lines supplied by Dürr in Germany, where a virtual matching system is employed. With this, the vehicle assembly lines can achieve the highest automation rate in the world.

Management Discussion and Analysis

Health Management Segment

Business Review for Evergrande Elderly Care Valley

In response to upgrade of the current healthy living standards of community residents, the Group developed and formulated the 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 and diversified way of healthy living. The Company 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 established all-rounded health care and wellness regimes for all-age population. The Evergrande Elderly Care Valley has been divided into "Four Major Parks", including the Elderly Care Park (頤養園) providing high-precision, multi-dimensional and scientific life management services, the Fun Park (長樂園) integrating culture and entertainment to provide high-quality health care and wellness regimes, the Sports Park (康益園) focusing on sports and keeping fit to reshape a new life of healthy activities, as well as the Kid Park (親子園) practicing the concept of parent-child enjoyment and building a cross-generational social circle, and advocating harmonious relationship between the elderly and children. Emphasizing traditional Chinese medicine as the foundation and Chinese health culture as the core, Evergrande Elderly Care Valley integrated nutrition diet, scientific exercise, traditional culture, folk art, social activities and wellness travel and living, thereby providing healthcare and wellness-living services suitable for all-age population and innovating a new healthy lifestyle for all-age population.

As of 31 December 2020, a total of 18 health preserving exhibition and experience centers in Xiangtan, Nanjing, Yangzhong, Yuntaishan, Zhengzhou, Wuzhou, Kunming, Xianning, Hohhot, Chongqing Shuangfu, Jinhua, Yueyang, Jinzhai, Zibo, Tangshan, Urumqi, Nanning Airport and Wuhan were open to the public. 15 projects of the four major parks in Hohhot, Nanjing, Xiangtan, Shenfu, Chongqing Shuangfu, Xianning, Jinhua, Yueyang, Jinzhai, Zibo, Tangshan, Urumqi, Nanning Airport, Wuhan and Zhengzhou had been put into trial operation, while the Xi'an medical and nursing complex, Kunming Project Hotel Apartments and Sanya Project Travelling Apartments have officially commenced operation. Five Evergrande Elderly Care Valleys, namely Zhengzhou Evergrande Elderly Care Valley, Shenfu Evergrande Elderly Care Valley, Sanya Evergrande Elderly Care Valley, Nanjing Evergrande Elderly Care Valley and Xiangtan Evergrande Elderly Care Valley, began pilot charged operations based on the principles of mechanism innovation, product innovation and service innovation.

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 doctors and health consultants. The Group also formulated healthcare plans integrating physical examination, screening and intervention, and carried out businesses such as weight management, child health management, sub-health management, chronic disease conditioning and rehabilitation physiotherapy. By combining Evergrande projects across the country, the Group has established a unique "health + tourism" model and "health management service at home", 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 active apartments for the elderly, an energetic elderly care institution, home care service centers 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 RIEI International Elderly Care Center (西安恒大禮愛國際頤養中心).

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-coverage insurance system for all-age groups, customizing exclusive insurance for the elderly aged under 100, thus realizing a green service channel comprising hundreds of excellent top 3A hospitals in the country.

Business Review for Medical Service Business

In 2020, leveraging on the advantages of the concession policies of the pilot zone, Boao Evergrande International Hospital fully developed medical services under the guidance of Brigham, commenced multilateral cooperation concerning diseases and provided international advanced tumor diagnosis and treatment services for multiple diseases.

Through the Boao Public Bonded Drug Warehouse (博鰲公共保税藥倉), a variety of licensed drugs were introduced for the application research of real-world statistics so that new domestic and foreign drugs can be launched and utilized nationwide as soon as possible, thus achieving our objective of giving full play to the benefits of pilot policies in China.

In order to deep-dive into the front line of volunteer activities and to promote health and poverty alleviation, our dedicated efforts on public benefit activities have included Boao Lecheng lung cancer free screening activity and our concerted effort with a expert group from Asia-Pacific Alliance of Liver Disease Beijing (APALD) in carrying out free clinic service in Dafang County, Bijie City, Guizhou Province.

During the COVID-19 outbreak, Boao Evergrande International Hospital proactively arranged medical staff to travel to Hubei to fight against COVID-19, which fully reflects the responsibility and commitments that Boao Evergrande International Hospital, as an international hospital, should bear.

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 companies such as Roche, Novartis, Takeda, Astellas, Merck and AstraZeneca, thus practically realizing the use of internationally cutting- edge innovative licensed drugs and medical devices by citizens without going abroad.

Sanya Evergrande Hospital is committed to building a modern hospital that integrates medical treatment, preventive care and rehabilitation, with the construction of which is currently preparing actively underway.

Outlook

New Energy Vehicle Segment

With the COVID-19 pandemic under effective control in China, as well as a series of favorable policies promulgated by the central and local governments, the pace of recovery in the market has picked up.

The New Energy Vehicle Industry Development Plan (2021–2035) proposes that by 2025, China's new energy vehicle market competitiveness will be significantly enhanced, and the sales of new energy vehicles will reach approximately 20% of the total sales of new vehicles. Highly autonomous driving cars will be utilized commercially in limited areas and specific scenarios. At present, the sales of new energy vehicles in China only account for about 5% of the total sales of new vehicles, which is far from the 20% target set by the State. The Group is of full confidence that the new energy automobile industry has a promising future.

At present, the Group's new energy vehicle business is progressing steadily on track with its planned goals.

In the field of product offering, the Group will endeavour to make every effort to facilitate the mass production of Hengchi.

In the field of R&D, the Group will continue to carry out technological innovation, continuously improve the driving and riding experience, promote the upgrades of autonomous driving technology in stages, and become a supplier of smart and interconnected mobile travel solutions in multiple scenarios such as home, office and life.

In the field of manufacturing, the Group will make every effort to promote the formal commissioning of production bases in Tianjin, Shanghai and Guangzhou.

In the field of sales channel, the Group is also rapidly undertaking preparations to build Hengchi vehicles exhibition and experience, sales centers and after-sales maintenance and repair service centers, including 36 Hengchi exhibition and experience centers, 1,600 Hengchi sales centers, as well as 3,000 self-operated and authorized after-sales maintenance and repair service centers, thereby creating a vast vehicle sales channel and a network of after-sales service outlets. In addition, the Group will also utilize internet technology service group Fangchebao Group to build a strong closed loop of online and offline transactions, laying a solid foundation for Hengchi to quickly seize the automobile trading market following mass production.

In the future, we will continue to focus on the diverse needs of consumers, strengthen product R&D, continue to enrich the product matrix and launch competitive models. At the same time, we will join forces with top intelligent network connection giants such as Tencent and Baidu to create a unique intelligent connected mobile space that integrates car and home, further enhance the driving and riding experience of consumers and promote the rapid development of new energy vehicle business.

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 parks", "five major creations" and "four major services", the Group provides members with full-cycle, high-quality and multi-dimensional healthcare services.

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

In respect of wellness living, the Group will put into operation at least 4 major parks of the 5 Evergrande Elderly Care Valleys in 2021, while Nanjing Evergrande Elderly Care Valley, Hohhot Evergrande Elderly Care Valley and Chongqing Evergrande Elderly Care Valley are expected to be built, forming a closed circuit and building up developed operation experience. The Group will also facilitate the commencement of fee-charging trial operation of at least 10 developed Evergrande Elderly Care Valleys, including Xianning Evergrande Elderly Care Valley and Zibo Evergrande 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 domestically and internationally leading service models of chronic disease management, weight management, child health management and body checks, and speed up the optimization and implementation of high-precision health management services, thereby building a leading brand specializing in the provision of domestic professional health management services.

Management Discussion and Analysis

For elderly care, the Group will further accelerate the nationwide expansion of an elderly care service system with Evergrande's characteristics with the foundation of Evergrande Elderly Care Valley across China. It is expected that the Evergrande RIEI International Elderly Care Center (恒大禮愛國際頤養中心) in Xi'an will be completed and delivered in July 2021, creating the first elderly care benchmarking project, and taking the Evergrande RIEI International Elderly Care Center in Xi'an as a pilot center to promote institutional elderly care services across China. 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, the Company 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 2021, taking "strengthening the foundation, building the brand and promoting development" as its overall objective, Boao Evergrande International Hospital will leverage the benefits of the Hainan Free Trade Port and "The National Nine Opinions (國九條)" to comprehensively deepen its cooperation with Brigham and Women's Hospital and facilitate its development with projects. Through the "1+X" department co-construction model, it will enhance the development of major tumor disciplines and expand diagnosis and treatment services for various tumors. By utilizing Evergrande's international pharmaceutical supply chain, it will introduce foreign advanced licensed drugs and medical equipment, and actively create more licensed surgery and chemotherapy projects that are the first in China to significantly enhance its business volume and influence.

The Group will actively prepare for the endoscopic sleeve gastroplasty and intragastric balloon implant projects, establish China's leading specialized disease center, i.e. the weight loss and metabolism endoscope diagnosis and treatment center, and conduct global multi-center phase III clinical research and real-world clinical research to successfully keep up with international advanced levels in the three aspects of medical technology, equipment and drugs and practically implement the concessionary policies.

The Group will continue to refine 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 offering of one-stop services such as online medical service, two-way referral service and green channels.

In relation to medications, the Group will further expand its cooperation with leading domestic and overseas pharmaceutical and medical device companies, and leverage the advantages of relevant policies in the pilot zone to provide comprehensive licensed drugs and medical equipment supporting services for Boao Evergrande International Hospital and other medical institutions inside the pilot zone in respect of import agency, licensed drug operation, bonded warehousing and logistics and other aspects.

Management Discussion and Analysis

Other Analysis

Capital Institutions, Liquidity and Financial Resources

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

As at 31 December 2020, the Group had borrowings and lease liabilities (collectively "**total borrowings**") amounting to RMB73,010 million (As at 31 December 2019: RMB62,824 million).

As at 31 December 2020, the Group's gearing ratio was 48.65% (As at 31 December 2019: 67.26%). Gearing ratio was calculated as total borrowings divided by total assets.

Placing of Shares under General Mandate and the Use of Proceeds

On 15 September 2020, the Company entered into top-up placing arrangements to introduce well-known international investors. On 23 September 2020, 176,580,000 ordinary shares of the Company were successfully placed at a price of HK$22.65 per share of the Company to these investors, raising gross proceeds of approximately HK$3,999,537,000.

The placing price was HK$22.65 per share of the Company and represented: (i) a discount of approximately 19.96% to the closing price of HK$28.30 per share of the Company as quoted on the Hong Kong Stock Exchange on 14 September 2020, being the last trading day prior to the signing of the placing agreement ("**Last Trading Day**"); and (ii) a discount of approximately 17.99% to the average closing price of HK$27.62 per share of the Company as quoted on the Hong Kong Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

The net proceeds from the placing were approximately HK$3,984,941,340 after deduction of commission and other related expenses of the placing from the gross proceeds of approximately HK$3,999,537,000. The net price per share of the Company was approximately HK$22.5673 per share of the Company.

As of 31 December 2020, the Company has fully utilized such net proceeds from the placing for the research and development of technologies and base construction for Evergrande Auto. For further details of the aforesaid top-up placing by the Company, please refer to the announcement of the Company dated 15 September 2020.

Employee and Share Option Scheme

As at 31 December 2020, the Group had a total of 8,796 employees, and the staff with bachelors' degree or above accounted for approximately 89%. It incurred a total staff cost (including Directors' remuneration) of approximately RMB3,118.78 million during the period (2019: RMB1,661.06 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. Since its adoption and up to 31 December 2020 and save as disclosed in the announcement of the Company published on 6 November 2020 regarding the grant of share options on the same date, the Company has not granted any other new share option under such Share Option Scheme or adopt any other share option scheme. As at 31 December 2020, (i) 298,820,000 share options granted under the Share Option Scheme had not been exercised; (ii) 3,940,000 share options granted under the Share Option Scheme had lapsed; and (iii) no share option granted under the Share Option Scheme had been cancelled.

Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities (year ended 31 December 2019: Nil).

Dividend

The Directors do not recommend the payment of dividend for the Year (year ended 31 December 2019: Nil).

Important Events After the Reporting Period

On 24 January 2021, the Company entered into the subscription agreements with 6 investors pursuant to which the Company agreed to allot and issue to the respective subscriber an aggregate of 952,383,000 subscription shares at HK$27.30 per share, raising total net proceeds of approximately HK$26 billion. The subscription shares represent (i) approximately 10.80% of the issued shares of the Company as at the date of the announcement on 24 January 2021 and (ii) approximately 9.75% of the issued shares of the Company as enlarged by the allotment and issue of the subscription shares. As disclosed in the announcement dated 24 January 2021, the Company intends to utilize the net proceeds received from the aforesaid subscription to further invest in the technology research and development and production of the Company's new energy vehicle business, repay indebtedness and for general corporate purposes.

Forward Looking Statements

There can be no assurance that any forward-looking statements regarding the Group set out in this annual report 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.

Report of the Directors

Principal Activities

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in Note 41 to the consolidated financial statements. An analysis of the Group's performance for the Year by operating segment is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 58 to 59 of this annual report.

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

Purchase, Sale or Redemption of Listed Shares

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

Distributable Reserves

There is no distributable reserves of the Company as at 31 December 2020, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") (distributable reserves for the year ended 31 December 2019: nil).

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

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

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

According to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effect for a period of 10 years commencing on 6 June 2018. As at 31 December 2020, 294,880,000 share options were outstanding (number of share option for the year ended 31 December 2019: nil). On 6 November 2020, 298,820,000 share options with exercise price of HK$23.05 and validity period from 6 November 2020 to 5 November 2030 were granted to 2 directors and 1,669 employees of the Company. The closing price of the Company's shares on the date of grant was HK$23.05 and the average closing price of the shares for the five trading days immediately preceding the date of grant was HK$21.98. During the Reporting Period, 3,940,000 share options were lapsed and no share option was exercised.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 164 of the annual report.

Directors

(a) Directors of the Company

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

Executive Directors:

Mr. Siu Shawn *(Chairman) (appointed with effect on 8 January 2021)*
Mr. Liu Yongzhuo
Mr. Qin Liyong
Mr. Shi Shouming *(resigned with effect on 8 January 2021)*
Mr. Peng Jianjun *(resigned with effect on 26 June 2020)*

Independent Non-executive Directors:

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

In accordance with Article 81(1) of the Company's Articles of Association, Mr. Guo Jianwen and Mr. Xie Wu shall retire by rotation at the annual general meeting and, being eligible, offer themselves for re-election.

(b) Directors of the Company's Subsidiaries

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

Report of the Directors

Directors' Service Contracts

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

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

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

Biographical Details of Directors and Senior Management

Executive Directors

Mr. SIU Shawn (肖恩) (previously named as XIAO Chenggang), aged 50, joined China Evergrande Group (中國恒大集團) in November 2013 and has previously acted as the executive vice president of China Evergrande Group, the chairman of Evergrande Tourism Group Company Limited (恒大旅遊集團有限公司) and the president of Evergrande New Energy Vehicle Group. Mr. Siu has over 28 years of extensive commercial experience. Mr. Siu graduated from Beijing Normal University with a bachelor's degree in arts. He then completed a postgraduate programme in economic law at the Southwest University of Political Science & Law.

Mr. Liu Yongzhuo (劉永灼), aged 41, has over 17 years of experience in investment and operation of real estate projects, operation in the sports industry, innovations in finance areas and management and operation of multi-industry companies. Mr. Liu has been serving China Evergrande since 2003, and had served as a vice president of China Evergrande, in charge of Guangzhou Evergrande Taobao Football Club, Evergrande Culture Industry Group, Evergrande Agri-husbandry Group, Evergrande Internet Financial Group and Evergrande High-tech Group. He is now serving as the president of Evergrande New Energy Automobile Group and the chairman of the board of directors of Evergrande Neoenergy Technology Group. Mr. Liu also served as an executive director of HengTen Networks Group Limited (a company whose shares are listed on the Main Board of the Stock Exchange, stock code: 136), an associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Mr. Liu graduated from East China Normal University and Wuhan University of Technology and obtained a bachelor's degree in business management and a master's degree in engineering.

Mr. Qin Liyong (秦立永), aged 43, works in the field of engineering management and supervision for more than 16 years. Mr. Qin graduated from Tongji University, majoring in engineering management, and subsequently graduated from Tongji University with a master's degree in management science and engineering. Prior to joining the Company, Mr. Qin was the assistant general manager and project engineer of Shanghai Jia'an Real Estate Co. Ltd (上海佳安置業有限公司). He subsequently joined Hengda Real Estate Group, where he served as the manager and vice manager of the integrated planning department of management supervision center from 2005 to 2007. He held senior management positions such as the general manager and deputy general manager at the management center from 2007 to 2012. He was the vice president and general manager at the leadership, management and supervision center of the Company from 2012 to 2015. He served various positions including the chairman and general manager of Hengda Real Estate Group Grain and Oil Group (恒大地產集團糧油集團), Hengda Real Estate Group Shenzhen Company (恒大地產集團深圳公司) and Hengda Real Estate Group Heilongjiang Company (恒大地產集團黑龍江公司) from 2015 to 2018. Before his appointment as an executive Director of the Company, Mr. Qin was the vice president and executive vice president of the Group.

Report of the Directors

Independent Non-executive Directors

Mr. Chau Shing Yim, David (周承炎), aged 57, has over 20 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position as their Head of Merger and Acquisition and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants of England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a member as well as director of the Hong Kong Securities Institute and the Chairman of Corporate Outreach Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("**PYNEH**") and the Trustee of the PYNEH Charitable Trust. He is also a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

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

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

Mr. Guo Jianwen (郭建文), aged 45, is currently the head and Chief Physician of the Cerebrovascular and Cardiovascular Pathology Division of the Brain Pathology Center of Guangdong Provincial Hospital of Traditional Chinese Medicine (Guangzhou University of Chinese Medicine 2nd Affiliated Hospital), the founder of Guangzhou Wen Mai Tang Technology Company Limited and the founder and director of Guangzhou Wen Mai Tang Traditional Chinese Medicine Center (Chain) Company Limited, the supervisor of the Strategic Development Committee of the Jiangsu Nantong Liangchun Hospital, the senior consultant of technological development at the Jiangsu Nantong Liangchun Clinical Research Institute of Traditional Chinese Medicine. He is a senior head practitioner of Traditional Chinese medicine and has level 3 surgeon qualifications in neurointervention. In addition, Mr. Guo is also a member of the standing committee and the secretary of the Brain Pathology Division of the China Academy of Chinese Medical Sciences, the secretary of the Expert Committee of Brain Pathology at the Guangdong Provincial Institute of Chinese Medicine, a member of the Consortium for Globalization of Chinese Medicine, an expert product pre-launch inspector of China Food and Drug Administration for new Traditional Chinese medicines, a professional academic commentator of the Guangdong Provincial Department of Science and Technology in the field of social development, an expert anonymous doctoral thesis examiner of the Guangdong Provincial Hospital of Traditional Chinese Medicine Degree Office and an expert anonymous academic title thesis examiner of the Guangzhou University of Chinese Medicine 2nd Affiliated Hospital. In July 1998, Mr. Guo received a bachelor's degree in medicine from Beijing University of Chinese Medicine. In July 2001, he received a master's degree in clinical internal Chinese medicine from Chengdu University of Traditional Chinese Medicine. In July 2004, he received a doctoral degree in clinical internal Chinese medicine (specialising in brain emergency diseases) from Chengdu University of Traditional Chinese Medicine.

Mr. Xie Wu (謝武), aged 56, is a physician of Traditional Chinese internal medicine. He has practiced clinical Chinese medicine for 28 years, with more than 10 years of experience in hemodialysis and extensive clinical experience in various sub-fields of nephrology. He worked in the kidney clinic in the People's Hospital in Luohu, Shenzhen and engaged in medical work in Yueyang Luowang Hospital, and is currently working at the hemodialysis center of nephrology and rheumatology of Yueyang Hospital of Traditional Chinese Medicine.

Certain Core Members of the Professional Team

Mr. Pan Darong (潘大榮), aged 48, has over 24 years of experience in financial management. He is currently the chief financial officer of the Group, responsible for financial planning and management. Mr. Pan graduated from the investment and economic faculty of Zhongnan University of Economics (中南財經大學) with a bachelor's degree in economic administration. He is an accountant.

Mr. Fong Kar Chun, Jimmy (方家俊), aged 46, has over 20 years of experience in merger, acquisition and capital market. He is currently the company secretary of the Company. Mr. Fong has been a qualified solicitor in Hong Kong since 2001, and is currently a member of the Law Society of Hong Kong. Mr. Fong graduated from London School of Economics and Political Science with a master's degree in Laws.

Mr. Yang Yi (楊毅), aged 58, a Doctor of Medicine, chief physician III, postgraduate supervisor, is the president of Boao Evergrande International Hospital, the affiliated hospital of Brigham and Women's Hospital in China. He was also the former superintendent (division head level) of Fourth Affiliated Hospital of Guangzhou Medical University, and the former superintendent (deputy division head level) of the Second Affiliated Hospital of Guangzhou Medical University. He is a member of the standing committee of China Pathology Workers Association (中國病理工作者協會) and a member of the standing committee of Ultra Micropathology and Molecular Pathology Association of the China Research Hospital Association (中國研究型醫院協會超微病理與分子病理協會).

Mr. Ye Gang (葉剛), aged 62, in clinical practice for over 20 years, is a Doctor of Medicine in the United States and the tumor medical director of Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital. He is experienced in the treatment of blood diseases and tumors and has unique insights in the medical systems in China and the United States, in particular the tumor treatment and clinical research. He worked in the University of Texas Medical Branch, a genetic cancer research institute, Vancouver Clinic and the Louisiana State University Health Sciences Center. He is a member of the American Society of Clinical Oncology, the American Society of Hematology and the American College of Physicians.

Mr. Yang Yuesong (楊岳松), aged 55, in clinical practice in Canada for 6 years, is a Doctor of Medicine in medical imaging and the deputy director of the imaging center of Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital. He was an attending physician and a chief physician of Radiology at Shanghai General Hospital and an adjunct assistant professor of Radiology at Johns Hopkins University. He was engaged in medical imaging clinical research and practice in Sunnybrook Health Sciences Centre affiliated with the University of Toronto. He is also an adjunct professor of medical imaging at South Zhongshan Hospital affiliated with Fudan University/Shanghai Public Health Clinical Center (復旦大學中山醫院南院/上海市公共衛生臨床中心).

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

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

The following table discloses movements in the Company's share options outstanding during the Reporting Period:

	Number of share options										
Name or category of participant	As at 1 January 2020	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Forfeited/ cancelled during the reporting period	As at 31 December 2020	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options (HK$ per Share)	Closing price of the Company's listed shares immediately before the grant date of options (HK$ per share)	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant (HK$ per share)
Employees											
Employees of the Group	NIL	276,820,000	0	3,940,000	0	272,880,000	6 November 2020	6 November 2020 to 5 November 2030	HK$23.05	HK$23.05	HK$21.98
Directors											
Liu Yongzhuo	NIL	20,000,000	0	0	0	20,000,000	6 November 2020	6 November 2020 to 5 November 2030	HK$23.05	HK$23.05	HK$21.98
Qin Liyong	NIL	2,000,000	0	0	0	2,000,000	6 November 2020	6 November 2020 to 5 November 2030	HK$23.05	HK$23.05	HK$21.98
Total		298,820,000	0	0	0	294,880,000					

Note 1: The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Interests and Short Positions of Directors in the Shares, Underlying Shares or Debentures

As at 31 December 2020, the interest and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**"), were as follows:

Interests of shares in the Company

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of shareholding
Liu Yongzhuo *(appointed on 26 June 2020)* (Note 1)	Beneficial owner	21,053,500	0.24
Qin Liyong (Note 2)	Beneficial owner	2,352,000	0.03

Note:

As at 31 December 2020:

(1) Mr. Liu Yongzhuo was interested in 21,053,500 shares of the Company, of which 1,053,500 shares were directly held by Mr. Liu and 20,000,000 shares were represented by share options.

(2) Mr. Qin Liyong was interested in 2,352,000 shares of the Company, of which 352,000 shares were directly held by Mr. Qin and 2,000,000 shares were represented by share options.

Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Beneficial interest in shares	Approximate percentage of shareholding
Liu Yongzhuo	China Evergrande Group (Note 1)	Beneficial owner	22,400,000 (Note 4)	0.17%
	Evergrande Property Services Group Limited	Beneficial owner	3,181,000	0.03%
Qin Liyong	China Evergrande Group (Note 1)	Beneficial owner	5,020,000 (Note 6)	0.04%
	Evergrande Property Services Group Limited (Note 2)	Beneficial owner	860,500	0.01%
Chau Shing Yim, David	China Evergrande Group (Note 1)	Beneficial owner	1,000,000 (Note 5)	0.01%
	Evergrande Property Services Group Limited (Note 2)	Beneficial owner	2,121,000	0.02%
Shi Shouming *(resigned with effect on 8 January 2021)*	China Evergrande Group (Note 1)	Beneficial owner	23,850,000 (Note 3)	0.18%
	Evergrande Property Services Group Limited (Note 2)	Beneficial owner	6,363,000	0.06%
Peng Jianjun *(resigned with effect on 26 June 2020)*	China Evergrande Group (Note 1)	Beneficial owner	23,600,000 (Note 7)	0.18%

Notes:

As at 31 December 2020:

(1) China Evergrande Group is an intermediate holding company of the Company.

(2) Evergrande Property Services Group Limited is a subsidiary of China Evergrande Group.

(3) Mr. Shi Shouming was interested in 23,850,000 shares of China Evergrande Group, of which 2,480,000 shares were directly held by Mr. Shi and 21,370,000 shares were represented by share options.

(4) Mr. Liu Yongzhuo was interested in 22,400,000 shares of China Evergrande Group, of which 1,800,000 shares were directly held by Mr. Liu and 20,600,000 shares were represented by share options; Mr. Liu was also interested in 3,181,000 shares of Evergrande Property Services Group Limited, all of which were directly held by Mr. Liu.

(5) Mr. Chau Shing Yim, David directly held 1,000,000 shares of China Evergrande Group; Mr. Chau was also interested in 2,121,000 shares of Evergrande Property Services Group Limited, all of which were directly held by Mr. Chau.

(6) Mr. Qin Liyong was interested in 860,500 shares of Evergrande Property Services Group Limited, all of which were directly held by Mr. Qin; Mr. Qin was also interested in 5,020,000 shares of China Evergrande Group, of which 3,320,000 shares were directly held by Mr. Qin and 1,700,000 shares were represented by share options.

(7) Mr. Peng Jianjun was interested in 23,600,000 shares of China Evergrande Group, of which 3,000,000 shares were directly held by Mr. Peng and 20,600,000 shares were represented by share options.

Save as disclosed above, as at 31 December 2020, none of the Directors, the chief executives of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules.

Substantial Shareholder

As at 31 December 2020, so far as was known to any Director or the chief executives of the Company, other than a director or the chief executive of the Company, the following persons had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
China Evergrande Group (Note)	Beneficial owner; and interest of corporation controlled by the substantial shareholder	6,607,948,000 (Note)	74.95%

Note: Of the 6,607,948,000 shares held, 128,398,000 were held in the capacity of beneficial owner 6,479,500,000 shares were held by Evergrande Health Industry Holdings Limited and 50,000 shares were held by Acelin Global Limited, both being wholly-owned by China Evergrande Group.

Independence of the Independent Non-executive Directors

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

Management Contracts

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

Report of the Directors

Major Suppliers and Customers

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

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

Connected Transactions

Connected Transaction(s)

For the year ended 31 December 2020, the Group has entered into the following non-exempt connected transactions.

On 11 September 2020, Guangzhou Hengze Healthcare Service Company Limited (廣州恒澤養生服務有限公司) ("**Guangzhou Hengze**") and Kunming Jialize Tourism Culture Co., Ltd. (昆明嘉麗澤旅游文化有限公司) ("**Jialize Tourism**"), each an indirect subsidiary of the Company, entered into the Evergrande Hengkang equity transfer agreement and the Jialize equity transfer agreement with Jinbi Property Management Company Limited (金碧物業有限公司) ("**Jinbi Property**"), respectively, pursuant to which, each of Guangzhou Hengze and Jialize Tourism has agreed to sell, and Jinbi Property has agreed to acquire, the entire equity interest in Evergrande Hengkang Property Management Co., Ltd. (恒大恒康物業有限公司) ("**Evergrande Hengkang**") and Kunming Jialize Property Management Co., Ltd. (昆明嘉麗澤物業管理有限公司) ("**Jialize Property Management**") (the "**Disposal**").

As at 11 September 2020, each of Evergrande Hengkang and Jialize Property Management was an indirect subsidiary of the Company, whose respective entire equity interest was owned by each of Guangzhou Hengze, an indirect wholly-owned subsidiary of the Company, and Jialize Tourism, an indirect subsidiary of the Company. Upon completion of the Disposal, the Group will cease to hold any equity interest in Evergrande Hengkang and Jialize Property Management, and the results of which will no longer be reflected in the results of the Company.

As China Evergrande Group is the controlling shareholder of the Company, China Evergrande Group is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Jinbi Property is an indirect subsidiary of China Evergrande Group, it is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Disposal and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of such transaction.

Continuing Connected Transaction

For the year ended 31 December 2020, the Group has entered into the following non-exempt continuing connected transactions.

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

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

For the three years ended 31 December 2019, 2020 and 2021, the annual caps under the Integrated Insurance Procurement Agreement were RMB1,000,000,000.00, RMB2,000,000,000.00 and RMB3,000,000,000.00, respectively. The actual amount incurred during the Year was RMB255,506,000.

As of 31 December 2020, Evergrande Life was a non-wholly-owned subsidiary of China Evergrande Group, the controlling shareholder of the Company. Therefore, Evergrande Life was a connected person of the Company and the transactions contemplated under the Integrated Insurance Procurement Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

On 11 September 2020, each of Evergrande Hengkang and Kunming Jialize provides property management services to the Group. Upon completion of the Disposal mentioned above, each of Evergrande Hengkang and Jialize Property Management will become an indirect subsidiary of China Evergrande Group, and is expected to continue providing property management services to the Group. Therefore, the provision of such property management services will constitute continuing connected transactions of the Company, for which China Evergrande Group and the Company entered into the property management framework agreement on 11 September 2020. China Evergrande Group, being one of the Global 500 companies, has extensive experience and capabilities in various property management services and possesses sufficient software and hardware resources and sophisticated service and management systems. Therefore, it will be able to provide quality and comprehensive property management services in accordance with the Group's demands. The term of the property management framework agreement commenced on 11 September 2020 and shall continue up to and including 31 December 2022.

For the three years ended 31 December 2020, 2021 and 2022, the annual caps under the property management framework agreement were RMB123,300,000.00, RMB206,200,000.00 and RMB279,800,000.00, respectively. The actual amount incurred during the Year was RMB47,507,000.

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

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

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

Save as disclosed above, related party transactions described in Note 37 to the consolidated financial statements of this annual report do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, or connected transactions or continuing connected transactions that are exempt from disclosure. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of such transactions.

Emolument Policy

The emolument policy of employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications, experience and competence. Please refer to the corporate governance report set out on pages 26 and 38 for the emolument policy of Directors.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's total issued shares during the Year and as at 31 December 2020.

Competing Business

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

Report of the Directors

Business Review

(a) New Energy Vehicle Segment

In 2020, affected by various factors including the trade disputes between China and the United States as well as the COVID-19 pandemic, global economic downturn risks increased. In order to maintain stability of automobile market, relevant State authorities have emphasized their encouragement and support towards the development of the automobile industry.

Driven by such policy directions, the domestic automobile market has achieved rapid recovery. According to data sourced from the China Association of Automobile Manufacturers, between January and March 2020, production and sales volume of vehicles in China fell by 45.2% and 42.4% year-on-year, respectively. Production and sales volume between April and December showed positive growth for nine consecutive months, achieving annual sales of 25.31 million vehicles, having declined by 1.9% year-on-year, nonetheless continued to rank first in the world. As for new energy vehicle market, in 2020, China's new energy vehicle production and sales volume achieved 1.36 million vehicles and 1.36 million vehicles, representing year-on-year increase of 7.5% and 10.9% respectively. The overall development has exceeded expectations.

The Group believes that the development of the new energy automobile industry will continue to improve in the long term. With the emerging wave of electrification, intelligence transformation and network advancement of automobiles, irreversible structural changes have taken place in automobile products and industry landscape. Automobiles are progressing from being simple means of transportation to super mobile intelligent terminals.

During the Reporting Period, following the release of the design of the new energy automobile industry, the New Energy Automobile Industry Development Plan (2021–2035) (《新能源汽車產業發展規劃(2021–2035年)》), overall deployment was made in technological innovation, industrial ecology, integrated development, infrastructure and open cooperation, which further reinforces the medium and long-term health-centric development of the industry. In terms of specific measures, the consumption, usage and infrastructure construction of new energy vehicles benefited from various fiscal and tax policy support in China. Meanwhile, standards of and requirements for electric car manufacturing technology have been further enhanced and optimized, thus ensuring the sustainable and health-centric development of the industry. For example, the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles jointly issued by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the National Development and Reform Commission on 23 April 2020 announced that the financial subsidy policies for the promotion and application of new energy vehicles will be extended to the end of 2022.

The Group will strive to seize the once-in-a-century industry development opportunity, strengthen its technology R&D and innovation, and at the same time enhance its "hard power" in hardware design and high-end manufacturing, as well as its "soft power" in software and services, and further improve product layout and fully promote the continuous development and growth of the new energy vehicle business.

During the Reporting Period, the Group continued to integrate top resources from all around the world, deepened cooperation with strategic partners, improved the layout of the full industry chain, and implemented a number of major achievements in an orderly manner.

Products Aspects:

On 3 March 2020, Gemera, the top new energy super sports car jointly developed by the Group and Koenigsegg, made its global debut.

On 3 August 2020, the first batch of the six models of Hengchi were revealed at the same time. The outstanding body designs have been well-received overall at the market. Hengchi 1, a pure Electric flagship sedan in the "D-class"; Hengchi 2, a pure electric sports ultra-luxury sedan in the "B-class"; Hengchi 3, a pure electric large ultra-luxury SUV in the "C-class"; Hengchi 4, a pure electric large ultra-luxury MPV with seven seats; Hengchi 5, a pure electric luxury SUV in the "A-class"; and Hengchi 6, a pure electric luxury cross-over SUV in the "A-class", were all designed by world-famous automotive designers such as Anders Warming and Michael Robinson.

On 10 November 2020, the Group released the Hengchi car logo, which embodies creative source and profound connotation of "protecting the blue sky and victory in the red sea, the oriental lion standing proudly over the world".

On 11 November 2020, the Group announced the naming system for the Hengchi series. Each Hengchi will be named according to its launching order, grade and model, striving to position itself as declining with luxury, ultra-luxury, flagship with each Hengchi vehicle built in accordance with luxury car standards.

On 9 December 2020, the interior design of Hengchi 1 was unveiled, which was equipped with ultraluxury and top-level configuration and high-tech intelligent experience.

R&D Aspects:

During the Reporting Period, the Group's R&D strength continued to improve. The Group established R&D organizations including the R&D Institute Global Headquarters and the Academy of Intelligent Sciences, which are primarily responsible for product planning, styling and design, engineering development, virtual analysis, trial production testing and other vehicle R&D, as well as core component R&D such as powertrains and major research and development work such as forwardlooking technology research. The Group continues to recruit top professionals worldwide, and currently employs more than 3,500 scientific research personnel.

During the Reporting Period, the Group also continued to strengthen its independent R&D and innovation capabilities. While continuously improving core key technologies on the batteries aspects of new energy vehicles, the Group also increased technological exploration and innovation in areas such as intelligent network connection and autonomous driving to establish R&D core competitiveness.

In terms of **power batteries**, the Group has established R&D bases in Shenzhen, Shanghai and Osaka, Japan, and introduced top global scientists. There are currently more than 800 members on the core scientific research team focusing on the deployment of lithium-ion batteries, solid state batteries, battery materials, battery management system (BMS), and forward-looking development and application of next-generation battery technology. We have 40 professional R&D and testing laboratories that focus on material synthesis, electrolyte R&D, solid electrolyte synthesis, module, battery pack R&D, thermal management, with more than 15,000 test points. Evergrande Auto's battery adopts a power battery system with high specific energy, high safety, high performance, longevity, low cost and ultra-fast charging. The product system covers ternary soft packs, lithium iron phosphate, and serves to provide a full set of solutions for EV/PHEV/HEV/storage application. Mass production is expected to commence in the second half of 2021.

In terms of **electric drive system**, Evergrande Auto independently developed a three-in-one electric drive assembly system, including flexible and expandable power module technology, leading three-in-one integrated battery case technology, the efficient and easy-to-produce "continuous wave" hair-pin stator technology, variable shaft length and expandable power motor technology, oil cooling technology, advanced chip control technology, in order to supporting the diversified demands of Hengchi vehicles with high-performance, standardized and universal advanced power.

In terms of **intelligent network connection and autonomous driving**, the Group has jointly developed smart cockpits and networking ecosystems with Tencent, Baidu and others. In the future, the Group will seek to independently develop and integrate with Evergrande Auto's own ecology, and create a vehicle-home travel and mobile lifestyle through a powerful vehicle-cloud integrated data platform. Evergrande Auto implements self-developed, full-stack and multi-dimensional integration solutions that are vehicle-based, field-based and cloud-based, supplemented by advanced technologies such as multisensor stereo perception technology, super computing power platform and high-precision map positioning to target roads scenarios with Chinese characteristics. The automatic driving technology upgrade is promoted in stages, bringing users the ultimate smart mobile experience under all weather and in all scenarios, as well as comprehensive safety guarantees.

Manufacturing Aspects:

During the Reporting Period, the construction of the Group's Tianjin, Shanghai and Guangdong production bases were completed in accordance with the Industry 4.0 Standard. These bases fully launched trial production and commissioning, utilizing advanced equipment and techniques to realize the advanced intelligent manufacturing in the world.

In particular, the press workshops utilize the press equipment supplied by Schuler in Germany, which is equipped with the MMS smart self-diagnostic system, being one of the most advanced and fully automated press production line in the world.

The vehicle body workshop utilizes equipment supplied by Kuka in Germany and Fanuc in Japan and employs digital twin technology. Production data can be shared across different assembly lines, helping to establish the world-class high-end smart "dark factories".

The vehicle paint workshops have introduced world-class production lines supplied by Dürr in Germany to realize fully automated painting and gluing. The advanced technologies such as horizontal drying-out and fast color changing are also introduced to achieve intelligent, environmentally-friendly and customized painting.

The assembly workshops utilize assembly lines supplied by Dürr in Germany, where a virtual matching system is employed. With this, the vehicle assembly lines can achieve the highest automation rate in the world.

(b) Health Management Segment

Business Review for Evergrande Elderly Care Valley

In response to upgrade of the current healthy living standards of community residents, the Group developed and formulated the 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 and diversified way of healthy living. The Company 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 established all-rounded health care and wellness regimes for all-age population. The Evergrande Elderly Care Valley has been divided into "Four Major Parks", including the Elderly Care Park (頤養園) providing high-precision, multi-dimensional and scientific life management services, the Fun Park (長樂園) integrating culture and entertainment to provide high-quality health care and wellness regimes, the Sports Park (康益園) focusing on sports and keeping fit to reshape a new life of healthy activities, as well as the Kid Park (親子園) practicing the concept of parent-child enjoyment and building a cross-generational social circle, and advocating harmonious relationship between the elderly and children. Emphasizing traditional Chinese medicine as the foundation and Chinese health culture as the core, Evergrande Elderly Care Valley integrated nutrition diet, scientific exercise, traditional culture, folk art, social activities and wellness travel and living, thereby providing healthcare and wellness-living services suitable for all-age population and innovating a new healthy lifestyle for all-age population.

As of 31 December 2020, a total of 18 health preserving exhibition and experience centers in Xiangtan, Nanjing, Yangzhong, Yuntaishan, Zhengzhou, Wuzhou, Kunming, Xianning, Hohhot, Chongqing Shuangfu, Jinhua, Yueyang, Jinzhai, Zibo, Tangshan, Urumqi, Nanning Airport and Wuhan were open to the public. 15 projects of the four major parks in Hohhot, Nanjing, Xiangtan, Shenfu, Chongqing Shuangfu, Xianning, Jinhua, Yueyang, Jinzhai, Zibo, Tangshan, Urumqi, Nanning Airport, Wuhan and Zhengzhou had been put into trial operation, while the Xi'an medical and nursing complex, Kunming Project Hotel Apartments and Sanya Project Travelling Apartments have officially commenced operation. Five Evergrande Elderly Care Valleys, namely Zhengzhou Evergrande Elderly Care Valley, Shenfu Evergrande Elderly Care Valley, Sanya Evergrande Elderly Care Valley, Nanjing Evergrande Elderly Care Valley and Xiangtan Evergrande Elderly Care Valley, began pilot charged operations based on the principles of mechanism innovation, product innovation and service innovation.

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 doctors and health consultants. The Group also formulated healthcare plans integrating physical examination, screening and intervention, and carried out businesses such as weight management, child health management, subhealth management, chronic disease conditioning and rehabilitation physiotherapy. By combining Evergrande projects across the country, the Group has established a unique "health + tourism" model and "health management service at home", 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 active apartments for the elderly, an energetic elderly care institution, home care service centers 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 RIEI International Elderly Care Center (西安恒大禮愛國際頤養中心).

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-coverage insurance system for all-age groups, customizing exclusive insurance for the elderly aged under 100, thus realizing a green service channel comprising hundreds of excellent top 3A hospitals in the country.

Business Review for Medical Service Business

In 2020, leveraging on the advantages of the concession policies of the pilot zone, Boao Evergrande International Hospital fully developed medical services under the guidance of Brigham, commenced multilateral cooperation concerning diseases and provided international advanced tumor diagnosis and treatment services for multiple diseases.

Through the Boao Public Bonded Drug Warehouse (博鰲公共保稅藥倉), a variety of licensed drugs were introduced for the application research of real-world statistics so that new domestic and foreign drugs can be launched and utilized nationwide as soon as possible, thus achieving our objective of giving full play to the benefits of pilot policies in China.

In order to deep-dive into the front line of volunteer activities and to promote health and poverty alleviation, our dedicated efforts on public benefit activities have included Boao Lecheng lung cancer free screening activity and our concerted effort with a expert group from Asia-Pacific Alliance of Liver Disease Beijing (APALD) in carrying out free clinic service in Dafang County, Bijie City, Guizhou Province.

During the COVID-19 outbreak, Boao Evergrande International Hospital proactively arranged medical staff to travel to Hubei to fight against COVID-19, which fully reflects the responsibility and commitments that Boao Evergrande International Hospital, as an international hospital, should bear.

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 companies such as Roche, Novartis, Takeda, Astellas, Merck and AstraZeneca, thus practically realizing the use of internationally cutting-edge innovative licensed drugs and medical devices by citizens without going abroad.

Sanya Evergrande Hospital is committed to building a modern hospital that integrates medical treatment, preventive care and rehabilitation, with the construction of which is currently preparing actively underway.

Report of the Directors

Permitted Indemnity Provisions

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

Subsequent Event

On 24 January 2021, the Company entered into the subscription agreements with 6 third party investors to allot and issue an aggregate of 952,383,000 subscription shares at HK$27.3 per share, raising a total of approximately HK$26,000 million. Each investor has agreed to a twelve-month lock-up period in respect of the subscription shares.

Auditor

The consolidated financial statements for the year ended 31 December 2020 were audited by PricewaterhouseCoopers ("**PwC**"). A resolution will be submitted to the forthcoming 2020 AGM of the Company to reappoint PwC as auditor of the Company.

On behalf of the Board

Siu Shawn
Chairman

Hong Kong, 25 March 2021

Corporate Governance Report

Corporate Governance Code

The Board is committed to maintaining a high standard of corporate governance for the Company within a sensible framework.

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. Throughout the Year, 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.

Code provision E.1.2 stipulates that the chairman of the Board shall attend the annual general meeting of the Company. Due to the COVID-19 travel restrictions imposed this year and the need to attend other business matters that had been arranged in advance, Mr. Shi Shouming, who had served as a director of the Company during the Year but resigned from his directorship on 8 January 2021, did not attend the Company's annual general meeting held on 26 June 2020.

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.

Roles and Duties

Roles and Responsibilities of the Board and Management

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

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

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

Delegation to the Management

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

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

— Publication of final and interim results of the Company

— Dividend distribution or other distributions

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

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

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

— Non-exempted connected transaction/continuing connected transaction

— Proposed transaction requiring Shareholders' approval

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

— Financial assistance to Directors

8 Board meetings were held during the Year. The attendance of individual Directors at the Board meetings, the meetings of the 4 Board committees and general meetings held during the year ended 31 December 2020 is set out below:

Board Composition

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

Executive Directors

Mr. Siu Shawn *(Chairman)*
Mr. Liu Yongzhuo
Mr. Qin Liyong

Non-executive Directors

None

Independent Non-executive Directors

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

Biographical details of the current members of the Board are set out on page 17 to 19 of this annual report.

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

Corporate Governance Report

Board Committees

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

	No. of meetings attended/held					
	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**General Meeting**
Executive Directors						
Mr. Siu Shawn *(Chairman)* *(appointed on 8 January 2021)* Note 1	8/8	N/A	N/A	N/A	N/A	0/2
Mr. Liu Yongzhuo	7/8	N/A	N/A	N/A	N/A	0/2
Mr. Qin Liyong	7/8	N/A	N/A	N/A	N/A	0/2
Mr. Shi Shouming *(resigned on 8 January 2021)*	8/8	N/A	2/2	2/2	NIL	0/2
Mr. Peng Jianjun *(resigned on 26 June 2020)*	4/4	N/A	N/A	N/A	N/A	0/2
Independent Non-executive Directors						
Mr. Chau Shing Yim, David Note 2	8/8	2/2	2/2	2/2	Nil	2/2
Mr. Guo Jianwen Note 3	8/8	2/2	2/2	2/2	Nil	0/2
Mr. Xie Wu Note 4	8/8	2/2	N/A	N/A	N/A	0/2

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

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

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

Note 4: member of the Audit Committee

Directors' Training

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

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

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

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

Audit Committee

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

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

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

i. Reviewed with the Management/finance-in-charge and/or the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for the year ended 31 December 2019 and interim financial statements for the six months ended 30 June 2020;

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

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

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

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

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

During the Year, 2 meetings were held by the Audit Committee, including meetings to approve and review the annual financial statements (including accounting policies and practices adopted) of the Group for the year ended 31 December 2019 and interim financial statements of the Group for the six months ended 30 June 2020, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 36 of this annual report.

On 23 March 2021, the Audit Committee met to review the risk management and internal control systems of the Group, the annual financial statements and other reports for the Year and discussed any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval thereof. The Audit Committee recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2021 at the forthcoming annual general meeting of the Company.

Remuneration Committee

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

The specific written terms of reference of the Remuneration Committee is available on the Company's website. The Remuneration Committee is primarily responsible for making recommendation to the Board on (a) the Company's policy and structure for the remuneration of Directors and senior management; (b) the remuneration of non-executive Directors; (c) the specific remuneration packages of individual executive Directors and senior management; and (d) assessing performance of executive Directors, and approving executive directors' service contracts. Details of the remuneration of each of the Directors for the Year are set out in Note 40 to the consolidated financial statements in this annual report.

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

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

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

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

Two meetings were respectively convened by the Remuneration Committee for the year ended 31 December 2020 to review and make recommendations on the remuneration of newly appointed executive directors of the Company.

Nomination Committee

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

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

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

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

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

iii. Recommended to the Board the nomination of Directors for election and re-election at the 2020 AGM.

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

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

Corporate Governance Committee

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

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

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

i. Reviewed the Company's corporate governance policy;

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

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

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

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

Securities Transactions by the Directors

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

Directors' Responsibilities for the Financial Statements

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

The Directors are responsible for ensuring the maintenance of proper accounting records of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The reporting responsibilities of the external auditor, PwC, are set out in the Independent Auditor's Report on page 49 to 55 of this annual report.

Risk Management and Internal Control

Duties of the Board and Management

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

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

Risk Management

1. Enhancement in risk management system and structure

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

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

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

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

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

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

- **Refined and regulated the work flow for risk management work** — Based on the business operations, the Group continuously monitors and manages risks through the risk management procedures (for details, please refer to Figure 1: Risk Management Procedures set out below), with major steps including identification, evaluation, response, supervision and report. By mainly considering the operating goals of the Group and different business segments, the Group identifies risk factors affecting the achievement of such operating goals. The Group also evaluates possible and potential impacts of each specific risk, adopts specific measures in response to identified risk exposures, and continuously supervises and evaluates changes in risk exposure and timely adjusting response measures. During the Year, the Group reviewed, adjusted and improved the risk management procedures to improve the efficiency and standardization of its operations.

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

(Figure 1: Risk Management Procedures)

2. Risk Evaluation Conducted by the Company in 2020

In addition to the above risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance and improvement of the risk management system in 2020, details of which include the following:

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

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

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

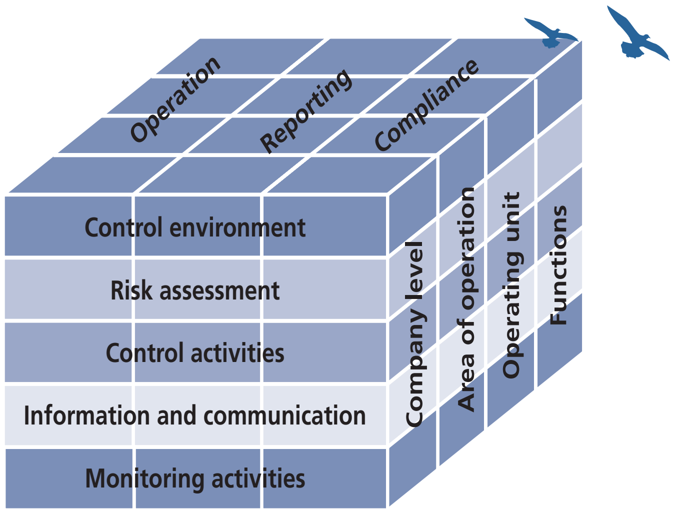
- *Conduct a comprehensive review of risk management system at the group level in 2020*

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

Internal Control

1. Enhancement of the Internal Control Framework

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



(Figure 3: COSO Internal Control — Integrated Framework)

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

2. Internal Audit

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

Corporate Governance Report

Review of Risk Management and Internal Control System

The Board reviews the Group's risk management and internal control system at least once a year. During the Year, the Board had conducted a comprehensive review of the risk management and internal control system of the Group through the Audit Committee. Major works included the continuous implementation of the results of risk evaluation and internal control review in the prior year, as well as the commencement of various material risk evaluations for the Year and internal control review of key operating procedures. The period under review covered the accounting year of 2020. The scope of review covered the Group and major business segments, primarily focuses on review of controls over all major aspects, including financial control, operating control and compliance control. Such review had considered the changes in the nature and severity level of material risks and the capability of the Group in handling business and external environment changes. The Board considers that the relevant systems are effective and sufficient.

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

Framework for Disclosure of Inside Information

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

Auditor's Remuneration

For the Year, the remuneration paid and payable for the annual audit and review of interim financial statements amounted to approximately RMB6,200,000 and non-audit services amounted to approximately RMB2,480,000.

Amendments to the Company's Constitutional Documents

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

Communication with Shareholders

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

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

Separate resolutions will be proposed at the general meetings for each substantially separate issue, including the re-election of retiring Directors. The Company's notice to Shareholders for the forthcoming annual general meeting ("**2020 AGM**") will be provided to Shareholders at least 20 clear business days before the meeting.

The chairperson of the annual general meeting, chairperson/chairman/members of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee and the external auditors will be available at the 2020 AGM to answer questions from the Shareholders. The Chairperson of the meeting will also explain the procedures for conducting a poll during the meeting.

Shareholders' Rights

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

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

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

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

Corporate Governance Report

Enquiries from Shareholders

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

Disclaimers

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

Investor Relations

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors. During the year ended 31 December 2020, the Directors and senior management of the Company participated in several roadshows and investment meetings. Additionally, the Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

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

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

Review of Consolidated Financial Information

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2020.

Independent Auditor's Report

羅兵咸永道

TO THE MEMBERS OF CHINA EVERGRANDE NEW ENERGY VEHICLE GROUP LIMITED
(FORMERLY NAMED AS EVERGRANDE HEALTH INDUSTRY GROUP LIMITED)
(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Evergrande New Energy Vehicle Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 163, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

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

Key Audit Matters

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

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

- Assessment of net realisable values of properties under development and completed properties held for sale
- Impairment assessment on goodwill and intangible assets of the new energy vehicle business
- Fair value of investment in an automobile group

Key Audit Matters	How our audit addressed the Key Audit Matters
Assessment of net realisable values of properties under development and completed properties held for sale Refer to note 4(a) — critical accounting estimates and assumptions and note 13 — properties under development ("PUD") and completed properties held for sale ("PHS") to the consolidated financial statements. At 31 December 2020, PUD and PHS amounted to RMB61,126 million and RMB12,679 million respectively, and in aggregate accounted for 49% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value. The write-down of carrying amounts of PHS to their net realisable values amounted to RMB84 million as at 31 December 2020.	We performed the following procedures to address this key audit matter: (i) We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity. (ii) We understood, evaluated and tested, on a sample basis, the key internal control over the Group's assessment of the net realisable values of PUD and PHS; (iii) We evaluated the outcome of prior period assessment of the estimation of the net realisable values of PUD and PHS to assess the effectiveness of management's estimation process;

Key Audit Matters	How our audit addressed the Key Audit Matters
Significant judgements were involved in the determination of net realisable values of PUD and PHS which were subject to high degree of estimation uncertainty. Key assumptions, such as estimated selling price, estimated variable selling expenses and estimated costs to completion for PUD are used by management to estimate the net realisable values which were subjective. The inherent risk in relation to the determination of net realisable values of PUD and PHS is considered significant. Therefore, we identified the determination of net realisable values of PUD and PHS is a key audit matter.	(iv) We challenged the reasonableness of management's key assumptions for: • Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions, such as the Group's selling prices of the pre-sale units of the same project or the prevailing market prices of comparable properties with similar size, usage and location; • Estimated variable selling expenses which is a percentage of selling expenses to the related estimated selling price of the properties, we compared management's estimation with the actual average selling expenses to revenue ratio of the Group's projects in the current year; and • Estimated costs to completion for PUD, we discussed with management the completion status of the projects and reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the key terms of construction contracts or compared to the actual costs of similar completed properties of the Group. Based on the work performed, we considered the key assumptions applied by management in the assessment on the net realisable values of the Group's PUD and PHS were supportable by the evidence obtained.

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment on goodwill and intangible assets of the new energy vehicle business Refer to note 4(b) and note 4(c) — critical accounting estimates and assumptions, note 10 — goodwill and note 9 — intangible assets to the consolidated financial statements. The Group recorded goodwill of RMB6,244 million and intangible assets of RMB10,244 million of the new energy vehicle business as at 31 December 2020. Management assessed whether there were any indicators of impairment for intangible assets at 31 December 2020, and performed an impairment test for goodwill and intangible assets with impairment indicators. As at 31 December 2020, the impairment provision for goodwill and intangible assets were RMB232 million and RMB808 million, respectively. The management engaged an independent external valuer to assist in determining the recoverable amounts of cash-generating units (CGUs), which is the higher of the fair value less costs of disposal and the value in use in the impairment test. Significant judgements were involved in assessing the recoverable amounts of CGUs and were subject to high degree of estimation uncertainty. Key assumptions, such as revenue growth rates, terminal growth rates and discount rates are used by management to estimate the recoverable amounts and were subjective. The inherent risk in relation to the impairment assessment of goodwill and intangible assets is considered significant as the impairment assessment involves significant estimates and assumptions which were subjective. Therefore, we identified the impairment assessment of goodwill and intangible assets is a key audit matter.	We performed the following procedures to address this key audit matter: (i) We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity. (ii) We understood, evaluated and tested, on a sample basis, key internal control over the Group's impairment assessment of goodwill and intangible assets; (iii) We evaluated the outcome of prior period assessment of the impairment assessment on goodwill and intangible assets to assess the effectiveness of management's estimation process; (iv) We evaluated the independent external valuer's competence, capabilities and objectivity; (v) We assessed the appropriateness of the identification of CGUs with the involvement of our in house valuation experts; (vi) We evaluated the impairment testing methodologies based on our understanding of the industry and business practices; (vii) We challenged the key assumptions used with the involvement of our in house valuation experts, such as the revenue growth rates, discount rates and terminal growth rates, by comparing these assumptions against approved budget, historical performance, relevant market data and industry research. Based on the work performed, we considered that the key assumptions adopted by management in the impairment assessment on goodwill and intangible assets were supportable by the evidence obtained.

Key Audit Matters	How our audit addressed the Key Audit Matters
Fair value of investment in an automobile group Refer to note 4(e) — critical accounting estimates and assumptions and note 18 — financial assets at fair value through profit or loss ("FVTPL") to the consolidated financial statements. At 31 December 2020, the Group held preference shares of an automobile group with a call option granted to the investee and the original shareholder which is exercisable for a period within three years. The investment is accounted for as financial asset at FVTPL and measured at a fair value of RMB3,784 million as at 31 December 2020. Management assessed the fair value of the financial asset at FVTPL with the assistance of an independent external valuer. Significant judgements were involved in assessing the fair value of the financial asset at FVTPL which were subject to high degree of estimation uncertainty. Key assumptions, such as the revenue growth rate, volatility of the embedded call option and weighted average cost of capital ("WACC"), are used to estimate the fair value and were subjective. The inherent risk in relation to the valuation of financial asset at FVTPL is considered significant and the valuation model is complex. Therefore, we identified the fair value assessment of financial assets at FVTPL is a key audit matter.	We performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of the fair value assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; (ii) We evaluated the independent external valuer's competence, capabilities and objectivity; (iii) We evaluated the fair valuation model used by the external valuer with our in house valuation experts based on our knowledge of the industry and business; (iv) We challenged the key assumptions used by management, including revenue growth rate, volatility of the embedded call option and WACC, by comparing these assumptions against historical performance, relevant market data and industry research. Based on the work performed, we considered the key assumptions adopted by management in determining the fair value of the financial asset at FVTPL were supportable by the evidence obtained.

Other Information

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

Consolidated Balance Sheet

As at 31 December 2020

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**17,058,834**	10,422,736
Right-of-use assets	7	**4,709,499**	3,301,792
Investment properties	8	**938,100**	1,064,520
Intangible assets	9	**10,243,587**	7,581,130
Goodwill	10	**6,244,210**	6,193,274
Trade receivables	11	**139,361**	73,735
Prepayments	12	**1,285,886**	1,776,031
Investments accounted for using the equity method	17	**1,460,784**	1,210,964
Financial assets at fair value through profit or loss	18	**4,454,618**	4,718,278
Deferred income tax assets	26	**308,369**	71,215
		46,843,248	36,413,675
Current assets			
Contract acquisition costs	5(e)	**601,355**	40,014
Trade and other receivables and prepaid taxes	11	**7,973,999**	4,593,702
Prepayments	12	**6,386,076**	7,585,624
Properties under development	13(a)	**61,126,374**	29,317,271
Completed properties held for sale	13(b)	**12,678,679**	2,679,747
Inventories	14	**310,350**	505,526
Restricted cash	15	**3,668,420**	2,415,109
Cash and cash equivalents	16	**10,476,239**	9,857,780
		103,221,492	56,994,773
Total assets		**150,064,740**	93,408,448
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	**3,759,410**	250,936
Reserves	22	**3,187,047**	(2,237,168)
Accumulated losses		**(12,997,113)**	(5,514,204)
		(6,050,656)	(7,500,436)
Non-controlling interests	38	**212,134**	6,204,869
Total deficit		**(5,838,522)**	(1,295,567)

Consolidated Balance Sheet

As at 31 December 2020

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	7	**589,422**	223,221
Deferred income	24	**2,641,094**	1,551,100
Borrowings	25	**55,915,728**	47,214,338
Deferred income tax liabilities	26	**2,216,209**	2,591,663
		61,362,453	51,580,322
Current liabilities			
Contract liabilities	5(e)	**23,464,876**	2,444,932
Lease liabilities	7	**214,351**	214,373
Trade and other payables	23	**52,964,764**	24,282,087
Borrowings	25	**16,290,530**	15,172,530
Current income tax liabilities		**1,606,288**	1,009,771
		94,540,809	43,123,693
Total liabilities		**155,903,262**	94,704,015
Total deficit and liabilities		**150,064,740**	93,408,448

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

The consolidated financial statements on pages 56 to 163 were approved by the Board of Directors on 25 March 2021 and were signed on its behalf by:

SIU SHAWN
Director

LIU YONGZHUO
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5(a)	**15,486,625**	5,635,559
Cost of sales	27	**(12,791,802)**	(3,748,437)
Gross profit		**2,694,823**	1,887,122
Other (losses)/income, net		**(6,909)**	23,117
Other gains, net	29	**214,636**	33,483
Selling and marketing costs	27	**(2,237,848)**	(868,182)
Administrative expenses	27	**(5,114,518)**	(3,155,621)
Net impairment losses on financial assets	3(a)	**(37,022)**	(50,233)
Fair value (losses)/gains on investment properties	8	**(126,420)**	14,228
Operating loss		**(4,613,258)**	(2,116,086)
Finance income	30	**146,351**	149,165
Finance costs	30	**(2,841,482)**	(2,373,593)
Finance costs, net	30	**(2,695,131)**	(2,224,428)
Share of losses of investments accounted for using the equity method	17	**(59,173)**	(53,694)
Fair value losses on financial assets at fair value through profit or loss	18	**(27,701)**	(132,128)
Loss before income tax		**(7,395,263)**	(4,526,336)
Income tax expenses	31	**(269,644)**	(421,142)
Loss for the year		**(7,664,907)**	(4,947,478)
Other comprehensive income/(loss):			
Items that may be reclassified to profit and loss:			
Currency translation differences		**2,749,478**	(526,616)
Items that will not be reclassified to profit and loss:			
Revaluation gains arising from transfer of construction in progress to investment properties, net of tax	8	**—**	6,631
		2,749,478	(519,985)
Total comprehensive loss for the year		**(4,915,429)**	(5,467,463)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Loss attributable to:			
Owners of the Company		**(7,394,075)**	(4,426,307)
Non-controlling interests	38	**(270,832)**	(521,171)
Loss for the year		**(7,664,907)**	(4,947,478)
Total comprehensive loss attributable to:			
Owners of the Company		**(4,557,182)**	(4,886,413)
Non-controlling interests		**(358,247)**	(581,050)
Total comprehensive loss for the year		**(4,915,429)**	(5,467,463)
Loss per share for loss attributable to owners of the Company (expressed in RMB cents per share)			
— Basic loss per share	33	**(85.103)**	(51.230)
— Diluted loss per share	33	**(85.103)**	(51.230)

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

Consolidated Statement of Changes In Equity

For the year ended 31 December 2020

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
At 1 January 2019	250,936	—	101,536	(1,014,940)	(662,468)	—	(662,468)
Comprehensive loss							
Loss for the year	—	—	—	(4,426,307)	(4,426,307)	(521,171)	(4,947,478)
Other comprehensive income/(loss)	—	—	(460,106)	—	(460,106)	(59,879)	(519,985)
Total comprehensive loss	—	—	(460,106)	(4,426,307)	(4,886,413)	(581,050)	(5,467,463)
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	—	—	72,957	(72,957)	—	—	—
Capital injection from non-controlling interests (note 38)	—	—	—	—	—	5,955,632	5,955,632
Non-controlling interests arising from business combination (note 38)	—	—	—	—	—	3,322,936	3,322,936
Changes in ownership interests in subsidiaries without change of control (note 38)	—	—	(1,951,555)	—	(1,951,555)	(2,492,649)	(4,444,204)
Total transactions with owners in their capacity as owners	—	—	(1,878,598)	(72,957)	(1,951,555)	6,785,919	4,834,364
Balance at 31 December 2019	250,936	—	(2,237,168)	(5,514,204)	(7,500,436)	6,204,869	(1,295,567)

Consolidated Statement of Changes In Equity

For the year ended 31 December 2020

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
At 1 January 2020	250,936	—	(2,237,168)	(5,514,204)	(7,500,436)	6,204,869	(1,295,567)
Comprehensive loss							
Loss for the year	—	—	—	(7,394,075)	(7,394,075)	(270,832)	(7,664,907)
Other comprehensive income/(loss)	—	—	2,836,893	—	2,836,893	(87,415)	2,749,478
Total comprehensive loss	—	—	2,836,893	(7,394,075)	(4,557,182)	(358,247)	(4,915,429)
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	—	—	88,834	(88,834)	—	—	—
Issuance of ordinary shares in connection with private placement (note 20)	—	3,508,474	—	—	3,508,474	—	3,508,474
Share-based compensation (note 21)	—	—	142,775	—	142,775	—	142,775
Capital injection from non-controlling interests (note 38)	—	—	—	—	—	1,035,176	1,035,176
Changes in ownership interests in subsidiaries without change of control (note 38)	—	—	2,355,713	—	2,355,713	(6,669,664)	(4,313,951)
Total transactions with owners in their capacity as owners	—	3,508,474	2,587,322	(88,834)	6,006,962	(5,634,488)	372,474
Balance at 31 December 2020	250,936	3,508,474	3,187,047	(12,997,113)	(6,050,656)	212,134	(5,838,522)

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows of operating activities			
Cash generated from/(used in) operations	34(a)	**4,010,029**	(13,926,140)
Interest paid		**(4,492,411)**	(1,651,675)
Income tax paid		**(1,478,770)**	(218,847)
Net cash used in operating activities		**(1,961,152)**	(15,796,662)
Cash flows of investing activities			
Purchases of property, plant and equipment and construction in progress		**(5,883,302)**	(3,732,258)
Purchases of intangible assets		**(3,819,237)**	(1,181,782)
Purchases of right-of-use assets		**(1,276,216)**	(2,149,076)
Investments accounted for using the equity method		**(602,633)**	(706,226)
Investment in financial assets at fair value through profit and loss	18	**(2,000)**	(741,849)
Proceeds from government grants for construction		**1,098,234**	1,345,900
Acquisition of subsidiaries, net of cash acquired		**—**	(10,882,483)
Interest received	30	**146,351**	149,165
Repayments from joint ventures		**1,161,403**	508,153
Cash advance to associates		**—**	(14,715)
Repayments from associates		**65,193**	—
Payments for change of joint ventures to subsidiaries, net		**(5,622)**	—
Disposal of property, plant and equipment		**3,089**	5,365
Disposal of intangible assets		**—**	140
Net cash used in investing activities		**(9,114,740)**	(17,399,666)
Cash flows from financing activities			
Proceeds from borrowings	34(b)	**42,391,773**	47,020,813
Repayments of borrowings	34(b)	**(30,393,471)**	(7,385,633)
Prepayments for acquisition of interests in subsidiaries without change of control	12	**—**	(153,178)
Issuance of ordinary shares in connection with private placement	20	**3,349,923**	—
Acquisition of interests in subsidiaries without change of control		**(4,614,371)**	(3,808,000)
Capital injection from non-controlling interests		**1,035,176**	5,955,632
Principal element of lease payment	34(b)	**(231,620)**	(111,240)
Net cash generated from financing activities		**11,537,410**	41,518,394
Net increase in cash and cash equivalents		**461,518**	8,322,066
Cash and cash equivalents at beginning of year		**9,857,780**	1,570,014
Effect of exchange difference on cash and cash equivalents		**156,941**	(34,300)
Cash and cash equivalents at end of year	16	**10,476,239**	9,857,780

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

Notes to the Consolidated Financial Statements

1 General information

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

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

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company changed its name from Evergrande Health Industry Group Limited to China Evergrande New Energy Vehicle Group Limited on 26 August 2020.

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

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in Mainland China in late January 2020 has prompted the adoption of strict prevention and control measures by the government nationwide, which has resulted in extensive obstructions on construction and delivery of properties, bringing about an adverse effect to the Group's revenue of 2020. Besides, COVID-19 may also affect the financial performance and position of the Group including the recoverability of goodwill, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. With the COVID-19 in Mainland China gradually easing up, the resumption of operations of various industries and the trend of stimulating consumption in the Mainland China, the Group anticipates that the business transaction volume of the Group will pick up month by month and the Group will pay continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622.

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

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(ii) Historical cost convention

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.

(iii) Liquidity and going concern

The Group incurred loss of RMB7,665 million (2019: RMB4,947 million) and net cash used in operation of RMB1,961 million (2019: RMB15,797 million) for the year ended 31 December 2020. As at 31 December 2020, the accumulated losses and the shareholders' deficit of the Group amounted to RMB12,997 million (2019: RMB5,514 million) and RMB5,839 million (2019: RMB1,296 million), respectively. Cash and cash equivalents as at 31 December 2020 were RMB10,476 million (2019: RMB9,858 million).

The Group net operating losses is mainly contributed by the New Energy Vehicle Segment which is in a stage of development and investment. For the year ended 31 December 2020, the New Energy Vehicle Segment incurred significant operating losses mainly arising from the interest expenses for the shareholder loans of RMB2,744 million, research and development and advertising expenses of RMB2,280 million, impairment losses on goodwill and intangible assets of RMB1,040 million. The capital expenditure commitments as at 31 December 2020 were approximately RMB15,432 million, which were to be settled by more than one financial year.

The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations and capital expenditures under various contractual and other arrangements.

In view of the above circumstances, the directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2020. The directors are of the opinion that, taking into account the following actions during the year ended 31 December 2020 and plans and measures to be taken, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2020:

(i) In September 2020, China Evergrande Group agreed to extend the repayment period for the unsecured shareholder loans of US$1,080 million to September 2023. The directors are confident that the China Evergrande Group will further agree to extend shareholder loans of US$1,289 million upon expiry in the first quarter of 2022.

(ii) On 15 September 2020, the Group entered into top-up placing arrangements to introduce well-known international investors, raising a total of approximately HK$4,000 million (note 20(i)).

(iii) On 24 January 2021, the Group entered into the subscription agreements with 6 third party investors to allot and issue an aggregate of 952,383,000 subscription shares, raising a total of approximately HK$26,000 million (note 42).

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) Liquidity and going concern (Continued)

(iv) China Evergrande Group, the controlling shareholder, had issued a letter of financial support to the Company for a period of twelve months from the approval date of these consolidated financial statements to enable the Group to meet liabilities as they fall due and carry on business without a significant curtailment of operations.

(v) Management has developed plans to have marketing activities and to promote sales of health and living projects. Management has also developed plans to closely monitor the New Energy Vehicle Segment cost control and capex.

Therefore, the Group's consolidated financial statements have been prepared on a going concern basis.

(iv) 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 2020.

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest rate benchmark reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Revised Conceptual Framework for Financial Reporting	

The 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.

The Group has early adopted Amendment to HKFRS 16 — COVID-19-Related Rent Concessions retrospectively from 1 January 2020 which are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(v) New standards, amendments, interpretation and accounting guideline not yet adopted

		Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3	Business combinations — reference to conceptual framework	1 January 2022
Amendments to HKAS 16	Property, plant and equipment — proceeds before intended use	1 January 2022
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets — onerous contracts	1 January 2022
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Presentation of financial statements' on classification of liabilities	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	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.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

(ii) Business combinations (Continued)

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

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

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

(iv) Disposal of subsidiaries

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

2.2.2 Associates

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

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

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.2 Associates (Continued)

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

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

2.2.3 Joint arrangements

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

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

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

2.3 Separate financial statements

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

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

2 Summary of significant accounting policies (Continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group entities

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

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

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

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

2 Summary of significant accounting policies (Continued)

2.7 Investment properties

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

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

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

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

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

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

2.8 Goodwill

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

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

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

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets

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

(i) Patent, proprietary technology and franchise right

Purchased patents, proprietary technology and franchise right are initially recorded at actual cost and are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

(ii) Computer software

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

(iii) Development costs

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

Research and development intangible assets acquired in an asset acquisition are capitalised if they will have future economic benefits. The price paid reflects expectations about the probability that the future economic benefits of the asset will flow to the entity.

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

2.10 Impairment of non-financial assets

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

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss), and

- those to be measured at amortised cost.

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost, Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

(a) Debt instruments (Continued)

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Equity investments

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

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

(iv) Impairment

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

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

(v) Offsetting financial instruments

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

2 Summary of significant accounting policies (Continued)

2.12 Financial guarantee contracts

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

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

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

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

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

2.13 Properties under development

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

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

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

2.14 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2.15 Inventories

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

2 Summary of significant accounting policies (Continued)

2.16 Trade and other receivables

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

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

2.17 Contract liabilities and costs for obtaining contracts

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

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

2.18 Cash and cash equivalents

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

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

2.19 Share capital

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

2.20 Trade and other payables

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

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

2 Summary of significant accounting policies (Continued)

2.21 Borrowings

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

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.22 Borrowing costs

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

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

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.23 Current and deferred income tax

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

(i) Current income tax

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

2 Summary of significant accounting policies (Continued)

2.23 Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

2.24 Employee benefits

(i) Employee leave entitlements

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

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

2 Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(ii) Retirement benefits

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

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

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

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

(iii) Bonus plans

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

(iv) Termination benefits

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

2.25 Share-based payments

(i) Equity-settled share-based payment transactions

The Group operates stock options granted to directors and employees, under which the entity receives services from employees as consideration for equity instruments of the Group. Information relating to the stock options plan is set out in Note 21.

2 Summary of significant accounting policies (Continued)

2.25 Share-based payments (Continued)

(i) Equity-settled share-based payment transactions (Continued)

The fair value of the employee services received in exchange for the grant of options is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Non-marketing performance and services conditions are included in the calculation of the number of the options expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

(ii) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2.26 Provisions and contingent liabilities

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

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

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

2 Summary of significant accounting policies (Continued)

2.26 Provisions and contingent liabilities (Continued)

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

2.27 Revenue recognition

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

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

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

(iii) Interest income

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

2.28 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

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

2.29 Leases

(i) The Group is the lessee

The Group leases various properties, including car parks, retail unites and apartments. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security of borrowing purpose.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

2 Summary of significant accounting policies (Continued)

2.29 Leases (Continued)

(i) The Group is the lessee (Continued)

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

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

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

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

(ii) The Group is the lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. For a finance lease, the lessor recognises a receivable at an amount equal to the net investment in the lease which is the present value of the aggregate of lease payments receivable by the lessor and any unguaranteed residual value. If a contract is classified as an operating lease, the lessor continues to present the underlying assets.

2 Summary of significant accounting policies (Continued)

2.29 Leases (Continued)

(ii) The Group is the lessor (Continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalised when incurred and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

2.30 Dividend distribution

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

2.31 Government grants

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

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

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

3 Financial risk management

(a) Financial risk factors

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

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

(i) Foreign exchange risk

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
5% appreciation in RMB against HK$	**6**	7
5% depreciation in RMB against HK$	**(6)**	(7)
5% appreciation in RMB against US dollar (US$)	**1,063,078**	744,899
5% depreciation in RMB against US$	**(1,063,078)**	(744,899)
5% appreciation in RMB against Eurodollar (EUR)	**(33,848)**	41,584
5% depreciation in RMB against EUR	**33,848**	(41,584)

(ii) Interest rate risk

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

As at 31 December 2020, if interest rate on borrowings had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2020 would decrease/increase by approximately RMB3,964,000 (2019: decrease/increase by approximately RMB2,696,000).

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

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

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

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

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

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

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 36. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

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

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

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

For other receivables, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (Stage 1).
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses (Stage 2)
Non-performing (credit impaired)	Interest and/or principal repayments are 365 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (Stage 3)
Write-off	There is no reasonable expectation of recovery	Asset is written off

Trade receivables and contract acquisition costs

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

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

The loss allowance provision of trade receivables as at 31 December 2020 is determined as follows, the expected credit losses below also incorporate forward looking information.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

Trade receivables and contract acquisition costs (Continued)

	Current RMB'000	Up to 1 year overdue RMB'000	Over 1 year and within 2 years overdue RMB'000	Over 2 years and within 3 years overdue RMB'000	Total RMB'000
At 31 December 2020					
Expected loss rate	**0.10%**	**1.00%**	**10.00%**	**15.00%**	
Gross carrying amount	**1,054,784**	**14,823**	**62,696**	**5,122**	**1,137,425**
Loss allowance provision	**1,055**	**148**	**6,270**	**768**	**8,241**
At 31 December 2019					
Expected loss rate	0.10%	1.00%	10.00%	15.00%	
Gross carrying amount	748,140	20,892	7,484	78	776,594
Loss allowance provision	748	209	748	12	1,717

The expected loss rate of contract acquisition costs is assessed to be low and no loss allowance provision is made for contract acquisition costs during period.

Other receivables

Other receivables have been assessed for impairment on a collective basis based on different credit risk characteristics. Other receivables are categorised as follows for assessment purpose:

Group 1 Other receivables due from related parties and deposits for acquisition of land use rights
Group 2 Other deposits except for acquisition of land use rights
Group 3 Others

Management considered amounts due from related parties and other receivables which are deposits for acquisition of land use rights in nature to be low credit risk as the counterparties have a low risk of default and a strong capacity to meet their contractual cash flow obligations in the near term and no loss allowance provision is made for these other receivables during the period. The Group has assessed that the expected credit losses of Group 1 are not significant.

The Group has assessed that Group 2 and Group 3 is on Stage 1 and use 12 months ECL method, except for the credit-impaired prepayment which moved to stage 3.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

As of 31 December 2019 and 2020, the gross carrying amount and loss allowance of other receivables in categories are as follows:

	Stage 1		Stage 2		Stage 3	
	Gross carrying amount RMB'000	Loss allowance RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000
As of 31 December 2020						
Group 1	**3,508,640**	**(3,509)**	**—**	**—**	**—**	**—**
Group 2	**758,526**	**(7,585)**	**—**	**—**	**—**	**—**
Group 3	**415,606**	**(4,724)**	**—**	**—**	**30,000**	**(30,000)**
Total	**4,682,772**	**(15,818)**	**—**	**—**	**30,000**	**(30,000)**
As of 31 December 2019						
Group 1	1,771,554	(1,772)	—	—	—	—
Group 2	667,083	(6,670)	—	—	—	—
Group 3	514,239	(43,476)	—	—	—	—
Total	2,952,876	(51,918)	—	—	—	—

The loss allowance for operating lease and trade receivables and other receivables as at 31 December reconciles to the opening loss allowance as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Balance as at 1 January 2019	760	3,763	4,523
Provision for loss allowance recognised in profit or loss	2,078	48,155	50,233
Receivable written off during the year as uncollectible	(1,121)	—	(1,121)
Balance as at 31 December 2019	1,717	51,918	53,635
Provision for loss allowance recognised in profit or loss	**6,524**	**30,498**	**37,022**
Receivable written off during the year as uncollectible	**—**	**(36,598)**	**(36,598)**
Balance as at 31 December 2020	**8,241**	**45,818**	**54,059**

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

As described in note 20, on 15 September 2020, the Company has entered into top-up placing arrangements to introduce well-known international investors. On 23 September 2020, 176,580,000 shares of the Company were placed at a price of HK$22.65 per share of these investors, raising approximately HK$4,000 million. As described in note 42, on 24 January 2021, the Group entered into the subscription agreements with 6 third party investors to allot and issue an aggregate of 952,383,000 subscription shares, raising a total of approximately HK$26,000 million.

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

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

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company have reviewed the working capital forecast of the Group for the 12 months from 31 December 2020 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

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

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020				
Borrowings including accrued interests	**22,037,205**	**60,100,311**	**1,694,535**	**83,832,051**
Lease liabilities	**277,062**	**568,482**	**174,427**	**1,019,971**
Trade and other payables*	**46,776,113**	**—**	**—**	**46,776,113**
Total	**69,090,380**	**60,668,793**	**1,868,962**	**131,628,135**
At 31 December 2019				
Borrowings including accrued interests	19,908,509	50,446,127	2,572,601	72,927,237
Lease liabilities	235,310	187,619	98,803	521,732
Trade and other payables*	21,446,249	—	—	21,446,249
Total	41,590,068	50,633,746	2,671,404	94,895,218

* Excluding payroll payable, other taxes payable and provisions.

The amounts have not included financial guarantee contracts:

— which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (note 36). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

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

3 Financial risk management (Continued)

(b) Capital risk management

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

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

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

The gearing ratios at 31 December 2020 and 2019 were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total borrowings (note 25)	**72,206,258**	62,386,868
Total assets	**150,064,740**	93,408,448
Gearing ratio	**48%**	67%

(c) Fair value estimation

Financial assets and liabilities

(i) Fair value hierarchy

	31 December 2020 RMB'000	31 December 2019 RMB'000
Level 3		
Financial assets at FVTPL — unlisted redeemable preferred shares and other unlisted shares	**4,454,618**	4,718,278

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2020.

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

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

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

Valuation processes

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

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Financial assets and liabilities (Continued)

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

Valuation processes (Continued)

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

- WACC: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset;

- Revenue growth rate for unlisted equity securities: these are estimated based on market information for similar types of companies;

- Expected cash inflows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business and how the current economic environment is likely to impact it; and

- Volatility: these are based on historical volatility of the guideline companies commensurate with the time to liquidity.

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

Asset Category	Components	Fair value as at 31 December 2020 RMB'000	2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2020 RMB'000	2019 RMB'000
FVTPL- Unlisted redeemable preferred shares	Unlisted preferred shares	**4,175,936**	5,225,174	Discounted cash flow method	WACC	**36.5%**	40.0%
					Revenue growth rate	**20%–701%**	22%–686%
	Embedded call option	**(391,494)**	(1,248,740)	Binomial Lattice Model approach	Volatility	**55%–60%**	42.5%
	Total	**3,784,442**	3,976,434				

Relationship of unobservable inputs to fair value:

The higher WACC, the lower fair value;

The higher revenue growth rate, the higher fair value;

The higher volatility, the lower fair value.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Non-financial assets and liabilities

(i) Valuation processes of the Group

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

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

(ii) Valuation techniques

Valuations were based below:

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

- Direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Non-financial assets and liabilities (Continued)

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

Asset category	Property category	Fair value as at 31 December 2020 RMB'000	2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2020 RMB'000	2019 RMB'000
Completed investment properties	Commercial properties	**377,000**	1,064,520	Income capitalisation method	Terminal yield	**5.25%–6.00%**	5.25%–6.00%
					Reversionary yield	**5.25%–6.00%**	5.25%–6.00%
					Capitalisation rate	**5.25%–6.00%**	5.25%–6.00%
					Expected vacancy rate	**5%–10%**	5%
					Monthly rental (RMB/square meter/month)	**45–101**	45–118
		561,100	—	Direct comparison	Market price (RMB/square meter)	**8,200–26,700**	—

Relationship of unobservable inputs to fair value:

- The higher terminal and reversionary yield, the lower fair value;
- The higher capitalisation rate, the lower fair value;
- The higher expected vacancy, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value.

4 Critical accounting estimates and assumptions

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

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

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

(b) Impairment assessment on goodwill

The Group tests annually or more frequently if events or changes in circumstances indicate a potential impairment, whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of CGUs have been determined based on fair value less cost of disposals and value-in-use calculations. These calculations require the use of judgement and estimates (note 10).

(c) Impairment assessment on intangible assets

Intangible assets are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets not ready to use- not subject to amortisation, are tested annually for impairment. The recoverable amounts have been determined based on fair value less cost of disposals and value-in-use calculations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

4 Critical accounting estimates and assumptions (Continued)

(d) Capitalisation of development expenditure

Development costs are capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make judgement regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

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

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

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

(f) PRC corporate income taxes and deferred taxation

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

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

(g) PRC land appreciation taxes

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

5 Segment information

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

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

New Energy Vehicle: Technology research and development, production and sales of new energy vehicles, development and sales of vehicle living projects 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:

	2020 **RMB'000**	2019 RMB'000
Health Management		
Sales of health and living projects (i)	**15,267,584**	4,930,384
Income from medical cosmetology and health management (ii)	**30,963**	26,596
Rental income	**545**	18,084
	15,299,092	4,975,064
New Energy Vehicle		
Sales of lithium batteries (i)	**81,620**	587,779
Provision of technical services (ii)	**60,498**	65,796
Sales of vehicle components (i)	**45,415**	6,920
	187,533	660,495
	15,486,625	5,635,559

5 Segment information (Continued)

(a) Revenue by type (Continued)

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

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

(b) Geographical information

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

	Revenue from customers		Non-current assets	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
— PRC	**15,411,329**	5,558,832	**32,554,289**	25,831,416
— Europe	**74,854**	70,742	**10,161,568**	6,513,602
— United States	**—**	—	**3,784,442**	3,976,434
— Others	**442**	5,985	**34,580**	21,008
	15,486,625	5,635,559	**46,534,879**	36,342,460

5 Segment information (Continued)

(c) Segment revenue and results

The segment results and other segment items provided to the CODM for the years ended 31 December 2020 and 2019 are as follows:

Year ended 31 December 2020	Health Management RMB'000	New Energy Vehicle RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	15,298,547	187,533	—	15,486,080
Revenue from other sources	545	—	—	545
Segment revenue from external customers	15,299,092	187,533	—	15,486,625
Finance income/(costs), net (i)	4,742	(2,699,873)	—	(2,695,131)
Share of losses of investments accounted for using the equity method	(35,787)	(23,386)	—	(59,173)
Fair value losses on financial assets at fair value through profit or loss	—	(27,701)	—	(27,701)
Fair value losses on investment properties	(126,420)	—	—	(126,420)
Segment results	820,483	(8,190,670)	(25,076)	(7,395,263)
Loss before income tax				(7,395,263)
Income tax expense				(269,644)
Loss for the year				(7,664,907)
Other segment item:				
Depreciation and amortisation recognised in expenses	82,407	999,917	—	1,082,324

5 Segment information (Continued)

(c) Segment revenue and results (Continued)

Year ended 31 December 2019	Health Management RMB'000	New Energy Vehicle RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	4,956,980	660,495	—	5,617,475
Revenue from other sources	18,084	—	—	18,084
Segment revenue from external customers	4,975,064	660,495	—	5,635,559
Finance costs, net (i)	(25,168)	(2,199,260)	—	(2,224,428)
Share of losses of investments 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)
Fair value gains on investment properties	14,228	—	—	14,228
Segment results	837,319	(5,294,562)	(69,093)	(4,526,336)
Loss before income tax				(4,526,336)
Income tax expenses				(421,142)
Loss for the year				(4,947,478)
Other segment item:				
Depreciation and amortisation recognised in expenses	62,701	939,072	—	1,001,773

(i) The finance costs of New Energy Vehicle Segment included interest expense of RMB2,744 million (2019: RMB1,977 million), arising from the borrowings from shareholder for acquisitions of subsidiaries and capital injections.

5 Segment information (Continued)

(d) Segment assets and liabilities

The segment assets and liabilities as at 31 December 2020 and 31 December 2019 are as follows:

	Health Management RMB'000	New Energy Vehicle RMB'000	Unallocated RMB'000	Total RMB'000
As at 31 December 2020				
Segment assets	**58,699,984**	**91,056,387**	**308,369**	**150,064,740**
Segment liabilities	**55,188,469**	**96,892,296**	**3,822,497**	**155,903,262**
Capital expenditure	**377,028**	**12,742,910**	**—**	**13,119,938**
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

Segment assets consist primarily of property, plant and equipment, intangible assets, goodwill, right-of-use assets, properties under development, completed properties held for sale, investments accounted for using the equity method and 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, right-of-use assets, intangible assets and investment properties.

5 Segment information (Continued)

(d) Segment assets and liabilities (Continued)

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Segment assets	**149,756,371**	93,337,233
Unallocated:		
Deferred income tax assets	**308,369**	71,215
Total assets per consolidated balance sheet	**150,064,740**	93,408,448
Segment liabilities	**152,080,765**	91,102,581
Unallocated:		
Current and deferred income tax liabilities	**3,822,497**	3,601,434
Total liabilities per consolidated balance sheet	**155,903,262**	94,704,015

5 Segment information (Continued)

(e) Assets and liabilities related to contracts with customers

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Current contract acquisition costs	**601,355**	40,014

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Sales of vehicle living projects	**20,034,910**	1,274,376
Sales of health and living projects	**3,429,073**	1,163,170
Others	**893**	7,386
	23,464,876	2,444,932

(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 vehicle living projects and 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 year relates to carried-forward contract liabilities.

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Sales of health and living projects	**881,632**	73,346

6 Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Mold RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2020							
Cost	4,803,782	281,967	1,543,445	272,210	545,214	11,476,008	18,922,626
Accumulated depreciation and impairment	(963,291)	(27,598)	(280,047)	(248,527)	(344,329)	—	(1,863,792)
Net book amount	3,840,491	254,369	1,263,398	23,683	200,885	11,476,008	17,058,834
Opening net book amount	3,832,756	116,068	1,285,460	63,601	182,595	4,942,256	10,422,736
Exchange differences	5,863	—	14,825	21,056	4,181	—	45,925
Additions	153,647	157,006	84,784	729	78,518	6,640,124	7,114,808
Transfer from construction in progress/transfer to property, plant and equipment	67,245	—	3,052	23,371	12,704	(106,372)	—
Government grants (note 24)	—	—	(8,240)	—	—	—	(8,240)
Disposals	(62)	—	(3,770)	—	(2,060)	—	(5,892)
Depreciation	(218,958)	(18,705)	(112,713)	(85,074)	(75,053)	—	(510,503)
Closing net book amount	3,840,491	254,369	1,263,398	23,683	200,885	11,476,008	17,058,834

6 Property, plant and equipment (Continued)

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

6 Property, plant and equipment (Continued)

Depreciation charge of the Group was included in the following categories:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cost of sales	**109,762**	126,494
Selling and marketing costs	**40,295**	22,897
Administrative expenses	**360,446**	257,734
	510,503	407,125

During the year ended 31 December 2020, the Group capitalised borrowing costs amounting to RMB1,153,674,000 (2019: RMB31,451,000) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 8.77% (2019: 7.91%).

As at 31 December 2020, the Group pledged net book values of approximately RMB448,701,000 (2019: RMB546,347,000) of property, plant and equipment and RMB3,446,880,000 (2019: RMB1,855,490,000) of construction in progress to secure the borrowings of RMB1,777,102,000 (2019: RMB1,178,277,000) .

7 Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Right-of-use assets		
Land use rights	**3,732,587**	2,757,189
Buildings	**758,236**	282,564
Machinery and equipment	**215,663**	261,715
Furniture, fixtures and office equipment	**3,013**	324
	4,709,499	3,301,792
Lease liabilities		
Current	**214,351**	214,373
Non-current	**589,422**	223,221
	803,773	437,594

7 Leases (Continued)

(i) Amounts recognised in the balance sheet (Continued)

Additions to the right-of-use assets during the year ended 31 December 2020 were RMB1,642,297,000 (2019: RMB1,855,736,000).

As at 31 December 2020, the Group pledged net book values of approximately RMB2,765,912,000 (2019: RMB1,736,962,000) of land-use rights to secure the borrowings of RM5,182,440,000 (2019: RMB3,675,950,000).

(ii) Amounts recognised in the statement of comprehensive income

The statement of consolidated comprehensive income shows the following amounts relating to leases:

	2020 **RMB'000**	2019 RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**86,072**	51,103
Buildings	**102,307**	62,411
Machinery and equipment	**44,371**	42,189
Furniture, fixtures and office equipment	**1,840**	204
	234,590	155,907
Less: capitalised in construction in progress	**(86,072)**	—
Depreciation charges recognised in profit or loss	**148,518**	155,907
Interest expense (included in finance costs)	**48,976**	42,813
Expense relating to short-term leases and variable leases payments (included in costs of sales, selling and marketing costs and administrative expenses)	**79,272**	34,444
Total cash outflow for leases	**310,892**	186,166

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

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

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

7 Leases (Continued)

(iv) Extension and termination options

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

8 Investment properties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Completed investment properties		
Opening net book amount	**1,064,520**	—
Transfer from construction in progress	**—**	171,469
Acquisition of subsidiaries	**—**	872,192
Revaluation gains upon transfer from property and equipment	**—**	6,631
Fair value (losses)/gains on investment properties	**(126,420)**	14,228
Closing net book amount	**938,100**	1,064,520

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

	2020	2019
	RMB'000	RMB'000
Rental income	**545**	18,084
Revaluation gains arising from transfer of construction in progress to investment properties	**—**	6,631
Fair value (losses)/gain recognised in fair value gain on investment properties	**(126,420)**	14,228

(b) Leasing arrangements

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

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

For minimum lease payments receivable on leases of investment properties, refer to note 35(b).

9 Intangible assets

	Intangible assets			
	Computer software RMB'000	Development costs RMB'000	Patent, proprietary technology and franchise rights RMB'000	Total RMB'000
Year ended 31 December 2020				
Cost	**167,734**	**6,952,232**	**5,712,723**	**12,832,689**
Accumulated depreciation and impairment	**(29,820)**	**(634,440)**	**(1,924,842)**	**(2,589,102)**
Net book amount	**137,914**	**6,317,792**	**3,787,881**	**10,243,587**
Opening net book amount	**82,502**	**2,539,747**	**4,958,881**	**7,581,130**
Currency differences	**409**	**—**	**13,343**	**13,752**
Additions	**72,398**	**4,289,814**	**621**	**4,362,833**
Disposals	**(5,056)**	**—**	**—**	**(5,056)**
Amortisations	**(12,339)**	**(376,793)**	**(512,080)**	**(901,212)**
Impairment losses (i)	**—**	**(134,976)**	**(672,884)**	**(807,860)**
Closing book amount	**137,914**	**6,317,792**	**3,787,881**	**10,243,587**
Year ended 31 December 2019				
Cost	99,741	2,662,424	5,689,081	8,451,246
Accumulated depreciation and impairment	(17,239)	(122,677)	(730,200)	(870,116)
Net book amount	82,502	2,539,747	4,958,881	7,581,130
Opening net book amount	4,115	—	1,084	5,199
Currency differences	—	(418)	(2,258)	(2,676)
Additions	39,449	627,131	488,055	1,154,635
Acquired from business combination	47,873	2,035,711	4,954,158	7,037,742
Disposals	(140)	—	—	(140)
Amortisations	(8,795)	(122,677)	(307,269)	(438,741)
Impairment losses (i)	—	—	(174,889)	(174,889)
Closing book amount	82,502	2,539,747	4,958,881	7,581,130

9 Intangible assets (Continued)

The Group is developing new energy vehicle projects for vehicles, batteries and motors. It has incurred research and development expenses of RMB1,700,498,000 in the current year (2019: RMB295,058,000) which are included in administrative expenses in the consolidated statement of comprehensive income.

(i) Impairment loss

The impairment loss relates to intangible assets that were un-utilised and not able to generate future economic benefits . The whole amount was recognised as administrative expense in profit or loss.

(ii) Amortisation charge of the Group was included in the following categories:

	2020	2019
	RMB'000	RMB'000
Cost of sales	**47,718**	21,022
Selling and marketing costs	**442**	6,316
Administrative expenses	**375,143**	411,403
Development costs	**477,909**	—
	901,212	438,741

10 Goodwill

	2020	2019
	RMB'000	RMB'000
Balance as at 1 January	**6,193,274**	—
Acquired from business combination	**—**	6,193,274
Currency differences	**282,854**	—
Impairment charge (i)	**(231,918)**	—
Balance as at 31 December	**6,244,210**	6,193,274

10 Goodwill (Continued)

(i) Impairment charge

The impairment charge of RMB231,918,000 arose in the CGUs of TeT Drive Technology Company Limited ("TeT") due to the reduction of further economic's benefits of this CGUs.

(ii) Impairment tests for goodwill

A summary of the goodwill allocation is presented below.

	31 December 2019 RMB'000	**Currency differences** RMB'000	**Impairment charge** RMB'000	**Goodwill reallocation (a)** RMB'000	**31 December 2020** RMB'000
New energy vehicle manufacturing	5,457,199	282,854	—	304,134	**6,044,187**
New energy battery manufacturing	200,023	—	—	—	**200,023**
TeT	231,918	—	(231,918)	—	**—**
Protean Company Limited ("Protean")	304,134	—	—	(304,134)	**—**
	6,193,274	282,854	(231,918)	—	**6,244,210**

(a) Pursuant to reorganisation between new energy vehicle manufacturing and Protean, the goodwill of Protean has been reallocated to new energy vehicle manufacturing. This was a result of a redefinition of the Group's allocation of manufacturing new energy vehicle across all CGUs in order to benefit from advantageous passenger vehicle market conditions.

10 Goodwill (Continued)

(ii) Impairment tests for goodwill (Continued)

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

31 December 2020	**New energy vehicle manufacturing**	**New energy battery manufacturing**
Goodwill allocated (RMB'000)	**6,044,187**	**200,023**
Basis of determining the CGUs' recoverable amount	**Fair value less costs of disposal**	**Fair value less costs of disposal**
Level of fair value hierarchy	**Level 3**	**Level 3**
Fair value valuation techniques	**Discounted cash flow**	**Discounted cash flow**
Independent valuers	**Avista Group**	**Avista Group**
Years of forecast period	**10**	**10**
Revenue growth rate during the forecast period (%)	**8.2%–319.6%**	**4.5%–274.2%**
Terminal growth rate (%)	**3%**	**3%**
Discount rate (%)	**17.1%**	**19.0%**

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

10 Goodwill (Continued)

(ii) Impairment tests for goodwill (Continued)

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

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

11 Trade and other receivables and prepaid taxes

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables (i)	**1,129,184**	774,877
Other receivables (ii)	**4,666,954**	2,900,958
Prepaid taxes	**2,317,222**	991,602
	8,113,360	4,667,437
Less: non-current portion of trade receivables	**(139,361)**	(73,735)
Current portion	**7,973,999**	4,593,702

11 Trade and other receivables and prepaid taxes (Continued)

(i) Trade receivables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables — third parties	**1,137,425**	776,594
Less: allowance provision for impairment	**(8,241)**	(1,717)
	1,129,184	774,877
Less: non-current portion	**(139,361)**	(73,735)
Current portion	**989,823**	701,142

(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 ageing analysis of trade receivables based on the revenue recognition date as at the respective balance sheet dates is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 90 days	**612,595**	494,590
Over 91 days and within 180 days	**231,596**	163,144
Over 180 days and within 365 days	**99,098**	37,718
Over 365 days	**194,136**	81,142
	1,137,425	776,594

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB8,241,000 (2019: RMB1,717,000) was made against the gross amounts of trade receivables.

(c) As at 31 December 2020 and 2019, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

(d) The Group's trade receivables are mainly denominated in RMB.

11 Trade and other receivables and prepaid taxes (Continued)

(ii) Other receivables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Other receivables		
— third parties	**1,362,910**	1,686,373
— related parties (note 37(a)(ii))	**3,349,862**	1,266,503
	4,712,772	2,952,876
Less: allowance provision for impairment	**(45,818)**	(51,918)
	4,666,954	2,900,958

(a) The carrying amounts of other receivables approximate their fair values. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

(b) The Group's other receivables are mainly denominated in RMB.

12 Prepayments

	31 December 2020 RMB'000	31 December 2019 RMB'000
Prepayments		
— Land use rights	**6,675,537**	8,062,319
— Property, plant and equipment	**619,010**	1,031,293
— Acquisition of further interest in subsidiaries	**141,748**	153,178
— Others	**235,667**	114,865
	7,671,962	9,361,655
Less: non-current portion:		
— Land use rights	**(514,679)**	(564,413)
— Property, plant and equipment	**(619,010)**	(1,031,293)
— Acquisition of further interest in subsidiaries	**(141,748)**	(153,178)
— Others	**(10,449)**	(27,147)
	(1,285,886)	(1,776,031)
Current portion	**6,386,076**	7,585,624

13 Properties under development and completed properties held for sale

(a) Properties under development

	31 December 2020 RMB'000	31 December 2019 RMB'000
Properties under development comprise:		
— Construction costs and capitalised expenditures	**26,370,173**	9,020,188
— Interests capitalised	**2,722,792**	1,399,232
— Land use rights	**32,033,409**	18,897,851
	61,126,374	29,317,271

The properties under development are all located in the PRC and expected to be completed within an operating cycle.

The properties under development include costs of acquiring rights to use certain lands, which are located in the PRC for property development over fixed periods. Land use rights are held on leases of 40-70 years (2019: 40-70 years).

The capitalisation rate of borrowings for the year ended 31 December 2020 was 9.26% (2019: 9.31%).

As at 31 December 2020, the Group pledged properties under development with a net book value of approximately RMB17,429,900,000 (2019: RMB3,750,699,000) to secure the borrowings of RMB11,000,402,000 (2019: RMB970,301,000).

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC, among which RMB2,200,436,000 were measured at net realisable values.

During the year ended 31 December 2020, a provision of RMB30,396,000 (2019: RMB53,313,000) was made to write down the completed properties held for sale (note 27).

As at 31 December 2020, write-down of carrying amounts of properties completed properties held for sale amounted to RMB83,709,000 (2019: RMB53,313,000).

As at 31 December 2020, completed properties held for sale of approximately RMB558,601,000 (2019:RMB405,180,000) were pledged as collateral for the Group's borrowings of RMB326,698,000 (2019:RMB177,234,000).

14 Inventories

	31 December 2020 RMB'000	31 December 2019 RMB'000
At cost:		
Raw materials and consumables	**136,166**	153,237
Work-in-progress	**86,559**	122,252
Finished goods and merchandise	**43,399**	144,264
	266,124	419,753
At net realisable values:		
Raw materials and consumables	**11,550**	17,653
Work-in-progress	**21,236**	7,430
Finished goods and merchandise	**11,440**	60,690
	44,226	85,773
	310,350	505,526

(i) Amounts recognised in profit or loss

Inventories recognised as cost of sales during the year ended 31 December 2020 amounted to RMB214,714,000 (2019: RMB589,360,000).

During the year ended 31 December 2020, a provision of RMB65,081,000 (2019: RMB24,314,000) was made to write down the inventories (note 27).

As at 31 December 2020, write-down of carrying amounts of inventories amounted to RMB131,968,000 (2019: RMB66,887,000).

15 Restricted cash

As at 31 December 2020, restricted cash of RMB3,668,420,000 (2019: RMB2,415,109,000) are mainly comprised of guarantee deposits for construction of pre-sale properties and guarantee deposits for bank acceptance notes and loans.

16 Cash and cash equivalents

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cash at bank and in hand	**10,476,239**	9,857,780
Denominated in:		
RMB	**9,615,437**	6,650,798
US$	**392,410**	2,778,082
Other currencies	**468,392**	428,900
Cash and cash equivalents	**10,476,239**	9,857,780

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

Cash at banks earns interest at floating daily bank deposit rates.

17 Investments accounted for using the equity method

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

	Year Ended 31 December 2020 RMB'000	2019 RMB'000
Balance as at 1 January	**1,210,964**	—
Acquisition from subsidiaries	**—**	33,655
Additions	**252,366**	1,229,440
Deemed disposals	**(4,541)**	—
Exchange differences	**61,168**	1,563
Share of losses of associates and joint ventures	**(59,173)**	(53,694)
Balance as at 31 December	**1,460,784**	1,210,964

17 Investments accounted for using the equity method (Continued)

(a) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2020 which, in the opinion of the directors, are immaterial to the Group.

Name of entity	Country of incorporation	% of ownership 2020	Nature of relationship	Measurement method	Carrying amount 2020 RMB'000
Meneko AB (i)	Sweden	65%	Joint venture	Equity method	1,059,471
Jinhua Henghe Real Estate Co., Ltd. (i)	PRC	75%	Joint venture	Equity method	120,072
Other joint ventures	PRC	N/A	Joint venture	Equity method	253,875
Other associates	PRC	N/A	Associate	Equity method	27,366
Total equity account investments					1,460,784

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

The combined information were shown as below:

	2020 RMB'000	2019 RMB'000
Aggregate carrying amount of individually immaterial associates and joint ventures	**1,460,784**	1,210,964
Aggregate amounts of the Group's share of:		
Loss of the year	**(59,173)**	(53,694)
Total comprehensive loss	**(59,173)**	(53,694)

(b) Commitments in respect of joint ventures

	2020 RMB'000	2019 RMB'000
Commitment to provide capital injection	**270,432**	150,000

18 Financial assets at fair value through profit or loss

	31 December 2020 RMB'000	31 December 2019 RMB'000
Unlisted redeemable preferred shares (i)	**3,784,442**	3,976,434
Other equity investments (ii)	**670,176**	741,844
	4,454,618	4,718,278

(i) The financial asset is an investment of 34.2% preference shares of an automobile group with a call option granted to the original shareholder exercisable for a period of five years from 31 December 2018. The Group's assessed the financial asset's fair value as at 31 December 2020 by taking reference of the valuation carried out by Global View Advisors LLC (note 3(c)).

(ii) As at 31 December 2020, other equity investments of financial assets at fair value through profit or loss mainly represented the Group's equity investments in certain vehicle and motor companies, and the fair value of these investments has been determined by reference to the valuation carried out by the independent valuers.

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

	Year Ended 31 December	
	2020 RMB'000	2019 RMB'000
Balance as at 1 January	**4,718,278**	3,979,937
Acquisition from subsidiaries	**—**	64,954
Additions	**2,000**	741,849
Fair value losses	**(27,701)**	(132,128)
Exchange losses	**(11,676)**	—
Exchange differences	**(226,283)**	63,666
Balance as at 31 December	**4,454,618**	4,718,278

19 Financial instrument by category

Assets as per consolidated balance sheet

	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets at amortised cost		
Restricted cash (note 15)	**3,668,420**	2,415,109
Cash and cash equivalents (note 16)	**10,476,239**	9,857,780
Trade and other receivables excluding prepaid taxes (note 11)	**5,796,138**	3,675,835
	19,940,797	15,948,724
Financial assets at fair value through profit or loss (note 18)	**4,454,618**	4,718,278
	24,395,415	20,667,002
Liabilities as per consolidated balance sheet		
Liabilities at amortised cost		
Borrowings (note 25)	**72,206,258**	62,386,868
Lease liabilities (note 7)	**803,773**	437,594
Trade and other payables, excluding payroll payable, other taxes payable and provisions (note 23)	**51,082,720**	23,852,930
	124,092,751	86,677,392

20 Share capital and share premium

	Number of shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Share capital				
At 1 January 2019 and 31 December 2019	8,640,000,000	250,936	—	250,936
At 1 January 2020	**8,640,000,000**	**250,936**	**—**	**250,936**
Issue of ordinary shares in connection with private placement(i)	**176,580,000**	**—**	**3,508,474**	**3,508,474**
At 31 December 2020	**8,816,580,000**	**250,936**	**3,508,474**	**3,759,410**

(i) On 15 September 2020, the Company has entered into top-up placing arrangements to introduce well-known international investors. On 23 September 2020, 176,580,000 shares of the Company were placed at a price of HK$22.65 per share to these investors, raising approximately HK$4,000 million.

21 Share-based compensation

(a) Share options

The Company approved and adopted a share option scheme on 6 June 2018 (the "2018 Share Option Plan").

On 6 November 2020, the Company granted 298,820,000 share options under 2018 Share Option Plan to certain directors, managements and employees of the Group with an exercise price of HK$23.05 per share, as rewards for their services. All the options granted will be exercisable within 10 years after vesting. When exercisable, each option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The granted share options can be vested in five tranches with the following vesting schedule:

(i) the first tranche of 20% of the shares that are the subject to the option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 6 November 2021 and ending on 5 November 2026;

(ii) the second tranche of 20% of the shares that are the subject to the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 6 November 2022 and ending on 5 November 2027;

(iii) the third tranche of 20% of the shares that are the subject to the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 6 November 2023 and ending on 5 November 2028;

21 Share-based compensation (Continued)

(a) Share options (Continued)

(iv) the fourth tranche of 20% of the shares that are the subject to the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 6 November 2024 and ending on 5 November 2029;

(v) the fifth tranche of 20% of the shares that are subject to the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 6 November 2025 and ending on 5 November 2030.

The following table summarizes the Group's share option activities:

	Year ended 31 December 2020	
	Weighted average exercise price (in HK$)	**Number of Options**
As at beginning of the year	**—**	**—**
Granted during the year	**23.05**	**298,820,000**
Forfeited during the year	**23.05**	**(3,940,000)**
As at end of the year	**23.05**	**294,880,000**

None of the outstanding options as at 31 December 2020 was exercisable or expired.

(b) Fair value of share options

Based on fair value of the underlying ordinary shares, the Group has used Binomial option-pricing model to determine the fair value of the stock option as of the grant date. Key assumptions are set as below:

Expected expiry date:	5 November 2030
Stock price at grant date and exercise price	HK$23.05 per share
Volatility	45.55%–54.28%
Annual risk-free interest rate	0.27%–0.51%
Dividend yield	0%
Suboptimal factors	2.2–2.8

21 Share-based compensation (Continued)

(b) Fair value of share options (Continued)

Expenses for the share-based payments have been charged to the consolidated statements of comprehensive income as follows:

	2020 RMB'000
Administrative expenses and selling and marketing costs	**81,827**
Research and development expenses	**60,948**
	142,775

22 Reserves

	Special reserve RMB'000	Capital contribution reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Total RMB'000
At 1 January 2019	85,582	796	—	(76,769)	91,927	—	101,536
Other comprehensive income/(loss)	—	—	6,631	(466,737)	—	—	(460,106)
Transfer to statutory reserve	—	—	—	—	72,957	—	72,957
Changes in ownership interests in subsidiaries without change of control (note 38)	—	—	(1,951,555)	—	—	—	(1,951,555)
Balance at 31 December 2019	85,582	796	(1,944,924)	(543,506)	164,884	—	(2,237,168)
At 1 January 2020	**85,582**	**796**	**(1,944,924)**	**(543,506)**	**164,884**	**—**	**(2,237,168)**
Other comprehensive income/(loss)	**—**	**—**	**—**	**2,836,893**	**—**	**—**	**2,836,893**
Transfer to statutory reserve	**—**	**—**	**—**	**—**	**88,834**	**—**	**88,834**
Share-based compensation (note 21)	**—**	**—**	**—**	**—**	**—**	**142,775**	**142,775**
Changes in ownership interests in subsidiaries without change of control (note 38)	**—**	**—**	**2,355,713**	**—**	**—**	**—**	**2,355,713**
Balance at 31 December 2020	**85,582**	**796**	**410,789**	**2,293,387**	**253,718**	**142,775**	**3,187,047**

22 Reserves (Continued)

(a) Special reserve

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

(b) Capital contribution reserve

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

(c) Other reserve

Other reserve mainly represents the difference between considerations paid and the carrying amount of non-controlling interests acquired at transition date.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities with fluctuation currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.5(iii) to the consolidated financial statements.

(e) Statutory reserves

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

23 Trade and other payables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade and notes payables (a)	**39,362,067**	13,173,528
— third parties	**39,324,142**	13,173,528
— related parties (note 37(a)(ii))	**37,925**	—
Other payables	**7,414,046**	8,272,721
— third parties (b)	**4,579,711**	4,960,490
— related parties (note 37(a)(ii))	**2,834,335**	3,312,231
Interest payable to:	**4,306,607**	2,406,681
— third parties	**539,289**	190,406
— related parties (note 37(a)(ii))	**3,767,318**	2,216,275
Payroll payable	**127,653**	200,014
Other taxes payable	**1,752,241**	223,997
Provisions	**2,150**	5,146
Total trade and other payables	**52,964,764**	24,282,087

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
0–90 days	**15,219,004**	3,437,825
91–180 days	**6,393,104**	1,372,626
Over 180 days	**17,749,959**	8,363,077
	39,362,067	13,173,528

23 Trade and other payables (Continued)

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

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
RMB	**48,870,578**	24,199,648
US$	**3,725,886**	29
Others	**368,300**	82,410
	52,964,764	24,282,087

24 Deferred income

	Year Ended 31 December	
	2020	2019
	RMB'000	RMB'000
Balance as at 1 January	**1,551,100**	—
Acquisition of subsidiaries	**—**	374,433
Increase in government grants	**1,194,394**	1,363,162
Credited to property, plant and equipment (note 6)	**(8,240)**	(101,800)
Amount recognised in profit or loss	**(96,160)**	(84,695)
Balance as at 31 December	**2,641,094**	1,551,100

25 Borrowings

	31 December 2020 RMB'000	31 December 2019 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings	**10,433,732**	6,489,950
Shareholder borrowings (note 37(a)(ii))	**38,417,895**	32,179,297
Other borrowings (a)	**17,158,529**	13,535,691
	66,010,156	52,204,938
Less: current portion of non-current borrowings	**(10,094,428)**	(4,990,600)
	55,915,728	47,214,338
Borrowings included in current liabilities:		
Bank borrowings	**184,000**	1,600,000
Other borrowings (a)	**6,012,102**	8,581,930
Current portion of non-current borrowings	**10,094,428**	4,990,600
	16,290,530	15,172,530
Total borrowings	**72,206,258**	62,386,868

(a) Other borrowings

Certain group companies in the PRC which are engaged in development of health and living projects have entered into fund arrangements with financial institutions (the "Trustees"), pursuant to which Trustees raised trust funds and injected the funds to the group companies and loans from joint ventures and an associate of the Group's holding company.

25 Borrowings (Continued)

At 31 December 2020 and 2019, the Group's borrowings were repayable as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 1 year	**16,290,530**	15,172,530
Between 1 and 2 years	**29,984,720**	15,437,998
Between 2 and 5 years	**24,947,695**	29,861,498
Over 5 years	**983,313**	1,914,842
	72,206,258	62,386,868

As at 31 December 2020, the Group's borrowings of RMB21,752,517,000 (2019: RMB17,539,967,000) were secured by pledge of the Group's property, plant and equipment, right-of-use assets, properties under development, completed properties held for sale, restricted cash, and equity interests of certain subsidiaries, totalling RMB43,816,786,000 (2019: RMB32,495,985,000).

As at 31 December 2020, the Group's borrowings guaranteed by intermediate controlling company, China Evergrande Group, were RMB26,345,404,000 (2019: RMB23,911,293,000).

For the year ended 31 December 2020, the effective interest rate of borrowings of RMB65,489,026,000 (2019: RMB57,473,693,000) with fixed interest rate 8.98% (2019: 8.67%) per annum.

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
RMB	**33,331,240**	30,207,571
US$	**38,875,018**	25,351,232
HK$	**—**	6,046,515
EUR	**—**	781,550
	72,206,258	62,386,868

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

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As at 31 December 2020 and 2019, the carrying amounts of non-current borrowings approximate their fair values.

26 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
To be realised within 12 months	**153,026**	36,333
To be realised after more than 12 months	**155,343**	34,882
Deferred income tax assets	**308,369**	71,215
To be realised within 12 months	**(213,897)**	(231,934)
To be realised after more than 12 months	**(2,002,312)**	(2,359,729)
Deferred income tax liabilities	**(2,216,209)**	(2,591,663)
	(1,907,840)	(2,520,448)

The net movements on the deferred taxation are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**(2,520,448)**	34,472
Acquisition of subsidiaries	**—**	(2,702,851)
Recognised in income tax expenses (note 31)	**612,608**	147,931
At 31 December	**(1,907,840)**	(2,520,448)

26 Deferred income tax (Continued)

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

Deferred income tax assets

	Tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2019	33,238	1,234	34,472
Credited to profit or loss for the year	1,644	35,099	36,743
Acquisition of subsidiaries	168,506	—	168,506
As at 31 December 2019	203,388	36,333	239,721
Credited to profit or loss for the year	169,381	13,781	183,162
As at 31 December 2020	372,769	50,114	422,883

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2020, the Group did not recognise deferred tax assets of RMB1,972,926,000 (2019: RMB904,425,000) in respect of tax losses amounting to RMB8,520,593,000 (2019: RMB3,617,700,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

Year	RMB'000
2021	55,393
2022	113,645
2023	360,034
2024	3,082,625
2025	4,908,896
	8,520,593

26 Deferred income tax (Continued)

(a) Deferred tax liabilities

	Excess of carrying amount of right-of-use assets, property, plant and equipment and intangible asset over the tax bases RMB'000	Temporary difference on recognition of fair value gain of investment properties RMB'000	Total RMB'000
As at 1 January 2019	—	—	—
Credited to profit or loss for the year	114,745	(3,557)	111,188
Acquisition of subsidiaries	(2,752,534)	(118,823)	(2,871,357)
As at 31 December 2019	(2,637,789)	(122,380)	(2,760,169)
Credited to profit or loss for the year	397,841	31,605	429,446
As at 31 December 2020	(2,239,948)	(90,775)	(2,330,723)

Notes to the Consolidated Financial Statements

27 Expense by nature

	2020 RMB'000	2019 RMB'000
Cost of health and living projects	**12,222,694**	2,939,551
Employee benefit expenses (including directors' emoluments) (note 28)	**1,426,412**	1,379,488
Employee benefit expenditure (including directors' emoluments)	**3,118,777**	1,661,061
Less: capitalised in properties under development,construction in progress and intangible assets	**(1,692,365)**	(281,573)
Research and development expenses	**1,663,994**	295,058
Advertising and promotion expenses	**1,559,273**	466,442
Impairment losses on intangible assets (note 9)	**807,860**	174,889
Impairment losses on goodwill (note 10)	**231,918**	—
Amortisation of intangible assets (note 9)	**423,303**	438,741
Depreciation of property, plant and equipment (note 6)	**510,503**	407,125
Depreciation of right-of-use assets (note 7)	**148,518**	155,907
Professional fees	**258,762**	209,846
Business tax and other levies	**189,858**	119,218
Changes in inventories of finished goods and work in progress	**152,460**	445,310
Office expenses	**182,269**	272,264
Operating lease rentals for rented premises and machineries	**79,272**	34,444
Raw materials and consumables used	**62,254**	119,736
Write-down of completed properties held for sale (note 13(b))	**30,396**	53,313
Write-down of inventories (note 14)	**65,081**	24,314
Transportation expenses	**64,613**	106,146
Utility fees	**17,445**	26,701
Legal expenses	**15,284**	60,351
Auditor's remunerations	**8,680**	9,827
— Audit services	**6,200**	3,314
— Non-audit services	**2,480**	6,513
Others	**23,319**	33,569
Total cost of sales, selling and marketing costs and administrative expenses	**20,144,168**	7,772,240

28 Employee benefit expenses — including directors' emoluments

	2020 RMB'000	2019 RMB'000
Wages and salaries	**1,079,439**	1,053,631
Pension cost — defined contribution plans	**204,198**	325,857
Employee share option schemes (note 21(b))	**142,775**	—
	1,426,412	1,379,488

29 Other gains, net

	2020 RMB'000	2019 RMB'000
Government grants	**86,792**	84,695
Exchange gains/(losses)	**156,941**	(34,300)
Others	**(29,097)**	(16,912)
	214,636	33,483

30 Finance costs, net

	2020 RMB'000	2019 RMB'000
Finance income		
— Bank interest income	**146,351**	149,165
Finance costs		
— Interest expense on bank and other borrowings	**(4,216,636)**	(1,732,573)
— Less: interest capitalised	**4,168,283**	1,421,085
— Interest expense on shareholders borrowings	**(2,744,153)**	(1,977,048)
— Less: interest capitalised	**—**	—
— Interest expense on lease liabilities	**(48,976)**	(85,057)
	(2,841,482)	(2,373,593)
Finance costs, net	**(2,695,131)**	(2,224,428)

31 Income tax expense

The amount of income tax charged to the consolidated statements of comprehensive income represents:

	2020 **RMB'000**	2019 RMB'000
Current income tax:		
PRC corporate income tax	**704,045**	304,129
PRC land appreciation tax	**178,207**	264,944
	882,252	569,073
Deferred income tax		
PRC corporate income tax	**(510,205)**	(147,931)
PRC land appreciation tax	**(102,403)**	—
	(612,608)	(147,931)
	269,644	421,142

	2020 **RMB'000**	2019 RMB'000
Loss before income tax	**(7,395,263)**	(4,526,336)
Calculated at PRC corporate income tax rate	**(1,848,816)**	(1,131,584)
PRC land appreciation tax deductible for PRC corporate income tax expense	**(18,951)**	(66,236)
Income not subject to tax	**(17,577)**	—
Expenses not deductible for tax purposes	**803,382**	587,887
Tax losses for which no deferred tax asset was recognised	**1,070,002**	770,656
Effect of different tax rates of subsidiaries	**205,800**	(4,525)
PRC corporate income tax	**193,840**	156,198
PRC land appreciation tax	**75,804**	264,944
	269,644	421,142

31 Income tax expense(Continued)

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2020 (2019: 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 2020 (2019: nil).

PRC corporate income tax

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the year ended 31 December 2020 (2019: 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.

32 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

33 Loss per share

(a) Basic

Basic loss per share are calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Loss attributable to shareholders of the Company (RMB'000)	**(7,394,075)**	(4,426,307)
Weighted average number of ordinary shares for the purpose of basic loss per share	**8,688,378,082**	8,640,000,000
Basic loss per share (RMB cents per share)	**(85.103)**	(51.230)

(b) Diluted

The share options granted by the Company have potential dilutive effect on the loss per share. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue less shares held for the share option scheme outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing the diluted loss per share). No adjustment is made to loss (numerator).

	2020	2019
Loss attributable to shareholders of the Company (RMB'000)	**(7,394,075)**	(4,426,307)
Weighted average number of ordinary shares for the purpose of basic loss per share	**8,688,378,082**	8,640,000,000
Adjustments for share options (i)	**—**	—
Weighted average number of ordinary shares for diluted loss per share	**8,688,378,082**	8,640,000,000
Diluted loss per share (RMB cents per share)	**(85.103)**	(51.230)

(i) The 294,880,000 options granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the year ended December 31, 2020. These options could potentially dilute basic (loss)/earnings per share in the future.

34 Cash flow information

(a) Cash generated from/(used in) operations

	2020 RMB'000	2019 RMB'000
Loss before income tax	**(7,395,263)**	(4,526,336)
Adjustments for:		
Finance costs, net (note 30)	**2,695,131**	2,224,428
Depreciation of property, plant and equipment (note 6)	**510,503**	407,125
Depreciation of right-of-use assets (note 7)	**148,518**	155,907
Amortisation of intangible assets (note 9)	**423,303**	438,741
Fair value losses on financial assets at fair value through profit and loss	**27,701**	132,128
Fair value losses/(gains) on investment properties (note 8)	**126,420**	(14,228)
Exchange (gains)/losses (note 29)	**(156,941)**	34,300
Impairment losses on goodwill and intangible assets	**1,039,778**	174,889
Write-down of completed properties held for sale and other inventories	**95,477**	77,627
Employee share option schemes (note 28)	**142,775**	—
Share of losses of investments accounted for using the equity method (note 17)	**59,173**	53,694
Government grants recognised in profit or loss	**—**	(84,695)
Operating loss before working capital changes	**(2,283,425)**	(926,420)
Changes in working capital:		
Increase in inventories, properties under development and completed properties held for sale	**(39,497,576)**	(20,174,066)
Increase in trade and other receivables and contract acquisition costs	**(4,153,492)**	(3,109,952)
Increase in trade and other payables and contract liabilities	**51,197,833**	12,298,281
Increase in government grants	**—**	17,262
Increase in restricted cash	**(1,253,311)**	(2,031,245)
Cash generated from/(used in) operations	**4,010,029**	(13,926,140)

34 Cash flow information (Continued)

(b) Reconciliations of liabilities arising from financing activities

	Lease liabilities RMB'000	Borrowings RMB'000	Total RMB'000
As at 1 January 2020	**437,594**	**62,386,868**	**62,824,462**
Cash flows			
— Inflow from financing activities	**—**	**42,391,773**	**42,391,773**
— Outflow from financing activities	**(231,620)**	**(30,393,471)**	**(30,625,091)**
Non-cash changes			
— Acquisition — leases	**597,799**	**—**	**597,799**
— Foreign exchange adjustments	**—**	**(2,178,912)**	**(2,178,912)**
As at 31 December 2020	**803,773**	**72,206,258**	**73,010,031**

	Lease liabilities RMB'000	Borrowings RMB'000	Total RMB'000
As at 1 January 2019	404,558	14,862,325	15,266,883
Cash flows			
— Inflow from financing activities	—	47,020,813	47,020,813
— Outflow from financing activities	(111,240)	(7,385,633)	(7,496,873)
Non-cash changes			
— Acquisition of subsidiaries	—	7,533,773	7,533,773
— Acquisition — leases	144,276	—	144,276
— Foreign exchange adjustments	—	355,590	355,590
As at 31 December 2019	437,594	62,386,868	62,824,462

35 Commitments

(a) Capital commitments

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

	2020 RMB'000	2019 RMB'000
Acquisition of right-of-use assets, property, plant and equipment and intangible assets	**15,432,486**	8,581,884

(b) Non-cancellable operating leases

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

	2020 RMB'000	2019 RMB'000
Minimum lease payments receivable on leases of investment properties are as follows:		
Within one year	**1,244**	9,508
In the first to second year	**1,250**	9,933
In the second to third year	**656**	8,720
In the third to fourth year	**689**	7,896
	3,839	36,057

(c) Lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2020 RMB'000	2019 RMB'000
No later than one year	**17,169**	6,781
Later than one year and not later than five years	**395**	—
	17,564	6,781

36 Financial guarantee

	31 December 2020 RMB'000	31 December 2019 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**13,201,392**	1,832,517

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

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

37 Related party transactions

The Group is controlled by China Evergrande Group, which owns 74.95% of the Company's shares. The remaining 25.05% of the shares are widely held. The ultimate parent of the Group is Xin Xin (BVI) Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Dr. Hui Ka Yan.

Name	Relationship
China Evergrande Group	Intermediate controlling company
Evergrande Health Industry Holdings Limited	Parent company
Guangzhou Evergrande Taobao Football Club Co.,Ltd.	Joint venture of the Group's holding company
Guoheng Smart Energy Services Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Xilinmen Furniture Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Oupai Door Industry Co., Ltd.	Joint venture of the Group's holding company
Evergrande Life Insurance Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Qumei Home Furnishing Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Sofia Home Furnishing Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Piano Home Furnishing Co., Ltd.	Joint venture of the Group's holding company
Shengjing Bank Co., Ltd.	Joint venture of the Group's holding company
Century Cultural Tourism Co., Ltd.	Joint venture of the Group's holding company
Evergrande Property Services Group Limited	Fellow subsidiary
Evergrande Property Group Pearl River Delta Real Estate Development Co., Ltd.	Fellow subsidiary
Guangzhou Kuiyun Enterprise Management Consulting Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Zhengzhou Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group (Shenyang) Investment Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Guiyang Real Estate Co., Ltd.	Fellow subsidiary
Changsha Jinrui Properties Co., Ltd.	Fellow subsidiary
Hunan Hengchen Real Estate Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Nanjing Real Estate Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Urumqi Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Nanning Co., Ltd.	Fellow subsidiary
Foshan Nanhai Xinzhongjian Real Estate Development Co., Ltd.	Fellow subsidiary
Guangzhou Jiasui Real Estate Co., Ltd.	Fellow subsidiary
Evergrande Century City (Qingyuan) Hotel Co., Ltd.	Fellow subsidiary
Chongqing Evergrande Hotel Co., Ltd.	Fellow subsidiary
Guangzhou Pinyan Catering Business Management Co., Ltd.	Fellow subsidiary
Guangzhou Evergrande Hotel Co., Ltd.	Fellow subsidiary
Pengshan Evergrande Hotel Co., Ltd.	Fellow subsidiary
Chengdu Jintang Evergrande Hotel Co., Ltd.	Fellow subsidiary
Tianjin Donglihu Evergrande Hotel Co., Ltd.	Fellow subsidiary
Qidong Evergrande Hotel Co., Ltd.	Fellow subsidiary

37 Related party transactions (Continued)

Name	Relationship
Nanjing Evergrande Hotel Co., Ltd.	Fellow subsidiary
Linzhi Evergrande Hotel Co., Ltd.	Fellow subsidiary
Shenzhen Evergrande Material and Equipment Co., Ltd.	Fellow subsidiary
Yunnan Yuxing Zhongtian Real Estate Development Co., Ltd.	Fellow subsidiary
Guangzhou Evergrande Material and Equipment Co., Ltd.	Fellow subsidiary
Tianjin Evergrande Hotel Co., Ltd.	Fellow subsidiary
Evergrande Group Co., Ltd.	Fellow subsidiary
Urumqi Hengzheng Tourism Development Co., Ltd.	Fellow subsidiary
Cangzhou Evergrande Children 's World Theme Park Tourism Development Co., Ltd.	Fellow subsidiary
Hainan Hengqian Material and Equipment Co., Ltd.	Fellow subsidiary
Enping Oolishang Real Estate Development Co., Ltd.	Fellow subsidiary
Nanjing Meixu Real Estate Development Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Guangdong Real Estate Development Co., Ltd.	Fellow subsidiary
Shenyang Hengda Real Estate Development Co., Ltd.	Fellow subsidiary
Hengda Tongshijie (Changsha) Real Estate Co., Ltd.	Fellow subsidiary
Hengning Health Industry Nanjing Co., Ltd.	Joint venture
Jiangyin Hengpeng Real Estate Co., Ltd.	Joint venture
Jinhua Henghe Real Estate Co., Ltd.	Joint venture
Shangrao Hengjun Health Industry Co., Ltd.	Joint venture
Wuxi Weifu Electric Drive Technology Co., Ltd.	Joint venture
Meneko AB	Joint venture
Hohhot Henghong Real Estate Development Co., Ltd.	Associate
Yunnan Jialize Horse Industry Co., Ltd.	Associate
Yunnan Jialize Towards Physical Culture Development Co., Ltd.	Associate

37 Related party transactions (Continued)

(a) Related party transactions and balances

During the years ended 31 December 2020 and 2019, in addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties, which were carried out in the normal course of the Group's business:

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

	2020 RMB'000	2019 RMB'000
Borrowings guaranteed by intermediate controlling company	**26,345,404**	23,911,293
Interest charged by intermediate controlling company	**2,744,153**	1,977,048
Payment of integrated insurance procurement to joint venture of the Group's holding company(a)	**255,506**	122,152
Interest charged by joint ventures of the Group's holding company	**246,704**	140,294
Sales of materials to joint ventures of the Group	**70,602**	—
Payment of advertising expenses to a joint venture of the Group's holding company	**61,450**	—
Payment of property management services to fellow subsidiaries	**47,507**	—
Interest charged by an associate of the Group's holding company	**30,722**	—
Miscellaneous charges and fees	**10**	833
Operating revenue	**2,311**	—
Operating leases	**719**	2,546

(a) The nature of integrated insurance's promise represented that the Group performed as an agent to arrange for the insurance services for members of elderly care valley to be provided by joint venture of the Group's holding company.

37 Related party transactions (Continued)

(a) Related party transactions and balances (Continued)

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Due from related parties (note 11):		
Fellow subsidiaries	**2,918,795**	1,103,404
Parent company	**16,252**	5
Joint ventures	**382,920**	131,114
Joint ventures of the Group's holding company	**28,674**	17,219
Associate	**3,221**	14,761
	3,349,862	1,266,503
Cash deposits in associate of the Group's holding company	**1,234,950**	154,802
Due to related parties (note 23):		
Intermediate controlling company	**768,232**	243,406
Fellow subsidiaries	**623,491**	1,907,059
Joint ventures	**1,373,451**	1,161,716
Associates	**68,399**	47
Joint ventures of the Group's holding company	**762**	3
	2,834,335	3,312,231
Trade and notes payable (note 23):		
Fellow subsidiaries	**7,925**	—
A Joint venture of the Group's holding company	**30,000**	—
	37,925	—
Loans from related parties:		
Intermediate controlling company (note 25)	**38,417,895**	32,179,297
Joint ventures of the Group's holding company	**1,960,000**	1,810,000
An associate of the Group's holding company	**150,286**	300,000
	40,528,181	34,289,297
Interest payable to related parties (note 23)		
Intermediate controlling company	**3,724,731**	2,216,275
Joint ventures of the Group's holding company	**32,400**	—
An associate of the Group's holding company	**10,187**	—
	3,767,318	2,216,275

37 Related party transactions (Continued)

(a) Related party transactions and balances (Continued)

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

The receivables arise mainly from cash advance to fellow subsidiaries for daily operation purpose. The receivables are unsecured in nature, bear no interest and repayable on demand. No provisions are held against receivables from fellow subsidiaries (2019: nil).

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

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

Loans from joint ventures of the Group's holding company are guaranteed with the annual interest rate from 11% to 15%.

Loans from an associate of the Group's holding company are guaranteed with the annual interest rate from 7.5% to 8%.

(b) Compensation of key management personnel

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

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

	2020 **RMB'000**	2019 RMB'000
Short-term benefits	**22,429**	34,997
Contribution to a retirement benefit scheme	**199**	1,605
Share-based compensation	**13,622**	—
	36,250	36,602

38 Non-controlling interests

The movements of non-controlling interests were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At 1 January	**6,204,869**	—
Loss for the year	**(270,832)**	(521,171)
Currency translation differences	**(87,415)**	(59,879)
Acquisition of subsidiaries	**—**	3,322,936
Capital injection	**1,035,176**	5,955,632
Changes in ownership interests in subsidiaries without change of control (i)	**(6,669,664)**	(2,492,649)
	212,134	6,204,869

(i) Transaction with non-controlling interests

During 2020, the Group announced to further acquire 17.6% equity interests of National Energy Vehicle Sweden AB ("NEVS") amounting to RMB2,166,025,000 from non-controlling shareholders, the difference between consideration and the carrying amount of equity interest acquired amounting to RMB2,605,298,000 was recognised as an increase in reserve. Upon completion of the acquisition, NEVS became a wholly-owned subsidiary of the Group.

The Group further acquired 20% equity interests of Evergrande National Energy Vehicle (Shanghai) Co., Limited ("ENEV") amounting to RMB442,820,000 from non-controlling shareholders, the difference between consideration and the carrying amount of equity interest acquired amounting to RMB39,902,000 was recognised as a decrease in reserve. Upon completion of the acquisition, ENEV became a wholly-owned subsidiary of the Group.

	2020	2019
	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired	**(6,669,664)**	(2,492,649)
Considerations to non-controlling interests	**4,313,951**	4,444,204
Difference between consideration paid and the carrying amount of non-controlling interests acquired	**(2,355,713)**	1,951,555

39 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**4,260,165**	4,402,671
Current assets		
Other receivables	**23,041**	23,120
Amounts due from subsidiaries	**35,741,298**	26,763,454
Amounts due from parent company	**16,252**	5
Cash and cash equivalents	**12,500**	44,548
	35,793,091	26,831,127
Total assets	**40,053,256**	31,233,798
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital and share premium	**3,759,410**	250,936
Reserves (b)	**(6,040,353)**	(3,597,771)
Total deficit	**(2,280,943)**	(3,346,835)
LIABILITIES		
Non-current liabilities		
Borrowings	**38,417,895**	32,179,297
Current liabilities		
Amounts due to intermediate controlling company	**3,916,298**	2,401,279
Other payables	**6**	57
	3,916,304	2,401,336
Total liabilities	**42,334,199**	34,580,633
Total equity and liabilities	**40,053,256**	31,233,798

The balance sheet of the Company was approved by the Board of Directors on 25 March 2021 and was signed on its behalf.

SIU SHAWN
Director

LIU YONGZHUO
Director

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

(b) Reserve movement of the Company

	Merger reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	68,050	(214,985)	—	(1,365,679)	(1,512,614)
Comprehensive loss					
Loss for the year	—	—	—	(2,045,123)	(2,045,123)
Other comprehensive loss	—	(40,034)	—	—	(40,034)
Total comprehensive income/(loss)	—	(40,034)	—	(2,045,123)	(2,085,157)
At 31 December 2019	68,050	(255,019)	—	(3,410,802)	(3,597,771)
At 1 January 2020	68,050	(255,019)	—	(3,410,802)	(3,597,771)
Comprehensive loss					
Loss for the year	—	—	—	(2,724,136)	(2,724,136)
Other comprehensive income	—	138,779	—	—	138,779
Share-based compensation	—	—	142,775	—	142,775
Total comprehensive income/(loss)	—	138,779	142,775	(2,724,136)	(2,442,582)
At 31 December 2020	68,050	(116,240)	142,775	(6,134,938)	(6,040,353)

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

At 31 December 2020, the Company's reserves has no available for distribution (2019: nil) as calculated.

40 Benefits and interests of directors

(a) Directors' and Chief Executive's emoluments

The remuneration of directors and the Chief Executive for the year ended 31 December 2020 is set out below:

	Fee RMB'000	Salary RMB'000	Estimated money value of other benefits RMB'000	Employer's Contribution to a retirement benefit scheme RMB'000	Share-based compensation RMB'000	Total RMB'000
Shi Shouming(i)	180	—	—	9	—	189
Liu Yongzhuo(ii)	93	3,050	2,919	35	11,352	17,449
Peng Jianjun (iv)	88	2,010	2,044	30	—	4,172
Qin Liyong(iii)	180	1,113	3,082	61	1,135	5,571
Chau Shing Yim, David	300	—	—	—	—	300
Guo Jianwen	300	—	—	—	—	300
Xie Wu	300	—	—	—	—	300
Total emoluments	1,441	6,173	8,045	135	12,487	28,281

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

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

(i) Appointed on 15 May 2018 and resigned on 08 January 2021

(ii) Appointed on 26 June 2020

(iii) Appointed on 1 February 2019

(iv) Resigned on 26 June 2020

(v) Appointed Siu Shawn as chairman of the Board on 08 January 2021

40 Benefits and interests of directors (Continued)

(b) Directors' retirement benefits and termination benefits

Except for the details disclosed in note 37(b), none of the directors of the Company received or will receive any retirement benefits or termination benefits in respect of their services to the Group for the year ended 31 December 2020 (2019: nil).

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

During the year ended 31 December 2020, the Group has not paid any consideration to any third parties for making available directors' services to the Company (2019: nil).

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

There were no loans, quasi-loans and other dealings entered into by the Group in favour of the directors of the Company, or body corporate controlled by or entities connected with any of the directors of the Company at the end of the year or at any time during the year (2019: nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: nil).

(f) Five highest paid individuals

During the year ended 31 December 2020, the five highest paid individual include one of the directors (2019: three of the directors), whose emoluments are reflected in the analysis presented in note 37(b). The aggregate amounts of emoluments of the remaining highest paid individuals for the year ended 31 December 2020 are set out below:

	2020 **RMB'000**	2019 RMB'000
Salaries and other benefits	**29,249**	9,245
Share-based compensation	**23,271**	—
	52,520	9,245

The emoluments fell within the following bands:

	2020	2019
HK$5,000,001 – HK$6,000,000	**—**	2
HK$9,000,001 – HK$10,000,000	**1**	—
HK$11,000,001 – HK$12,000,000	**1**	—
HK$12,000,001 – HK$13,000,000	**1**	—
>HK$24,000,000	**1**	—

Notes to the Consolidated Financial Statements

41 Subsidiaries

Particulars of principal subsidiaries

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability				
瀋陽超宏生活服務有限公司 Shenyang Chaohong Life Service Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
貴州恒大雋晟置業有限公司 Guizhou Evergrande Junsheng Real Estate Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
金寨恒康健康產業有限公司 Jinzhai Hengkang Health Industry Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
海南博鰲恒大國際醫院有限公司 Hainan Boao Evergrande International Hospital Co., Ltd.	RMB200,000,000	—	100%	Provision of healthcare services
廣州恒澤養生服務有限公司 Guangzhou Hengze Health Care Service Co., Ltd.	RMB10,000,000	—	100%	Provision of healthcare services
三亞恒合融醫院投資管理有限公司 Sanya Hengherong Hospital Investment Management Co., Ltd.	RMB2,250,000,000	—	100%	Provision of healthcare services
西安恒寧健康置業有限公司 Xi'an Hengning Health Property Co., Ltd.	RMB25,000,000	—	100%	Development and sales of health and living projects
鄭州恒澤通健康置業有限公司 Zhengzhou Hengzetong Health Property Co., Ltd.	RMB1,300,000,000	—	100%	Development and sales of health and living projects
湖南恒盛健康產業有限公司 Hunan Hengsheng Health Industry Co., Ltd.	RMB700,000,000	—	100%	Development and sales of health and living projects
揚中市恒瑞置業有限公司 Yangzhong Hengrui Property Co., Ltd.	RMB200,000,000	—	100%	Development and sales of health and living projects
南京恒康置業有限公司 Nanjing Hengkang Property Co., Ltd.	RMB1,000,000,000	—	100%	Development and sales of health and living projects
天階雲台(修武)投資有限公司 Tianjie Yuntai (Xiuwu) Investment Co., Ltd.	RMB30,000,000	—	100%	Development and sales of health and living projects
恒鵬健康產業遼寧有限公司 Hengpeng Health Industry Liaoning Co., Ltd.	RMB1,000,000,000	—	100%	Development and sales of health and living projects
重慶市恒隆健康產業有限公司 Chongqing Henglong Health Industry Co., Ltd.	RMB49,500,000	—	100%	Development and sales of health and living projects

41 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
廣州恒隆設備材料有限公司 Guangzhou Henglong Equipment and Material Co., Ltd.	RMB20,000,000	—	100%	Wholesales of home care and healthcare products
廣州億恒園林綠化有限公司 Guangzhou Yiheng Garden Green Co., Ltd.	RMB20,000,000	—	100%	Landscaping project
呼和浩特恒偉健康產業有限公司 Hohhot Hengwei Health Industry Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
肇東市恒偉房地產開發有限公司 Zhaodong Hengwei Real Estate Development Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
梧州恒美健康產業有限公司 Wuzhou Hengmei Health Industry Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
黃驊市恒立房地產開發有限公司 Huanghua Hengli Real Estate Development Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
湘潭恒美醫院管理有限公司 Xiangtan Hengmei Hospital Management Co., Ltd.	RMB210,000,000	—	100%	Provision of healthcare services
咸寧恒陽置業有限公司 Xianning Hengyang Property Co., Ltd.	RMB50,000,000	—	100%	Development and sales of health and living projects
咸寧恒辰置業有限公司 Xianning Hengchen Property Co., Ltd.	RMB83,333,000	—	100%	Development and sales of health and living projects
淄博恒越房地產開發有限公司 Zibo Hengyue Real Estate Development Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
重慶市恒津健康產業有限公司 Chongqing Hengjin Health Industry Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
岳陽恒駿置業有限公司 Yueyang Hengjun Property Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
昆明嘉麗澤旅遊文化有限公司 Kunming Jialize Travel Culture Co., Ltd.	RMB2,244,900,000	—	100%	Development and sales of health and living projects
唐山恒偉房地產開發有限公司 Tangshan Hengwei Real Estate Development Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects

41 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
鄭州超盈生活服務有限公司 Zhengzhou Chaoying Life Service Co., Ltd.	RMB591,100,000	—	100%	Development and sales of vehicle living projects
肇東市恒鵬房地產開發有限公司 Zhaodong Hengpeng Real Estate Development Co., Ltd.	RMB780,000,000	—	100%	Development and sales of health and living projects
遼寧恒陽健康置業有限公司 Liaoning Hengyang Health Property Co., Ltd.	RMB40,820,000	—	100%	Development and sales of health and living projects
連雲港恒鵬置業有限公司 Lianyungang Hengpeng Property Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
金寨恒鵬置業有限公司 Jinzhai Hengpeng Property Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
昆明嘉麗澤特色小鎮置業有限公司 Kunming Jialize Town Property Co., Ltd.	RMB480,000,000	—	100%	Development and sales of health and living projects
重慶市恒盈健康產業有限公司 Chongqing Hengying Health Industry Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
烏魯木齊恒隆置業有限公司 Urumqi Henglong Property Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
廣西扶綏恒利健康產業發展有限公司 Guangxi Fusui Hengli Health Industry Development Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
恒大恒馳新能源汽車(上海)有限公司 Evergrande Hengchi New Energy Vehicle (Shanghai) Co., Ltd.	RMB2,500,000,000	—	100%	Sales and manufacturing of smart mobility
國能新能源汽車有限責任公司 National New Energy Vehicle Co., Ltd.	RMB3,100,000,000	—	100%	Sales and manufacturing of smart mobility
恒大智能汽車(廣東)有限公司 Evergrande Smart Automotive (Guangdong) Co., Ltd.	RMB2,052,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車(廣東)有限公司 Evergrande New Energy Vehicle (Guangdong) Co., Ltd.	RMB3,500,000,000	—	100%	Sales and manufacturing of smart mobility

41 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	Percentage of attributable equity interest held indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
恒大新能源汽車科技(廣東)有限公司 Evergrande New Energy Vehicle Technology (Guangdong) Co., Ltd.	RMB100,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車(江蘇)有限公司 Evergrande New Energy Vehicle (Jiangsu) Co., Ltd.	USD500,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車(河南)有限公司 Evergrande New Energy Vehicle (Henan) Co., Ltd.	RMB1,000,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車(遼寧)有限公司 Evergrande New Energy Vehicle (Liaoning) Co., Ltd.	RMB3,600,000,000	—	100%	Sales and manufacturing of smart mobility
恒大恒馳新能源汽車研究院(上海)有限公司 Evergrande Hengchi New Energy Automotive Institute (Shanghai) Co., Ltd.	RMB100,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源技術(深圳)有限公司 Evergrande New Energy Technology (Shenzhen) Co., Ltd.	RMB100,000,000	—	100%	Design, manufacture, selling lithium-ion battery
安徽恒大新能源科技生活服務有限公司 Anhui Evergrande New Energy Technology Life Service Co., Ltd.	RMB500,000,000	—	100%	Development and sales of vehicle living projects
瀋陽超豐生活服務有限公司 Shenyang Chaofeng Life Service Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
鄭州超宏生活服務有限公司 Zhengzhou Chaohong Life Service Co., Ltd.	RMB418,300,000	—	100%	Development and sales of vehicle living projects
揚州超松置業有限公司 Yangzhou Chaosong Property Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
揚州正龍置業有限公司 Yangzhou Zhenglong Property Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
天津國能生活服務有限責任公司 Tianjin Guoneng Life Service Co., Ltd.	RMB30,000,000	—	100%	Development and sales of vehicle living projects
深濤生活服務(廣東)有限公司 Shentao Life Service (Guangdong) Co., Ltd.	RMB2,500,000,000	—	100%	Development and sales of vehicle living projects

41 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	Percentage of attributable equity interest held indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
金浩生活服務(江蘇)有限公司 Jinhao Life Service (Jiangsu) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
金馳生活服務(河南)有限公司 Jinchi Life Service (Henan) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
俊明企業管理(遼寧)有限公司 Junming Enterprise Management (Liaoning) Co., Ltd.	RMB10,000,000	—	100%	Development and sales of vehicle living projects
深安生活服務(安徽)有限公司 Shenan Life Service (Anhui) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
濤永生活服務(安徽)有限公司 Taoyong Life Service (Anhui) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
遼鵬生活服務(遼寧)有限公司 Liaopeng Life Service (Liaoning) Co., Ltd.	RMB50,000,000	—	100%	Development and sales of vehicle living projects
永鵬生活服務(貴州)有限公司 Yongpeng Life Service (Guizhou) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
貴州永浩企業管理有限公司 Guizhou Yonghao Enterprise Management Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
湖南浩博生活服務有限公司 Hunan Haobo Life Service Co., Ltd.	RMB490,000,000	—	100%	Development and sales of vehicle living projects
瀋陽恒大泰傑置業有限公司 Shenyang Evergrande Taijie Property Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
深永生活服務(江蘇)有限公司 Shenyong Life Service (Jiangsu) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
上海卡耐新能源有限公司 Shanghai CENAT New Energy Co., Ltd.	RMB625,720,000	—	80%	Design, manufacture, selling power lithium-ion battery
江蘇卡耐新能源有限公司 Jiangsu CENAT New Energy Co., Ltd.	RMB1,000,000,000	—	80%	Manufacture, selling electric vehicles and power lithium-ion battery
廣西卡耐新能源有限公司 Guangxi CENAT New Energy Co., Ltd.	RMB100,000,000	—	80%	Manufacture, selling electric vehicles and power lithium-ion battery

41 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
揚州恒大新能源科技發展有限公司 Yangzhou Evergrande New Energy Technology Development Co., Ltd.	RMB1,683,700,000	—	100%	Design, manufacture, selling lithium-ion battery
岳陽雲揚生活服務有限公司 Yueyang Yunyang Life Service Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
Incorporated and operating in Hong Kong with limited liability				
良世有限公司 KIND WORLD CORPORATION LIMITED	HK$1	—	100%	Research and development of electric vehicles
Incorporated and operating in Sweden with limited liability				
National Electric Vehicle Sweden AB	SEK1,279,870,800	—	100%	Sales and manufacturing of smart mobility

42 Subsequent event

On 24 January 2021, the Group entered into the subscription agreements with 6 third party investors to allot and issue an aggregate of 952,383,000 subscription shares at HK$27.3 per share, raising a total of approximately HK$26,000 million. Each investor has agreed to a twelve-month lock-up period in respect of the subscription shares.

Five Years Financial Summary

Consolidated Statements of Comprehensive Income

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000 (Restated)	For the year ended 31 December 2016 HK$'000
Revenue	**15,486,625**	5,635,559	3,133,018	1,328,474	213,531	528,132
(Loss)/Profit before income tax	**(7,395,263)**	(4,526,336)	(1,131,995)	654,734	93,242	109,926
Income tax (expenses)/credit	**(269,644)**	(421,142)	(296,383)	(349,777)	(43,722)	(51,373)
(Loss)/Profit for the year	**(7,664,907)**	(4,947,478)	(1,428,378)	301,415	50,188	58,553
Other comprehensive income/ (loss), net of tax	**2,749,478**	(519,985)	(66,331)	3,193	7,510	(38,276)
Total comprehensive income for the year	**(4,915,429)**	(5,467,463)	(1,494,709)	304,608	57,698	20,277

Consolidated Assets, Equity and Liabilities

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000 (Restated)	As at 31 December 2016 HK$'000
ASSETS						
Non-current assets	**46,843,248**	36,413,675	6,328,920	940,794	734,881	821,544
Current assets	**103,221,492**	56,994,773	15,854,190	6,715,533	2,087,555	2,333,739
Total assets	**150,064,740**	93,408,448	22,183,110	7,656,327	2,822,436	3,155,283
Total (deficit)/equity	**(5,838,522)**	(1,295,567)	(662,468)	832,241	566,851	633,700
LIABILITIES						
Non-current liabilities	**61,362,453**	51,580,322	11,293,732	3,797,165	1,120,619	1,252,773
Current liabilities	**94,540,809**	43,123,693	11,551,846	3,026,921	1,134,966	1,268,810
Total liabilities	**155,903,262**	94,704,015	22,845,578	6,824,086	2,255,585	2,521,583
Total deficit and liabilities	**150,064,740**	93,408,448	22,183,110	7,656,327	2,822,436	3,155,283