THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **Evergrande Health Industry Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

EVERGRANDE HEALTH
INDUSTRY GROUP

EVERGRANDE HEALTH INDUSTRY GROUP LIMITED
恒 大 健 康 產 業 集 團 有 限 公 司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF MINI MINOR LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular.

Capitalised terms used on this cover page should have the same meanings as those defined in the section headed "Definitions" in this circular.

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

25 April 2019

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Seller pursuant to the terms and conditions of the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 15 January 2019 in relation to the Acquisition
"Alpraaz"	Alpraaz AB, a company incorporated under the laws of Sweden
"Board"	the board of directors of the Company
"China Evergrande"	China Evergrande Group, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 3333), and being the ultimate controlling shareholder of the Company
"Company"	Evergrande Health Industry Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 708)
"connected person"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	Evergrande Health Industry Holdings Limited, the controlling shareholder of the Company, which directly holds 6,479,500,000 Shares, representing approximately 74.99% of the issued Shares as at the date of this circular
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Company and its subsidiaries as enlarged by the Acquisition upon completion
"EY Sweden"	Ernst & Young AB, Sweden
"Group"	the Company and its subsidiaries
"HK$"	the lawful currency of Hong Kong
"KAAB"	Koenigsegg Automotive AB, a company incorporated under the laws of Sweden, a subsidiary of SOP
"Konev AB"	Konev AB, a company incorporated under the laws of Sweden and established as a joint venture

"Latest Practicable Date"	24 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain data contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NEVS"	National Electric Vehicle Sweden AB, a company incorporated in Sweden
"NEVS Accountants' Report"	shall have the meaning ascribed to it in the section headed "Waiver from Strict Compliance with Rule 4.03 of the Listing Rules" in this circular and as set out in Appendix III in this circular
"NEVS Board"	the board of directors of NEVS
"NEVS Group"	NEVS and its subsidiaries
"NEVS Investment Agreement"	an agreement entered into by the Target Company and NMEHL prior to the date of the announcement
"NMEHL"	National Modern Energy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a shareholder of NEVS
"PRC"	the People's Republic of China, for the purpose of this circular, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Solution King Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary by the Company
"Sale and Purchase Agreement"	the sale and purchase agreement in relation to the Acquisition entered into on 15 January 2019 between the Purchaser and the Seller (as amended and supplemented from time to time)
"Sale Shares"	300 ordinary shares in the share capital of the Target Company, being the entire share capital of the Target Company
"SEK"	Swedish Krona, the lawful currency of Sweden
"Seller"	Kerryman Holdings Limited, a company incorporated in the British Virgin Islands held by Mr. Howard Wong

"SOP"	Spirit of Performance AB, a company incorporated under the laws of Sweden
"Share(s)"	the ordinary share(s) of the Company
"Shareholder(s)"	the holder(s) of Shares of the Company
"Shareholder Loan"	the unsecured loan provided by China Evergrande to the Company pursuant to the terms and conditions of the Shareholder Loan Agreement
"Shareholder Loan Agreement"	the shareholder loan agreement dated 15 January 2019 entered into by the Company as borrower and China Evergrande as lender
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meanings as those defined under the Listing Rules
"Target Company"	Mini Minor Limited, a company incorporated in the British Virgin Islands and the target company under the Sale and Purchase Agreement
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of SEK 1 = HK$0.8746 have been used, where applicable, for purpose of illustration only and they do not constitute any representation that any amount has been, could have been or may be exchanged at those rates or at any other rates.

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

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

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

Independent Non-executive Directors:
Mr. Chau Shing Yim, David
Mr. Guo Jianwen
Mr. Xie Wu

Registered Office:
23rd Floor
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

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

25 April 2019

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF MINI MINOR LIMITED

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among other things, (i) further details in respect of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Company; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) other information as required under the Listing Rules.

As disclosed in the Announcement, on 15 January 2019, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Seller, pursuant to which the Purchaser agreed to acquire, and the Seller agreed to sell the Sale Shares for a total consideration of US$930,000,000.

SALE AND PURCHASE AGREEMENT

Date: 15 January 2019

Parties: (1) the Purchaser; and
(2) the Seller

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the Sale and Purchase Agreement, the Seller, together with its ultimate beneficial owner, are third parties independent of the Company and the connected persons of the Company.

Assets acquired

The Seller sold to the Purchaser and the Purchaser acquired from the Seller the Sale Shares. The sole asset of the Target Company is its 51% shareholding in NEVS. Completion of the Acquisition took place on the date of the Sale and Purchase Agreement.

Consideration and Payment Terms

The total consideration of US$930,000,000 has been paid in two instalments: the first instalment of US$430,000,000 had been paid on 15 January 2019, and the balance had been paid on or before 31 January 2019.

Basis of determination of the consideration

The total consideration of US$930,000,000 (settled by the Group by the Shareholder Loan) was determined on normal commercial terms and after arm's length negotiations between the Purchaser and the Seller. The consideration was determined with reference to, including but not limited to (i) the investment amount made by the Target Company in NEVS; and (ii) the historical relevant assets accumulated including technology research and development personnel, business and growth prospects of NEVS and other benefits of the Acquisition.

The Directors consider that the consideration is fair and reasonable, is determined on the basis of normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

SHAREHOLDER LOAN AGREEMENT

The Company entered into the Shareholder Loan Agreement with China Evergrande on 15 January 2019.

Pursuant to the Shareholder Loan Agreement, China Evergrande has agreed to provide a three-year unsecured loan in the amount of US$1,100,000,000 to the Company at an interest rate of 8% per annum.

The terms of the Shareholder Loan Agreement, including the term of repayment, the principal amount and the applicable interest rate, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The interest rate offered to the Company for the provision of the Shareholder Loan is 8% per annum. The Directors have further considered other indicative quotations offered by local financial institutions in Hong Kong, most of which involve a higher applicable interest rate, required collateral and a shorter repayment term. The interest rate of 8% per annum under the Shareholder Loan Agreement, when compared with the prevailing indicative market rates, represents a better rate, and a more favourable arrangement to the Company. Therefore, the Directors believe that the terms of the Shareholder Loan Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Investment of the Target Company

Pursuant to the NEVS Investment Agreement, the Target Company holds a 51% equity interest in NEVS and the total investment amount is US$1,100,000,000. Part of the consideration (being US$1,090,000,000) was paid by the Target Company prior to the Latest Practicable Date, and the balance of the consideration in the amount of US$10,000,000 shall be paid by the Target Company on or before 30 June 2019 pursuant to the NEVS Investment Agreement. As at the Latest Practicable Date, the Target Company has additionally invested US$510,000,000 in the form of shareholder's loan.

NEVS Board of Directors

NMEHL is a company incorporated in the British Virgin Islands with limited liability, which holds a 49% equity interest in NEVS. Pursuant to the NEVS Shareholder Agreement entered into between, among others, the Target Company (as shareholder), NMEHL (as shareholder) and NEVS (as subject company), the directors appointed by the Target Company shall comprise the majority of the NEVS Board.

INFORMATION ON NEVS

NEVS, with its headquarters based in Sweden, is a global electric vehicle company focused on intelligent automobiles and is striving to become a global leader in sustainable and sharing-based smart mobility ecosystems.

In 2012, NEVS successfully acquired core assets and intellectual property rights of Saab Automobile AB, a Swedish company with 75 years of history. Carrying on the brand DNA of Saab, which sought to conjoin mobility with driver to achieve seamless driving experiences (人車合一、貼地飛行), and the profound technological heritage originated from Scandinavia, NEVS houses the world's top smart electric vehicles research and development centre in Sweden with a global research and development team consisted of over 500 personnel, and a diversified international management team with more than 1,800 employees.

The proprietary intellectual properties of NEVS cover the areas of electric battery, powertrain and control systems, in-car connectivity and production. These include battery thermal management system, automotive safety systems and an in-car air filtration and purification system, all of which are regarded as world-leading technologies. NEVS, being one of the few automobile developers with forward research and development capabilities, owns intellectual property rights over the "Phoenix" series, a platform catered specifically for the research and development of pure electric automobiles. The world-leading vehicle controller specifically designed for autonomous driving is also ready for mass production.

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

As disclosed in the announcement of the Company dated 29 January 2019, on 29 January 2019, NEVS entered into an investment and purchase agreement with SOP and Alpraaz, pursuant to which, Alpraaz agreed to issue and allot to NEVS, and NEVS agreed to subscribe for an aggregate of 1,085 ordinary shares in the share capital of Alpraaz; and SOP agreed to sell, and that NEVS agreed to purchase an aggregate of 72 ordinary shares in the share capital of Alpraaz. Assuming all relevant closings under the aforesaid investment and purchase agreement shall take place, NEVS will hold an aggregate approximately 20% of the issued share capital of Alpraaz as enlarged by the issuance of 1,085 ordinary shares in the share capital of Alpraaz.

On 29 January 2019, NEVS also entered into an agreement with KAAB in relation to the establishment of Konev AB as a joint venture which will be used for the research, development and manufacture of the world's top new energy vehicle. Pursuant to the aforesaid joint venture agreement, Konev AB will be owned as to 65% by NEVS and as to 35% by KAAB, and NEVS agreed to make a series of investments in Konev AB (to be settled by internal resources of the Group) in the form of unconditional shareholder's contributions, amounting to a total of USD150 million.

INFORMATION OF THE GROUP, THE SELLER, THE PURCHASER AND THE TARGET COMPANY

The Group

The principal business activities of the Group include the "Internet+" community health management, international hospitals and elderly care and rehabilitation, as well as the investments in high technology new energy vehicle manufacture.

The Seller

The Seller is Kerryman Holdings Limited which, together with its ultimate beneficial owner, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company as at the date of the Sale and Purchase Agreement. As of the Latest Practicable Date, the principal business of the Seller was investment holding.

The Purchaser

The Purchaser is Solution King Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary by the Company. The principal business activity of the Purchaser is its investment holding in the Target Company.

The Target Company

The Target Company is Mini Minor Limited, a company incorporated in the British Virgin Islands. The principal business activity of the Target Company is its 51% shareholding in NEVS.

FINANCIAL INFORMATION OF THE TARGET COMPANY AND NEVS

The sole asset of the Target Company is its 51% equity interest in NEVS. The financial information of NEVS as extracted from the consolidated financial statements of NEVS prepared in accordance with the International Financial Reporting Standards for each of the financial years ended 31 December 2017 and 31 December 2018 has been set out below.

	For the financial year ended 31 December 2017 (SEK)	**For the financial year ended 31 December 2018 (SEK)**
Revenue	72,330,000 (equivalent to approximately HK$63,259,818)	73,827,000 (equivalent to approximately HK$64,569,094)
Net loss before and after taxation	(996,262,000) (equivalent to approximately HK$871,330,745)	(1,214,595,000) (equivalent to approximately HK$1,062.284,787)

The total asset value of NEVS for the financial years ended 31 December 2017 and 31 December 2018 were SEK4,967,231,000 (equivalent to approximately HK$4,344,340,233) and 8,537,878,000 (equivalent to approximately HK$7,467,228,000) and the net asset value for the financial years ended 31 December 2017 and 31 December 2018 were SEK1.3 billion (equivalent to approximately HK$1.136 billion) and SEK451,363,000 (equivalent to approximately HK$394,762,080).

Upon completion of the Acquisition, the Target Company became a wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of the Target Company were consolidated into the Group's accounts.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Through acquiring corporations possessing leading new energy automotive technology and production capacity, the Board believes that the Group's growth capabilities can be strengthened, and a strong competitiveness in the fast-growing new energy automotive industry can be obtained, capturing market share and diversifying the businesses of the Group.

In view of the above reasons and benefits, the Directors believe that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the announcement and Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As at the date of this circular, China Evergrande is the ultimate controlling shareholder of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, China Evergrande is a connected person of the Company. As the Shareholder Loan Agreement constitutes financial assistance provided by a connected person of the Company for the benefit of the Group on normal commercial terms or better where no security over the assets of the Group is granted, the Shareholder Loan Agreement is exempted from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As Mr. Chau Shing Yim David, the independent non-executive Director, is also serving as the independent non-executive director of China Evergrande, the Company is of the view that Mr. Chau Shing Yim David is regarded as having a material interest in the Shareholder Loan Agreement and the transactions contemplated thereunder. Accordingly, Mr. Chau Shing Yim David has abstained from voting on the relevant board resolutions of the Company. Save as disclosed above, no other Directors had material interest in the Shareholder Loan Agreement and the transactions contemplated thereunder and no other Director has abstained from voting on the relevant board resolutions of the Company.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders have a material interest in the Acquisition and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder. The Company will not be required to convene a general meeting for approving the Sale and Purchase Agreement and the transactions contemplated thereunder as the Company has obtained written Shareholder's approval from the Company's Controlling Shareholder, in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. The Controlling Shareholder directly holds 6,479,500,000 Shares in the Company, representing approximately 74.99% of the issued Shares of the Company as at the date of this circular.

WAIVERS FROM STRICT COMPLIANCE WITH RULE 4.03 OF THE LISTING RULES

The Target Company is incorporated in the British Virgin Islands. As the sole asset of the Target Company is its 51% shares in NEVS, an accountant's report on NEVS Group for the three financial years ended 31 December 2018 (the "**NEVS Accountant's Report**") has also been included in Appendix III in this circular.

Pursuant to Rule 4.03 of the Listing Rules, the accountants' report which is to be included in this circular must be prepared by certified public accountants who are qualified under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong). Rule 4.03 of the Listing Rules also provides that, in the case of a circular issued by a listed issuer in connection with acquisition of an overseas company, the Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of accountants who is not so qualified but which is acceptable to the Stock Exchange. Such a firm must normally have an international name and reputation and be a member of a recognized body of accountants.

In this regard, the Company has applied for, and the Stock Exchange has granted on 11 March 2019, a waiver from strict compliance with Rule 4.03 of the Listing Rules such that EY Sweden, which is not registered under the Professional Accountants Ordinance, will prepare the NEVS Accountant's Report.

Although EY Sweden is not registered under the Professional Accountants Ordinance, it is a member of *Föreningen Auktoriserade Revisorer* (Association of Certified Public Accountants), which is the institute for the accountancy profession in Sweden and the body authorized by law to register and grant practising certificates to certified public accountants in Sweden. Föreningen Auktoriserade Revisorer (Association of Certified Public Accountants) is also a member of the International Federation of Accountants, whilst EY Sweden is also the member firm of the reputable international accounting practice of Ernst & Young.

EY Sweden has been the auditors to NEVS since 31 December 2012, with the financial statements of the NEVS Group for the two financial years ended 31 December 2016 and 2017 being audited by EY Sweden. Given that EY Sweden has prior knowledge about the financial statements, the businesses and operations of NEVS Group, the Directors consider that it will be more cost and time effective for NEVS to continue its engagement with EY Sweden, instead of a firm of professional accountants who are qualified under the Professional Accountants Ordinance but not familiar with the NEVS Group, to issue the NEVS Accountant's Report which is in conformity with the Hong Kong Financial Reporting Standards for inclusion in this circular.

RECOMMENDATION

The Directors consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole and would recommend the Shareholders to vote in favour of the resolutions to approve the Acquisition if it had been necessary to hold a general meeting for such purpose.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

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

1. CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for each of the six months ended 30 June 2018, the twelve months ended 31 December 2017, the twelve months ended 31 December 2016, and the eighteen months ended 31 December 2015 are disclosed in the following documents which have been published on the website of Stock Exchange (*http://www.hkexnews.hk/*) and the designated website of the Company (*http://www.irasia.com/listco/hk/evergrandehealth/*):

(a) annual report of the Company for the eighteen months ended 31 December 2015 published on 28 April 2016 (pages 40 to 101):

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428507.pdf;

(b) annual report of the Company for the twelve months ended 31 December 2016 published on 28 April 2017 (pages 52 to 119):

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0428/LTN20170428614.pdf;

(c) annual report of the Company for the twelve months ended 31 December 2017 published on 30 April 2018 (pages 56 to 125):

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0430/LTN20180430652.pdf; and

(d) interim report of the Company for the six months ended 30 June 2018 published on 26 September 2018 (pages 15 to 44):

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0926/LTN20180926335.pdf.

2. BORROWINGS

As at the close of business on 28 February 2019, being the most recent practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of RMB32,494,530,000, details of which are set out as follows:

	Secured	Unsecured but guaranteed	Unsecured and unguaranteed	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Borrowings				
Bank borrowings	2,933,400	40,000	200,000	3,173,400
Other borrowings	4,344,500	2,802,800	1,856,066	9,003,366
Shareholders' loan	—	—	20,069,907	20,069,907
Lease liabilities	—	156,418	91,439	247,857
Total	7,277,900	2,999,218	22,217,412	32,494,530

Financial guarantee

	RMB'000
	(Unaudited)
Mortgage facilities for certain purchases of properties	599,709

Note (a): As at the close of business on 28 February 2019, the Group had provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Group. The outstanding mortgage loans under these guarantees amounted approximately RMB599,709,000. 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 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 mortgage facilities were secured by aforesaid properties developed by certain subsidiaries of the Group.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 28 February 2019, the Enlarged Group did not have any material debt securities issued and outstanding, and authorised or otherwise created but issued, or terms or other borrowings or indebtedness in nature of borrowing of the Enlarged Group including bank overdrafts and, liabilities under acceptance or acceptance credits or hire purchase commitments or outstanding mortgages and charges or, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published annual results announcement of the Company were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Enlarged Group's internal resources, including cash flow from operations, existing borrowings, the Shareholder Loan, the present facilities available from financial institutions and the financial support of not less than RMB25 billion from China Evergrande Group, the Enlarged Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Outlook for Evergrande Elderly Care Valley

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

In 2019, the Group plans to expand its operations into over 50 livable wellness areas in the coming 3 years so as to provide services for Evergrande Health members. After the comprehensive implementation of Evergrande Elderly Care Valley, the Group will further expand the diversified elderly care services across China. Focusing on the Evergrande community in the country, the Group will cooperate with international advanced elderly care service institutions, integrate domestic and foreign elderly care resources regarding health care and rehabilitation, establish Evergrande Elderly Care Valley across China and set up an diversified elderly care product system including standardized elderly care apartments, day care centres and elderly homes.

The Group will integrate high quality domestic and foreign health management resources, introduce international advanced management, diagnosis and treatment services for chronic diseases and comprehensively enhance the new high-precision health management service system. In addition, the Group also plans to establish health preserving exhibition and experience centers in various cities in the country and facilitates a full implementation of all-aged healthcare services of Evergrande Elderly Care Valley. In the future, the Group will cooperate with financial, tourism, internet and other fields to recruit more members and provide health services for more people.

Outlook for Medical Service Business

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

It is planned that the trial operation of Sanya Evergrande Obstetrics and Gynaecology Hospital will commence in the second half of 2019, aiming to create "Best Childbirth Location for All Seasons" and "Most Beautiful Bay Resort Assisted Women's and Children's Hospital". The Group will continuously perfect the multi-level hierarchical medical system by uniting the Henghe medical platform, high-quality 3A hospitals and community hospitals across the country with the support from Evergrande International Hospital, and realize the one-stop services such as online medical service, two-way referral service and green channel. In relation to medications, the Group will proactively commence co-operations with domestic and foreign advanced medical research institutions and originator drug manufacturers, foster the clinical observation and research of international new drug and medical equipment, accelerate the conversion and marketing of the drugs and perfect the universal health product lines; building a pharmaceutical cluster that consolidates clinical research, marketing, distribution functions and covers drugs, vaccines, health products and medical equipment.

Outlook for New Energy Vehicle Segment

Through the introduction and development of world-leading new energy vehicle technologies, the entire industry chain layout of the Group can be enhanced. By leveraging its shareholders' resources and achieving industrial synergies, the Group strives to become an industry leader in the wave of rapid growth in the global new energy vehicle industry, thereby facilitating China in its transformation from a large automotive country into a powerful automotive country. The Group has completed the layout of the new energy vehicle industry chain, and aims to become one of the largest, most reputable and best quality new energy vehicle global brand names within three to five years. The new energy auto mobile base of the Group in Tianjin is scheduled to be fully operational in June 2019.

6. FINANCIAL EFFECT OF THE ACQUISITION

The financial effect of the Acquisition on the assets and liabilities of the Group is illustrated in the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV of the circular. According to the unaudited pro forma financial information of the Enlarged Group in Appendix IV of the circular, the total assets of the Group will increase from RMB22,183 million to RMB41,641 million, and its total liabilities will increase from RMB22,846 million to RMB39,666 million as a result of the completion of the Acquisition.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF MINI MINOR LIMITED TO THE DIRECTORS OF EVERGRANDE HEALTH INDUSTRY GROUP LIMITED

Introduction

We report on the historical financial information of Mini Minor Limited (the "Target Company") set out on pages II-4 to II-19, which comprises the balance sheet as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 27 July 2018 (the Target Company's date of incorporation) to 31 December 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-19 forms an integral part of this report, which has been prepared for inclusion in the circular of Evergrande Health Industry Group Limited (the "Company") dated 25 April 2019 (the "Circular") in connection with the acquisition of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The management accounts of the Target Company for the Track Record Period, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the management accounts of the Target Company that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 31 December 2018 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
25 April 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information is presented in Renminbi Yuan ("RMB") and all values are rounded to the nearest thousand RMB'000 except when otherwise indicated.

BALANCE SHEET

	Note	As at 31 December 2018 *RMB'000*
ASSETS		
Non-current asset		
Financial asset at fair value through profit or loss	*5*	7,546,839
Current asset		
Other receivable	*6*	350,023
Total assets		7,896,862
EQUITY		
Equity attributable to owners of the Target Company		
Share capital	*7*	—
Accumulated loss		(41,640)
Total deficit		(41,640)
LIABILITIES		
Current liabilities		
Borrowing	*8*	4,804,231
Other payables	*9*	3,134,271
Total current liability		7,938,502
Total deficit and liabilities		7,896,862

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period from 27 July 2018 to 31 December 2018 RMB'000
Operating loss		—
Finance costs	*10*	41,640
Loss before income tax		41,640
Income tax expense		—
Loss for the period		41,640
Other comprehensive income		—
Total comprehensive loss for the period		41,640

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 27 July 2018	—	—	—
Comprehensive loss			
Loss for the period	—	(41,640)	(41,640)
Total comprehensive loss	—	(41,640)	(41,640)
Balance at 31 December 2018	—	(41,640)	(41,640)

STATEMENT OF CASH FLOWS

	Note	Period from 27 July 2018 to 31 December 2018
		RMB'000
Cash flows from operating activities		—
Net cash outflows from operating activities	*11(a)*	—
Cash flows from investing activities		—
Cash flows from financing activities	*11(b)*	—
Increase/(decrease) in cash and cash equivalents		—
Cash and cash equivalents at the beginning of the period		—
Cash and cash equivalents at the end of the period		—

(a) Significant non-cash transactions

For the period from 27 July 2018 to 31 December 2018, the Target Company has drawn loans from a lender to settle the partial payment for the acquisition of National Electric Vehicle Sweden AB ("NEVS") and provide shareholder's loan to NEVS. The payments were directly paid by the lender under Target Company's instruction.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Mini Minor Limited (the "Target Company") is engaged in investment holding activities. The Target Company was incorporated in the British Virgin Islands (the "BVI") on 27 July 2018 as a limited liability company. The address of its registered office is P.O. Box 2221, Road Town, Tortola, BVI. The shareholder of the Target Company was Kerryman Holdings Limited ("Original Shareholder") at 31 December 2018. Evergrande Health Industry Group Limited through Solution King Investment Limited acquired 100% share of the Target Company on 15 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of historical financial information are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

(a) Going concern

As at 31 December 2018, the Target Company's current liabilities exceeds its current assets by an amount of RMB7,588,479,000. The net current liabilities during the Track Record Period was caused by the borrowings for the investing in NEVS. Evergrande Health Industry Group Limited has confirmed its intention to provide continuing financial support to the Target Company to meet its liabilities when they fall due and to carry on its business. The outstanding borrowings of RMB4,804 million as of 31 December 2018 were transferred to its Original Shareholder in January 2019. The Target Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(b) Basis of preparation

The Historical Financial Information of the Target Company has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New standards, amendments to existing standards and new interpretations have been issued but are not effective for the Track Record Period and have not been early adopted by the Target Company:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRSs 2015–2017 cycle	Improvements to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23.	1 January 2019
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKAS1 and HKAS8 (Amendment)	Definition of material	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statement of the Target Company is measured using the currency of the primary economic environment in which the Target Company operates (the "functional currency"). The financial statement is presented in Renminbi ("RMB"), which is the Target Company's presentation currency. The Target 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 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 statement of comprehensive income within "finance costs". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "administrative expenses".

The results and financial positions of the Target Company (none of which has the currency of a hyperinflationary economy) that has 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 Target Company are translated at the closing rate at the date of that balance sheet;

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

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

(d) Investments and other financial assets

(i) *Classification*

The Target Company classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

The Target Company 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 Target Company 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 Target Company has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

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

(a) *Debt instruments*

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

(b) *Equity investments*

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

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

(iv) ***Impairment***

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

For other receivables, the Target Company 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 Target Company or the counterparty.

(e) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

(f) 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.

(g) Other payables

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

(h) Borrowings

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

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

(i) 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 statement of comprehensive income in the period in which they are incurred.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Target Company'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 Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance.

The Target Company's major financial instruments include other receivables, 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 Target Company manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Foreign exchange risk*

The Target Company operates in Hong Kong and is exposed to foreign exchange risk arising from borrowings and other recognised assets and liabilities that are denominated in currency other than the functional currency of the Target Company. The expenses are denominated in functional currency. The Target Company 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. Since HK$ are pegged to US$, management considers the foreign exchange risk of US$ financial assets and liabilities to the Target Company is not significant.

(ii) *Interest rate risk*

The Target Company's interest rate risk arises from borrowings. Borrowings at variable rates expose the Target Company to cash flow interest rate risk. As at 31 December 2018, the Target Company has no floating rate borrowing to expose to interest rate risk.

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

(iii) *Credit risk*

The Target Company is exposed to credit risk in relation to its other receivables. The carrying amounts of other receivables represent the Target Company's maximum exposure to credit risk in relation to financial assets.

For other receivables, the management of the Target Company has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company 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 Target Company consider that the Target Company's credit risk is significantly reduced.

The Target Company has no credit risk, with exposure to only one counterparty (note 6).

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 Target Company's outstanding balance of other receivables.

Other receivables

Other financial assets at amortised cost include other receivables from NEVS. The Target Company has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

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

(iv) *Liquidity risk*

The Target Company meets its day-to-day working capital requirements through its capital injection and borrowings. The net current liability and net liabilities as at 31 December 2018 was caused by the borrowings for the purpose of investment in National Electric Vehicle Sweden AB ("NEVS") and the outstanding payable of acquisition consideration. The borrowings were transferred to its Original Shareholder in January 2019.

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including through internal funding resources and bank facilities to meet its working capital requirements.

With the aforementioned activities and plans and financial support from Evergrande Health Industry Group Limited, the directors of the Target Company considered the Target Company's liquidity risk has been controlled. The directors of the Target Company has reviewed the working capital forecast for the 12 months from 31 December 2018 and are of the opinion that the Target Company 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 balance sheet.

The Target Company therefore continues to adopt the going concern basis in preparing its financial statements.

The table below analyses the financial liabilities of the Target Company 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 of the financial liabilities.

	Less than 1 year
	RMB'000
At 31 December 2018	
Borrowing including accrued interests	5,227,547
Other payables	3,134,271
	8,361,818

(b) Capital risk management

The Target Company's objectives when managing capital are to safeguard the Target Company'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.

Consistent with others in the industry, the Target Company monitors capital on the basis of the gearing ratio. This ratio is calculated as the sum of borrowing divided by total assets.

The gearing ratios at 31 December 2018 was as follows:

	As at 31 December 2018
	RMB'000
Total borrowing	4,804,231
Total assets	7,896,862
Gearing ratio	60.8%

(c) Fair value estimation

(i) ***Fair value hierarchy***

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

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

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

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

(ii) ***Valuation techniques used to determine fair values***

Specific valuation techniques used to value financial instruments include:

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

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

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

	As at 31 December 2018 *RMB'000*
Unlisted shares	
Beginning balance	—
Additions	7,546,839
Closing balance	7,546,839

Valuation processes

The finance department of the Target Company 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 Target Company's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments included the unlisted share only and equal to the acquisition cost. As the investments in private companies are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Target Company in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate.

- That reflects current market assessments of the time value of money and the risk specific to the asset.

- Earnings growth factor for unlisted equity securities: these are estimated based on market information for similar types of companies.

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(a) Estimated fair value of financial asset at fair value through profit or loss

The Target Company assesses the fair value of its financial asset at fair value through profit or loss by reference to valuation performed by the independent and professional qualified valuer. Income approach is used for valuation of the fair value of financial asset at fair value through profit or loss and it is dependent on certain key assumptions that required significant management judgement. These include the operation projection, cost of capital. Detailed disclosure of the valuation of financial asset at fair value through profit or loss is made in note 3(c) and note 5.

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.

5 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2018 *RMB'000*
Unlisted shares	7,546,839

On 11 November 2018, the Target Company entered into a Share Sale and Purchase Agreement ("SPA") with National Modern Energy Holding Limited ("NMEH") in relation to the acquisition 51% equity interest of National Electric Vehicle Sweden AB ("NEVS") with a total consideration of US$1,100,000,000 (equivalent to RMB7,546,839,000). The Target Company has paid US$649,000,000 (equivalent to RMB4,451,536,000) up to 31 December 2018. The amount was directly paid by the lender under Target Company's instruction (see Significant non-cash transactions and Note 8).

The investment in NEVS has been accounted for as financial asset at fair value through profit or loss as at 31 December 2018, as the Target Company had no power to appoint directors to NEVS' board of directors and was not able to control NEVS' operation as of that date. On 15 January 2019, NEVS held an extraordinary general meeting and all shareholders approved the appointment and resignation of directors and the adoption of amended Article of Association. Consequently, the Target Company has been able to appoint directors to control the board of directors and the operation of NEVS since 15 January 2019.

(i) Valuation processes

The Company measures its financial assets at fair value. The fair value of the Company's financial assets has been determined based on valuation carried out by CBRE, 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 Company's interim and annual reporting dates.

(ii) Information about fair value measurements using significant unobservable inputs

Asset Category	**Fair value as at 31 December 2018** *RMB'000*	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
FVTPL	7,546,839	Discounted Cash Flow Method	Weighted Average Cost of Capital ("WACC")	17.20%
			Terminal Growth Rate	2.34%
			Free Cash Flows to Firm	

Relationship of unobservable inputs to fair value:

The higher WACC, the lower fair value;

The higher Terminal Growth Rate, the higher fair value;

The higher Free Cash Flows, the higher fair value.

6 OTHER RECEIVABLE

	As at 31 December 2018
	RMB'000
Other receivable	
— due from NEVS *(note 5 and (a))*	350,023

(a) On 28 November 2018, the Target Company and NMEH entered into a shareholder loan agreement and agreed that they should advance to NEVS a total amount of US$100,000,000 (equivalent to RMB685,211,000) in accordance with their respective shareholding proportion. Accordingly, the Target Company paid US$51,000,000 (equivalent to RMB350,023,000) to NEVS, which is expected to be repaid within 1 year. The amount was directly paid by the lender under Target Company's instruction (see Significant non-cash transactions and Note 8).

7 SHARE CAPITAL

	Number of shares	Amount
		RMB'000
Ordinary shares, issued:		
At 31 December 2018	300	—

The ordinary shares are wholly held by its holding company (the "Original Shareholder"). Ordinary share has a par value of US$1 (equivalent to RMB7). It entitles the holder to participate in dividends, and to share in the proceeds of winding up the Target Company in proportion to the number of and amounts paid on the shares held.

8 BORROWING

	As at 31 December 2018
	RMB'000
Other borrowing *(Note (a))*	
— Secured and guaranteed	4,804,231

(a) The Target Company entered into a facility agreement for US$920,000,000 (equivalent to RMB6,314,144,000) and drew down amount of US$700,000,000 (equivalent to RMB4,804,231,000), which bears an interest rate of 8% per annum, repayable within one year and was guaranteed by the Original Shareholder.

9 OTHER PAYABLES

	As at 31 December 2018
	RMB'000
Other payables:	
— payables for acquisition of NEVS *(note (a))*	3,095,303
— interest payables *(note (b))*	38,968
	3,134,271

(a) The consideration payable is for the acquisition of NEVS by the Target Company. The remaining consideration of US$451,000,000 (equivalent to RMB3,095,303,000) will be paid on or before 30 June 2019.

(b) Interest payables mainly arose from the Target Company's borrowing of US$700,000,000 bearing an interest rate of 8% per annum.

10 FINANCE COSTS

	Period from 27 July 2018 to 31 December 2018
	RMB'000
Finance costs	
— Interest expense on borrowings	38,968
— Net exchange loss on foreign currency borrowings	2,672
	41,640

11 CASH FLOW INFORMATION

(a) Cash used in operations

	Period from 27 July 2018 to 31 December 2018
	RMB'000
Loss before income tax	(41,640)
Adjustments for:	
Finance costs *(note 10)*	41,640
Operating profit before working capital changes	—

(b) Reconciliations of liabilities arising from financing activities

	Borrowings due within 1 year
	RMB'000
Total debt as at 27 July 2018	—
Additions from borrowing *(note 8)*	4,804,231
Total debt as at 31 December 2018	4,804,231

The Target Company instructed the lender to draw down the borrowing and paid to NMEH and NEVS on its behalf directly to settle the consideration (note 5) and shareholder loan (note 6).

12 RELATED PARTY TRANSACTION

No related party transaction occurred during the Track Record Period.

13 BENEFITS AND INTERESTS OF DIRECTORS

The directors of the Target Company didn't receive any emoluments, retirement benefits and termination benefits, during the Track Record Period.

No consideration was provided to third parties for making available directors' services.

There were no loans, quasi-loans and other dealings entered into by the Target Company in favour of the directors.

No significant transactions, arrangements and contracts in relation to the Target Company's business to which the Target Company was a party and in which a director of the Target Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

14 SUBSEQUENT EVENT

(a) On 12 January 2019, the Target Company, the Original Shareholder and the lender of the other borrowing entered into an agreement. Among the counterparties, agreed to transfer the payment obligation of the Target Company of the existing facility agreement (note 8) to Original Shareholder as shareholder contribution.

(b) On 15 January, NEVS held an extraordinary general meeting and all shareholders approved the appointment and resignation of directors and the adoption of amended Article of Association. As a result, the Target Company took over the control of board of directors and controlled NEVS operations thereafter. The following table summarises the consideration payable for acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Cash consideration *(note 5)*	7,546,839
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	4,664,641
Land use rights	531,485
Financial asset at fair value through profit or loss	64,954
Intangible assets	6,064,513
Inventories	22,717
Trade and other receivables	281,774
Prepayments	77,322
Restricted cash	16,039
Cash and bank balances	904,458
Trade and other payables	(1,233,384)
Shareholder loans	(2,039,258)
Borrowings	(2,884,290)
Deferred income tax liabilities	(1,531,828)
Total identifiable net assets	4,939,143
Non-controlling interest	(2,640,926)
Identifiable net assets acquired	2,298,217
Goodwill	5,248,622

15 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 31 December 2018.

The following is the text of a report set out on pages III-1 to III-70 received from the Company's reporting accountant, EY Sweden, for the purpose of incorporation in this circular.

25 April 2019

The Directors
National Electric Vehicle Sweden AB
Saabvägen 5
SE-461 38 Trollhättan
Sweden

and

The Directors
Evergrande Health Industry Group Limited
23rd Floor, China Evergrande Centre
38 Gloucester Road, Wanchai
Hong Kong

Dear Sirs,

We report on the historical financial information of National Electric Vehicle Sweden AB (the "NEVS") and its subsidiaries (together, the "NEVS Group") set out on pages III-4 to III-70, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the NEVS Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods") and the consolidated statements of financial position of the NEVS Group and the statements of financial position of NEVS as at 31 December 2016, 2017 and 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III-4 to III-70 forms an integral part of this report, which has been prepared for inclusion in the circular of Evergrande Health Industry Group Limited (the "Company") dated 25 April 2019 (the "Circular") in connection with the acquisition of 100% equity interests in Mini Minor Limited (the "Target Company") (the "Acquisition") by the Company. The only asset of the Target Company is its 51% shareholding in NEVS.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of NEVS are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the NEVS Group and NEVS as at 31 December 2016, 2017 and 2018 and of the financial performance and cash flows of the NEVS Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page III-4 have been made.

Dividends

We refer to note 28 to the Historical Financial Information which states that no dividends have been paid by NEVS in respect of the Relevant Periods.

Yours faithfully,

Certified Public Accountants
Sweden
25 April 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

The financial information of the NEVS Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young AB, Sweden in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Swedish Krona ("SEK") and all values are rounded to the nearest thousand (SEK'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Years ended 31 December		
	Notes	**2016**	**2017**	**2018**
		SEK'000	*SEK'000*	*SEK'000*
REVENUE	*5*	200,335	72,330	73,827
Cost of sales	*6*	(89,595)	(38,077)	(31,923)
Gross profit		110,740	34,253	41,904
Other income and gains	*5*	44,386	106,510	25,867
Research and development expenses		(147,769)	(148,424)	(152,333)
Administrative expenses		(550,693)	(604,624)	(649,380)
Other expenses		(302,434)	(257,271)	(135,596)
Share of loss of an associate		(75,361)	—	—
Finance costs	*8*	(71,777)	(126,706)	(345,057)
LOSS BEFORE TAX	*6*	(992,908)	(996,262)	(1,214,595)
Income tax	*11*	—	—	—
LOSS FOR THE YEAR		(992,908)	(996,262)	(1,214,595)
Attributable to:				
Owners of the parent		(944,330)	(890,110)	(1,134,501)
Non-controlling interests		(48,578)	(106,152)	(80,094)
		(992,908)	(996,262)	(1,214,595)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in SEK per share)				
Basic and diluted — for the year	*12*	SEK(258.33)	SEK(242.41)	SEK(309.72)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
LOSS FOR THE YEAR	(992,908)	(996,262)	(1,214,595)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations	49,344	(50,568)	61,911
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	49,344	(50,568)	61,911
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(943,564)	(1,046,830)	(1,152,684)
Attributable to:			
Owners of the parent	(893,443)	(935,038)	(1,084,464)
Non-controlling interests	(50,121)	(111,792)	(68,220)
	(943,564)	(1,046,830)	(1,152,684)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December **2016** *SEK'000*	**2017** *SEK'000*	**2018** *SEK'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	1,012,753	1,958,851	3,079,646
Intangible assets	*14*	1,498,226	2,349,378	3,662,467
Investment in an associate	*15*	415,876	—	—
Financial asset at fair value through profit or loss	*16*	—	—	85,311
Available-for-sale investment	*16*	—	85,311	—
Other non-current assets		3,487	937	464
Total non-current assets		2,930,342	4,394,477	6,827,888
CURRENT ASSETS				
Inventories	*17*	19,456	31,700	29,837
Trade receivables	*18*	57,833	10,607	21,939
Loans to related parties	*27(b)*	48,988	185,058	58,408
Prepayments, other receivables and other assets	*19*	163,776	229,217	390,826
Pledged deposits	*20*	21,124	21,065	21,065
Cash and cash equivalents	*20*	220,158	95,106	1,187,915
Total current assets		531,335	572,753	1,709,990
CURRENT LIABILITIES				
Trade payables	*21*	160,317	453,757	589,166
Other payables and accruals	*22*	161,574	777,225	588,384
Loans from related parties	*27(c)*	858,381	1,376,303	3,936,013
Interest-bearing bank and other borrowings	*23*	—	497,711	1,434,594
Provision	*25*	3,104	455	30
Total current liabilities		1,183,376	3,105,451	6,548,187
NET CURRENT LIABILITIES		(652,041)	(2,532,698)	(4,838,197)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,278,301	1,861,779	1,989,691
NON-CURRENT LIABILITIES				
Convertible bonds	*24*	—	207,961	—
Other payables and accruals	*22*	166,442	241,577	442,347
Loans from related parties	*27(c)*	—	75,407	—
Interest-bearing bank and other borrowings	*23*	—	—	1,095,981
Total non-current liabilities		166,442	524,947	1,538,328
Net assets		2,111,859	1,336,832	451,363

	Notes	As at 31 December 2016	2017	2018
		SEK'000	*SEK'000*	*SEK'000*
EQUITY				
Equity attributable to owners of the parent				
Issued capital	*26*	366,300	366,300	366,300
Other reserves		1,642,560	702,980	(483,422)
		2,008,860	1,069,280	(117,122)
Non-controlling interests	*28*	102,999	267,552	568,485
Total equity		2,111,859	1,336,832	451,363

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to the owners of the parent								
	Notes	Issued capital *SEK'000*	Not registered capital *SEK'000*	Other contributed capital *SEK'000*	Accumulated losses *SEK'000*	Other reserves *SEK'000*	Translation reserve of foreign companies *SEK'000*	Total capital attributable to the owners *SEK'000*	Non-controlling interest *SEK'000*	Total equity *SEK'000*
At 1 January 2016		347,985	18,315	4,828,354	(2,283,423)	—	(11,375)	2,899,856	154,615	3,054,471
Loss for the year		—	—	—	(944,330)	—	—	(944,330)	(48,578)	(992,908)
Other comprehensive loss for the year:										
Exchange differences related to foreign operations		—	—	—	(226)	—	51,113	50,887	(1,543)	49,344
Total comprehensive loss for the year		—	—	—	(944,556)	—	51,113	(893,443)	(50,121)	(943,564)
Issue of shares	26	18,315	(18,315)	—	—	—	—	—	—	—
Issue of warrants	26	—	—	—	—	952	—	952	—	952
Distribution by non-controlling shareholders		—	—	—	—	1,495	—	1,495	(1,495)	—
		18,315	(18,315)	—	—	2,447	—	2,447	(1,495)	952
At 31 December 2016 and 1 January 2017		366,300	—	4,828,354	(3,227,979)	2,447	39,738	2,008,860	102,999	2,111,859
Loss for the year		—	—	—	(890,110)	—	—	(890,110)	(106,152)	(996,262)
Other comprehensive loss for the year:										
Exchange differences related to foreign operations		—	—	—	—	—	(44,928)	(44,928)	(5,640)	(50,568)
Total comprehensive loss for the year		—	—	—	(890,110)	—	(44,928)	(935,038)	(111,792)	(1,046,830)
Cash contribution from non-controlling shareholders		—	—	—	—	—	—	—	271,803	271,803
Contribution by non-controlling shareholders		—	—	—	—	(4,542)	—	(4,542)	4,542	—
		—	—	—	—	(4,542)	—	(4,542)	276,345	271,803
At 31 December 2017 and 1 January 2018		366,300	—	4,828,354	(4,118,089)	(2,095)	(5,190)	1,069,280	267,552	1,336,832
Loss for the year		—	—	—	(1,134,501)	—	—	(1,134,501)	(80,094)	(1,214,595)
Other comprehensive loss for the year:										
Exchange differences related to foreign operations		—	—	—	—	—	50,037	50,037	11,874	61,911
Total comprehensive loss for the year		—	—	—	(1,134,501)	—	50,037	(1,084,464)	(68,220)	(1,152,684)
Cash contribution from non-controlling shareholders		—	—	—	—	—	—	—	1,248,560	1,248,560
Redemption of shares by non-controlling shareholders		—	—	—	—	(110,438)	8,500	(101,938)	(879,407)	(981,345)
		—	—	—	—	(110,438)	8,500	(101,938)	369,153	267,215
At 31 December 2018		366,300	—	4,828,354	(5,252,590)	(112,533)	53,347	(117,122)	568,485	451,363

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years ended 31 December		
	Notes	**2016**	**2017**	**2018**
		SEK'000	*SEK'000*	*SEK'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(992,908)	(996,262)	(1,214,595)
Adjustments:				
Finance costs	*8*	71,777	126,706	345,057
Share of loss of an associate	*6*	75,361	—	—
Interest income	*5*	(6,232)	(12,840)	(557)
(Gain)/loss on disposal of items of property, plant and equipment, net	*5, 6*	(745)	40,401	(2,050)
Depreciation	*6*	135,428	139,541	92,874
Impairment of property, plant and equipment	*6*	—	48,475	4,673
Amortisation of development cost	*6*	42,324	—	—
Amortisation of other intangible assets	*6*	15,890	16,952	24,655
		(659,105)	(637,027)	(749,944)
Decrease/(increase) in inventories		6,453	(12,244)	(4,537)
Increase in current assets		(117,534)	(24,249)	(177,940)
Increase/(decrease) in current liabilities		247,861	892,172	(53,431)
Other movements in working capital		70,275	(41,976)	9,613
Cash (used in)/generated from operations		(452,050)	176,676	(976,239)
Interest received		6,360	1,153	557
Interest paid		(1,525)	(29,456)	(96,746)
Net cash flows (used in)/from operating activities		(447,215)	148,373	(1,072,428)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(191,700)	(1,180,062)	(1,194,941)
Proceeds from disposal of items of property, plant and equipment		719	6,207	6,379
Additions to other intangible assets		(788,889)	(923,162)	(1,268,929)
Deemed partial disposal of an associate		(157,943)	—	—
Changes in other investments		882	2,549	474
Net cash flows used in investing activities		(1,136,931)	(2,094,468)	(2,457,017)

	Notes	Years ended 31 December 2016 SEK'000	2017 SEK'000	2018 SEK'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Contribution from non-controlling shareholders		—	271,803	1,248,560
Issue of warrants	26	952	—	—
Repayment of loans to related parties		—	—	132,757
Increase in loans from the related parties		469,254	793,135	2,521,986
Increase in interest-bearing bank and other borrowings		—	473,550	1,513,282
Increase in convertible bonds		—	205,250	—
Government grants		166,442	82,173	194,107
Redemption of shares by non-controlling shareholders		—	—	(981,345)
Net cash flows from financing activities	32	636,648	1,825,911	4,629,347
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(947,498)	(120,184)	1,099,902
Cash and cash equivalents at beginning of year		1,139,806	220,158	95,106
Effect of foreign exchange rate changes, net		27,850	(4,868)	(7,093)
CASH AND CASH EQUIVALENTS AT END OF YEAR		220,158	95,106	1,187,915
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	20	220,158	95,106	1,187,915
Cash and cash equivalents as stated in the statement of cash flows and the statement of financial position		220,158	95,106	1,187,915

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016 SEK'000	2017 SEK'000	2018 SEK'000
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	401,153	234,747	161,510
Intangible assets	*14*	287,802	274,605	262,740
Investments in subsidiaries		2,085,705	2,206,336	3,146,177
Investments in an associate	*15*	415,876	—	—
Financial asset at fair value through profit or loss	*16*	—	—	85,311
Available-for-sale investment	*16*	—	85,311	—
Loans to subsidiaries	*27(d)*	30,000	—	26,941
Other non-current assets		3,487	937	464
Total non-current assets		3,224,023	2,801,936	3,683,143
CURRENT ASSETS				
Inventories	*17*	19,456	31,518	25,292
Trade receivables	*18*	55,337	9,740	10,955
Loans to subsidiaries	*27(d)*	—	98,608	221,553
Loan to a related company	*27(d)*	48,863	46,798	48,375
Due from subsidiaries	*27(f)*	1,141,416	1,001,159	1,211,357
Prepayments, other receivables and other assets	*19*	88,109	40,816	42,868
Pledged deposits	*20*	21,124	21,065	21,065
Cash and cash equivalents	*20*	107,250	74,253	32,332
Total current assets		1,481,555	1,323,957	1,613,797
CURRENT LIABILITIES				
Trade payables	*21*	80,165	86,417	34,887
Loan from a subsidiary	*27(e)*	111,382	118,810	—
Loan from related parties	*27(c)*	858,381	757,131	2,678,362
Due to subsidiaries	*27(f)*	171,202	221,950	266,485
Other payables and accruals	*22*	117,867	111,415	108,281
Interest-bearing bank and other borrowings	*23*	—	30,000	458,746
Provisions	*25*	3,104	455	30
Total current liabilities		1,342,101	1,326,178	3,546,791
NET CURRENT ASSETS/ (LIABILITIES)		139,454	(2,221)	(1,932,994)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,363,477	2,799,715	1,750,149
Non-current liabilities				
Convertible bonds	*24*	—	207,961	—
Loan from related companies	*27(c)*	—	75,407	—
Interest-bearing bank and other borrowings	*23*	—	—	26,941
Total non-current liabilities		—	283,368	26,941
Net assets		3,363,477	2,516,347	1,723,208
EQUITY				
Equity attributable to owners of the parent				
Issued capital	*26*	366,300	366,300	366,300
Other reserves		2,997,177	2,150,047	1,356,908
Total equity		3,363,477	2,516,347	1,723,208

III. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

National Electric Vehicle Sweden AB (hereinafter the "NEVS" or "NEVS") was founded in April 2012. NEVS is a privately held limited company incorporated under Swedish law with register number 556889-7556. The registered office is located at Saabvägen 5, Trollhättan, Sweden.

During the Relevant Periods, the NEVS Group's main activities consist of design, engineering, manufacturing, marketing and distribution of vehicles under its own brand. The NEVS Group also provides technical services to other companies in the same industry.

In the opinion of the directors, the immediate holding company of NEVS is Mini Minor Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of NEVS is Kerryman Holdings Limited, which is incorporated in the British Virgin Islands. On 15 January 2019, Evergrande Health Industry Group Limited, which is incorporated in Hong Kong and the shares of which are listed on The Stock Exchange of Hong Kong Limited of Hong Kong, acquired 100% equity interests in Mini Minor Limited.

The percentage of ownership in NEVS are as follows as at 31 December 2018:

Mini Minor Limited	51%
National Modern Energy Holdings Ltd	49%

Information about NEVS and its subsidiaries

As at the end of the Relevant Periods, the particulars of NEVS and its direct and indirect interests in its subsidiaries, are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Indirect	Direct	Principal activities
NEVS *(note (a))*	Trollhättan, Sweden	SEK366,300,000	—	100	Design, engineering, manufacturing, marketing and distribution of vehicles under its own brand
Automobile Property AB *(note (a))*	Trollhättan, Sweden	SEK200,000	—	100	Property management of NEVS and its subsidiaries
Automobile Laboratory Sweden AB *(note (a))*	Trollhättan, Sweden	SEK50,000	—	100	Product testing of NEVS vehicles
Automotive Interior Parts Sweden AB *(note (a))*	Trollhättan, Sweden	SEK50,000	—	100	Manufacturing of NEVS vehicles
Automobile i Trollhättan nr 2 AB *(note (a))*	Trollhättan, Sweden	SEK50,000	—	100	Dormant company
Automobile i Trollhättan nr 3 AB *(note (a))*	Trollhättan, Sweden	SEK50,000	—	100	Dormant company

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Indirect	Direct	Principal activities
Automobile i Trollhättan nr 4 AB *(note (a))*	Trollhättan, Sweden	SEK50,000	—	100	Dormant company
Tianjin Guo Rui New Energy Technology Co. Ltd. *(note (b))*	Tianjin, People's Republic of China ("PRC")/ Mainland China	Renminbi ("RMB") 689,100,000	—	100	Investment holding
Tianjin Xinrui Leasing Ltd. *(note (c))*	Tianjin, PRC/ Mainland China	RMB0	—	100	Provision of vehicle leasing services
Tianjin GuoRui Vehicle Sales Ltd. *(note (c))*	Tianjin, PRC/ Mainland China	RMB50,000,000	—	100	Sale of vehicles products
Shanghai National New Energy Vehicle Ltd. *(note (c))*	Tianjin, PRC/ Mainland China	RMB975,000,000	—	80	Manufacturing of vehicles
National Vehicle Technology Development Co. Ltd. *(note (d))*	Tianjin, PRC/ Mainaldn China	RMB2,147,977,000	—	80	Research and development of products
National New Energy Vehicle Co. Ltd. *(note (e))*	Tianjin, PRC/ Mainland China	RMB2,400,000	—	80	Manufacturing of vehicles
Xingyun Chuxing *(note (c))*	Tianjin, PRC/ Mainland China	RMB0	—	80	Provision of vehicle technical services

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2016, 2017 and 2018 prepared under International Financial Reporting Standards ("IFRSs") were audited by Ernst & Young AB, Sweden.

(b) Tianjin Guo Rui New Energy Technology Co. Ltd. is registered under PRC law in 2017. No audited financial statements have been prepared for this entity from the date of incorporation to 31 December 2017, as the entity was not subject to any statutory audit requirements under relevant rules and regulation in its jurisdiction of incorporation. No audited financial statements have been prepared for this entity for the year ended 31 December 2018, as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(c) These entities are registered under PRC law in 2018. No audited financial statements have been prepared for these entities from the date of incorporation to 31 December 2018, as these entities were not subject to any statutory audit requirements under relevant rules and regulation in its jurisdiction of incorporation.

(d) National Vehicle Technology Development Co. Ltd. is registered under PRC Law. The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP.

(e) National New Energy Vehicle Co. Ltd is registered under PRC Law. The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). Except for IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers and Amendments* to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*, all IFRSs effective for the accounting period commencing from 1 January 2018, together with relevant transitional provisions, have been early adopted by the NEVS Group in preparation of the Historical Financial Information throughout the Relevant Periods.

The NEVS Group incurred a net loss of SEK1,214,595 for the year ended 31 December 2018 and, as at that date, the NEVS Group's current liabilities exceeded its current assets by SEK 4,838,197,000. Taking into account the available financial support from the new shareholder, Evergrande Health Industry Group Limited, in December 2018 and January 2019, NEVS considers the NEVS Group has adequate resources to meet its liabilities, commitments and funding requirements as and when they fall due within one year from the end of the Relevant Periods. Accordingly, NEVS continues to adopt the going concern basis in preparing the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are represented in SEK and all values are rounded to the nearest thousand except when otherwise indicated.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The NEVS Group has applied IFRS 9, which is effective for annual periods beginning on or after 1 January 2018. The NEVS Group has not restated the financial information from 1 January 2016 to 31 December 2017 which is reported under International Accounting Standard 39 ("IAS 39"). As a result of the adoption of IFRS 9, an available-for-sale investment was reclassified to financial asset at fair value through profit or loss and there are no other adjustments required due to the adoption of IFRS 9. Except otherwise specified, the management of the NEVS Group are of the opinion that the differences arising from the adoption of IFRS 9 is considered immaterial.

IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The NEVS Group has applied IFRS 15, which is effective for annual periods beginning on or after 1 January 2018, using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The NEVS Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The NEVS Group has not restated the financial information from 1 January 2016 to 31 December 2017 which is reported under IAS 18 and is not comparable to the information presented for 2018. There are no adjustments required due to the adoption of IFRS 15.

Basis of consolidation

The Historical Financial Information includes the financial information of NEVS and its subsidiaries (collectively referred to as the "NEVS Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by NEVS. Control is achieved when the NEVS Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the NEVS Group the current ability to direct the relevant activities of the investee).

When NEVS has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the NEVS Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the NEVS Group's voting rights and potential voting rights.

The financial information of the subsidiaries are prepared for the same reporting period as NEVS, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the NEVS Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the NEVS Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the NEVS Group are eliminated in full on consolidation.

The NEVS Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the NEVS Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The NEVS Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the NEVS Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The NEVS Group has not applied the following new and revised IFRSs and IFRIC interpretation, that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interest in Associate and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvement 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the NEVS Group is as follows:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied and the lessee elects to apply that model to the right-of-use asset. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The NEVS Group will adopt IFRS 16 from 1 January 2019. The NEVS Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 January 2019 and will not restate the comparatives.

In addition, the NEVS Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the NEVS Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The NEVS Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as at the date of initial application. During 2018, the NEVS Group has performed a detailed assessment on the impact of adoption of IFRS 16. The NEVS Group has estimated that right-of-use assets and lease liabilities of SEK40 million will be recognised at 1 January 2019.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial information. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The NEVS Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the NEVS Group's financial information.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The NEVS Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the NEVS Group's financial information.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

An associate is an entity where the NEVS Group has significant but not determining influence in NEVS, which generally applies to shareholdings between 20% and 50% of the votes. Holdings in associate are reported in accordance with the equity method and initially valued at cost. The NEVS Group's reported value of holdings in an associate includes goodwill (net after any accumulated write-downs) identified during the acquisition. The NEVS Group's share of the result that has incurred in the associates after the acquisition is reported in the profit for the period. Accumulated changes after the acquisition are reported as a change in the carrying amount of the holding. When the NEVS Group's share in an associate's losses amounts to or exceeds its holdings in the associate, including any non-collateralised claims, the NEVS Group does not report additional losses unless the NEVS Group has incurred obligations or made payments on behalf of the associate.

Foreign currencies

The NEVS Group's Historical Financial Information is presented in SEK, which is also NEVS's functional currency. For each entity the NEVS Group determines the functional currency and items included in the financial information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the NEVS Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the NEVS Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the NEVS Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than SEK. As at the end of the reporting period, the assets and liabilities of these entities are translated into SEK at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into SEK at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into SEK at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into SEK at the weighted average exchange rates for the year.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the NEVS Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the NEVS Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) *Sale of vehicle components/parts*

Revenue from the sale of vehicle components/parts is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the vehicle components/parts.

(b) *Technical services*

The NEVS Group provides technical services that are either sold separately or bundled together with the sale of vehicles components/parts to a customer. The technical services can be obtained from other providers and do not significantly customise or modify the vehicles.

Contracts for bundled sales of vehicle components/parts and technical services are comprised of two performance obligations because the promises to transfer the vehicle components/parts and provide technical services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the vehicle components/parts and technical services.

Revenue from technical services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the NEVS Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 January 2018)

(a) *Sale of goods*: Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods;

(b) *Rendering of services*: Revenue from services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered;

(c) *Interest income*: For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate ("EIR"). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement;

(d) *Dividends*: Revenue is recognised when the NEVS Group's right to receive the payment is established, which is generally when shareholders approve the dividend; and

(e) *Rental income*: Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the NEVS Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except in cases when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority, or different taxable entities where there is an intention to settle the amounts by net payments.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the NEVS Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (note 3).

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

No depreciation is accounted for on land. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 25 to 40 years
- Plant and equipment 3 to 15 years

NEVS Group applies component depreciation for property, plant and equipment. As a result tangible fixed assets containing several components whose periods of useful life differs from each other and the acquisition value is substantial in relation to the total cost of acquisition, is depreciated separately.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

NEVS Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the NEVS Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the NEVS Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

At the date of closing all leases were operating leases.

NEVS Group as a lessor

Leases in which the NEVS Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

At the date of closing all leases in the NEVS Group were operating leases.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the NEVS Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset 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 ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Technology

The NEVS Group has acquired technology significant for the manufacturing and the future development of specific products. Amortisation of the asset begins when the manufacturing of the product starts. The asset is amortised over the period of the expected future benefit. The asset is tested for impairment annually.

Patents and licenses

The NEVS Group has acquired a number of patents. The main values in these patents are related to present or future products and are amortised over the period of expected future benefits.

Prepaid land lease premium

As land cannot be bought and owned in Mainland China and can only be obtained by acquiring land holding rights for 50 years or less, expenses for the acquisition of land holding rights are reported as an intangible asset.

A summary of the policies applied to the NEVS Group's intangible assets is as follows:

	Prepaid land lease premium	**Licenses**	**Technology**	**Patents**	**Capitalised development**
Useful life	Finite	Finite	Finite	Finite	Finite
Amortisation method	Straight line over the period of land holding rights	Straight line over the period of the license	Straight line over the period of expected future sales	Straight line over the period of the patent	Straight line over the period of expected future sales
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Internally generated

Financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the NEVS Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the NEVS Group has applied the practical expedient of not adjusting the effect of a significant financing component, the NEVS Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the NEVS Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The NEVS Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the NEVS Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the NEVS Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)".

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The NEVS Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the NEVS Group is unable to trade these financial assets due to inactive markets, the NEVS Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in the statement of profit or loss.

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the NEVS Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the NEVS Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the NEVS Group has transferred substantially all the risks and rewards of the asset, or (b) the NEVS Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the NEVS Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the NEVS Group continues to recognise the transferred asset to the extent of the NEVS Group's continuing involvement. In that case, the NEVS Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the NEVS Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the NEVS Group could be required to repay.

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the NEVS Group applies the practical expedient of not adjusting the effect of a significant financing component, the NEVS Group applies the simplified approach in calculating expected credit loss ("ECLs"). Under the simplified approach, the NEVS Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The NEVS Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the NEVS Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

The NEVS Group considers a financial asset in default when contractual payments are 90 days past due.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The NEVS Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the NEVS Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The NEVS Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The NEVS Group's financial liabilities include trade and other payables, and loans, included in other liabilities reported at amortised cost.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at accrued cost.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: Purchase cost on a first in, first out basis
- Finished goods and work in progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income, in respect of the purchases of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

The NEVS Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the NEVS Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The NEVS Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the NEVS Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding financial assets and goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the NEVS Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Employee benefits

Employee benefits relate to all categories of remuneration the NEVS Group provides to employees. The NEVS Group's remuneration includes salaries, paid leave, paid absence, bonus and remuneration after termination of employment (pensions). Accounting is in the period of earning. Cost for employees after termination of employment refers to defined contribution pension plans. Plans classified as defined contribution plans are plans where NEVS pays determined fees and where there are either no legal or informal obligations to pay anything further in excess of these fees. Only defined contribution pension plans exists in the NEVS Group. Expenditure on defined contribution plans is reported as an expense during the period the employees perform the services underlying the obligation. Provisions for termination are made when employment is terminated prior to normal retirement or when an employee accept resignation from employment in exchange for such benefits.

The NEVS Group reports severance pay when there is an obligation to terminate employees according to a formal plan without the possibility of revocation.

Provisions

Provisions are recognised when the NEVS Group has a legal or informal obligation following a previous event and where the probability of a future out flow of resources is more probable than the opposite, and where there is a possibility to make a reliable calculation of the amount.

Government grants

In case of government grants are related to items reported as costs in the statement of profit or loss the received government grants are reported as reduction of those costs in the period where the original costs are recognised. When government grants are related to assets reported as fixed assets the government grants are recorded as deferred income and released as a reduction of cost in the statement of profit or loss over the period of useful life of the asset.

Related parties

A party is considered to be related to the NEVS Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the NEVS Group;

(ii) has significant influence over the NEVS Group; or

(iii) is a member of the key management personnel of the NEVS Group or of a parent of the NEVS Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the NEVS Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the NEVS Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the NEVS Group or an entity related to the NEVS Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the NEVS Group or to the parent of the NEVS Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the NEVS Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the NEVS Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Tax assets

As the parent company has historically had several consecutive years of tax deficits, and because the current business plan does not show a taxable profit for entities within the NEVS Group against which the historic deficits can be offset in the years ahead, NEVS has not recognised the existing tax deficit as a deferred tax asset.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The NEVS Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.3 under Section III of this report. Determining whether a project meets the criteria for capitalisation requires management to make assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Further details of the best estimate of the carrying amount of capitalised development costs are given in note 14 under Section III of this report.

NEVS's management determines the estimated useful lives of its deferred development costs for calculation of amortisation. This estimate is determined after considering the expected period in which economic benefits can be generated from the development projects/products to which the deferred development costs related. Management reviews the estimated useful lives on an annual basis and future amortisation charges are adjusted where management believes the useful lives differ from previous estimates. Further details are given in note 2.3 under Section III of this report.

4. OPERATING SEGMENT INFORMATION

The NEVS Group currently operates in one operating segment — the design, engineering, manufacturing, marketing and distribution of vehicles under its own brand.

Geographical information

(a) ***Revenue from external customers***

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Sweden	44,154	42,887	64,143
Mainland China	16,367	16,214	—
Germany	—	—	9,632
Turkey	131,538	11,282	—
Other markets	8,276	1,947	52
	200,335	72,330	73,827

The revenue information above is based on the locations of the customers and provision of services.

(b) ***Non-current assets***

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Sweden	1,085,278	858,870	734,623
Mainland China	1,425,701	3,449,359	6,007,490
	2,510,979	4,308,229	6,742,113

The non-current asset information above is based on the locations of the assets and excludes financial instruments and other non-current assets.

Information about major customers

For the years ended 31 December 2016, revenue of approximately SEK92,190,000 was derived from sales to a single third party customer in Turkey and revenue of approximately SEK21,914,000 was derived from sales to a single third party customer in Sweden. For the years ended 31 December 2017 and 2018, no revenues were derived from a single third party customer that amounted to 10% or more of the NEVS Group's revenues.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Revenue from contracts with customers			
Sale of goods	1,370	5,969	1,678
Rendering of services	198,965	66,361	72,149
	200,335	72,330	73,827

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the year ended 31 December 2018

	Sale of vehicle components/ parts	**Technical services**	**Total**
	SEK'000	*SEK'000*	*SEK'000*
Type of goods or services			
Sale of goods	1,678	—	1,678
Rendering of services	—	72,149	72,149
Total revenue from contracts with customers	1,678	72,149	73,827
Geographical markets			
Sweden	1,628	62,515	64,143
Germany	—	9,632	9,632
Other markets	50	2	52
Total revenue from contracts with customers	1,678	72,149	73,827
Timing of revenue recognition			
Goods transferred at a point in time	1,678	—	1,678
Services transferred over time	—	72,149	72,149
Total revenue from contracts with customers	1,678	72,149	73,827

(ii) ***Performance obligations***

Information about the NEVS Group's performance obligations is summarised below:

Sale of vehicle components/parts

The performance obligation is satisfied upon delivery of the vehicle components/parts and payment is generally due within 30 to 90 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Technical services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of service.

There is no transaction prices allocated to the remaining performance obligations as all performance obligations have been satisfied as at 31 December 2018.

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Other income and gains			
Gain on disposal of items of property, plant and equipment	745	2,076	2,050
Foreign exchange gain	36,821	86,820	21,809
State subsidies*	—	1,708	1,311
Interest income	6,232	1,152	557
Interest income on loans to related parties *(note 29)*	—	11,688	—
Others	588	3,066	140
	44,386	106,510	25,867

* During the year ended 31 December 2017 and 2018, general government subsidies of SEK1,708,000 and SEK1,311,000 were granted by the state government of Tianjin, PRC.

6. LOSS BEFORE TAX

The NEVS Group's loss before tax is arrived at after charging/(crediting):

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Cost of sales: *(notes (a), (b), (c))*			
Cost of inventories sold	—	225	6,281
Cost of services provided	89,595	37,852	25,642
Depreciation of property, plant and equipment	135,428	139,541	92,874
Loss on disposal of property, plant and equipment	—	42,477	—
Impairment of property, plant and equipment *(note 13)*	—	48,475	4,673
Amortisation of patents and licences	15,890	16,952	24,655
Research and development costs:			
Deferred expenditure amortised	42,324	—	—
Current year expenditure *(note (d))*	105,445	148,424	152,333
Minimum lease payments under operating leases	16,628	17,764	19,293
Auditor's remuneration	2,117	2,765	2,558
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 7)*):			
Wages and salaries	337,258	457,717	299,778
Pension scheme contributions (defined contribution scheme)	28,386	38,611	17,637
Less: Amount capitalised	(154,344)	(267,201)	(194,333)
Share of loss of an associate	75,361	—	—
Foreign exchange differences, net	4,456	(85,481)	58,836
Impairment of financial and contract assets:			
Impairment of trade receivables *(note 19)*	56	—	—

Notes:

(a) Costs of sales include employee benefit expenses of SEK14,999,000, SEK34,729,000 and SEK216,757,000 for the years ended 31 December 2016, 2017 and 2018, respectively (note 7).

(b) Costs of sales include depreciation of SEK100,000 for the years ended 31 December 2018 (note 13).

(c) Costs of sales include amortisation of intangible assets of SEK8,218,000 for the years ended 31 December 2018 (note 14).

(d) Research and development expenses include employee benefit expenses of SEK92,068,000, SEK113,508,000 and SEK172,003,000 for the years ended 31 December 2016, 2017 and 2018, respectively (Note 7).

7. EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION)

	Years ended 31 December		
	2016	2017	2018
	SEK'000	*SEK'000*	*SEK'000*
Wages, salaries and other employee benefits			
— Included in cost of sales	13,654	31,603	194,857
— Included in research and development expenses	83,782	105,369	159,242
— Included in administrative expenses	102,478	166,865	240,494
— Included in capitalised development expenditure	140,502	243,153	—
— Included in other operating expenses	94,278	47,699	59,284
Less: amount capitalised	(140,502)	(243,153)	(174,698)
	294,192	351,536	479,179
Pension schemes contributions:			
(Defined contribution schemes)			
— Included in cost of sales	1,345	3,126	21,900
— Included in research and development expenses	8,286	8,139	12,761
— Included in administrative expenses	8,352	12,081	12,615
— Included in capitalised development expenditure	13,842	24,048	—
— Included in other operating expenses	6,192	2,482	5,022
Less: amount capitalised	(13,842)	(24,048)	(19,635)
	24,175	25,828	32,663
	318,367	377,364	511,842

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Years ended 31 December		
	2016	2017	2018
	SEK'000	*SEK'000*	*SEK'000*
Interest expenses on bank loans and other loans	24	26,309	114,733
Interest expenses on loans from related parties *(note 27)*	16,274	95,614	145,370
Interest on convertible bonds	—	2,174	—
Foreign exchange losses	41,277	1,339	80,645
Other financial expenses*	14,202	1,270	4,309
	71,777	126,706	345,057

* Other financial expenses represent the expenses require to obtain the financing or financial guarantee.

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

Directors', Chief Executive Officer's and Vice Chairman's remuneration is as follows:

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Fees	370	300	300
Other emoluments:			
Salaries, allowances and benefits in kind	7,571	6,403	4,508
Pension scheme contributions	2,688	2,894	1,981
Social security costs	2,877	2,012	1,417
	13,506	11,609	8,206

There was no arrangement under which a director or the chief executive officer waived or agreed to waive any remuneration during the Relevant Periods.

Due to The General Data Protection Regulation of European Union, the remuneration of each of the directors of NEVS for the Relevant Periods cannot be disclosed.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016 and 2017 included the Chief Executive Officer and Vice Chairman. The five highest paid employees during the year ended 31 December 2018 included the Chief Executive Officer. Details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining 3 highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2016 and 2017 and the remaining 4 highest paid employees who are neither a director nor chief executive of the Company for the year ended 31 December 2018 are as follows:

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Salaries, allowances and benefits in kind	5,010	6,392	9,144
Pension scheme contributions	1,442	1,944	1,643
Social security costs	1,574	2,008	1,760
	8,026	10,344	12,547

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees Years ended 31 December		
	2016	**2017**	**2018**
Nil to SEK870,000	—	—	—
SEK870,001 to SEK1,305,000	—	—	—
SEK1,305,001 to SEK1,740,000	—	—	—
SEK1,740,001 and above	3	3	4
	3	3	4

11. INCOME TAX

No provision for Sweden profits tax has been made as NEVS did not generate any assessable profits arising in Sweden during the Relevant Periods.

A reconciliation of the tax credit applicable to loss before tax at the Sweden statutory tax rate to the tax amount at NEVS's effective tax rate is as follows:

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Loss before tax	(992,908)	(996,262)	(1,214,595)
Tax credit at the Sweden statutory tax rate of 22%	218,440	219,177	267,211
Income not subject to tax	48,722	22	21
Expenses not deductible for tax	(5,324)	(24,968)	(47,545)
Tax losses not recognised	(261,838)	(194,231)	(219,687)
Tax amount at NEVS's effective tax rate	—	—	—

NEVS had accumulated tax losses arising in Sweden of SEK1,343,094,000, SEK1,859,339,000 and SEK2,515,572,000 on 31 December 2016, 2017 and 2018. According to Swedish law, tax losses are not limited in time. The NEVS Group had tax losses arising in Mainland China of SEK99,617,000, SEK293,083,000 and SEK604,244,000 on 31 December 2016, 2017 and 2018. According to PRC law, tax losses can be deducted from profits over the ensuing five years. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future taxable profit and it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

There was no significant unprovided deferred tax charge in respect of the year and as at the end of the reporting period.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of NEVS and the weighted average number of ordinary shares in issue during the Relevant Periods.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods in respect of a dilution as the impact of the warrants and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic loss per share are based on:

	Years ended 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Loss			
Loss attributable to ordinary equity holders of the parent	(944,330)	(890,110)	(1,134,501)
Interest on convertible bonds	—	2,174	—
Loss attributable to ordinary equity holders of the parent before interest on convertible bonds	(944,330)	(887,936)	(1,134,501)

	Number of shares		
	Years ended 31 December		
	2016	**2017**	**2018**
	Ordinary shares	**Ordinary shares**	**Ordinary shares**
	'000	*'000*	*'000*
Shares			
Weighted average number of ordinary shares in issue during the Relevant Periods used in basic loss per share calculation	3,655	3,663	3,663
Effect of dilution — weight average number of ordinary shares:			
Warrants	3,697	3,697	3,697
Convertible bonds	—	—	12
	3,655*	3,663*	3,663*

* Because the diluted loss per share amount is decreased when taking convertible bonds and warrants into account, the convertible bonds and warrants had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss attributable to owners of ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	**Plant and machinery**	**Total**
	SEK'000	*SEK'000*	*SEK'000*
NEVS Group			
31 December 2016			
At 1 January 2016:			
Cost	627,299	831,160	1,458,459
Accumulated depreciation	(177,628)	(232,170)	(409,798)
Net carrying amount	449,671	598,990	1,048,661
At 1 January 2016, net of accumulated depreciation	449,671	598,990	1,048,661
Additions	103,024	88,676	191,700
Disposals	—	(106,764)	(106,764)
Depreciation provided during the year	(45,811)	(89,617)	(135,428)
Exchange realignment	814	13,770	14,584
At 31 December 2016, net of accumulated depreciation	507,698	505,055	1,012,753
At 31 December 2016:			
Cost	731,137	798,402	1,529,539
Accumulated depreciation	(223,439)	(293,347)	(516,786)
Net carrying amount	507,698	505,055	1,012,753

	Freehold land and buildings *SEK'000*	Plant and machinery *SEK'000*	Total *SEK'000*
31 December 2017			
At 31 December 2016 and 1 January 2017, net of accumulated depreciation	507,698	505,055	1,012,753
Additions	786,690	393,372	1,180,062
Disposals	—	(24,744)	(24,744)
Depreciation provided during the year	(44,797)	(94,744)	(139,541)
Transfer*	172	(172)	—
Impairment**	—	(48,475)	(48,475)
Exchange realignment	(2,953)	(18,251)	(21,204)
At 31 December 2017, net of accumulated depreciation	1,246,810	712,041	1,958,851
At 31 December 2017:			
Cost	1,515,046	1,104,165	2,619,211
Accumulated depreciation	(268,236)	(392,124)	(660,360)
Net carrying amount	1,246,810	712,041	1,958,851

* Plant and machinery of SEK172,000 was transferred from freehold land and buildings during the year ended 31 December 2017.

** Plant and machinery of SEK48,475,000 was written off during the year ended 31 December 2017 because the tools would not be used in production lines in the future. The recoverable amount was SEK0 which is its fair value less costs of disposal (Level 3).

	Freehold land and buildings *SEK'000*	Plant and machinery *SEK'000*	Total *SEK'000*
31 December 2018			
At 31 December 2017 and 1 January 2018, net of accumulated depreciation	1,246,810	712,041	1,958,851
Additions	596,358	598,584	1,194,940
Disposals	—	(27,090)	(27,090)
Depreciation provided during the year	(41,540)	(51,434)	(92,974)
Impairment***	—	(4,673)	(4,673)
Exchange realignment	25,539	25,053	50,592
At 31 December 2018, net of accumulated depreciation	1,827,167	1,252,481	3,079,646
At 31 December 2018:			
Cost	2,136,943	1,679,687	3,816,628
Accumulated depreciation	(309,776)	(427,206)	(736,982)
Net carrying amount	1,827,167	1,252,481	3,079,646

*** Plant and machinery of SEK4,673,000 was written off during the year ended 31 December 2017 because the tools would not be used in production lines in the future. The recoverable amount was SEK0 which is its fair value less costs of disposal (Level 3).

	Years ended 31 December		
	2016	2017	2018
	SEK'000	*SEK'000*	*SEK'000*
NEVS			
Plant and machinery			
At 1 January, net of accumulated depreciation	598,427	401,153	234,747
Additions	25,680	10,533	3,247
Disposals	(137,537)	(54,167)	(25,852)
Depreciation provided during the year	(85,417)	(74,297)	(47,609)
Impairment	—	(48,475)	(3,023)
At 31 December, net of accumulated depreciation	401,153	234,747	161,510
At 31 December:			
Cost	678,155	610,579	566,932
Accumulated depreciation	(277,002)	(375,832)	(405,422)
Net carrying amount	401,153	234,747	161,510

14. INTANGIBLE ASSETS

	Deferred development cost *SEK'000*	Technology *SEK'000*	Trademarks, patents and licences *SEK'000*	Prepaid land lease premium *SEK'000*	Other intangible assets *SEK'000*	Total *SEK'000*
NEVS Group						
31 December 2016						
At 1 January 2016:						
Cost	516,008	340,000	286,747	—	—	1,142,755
Accumulated amortisation	(105,187)	(41,667)	(256,667)	—	—	(403,521)
Net carrying amount	410,821	298,333	30,080	—	—	739,234
Cost at 1 January 2016, net of accumulated amortisation	410,821	298,333	30,080	—	—	739,234
Additions	685,061	—	—	103,828	—	788,889
Amortisation provided during the year	(42,324)	(11,864)	(2,000)	(2,026)	—	(58,214)
Transfer*	26,747	—	(26,747)	—	—	—
Exchange realignment	28,363	—	—	(46)	—	28,317
At 31 December 2016	1,108,668	286,469	1,333	101,756	—	1,498,226
At 31 December 2016:						
Cost	1,256,475	340,000	260,000	103,828	—	1,960,303
Accumulated amortisation	(147,807)	(53,531)	(258,667)	(2,072)	—	(462,077)
Net carrying amount	1,108,668	286,469	1,333	101,756	—	1,498,226
31 December 2017						
Cost at 31 December 2016 and 1 January 2017, net of accumulated amortisation	1,108,668	286,469	1,333	101,756	—	1,498,226
Additions	824,152	—	—	108,644	2,978	935,774
Amortisation provided during the year	—	(11,864)	(1,333)	(2,568)	(1,187)	(16,952)
Transfers**	(11,814)	—	—	—	11,814	—
Exchange realignment	(63,652)	—	—	(4,050)	32	(67,670)
At 31 December 2017	1,857,354	274,605	—	203,782	13,637	2,349,378
At 31 December 2017:						
Cost	1,991,795	340,000	210,000	208,340	14,986	2,765,121
Accumulated amortisation	(134,441)	(65,395)	(210,000)	(4,558)	(1,349)	(415,743)
Net carrying amount	1,857,354	274,605	—	203,782	13,637	2,349,378
31 December 2018						
Cost at 31 December 2017 and 1 January 2018, net of accumulated amortisation	1,857,354	274,605	—	203,782	13,637	2,349,378
Additions	612,169	—	—	508,017	148,744	1,268,930
Amortisation provided during the year	—	(11,864)	—	(16,719)	(4,290)	(32,873)
Disposal	—	—	—	—	(3,022)	(3,022)
Exchange realignment	77,742	—	—	2,973	(661)	80,054
At 31 December 2018	2,547,265	262,741	—	698,053	154,408	3,622,467
At 31 December 2018:						
Cost	2,681,706	340,000	210,000	719,351	160,059	4,111,116
Accumulated amortisation	(134,441)	(77,259)	(210,000)	(21,298)	(5,651)	(448,649)
Net carrying amount	2,547,265	262,741	—	698,053	154,408	3,662,467

* Deferred development costs of SEK26,747,000 was transferred from trademarks, patents and licences during the year ended 31 December 2016.

** Other intangible assets of SEK11,814,000 was transferred from deferred development cost during the year ended 31 December 2017.

	Deferred development cost *SEK'000*	Technology *SEK'000*	Trademarks, patents and licences *SEK'000*	Total *SEK'000*
NEVS				
31 December 2016				
Cost at 1 January 2016, net of accumulated amortisation	381,755	298,333	3,333	683,421
Amortisation provided during the year	(29,253)	(11,864)	(2,000)	(43,117)
Disposal	(352,502)	—	—	(352,502)
At 31 December 2016	—	286,469	1,333	287,802
At 31 December 2016:				
Cost	—	340,000	260,000	600,000
Accumulated amortisation	—	(53,531)	(258,667)	(312,198)
Net carrying amount	—	286,469	1,333	287,802
31 December 2017				
Cost at 1 January 2017, net of accumulated amortisation	—	286.469	1,333	287,802
Amortisation provided during the year	—	(11,864)	(1,333)	(13,197)
At 31 December 2017	—	274,605	—	274,605
At 31 December 2017:				
Cost	—	340,000	210,000	550,000
Accumulated amortisation	—	(65,395)	(210,000)	(275,395)
Net carrying amount	—	274,605	—	274,605
31 December 2018				
Cost at 1 January 2018, net of accumulated amortisation	—	274,605	—	274,605
Amortisation provided during the year	—	(11,865)	—	(11,865)
At 31 December 2018	—	262,740	—	262,740
At 31 December 2018:				
Cost	—	340,000	210,000	550,000
Accumulated amortisation	—	(77,260)	(210,000)	(287,260)
Net carrying amount	—	262,740	—	262,740

15. INVESTMENTS IN AN ASSOCIATE

NEVS and NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Beginning of the year	—	415,876	—
Acquisition of shares	491,237		
Share of loss	(75,361)	—	—
Deemed disposal*	—	(415,876)	—
	415,876	—	—

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the NEVS Group	Principal activity
Fujian New Long Ma Motor Co. Ltd.	Ordinary shares	Fujian, PRC	50	Manufacturing of vehicle

The NEVS Group's shareholdings in the associate all comprise equity shares held by NEVS.

* During the year ended 31 December 2017, NEVS has agreed with the other shareholders to return the capital of the associate, Fujian New LongMa Motor Co. Ltd. Consequently, the percentage of ownership interest attributable to the NEVS Group was reduced from 50% to 15% and the associate was reclassified to available-for-sale investment (note 16).

Fujian New Long Ma Motor Co. Ltd., which is considered a material associate of the NEVS Group for the year ended 31 December 2016, is a strategic partner of the NEVS Group and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Fujian New Long Ma Motor Co. Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements for the year ended 31 December 2016:

	2016
	SEK'000
Current assets	520,647
Non-current assets	3,567,726
Current liabilities	(1,655,666)
Non-current liabilities	(1,516,100)
Net assets	916,607
Revenue	119,112
Loss for the year	(150,723)
Proportion of the NEVS Group's ownership	50%
Group's share of net assets of the associate	458,304
Goodwill on acquisition	32,933
Carrying amount of the investment	491,237

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

NEVS and NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Financial assets at fair value through profit or loss			
Unlisted equity investments			
Fujian New Long Ma Motor Co. Ltd.	—	—	85,311
Available-for-sale investments			
Unlisted equity investments, at fair value	—	85,311	—
	—	85,311	85,311

The above equity investment were classified as financial assets at fair value through profit or loss as it was held for trading.

17. INVENTORIES

NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Raw materials	17,836	21,507	18,231
Work in progress	1,620	10,193	11,606
	19,456	31,700	29,837

NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Raw materials	17,836	21,325	13,686
Work in progress	1,620	10,193	11,606
	19,456	31,518	25,292

18. TRADE RECEIVABLES

NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Trade receivables	66,906	19,680	31,012
Impairment	(9,073)	(9,073)	(9,073)
	57,833	10,607	21,939

NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Trade receivables	64,410	18,813	20,028
Impairment	(9,073)	(9,073)	(9,073)
	55,337	9,740	10,955

The NEVS Group and NEVS's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to two months, extending up to three months for major customers. Each customer has a maximum credit limit. The NEVS Group and NEVS seek to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the NEVS Group and NEVS's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. The NEVS Group and NEVS do not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice due date and net of loss allowance, is as follows:

NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Within 1 month	57,103	10,442	21,117
1 to 2 months	98	126	703
2 to 3 months	89	6	90
Over 3 months	543	33	29
	57,833	10,607	21,939

NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Within 1 month	54,607	9,696	10,385
1 to 2 months	98	5	568
2 to 3 months	89	6	—
Over 3 months	543	33	2
	55,337	9,740	10,955

The movements in the loss allowance for impairment of trade receivables are as follows:

NEVS Group and NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
At beginning of year	9,129	9,073	9,073
Effect of adoption of IFRS 9	—	—	—
Impairment losses, net *(note 6)*	(56)	—	—
At end of year	9,073	9,073	9,073

At 31 December 2018, trade debtors of SEK9,073,000 (2016 and 2017: SEK9,073,000) were individually determined to be impaired. The individually impaired trade receivables relate to customers that were in default in payments and only a portion of the receivables is expected to be recovered. The NEVS Group and NEVS do not hold any collateral or other credit enhancements over these balances.

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e., by customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the NEVS Group and NEVS's trade receivables using a provision matrix:

NEVS Group and NEVS

As at 31 December 2018

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0%	0%	0%	99%	29%
Gross carrying amount (SEK'000)	19,252	1,865	793	9,102	31,012
Expected credit losses (SEK'000)	—	—	—	9,073	9,073

Impairment under IAS 39 for the year ended 31 December 2016 and 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2016 and 2017 was a provision for individually impaired trade receivables of SEK57,833,000 and SEK10,607,000 with a carrying amount before provision of SEK66,906,000 and SEK19,680,000, respectively.

The individually impaired trade receivables as at 31 December 2016 and 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables, based on the invoice due date, as at 31 December 2016 and 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

NEVS Group

	As at 31 December	
	2016	**2017**
	SEK'000	*SEK'000*
Neither past due nor impaired	12,164	10,178
1 to 2 months	45,037	390
2 to 3 months	89	6
Over 3 months	543	33
	57,833	10,607

NEVS

	As at 31 December	
	2016	**2017**
	SEK'000	*SEK'000*
Neither past due nor impaired	10,096	9,460
1 to 2 months	44,609	241
2 to 3 months	89	6
Over 3 months	543	33
	55,337	9,740

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the NEVS Group. Based on past experience, the directors of NEVS were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The NEVS Group does not hold any collateral or other credit enhancements over these balances.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

NEVS Group

		As at 31 December	
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Prepayments	70,485	126,579	101,555
Deposits and other receivables	93,291	102,638	289,271
	163,776	229,217	390,826

NEVS

		As at 31 December	
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Prepayments	48,452	27,508	19,101
Deposits and other receivables	39,657	13,308	23,767
	88,109	40,816	42,868

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the NEVS Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 was 0% due to the balance as at 31 December 2018 relates to receivables for which there was no recent history of default and no future losses are expected.

None of the above assets are either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Cash and bank balances	220,158	95,106	1,187,915
Pledged deposits	21,124	21,065	21,065
	241,282	116,171	1,208,980

NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Cash and bank balances	107,250	74,253	32,332
Pledged deposits	21,124	21,065	21,065
	128,374	95,318	53,397

As at 31 December 2016, 2017 and 2018, the cash and bank balances of the NEVS Group denominated in RMB amounted to SEK109,000, SEK16,000 and SEK1,150,000, respectively. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the NEVS Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

The ageing analysis of the trade payables as at the end of the Relevant Periods, based on the payment due date, is as follows:

NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Within 1 month	159,379	447,916	201,887
1 to 2 months	938	5,824	300,804
Over 2 months	—	17	86,475
	160,317	453,757	589,166

NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Within 1 month	79,227	80,578	32,749
1 to 2 months	938	5,823	2,138
Over 2 months	—	16	—
	80,165	86,417	34,887

The trade payables are normally settled on 30 to 90 days terms.

22. OTHER PAYABLES AND ACCRUALS

NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Other payables	67,008	37,774	45,061
Accruals	94,566	739,451	543,323
Deferred revenue	166,442	241,577	442,347
	328,016	1,018,802	1,030,731
Portion classified as current liabilities	(161,574)	(777,225)	(588,384)
Non-current portion	166,442	241,577	442,347

NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Other payables	24,317	26,844	23,160
Accruals	93,463	74,541	69,747
Deferred revenue	87	10,030	15,374
	117,867	111,415	108,281

Other payables are normally settled on 30 to 90 days terms. The NEVS Group receives government subsidies for the construction of a manufacturing facility in Tianjin, PRC. The subsidies received is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective fixed interest rate (%)	Maturity	2016	2017	2018
			SEK'000	*SEK'000*	*SEK'000*
NEVS Group					
Current					
Bank loans (RMB) — secured	5.7	On demand	—	64,290	—
Bank loan (RMB) — unsecured	8.0	2019	—	—	392,040
Other loan (SEK) — secured	8.0	2018	—	30,000	—
Other loans (USD) — secured	8.0	2019	—	—	237,193
Other loans (RMB) — unsecured	0.0–8.0	2018–2019	—	403,421	805,361
			—	497,711	1,434,594
Non-current					
Bank loan (RMB) — secured	8.5	2021	—	—	845,500
Other loans (RMB) — secured	5.7–8.2	2020–2021	—	—	250,481
			—	—	1,095,981
NEVS					
Current					
Other loan (SEK) — secured	8.0	2018	—	30,000	—
Other loans (USD) — secured	8.0	2019	—	—	237,193
Other loan (RMB) — unsecured	6.5	2019	—	—	221,553
			—	30,000	458,746
Non-current					
Other loans (RMB) — secured	6.5	2020	—	—	26,941

	As at 31 December		
	2016	2017	2018
	SEK'000	*SEK'000*	*SEK'000*
NEVS Group			
Analysed into:			
Bank loans repayable:			
Within one year or on demand	—	64,290	392,040
In the second year	—	—	—
In the third to fifth years, inclusive	—	—	845,500
	—	64,290	1,237,540
Other borrowings repayable:			
Within one year or on demand	—	433,421	1,042,554
In the second year	—	—	77,561
In the third to fifth years, inclusive	—	—	172,920
	—	433,421	1,293,035
NEVS			
Analysed into:			
Other borrowings repayable:			
Within one year or on demand	—	30,000	458,746
In the second year	—	—	26,941
	—	30,000	485,687

Note:

(a) Certain of the NEVS Group's bank loans are secured by the NEVS Group's prepaid land lease premium

(b) One of the NEVS Group's other loans for the years ended 31 December 2017 and 31 December 2018 was secured by the mortgage certificate with an amount of SEK38,000,000.

24. CONVERTIBLE BONDS

On 14 March 2018, an agreement was signed between NEVS and Perferent (Hong Kong) Ltd. for potential investment. For the year ended 31 December 2017, NEVS issued 8% convertible bonds with a nominal value of SEK207,961,000 (i.e. USD25,000,000) with a maturity date in 2020. The bonds are convertible at the option of the bondholders into ordinary shares on maturity date on the basis of one ordinary share for convertible bonds amounted USD1,618. The convertible bond was secured by the mortgage certificates with an amount of SEK140,000,000. For the year ended 31 December 2018, due to change in circumstances, the convertible bonds contract was terminated and the outstanding balances were reclassed to other borrowings.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is minimal and therefore is not assigned as the equity component to be included in shareholders' equity.

25. PROVISION

NEVS Group and NEVS

	Warranties
	SEK'000
At 1 January 2016	4,182
Amounts utilised during the year	(1,078)
At 31 December 2016 and 1 January 2017	3,104
Amounts utilised during the year	(2,649)
At 31 December 2017 and 1 January 2018	455
Amounts utilised during the year	(425)
At 31 December 2018	30
Portion classified as current liabilities	(30)
Non-current portion	—

NEVS provides two-year warranties to its customers on certain of its products sold in or before 2014 for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26. ISSUED CAPITAL

Shares

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Registered, issued and fully paid: 3,663,004 (2017: 3,663,004; 2016: 3,663,004) ordinary shares	366,300	366,300	366,300

A summary of movements in NEVS's issued capital is as follows:

	Number of Shares in issue	**Share capital**
		SEK'000
At 1 January 2016	3,479,854	347,985
Issue of shares *(note (a))*	183,150	18,315
At 31 December 2016 and 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	3,663,004	366,300

Note:

(a) On 16 January 2016, 183,150 ordinary shares were issued for cash at SEK100 per share for a total cash consideration of SEK18,315,000 received in 2015.

No dividends have been declared in respect of the years ended 31 December 2016, 2017 and 2018.

Warrants

On 30 September 2016, 1,000 warrants were granted to 34 managers and other key employees and the warrants are exercisable between 1 October 2019 and 30 November 2019. The exercise price per warrant is equal to SEK3,094 per share. All warrants not exercised before the end of the relevant exercise period will become null and void. No warrant was exercised or forfeited during the Relevant Periods.

As at 31 December 2018, NEVS had 34,000 warrants outstanding. The exercise in full of the outstanding warrants would, under the present capital structure of NEVS, result in the issue of 34,000 additional ordinary shares of NEVS and additional issued capital of 3,400,000 and share premium of 101,796,000 (before issue expenses). The additional shares, should all warrants be exercised, would represent 0.9% of the outstanding shares.

The fair value of warrants was estimated as at the date of grant using Black-Scholes valuation model, taking into accounts the terms and conditions upon which the warrants were granted. The following table lists the inputs to the model used and fair value of warrants.

Expected volatility (%)	26.62%
Risk-free interest rate (%)	(0.204%)
Dividend yield (%)	0%
Historical volatility (%)	N/A
Expected life of warrants	3 years
Average share price as at grant date (SEK)	1,547
Fair value per warrants (SEK)	28

The full fair value was paid in cash by the participating employees and no share-based payments has been recognised by the NEVS Group.

27. RELATED PARTY TRANSACTIONS

(a) Loans to related parties:

In addition to the transactions detailed elsewhere in the Historical Financial Information, the NEVS Group has the following transactions with related parties during the Relevant Periods:

		Years ended 31 December		
	Notes	**2016**	**2017**	**2018**
		SEK'000	*SEK'000*	*SEK'000*
Interest on loans to related parties	*(i)*	—	11,688	—
Interest on loans from related parties	*(ii)*	16,274	95,614	132,106

Notes:

(i) The interest income received from related parties was made according to the loan agreements mutually agreed between NEVS and the related parties.

(ii) The interest expenses paid to related parties were made according to the loan agreements mutually agreed between NEVS and the related parties.

The loans to related parties are unsecured, have an effective interest rates ranging from 0% to 12% and are repayable on demand.

(b) Loans from related parties:

	Effective interest rate (%)	**Maturity**	**2016**	**2017**	**2018**
			SEK'000	*SEK'000*	*SEK'000*
NEVS Group					
Current					
Loans from shareholders (USD) — unsecured	8.0–12.0	2018–2019	511,184	658,523	2,678,362
Loans from other related parties (RMB) — unsecured	0.0–12.0	2018–2019	—	619,172	1,257,651
Loans from a shareholder (RMB) — secured	6.5	2018	—	98,608	—
Loans from an associate (RMB) — unsecured	4.4	On demand	347,197	—	—
			858,381	1,376,303	3,936,013
Non-current					
Loans from shareholders (USD) — unsecured	12.0	2019	—	75,407	—

Certain of the NEVS Group's loans from a shareholder are guaranteed by the NEVS Group's subsidiary.

	Effective interest rate (%)	**Maturity**	**2016**	**2017**	**2018**
NEVS					
Current					
Loans from shareholders (USD) — unsecured	0.0–12.0	2018–2019	511,184	658,523	2,678,362
Loans from a shareholder (RMB) — secured	6.5	2018	—	98,608	—
Loans from an associate (RMB) — unsecured	4.4	On demand	347,197	—	—
			858,381	757,131	2,678,362
Non-current					
Loans from shareholders (USD) — unsecured	12.0	2019	—	75,407	—

Certain of NEVS' loans from a shareholder are guaranteed by a subsidiary of NEVS.

(c) NEVS' loans to subsidiaries and related companies:

NEVS' loans to subsidiaries are unsecured, have an effective interest rates ranging from 6.5% to 15.0% and are repayable in 2017 to 2020.

NEVS' loans to a related company are unsecured, interest-free and are repayable on demand.

(d) NEVS' loans from a subsidiary:

	Effective interest rate (%)	**Maturity**	**2016**	**2017**	**2018**
			SEK'000	*SEK'000*	*SEK'000*
Current					
Loans from a subsidiary (RMB) — unsecured	12.0	2018	111,382	118,810	—

(e) NEVS' amounts due to/from subsidiaries

NEVS' amounts due to/from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(f) Compensation of key management personnel of the NEVS Group:

Details of compensation of key management personnel of the NEVS Group are included in note 9 under Section III of this report.

(g) During the year ended 31 December 2017, NEVS has agreed with the other shareholders to return the capital of the associate, Fujian New LongMa Motor Co. Ltd. Consequently, the percentage of ownership interest attributable to the NEVS Group was reduced from 50% to 15% and NEVS offset SEK330,565,000 with its balances due to the associate.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the NEVS Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December		
	2016	**2017**	**2018**
Percentage of equity interest held by non-controlling interests:			
National Vehicle Technology Development Co. Ltd.	20%	20%	20%
National New Energy Vehicle Co. Ltd.	20%	20%	20%

	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Profit/(loss) for the year allocated to non-controlling interests:			
National Vehicle Technology Development Co. Ltd.	(22,871)	(48,044)	(14,388)
National New Energy Vehicle Co. Ltd.	(5,463)	(68,085)	(59,033)
Accumulated balances of non-controlling interests at the reporting date:			
National Vehicle Technology Development Co. Ltd.	245,071	357,194	139,444
National New Energy Vehicle Co. Ltd.	(70,046)	79,742	12,001

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	National Vehicle Technology Development Co. Ltd.	National New Energy Vehicle Co. Ltd.
	SEK'000	*SEK'000*
2016		
Revenue	2,397	—
Total expenses	74,797	10,926
Loss for the year	(72,400)	(10,926)
Total comprehensive loss for the year	(74,036)	(11,173)
Current assets	14,243	390,868
Non-current assets	2,750,959	306,693
Current liabilities	1,204,734	147,364
Non-current liabilities	21,241	145,200
Net cash flows from/(used in) operating activities	1,128,788	(73,270)
Net cash flows used in investing activities	(2,766,969)	(239,721)
Net cash flows from financing activities	1,617,000	—
Net decrease in cash and cash equivalents	(21,181)	(321,991)
2017		
Revenue	12,801	128
Total expenses	108,890	136,299
Loss for the year	(96,088)	(136,171)
Total comprehensive loss for the year	(96,318)	(136,497)
Current assets	324,351	1,108,455
Non-current assets	4,094,702	2,749,960
Current liabilities	2,742,745	1,397,719
Non-current liabilities	26,663	214,914
Net cash flows from operating activities	480,954	215,201
Net cash flows used in investing activities	(1,449,901)	(2,453,043)
Net cash flows from financing activities	963,598	2,068,737
Net decrease in cash and cash equivalents	(5,349)	(169,105)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	National Vehicle Technology Development Co. Ltd.	**National New Energy Vehicle Co. Ltd.**
	SEK'000	*SEK'000*
2018		
Revenue	8,553	76,980
Total expenses	80,494	372,144
Loss for the year	(71,941)	(295,164)
Total comprehensive loss for the year	(71,140)	(292,498)
Current assets	883,098	802,607
Non-current assets	3,426,177	6,109,781
Current liabilities	1,441,600	2,940,804
Non-current liabilities	27,562	1,292,947
Net cash flows (used in)/from operating activities	(288,276)	646,438
Net cash flows used in investing activities	(1,080,911)	(2,648,337)
Net cash flows from financing activities	1,390,908	935,867
Net increase/(decrease) in cash and cash equivalents	21,721	(1,066,032)

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

Group

Financial assets

	Loans and receivables	**Available-for-sale financial assets**
	SEK'000	*SEK'000*
31 December 2016		
Trade receivables	57,833	—
Loans to related parties	48,988	—
Financial assets included in prepayments, other receivables and other assets	93,291	—
Pledged deposits	21,124	—
Cash and cash equivalents	220,158	—
	441,394	—
31 December 2017		
Available-for-sale investments	—	85,311
Trade receivables	10,607	—
Loans to related parties	185,058	—
Financial assets included in prepayments, other receivables and other assets	102,638	—
Pledged deposits	21,065	—
Cash and cash equivalents	95,106	—
	414,474	85,311

	Financial assets at amortised cost	**Financial asset at fair value through profit or loss**
	SEK'000	*SEK'000*
31 December 2018		
Financial assets at fair value through profit or loss	—	85,311
Trade receivables	21,939	—
Loans to related parties	58,408	—
Financial assets included in prepayments, other receivables and other assets	289,271	—
Pledged deposits	21,065	—
Cash and cash equivalents	1,187,915	—
	1,578,598	85,311

Financial liabilities

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Financial liabilities at amortised cost			
Trade payables	160,317	453,757	589,166
Financial liabilities included in other payables and accruals	67,008	37,774	45,061
Loans from related parties	858,381	1,451,710	3,936,013
Convertible bonds	—	207,961	—
Interest-bearing bank and other borrowings	—	497,711	2,530,575
	1,085,706	2,648,913	7,100,815

NEVS

Financial assets

	Loans and receivables	**Available-for-sale financial assets**
	SEK'000	*SEK'000*
31 December 2016		
Trade receivables	55,337	—
Loans to subsidiaries	30,000	—
Loan to a related company	48,863	—
Due from subsidiaries	1,141,416	—
Financial assets included in prepayments, other receivables and other assets	39,657	—
Pledged deposits	21,124	—
Cash and cash equivalents	107,250	—
	1,443,647	—
31 December 2017		
Available-for-sale investments	—	85,311
Trade receivables	9,740	—
Loans to subsidiaries	98,608	—
Loans to a related company	46,798	—
Due from subsidiaries	1,001,159	—
Financial assets included in prepayments, other receivables and other assets	13,308	—
Pledged deposits	21,065	—
Cash and cash equivalents	74,253	—
	1,264,931	85,311

	Financial assets at amortised cost	Financial assets at fair value through profit or loss
	SEK'000	*SEK'000*
31 December 2018		
Financial assets at fair value through profit or loss	—	85,311
Trade receivables	10,955	—
Loans to subsidiaries	248,494	—
Loans to a related company	48,375	—
Due from subsidiaries	1,211,357	—
Financial assets included in prepayments, other receivables and other assets	23,767	—
Pledged deposits	21,065	—
Cash and cash equivalents	32,332	—
	1,596,345	85,311

Financial liabilities

	As at 31 December		
	2016	2017	2018
	SEK'000	*SEK'000*	*SEK'000*
Financial liabilities at amortised cost			
Trade payables	80,165	86,417	34,887
Financial liabilities included in other payables and accruals	24,317	26,844	23,160
Loan from a subsidiary	111,382	118,810	—
Loan from related parties	858,381	832,538	2,678,362
Due to subsidiaries	171,202	221,950	266,485
Convertible bonds	—	207,961	—
Interest-bearing bank and other borrowings	—	30,000	485,687
	1,245,447	1,524,520	3,488,581

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the NEVS Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial liabilities

	Carrying amounts	Fair values
	SEK'000	*SEK'000*
NEVS Group and NEVS		
31 December 2017		
Convertible bonds	207,961	202,205
Loan from related companies	75,407	74,541
	283,368	276,746

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amount due from/to subsidiaries, loans to subsidiaries, the current portion of loans from related parties or subsidiaries and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities/no fixed terms of repayment of these instruments.

The NEVS Group's finance department headed by the Financial Controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Financial Controller.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans from related parties, interest-bearing bank and other borrowings and convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The NEVS Group's own non-performance risks for loans from related parties, interest-bearing bank and other borrowings and convertible bonds as at 31 December 2016, 2017 and 2018 were assessed to be insignificant.

The fair values of the unlisted equity investment designated at fair value through profit or loss, which was previously classified as an available-for-sale equity investment, have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair value resulting from the valuation technique, and recorded in the consolidated statement of financial position when the investments were acquired in 2016 (note 16), approximate to fair values as at 31 December 2017 and 2018 largely because no significant change in parameters used in the fair value measurement at initial measurement of the investments was noted during the Relevant Periods and the investments would be realised within 12 months after Relevant Periods.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The NEVS Group's principal financial instruments comprise convertible bonds, loans to/from related parties, interest-bearing bank and other borrowings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the NEVS Group's operations. The NEVS Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the NEVS Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The NEVS Group's exposure to the risk of changes in market interest rates relates primarily to the NEVS Group's long-term debt obligations with a floating interest rate.

As all of the NEVS Group's interest-bearing assets and liabilities as on 31 December 2016, 2017 and 2018, are covered by contract-based interest rates, there is no risk in the existing interest rate. If it becomes more difficult for the NEVS Group to finance its activities, there is a risk that the cost of future financing will increase.

Foreign currency risk

The NEVS Group has operations in Sweden and Mainland China. In the future, a significant part of the NEVS Group's activities and assets will be found in Mainland China. The NEVS Group will endeavor to balance cash flows and assets/liabilities in a manner that limits the net exposure in the respective currencies.

The NEVS Group has transactional currency exposures. Such exposures arise from sales and purchase in currencies other than SEK, and inter-company balances and bank balances denominated in currencies other than SEK. NEVS's major exposures of foreign currency risk arise from changes in exchange rates of United States dollar ("US$") and RMB against SEK.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and US$ exchange rate, with all other variables held constant, of NEVS's profit before tax (due to changes in the fair value of monetary assets and liabilities):

	Increase/(decrease) in RMB/US$ rate	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	*SEK'000*	*SEK'000*
2016			
If SEK weakens against RMB	5	107	107
If SEK strengthens against RMB	(5)	(107)	(107)
If SEK weakens against US$	5	25	25
If SEK strengthens against US$	(5)	(25)	(25)

	Increase/(decrease) in RMB/US$ rate	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	*SEK'000*	*SEK'000*
2017			
If SEK weakens against RMB	5	3	76
If SEK strengthens against RMB	(5)	(3)	(76)
If SEK weakens against US$	5	43	43
If SEK strengthens against US$	(5)	(43)	(43)
2018			
If SEK weakens against RMB	5	(170)	56
If SEK strengthens against RMB	(5)	170	(56)
If SEK weakens against US$	5	135	135
If SEK strengthens against US$	(5)	(135)	(135)

Credit risk

The NEVS Group trades only with recognised and creditworthy third parties. It is the NEVS Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the NEVS Group's exposure to bad debts is not significant.

The credit risk of the NEVS Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the NEVS Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the NEVS Group as the customer bases of the NEVS Group's trade receivables are widely dispersed.

Further quantitative data in respect of the NEVS Group's exposure to credit risk arising from trade receivables are disclosed in note 18 under Section III of this report.

Liquidity risk

The NEVS Group monitors its risk to a shortage of funds using its level of cash and cash equivalents. The NEVS Group's management reviews the level of cash and cash equivalents monthly to ensure that sufficient working capital is kept for the NEVS Group's operation.

The NEVS Group's objective is to maintain sufficient liquidity for its operation through the use of interest-bearing current accounts and term deposits accounts.

Short term receivables, including cash, amounts to 76% of the short-term payables, excluding the payables to related parties. This might indicate that the NEVS Group may run out of cash. The related parties providing loans to the NEVS Group have indicated that repayment of outstanding loans will not be requested until the NEVS Group has a more stable cash situation and would provide more short-term financing if needed. The current financings available to the NEVS Group is sufficient to meet the short-term financing needs.

The maturity of the NEVS Group's financial liabilities as at the end of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	Within 3 months	3–12 months	1–5 year	Over 5 years	Total
	SEK'000	*SEK'000*	*SEK'000*	*SEK'000*	*SEK'000*
NEVS Group					
31 December 2016					
Trade payables	94,465	65,852	—	—	160,317
Financial liabilities included in other payables and accruals	67,008	—	—	—	67,008
Loans from related parties	347,197	511,184	—	—	858,381
	508,670	577,036	—	—	1,085,706
31 December 2017					
Trade payables	453,757	—	—	—	453,757
Financial liabilities included in other payables and accruals	37,774	—	—	—	37,774
Loans from related parties	—	1,376,303	75,407	—	1,451,710
Convertible bonds	—	—	207,961	—	207,961
Interest-bearing bank and other borrowings	—	497,711	—	—	497,711
	491,531	1,874,014	283,368	—	2,648,913
31 December 2018					
Trade payables	91,902	497,264	—	—	589,166
Financial liabilities included in other payables and accruals	45,061	—	—	—	45,061
Loans from related parties	1,939,305	1,996,708	—	—	3,936,013
Interest-bearing bank and other borrowings	1,213,041	221,553	1,095,981	—	2,530,575
	3,289,309	2,715,525	1,095,981	—	7,100,815

	Within 3 months *SEK'000*	3–12 months *SEK'000*	1–5 year *SEK'000*	Over 5 years *SEK'000*	Total *SEK'000*
NEVS					
31 December 2016					
Trade payables	80,017	148	—	—	80,165
Financial liabilities included in other payables and accruals	24,317	—	—	—	24,317
Loan from a subsidiary	—	111,382	—	—	111,382
Loans from related parties	347,197	511,184	—	—	858,381
Due to subsidiaries	171,202	—	—	—	171,202
	622,733	622,714	—	—	1,245,447
31 December 2017					
Trade payables	86,417	—	—	—	86,417
Financial liabilities included in other payables and accruals	26,844	—	—	—	26,844
Loan from a subsidiary	—	118,810	—	—	118,810
Loan from related parties		757,131	75,407	—	832,538
Due to subsidiaries	221,950	—	—	—	221,950
Convertible bonds	—	—	207,961	—	207,961
Interest-bearing bank and other borrowings	—	30,000	—	—	30,000
	335,211	905,941	283,368	—	1,524,520
31 December 2018					
Trade payables	34,887	—	—	—	34,887
Financial liabilities included in other payables and accruals	23,160	—	—	—	23,160
Loans from related parties	1,781,262	897,100	—	—	2,678,362
Due to subsidiaries	266,485	—	—	—	266,485
Interest-bearing bank and other borrowings	237,193	221,553	26,941	—	485,687
	2,342,987	1,118,653	26,941	—	3,488,581

Capital management

The primary objectives of the NEVS Group's capital management are to safeguard the NEVS Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The NEVS Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the NEVS Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The NEVS Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2017, NEVS has agreed with the other shareholders to return the capital of the associate, Fujian New LongMa Motor Co. Ltd. Consequently, the percentage of ownership interest attributable to the NEVS Group was reduced from 50% to 15% and NEVS offset SEK330,565,000 with its balances due to the associate.

(b) Changes in liabilities arising from financing activities

	Non-current other payables and accruals	Convertible bonds	Interest-bearing bank and other borrowings	Loans to/(from) related parties	Other reserves	Non-controlling interests
	SEK'000	*SEK'000*	*SEK'000*	*SEK'000*	*SEK'000*	*SEK'000*
At 1 January 2016	—	—	—	85,140	—	154,615
Changes from financing cash flows	166,442	—	—	(469,254)	952	—
Foreign exchange movement	—	—	—	(41,930)	—	(1,543)
Movement classified as operating cash flows	—	—	—	311,045	—	(48,578)
Non-cash transactions	—	—	—	—	1,495	(1,495)
At 31 December 2016	166,442	—	—	(114,999)	2,447	102,999
At 1 January 2017	166,442	—	—	(114,999)	2,447	102,999
Changes from financing cash flows	82,173	205,250	473,550	(793,135)	—	271,803
Foreign exchange movement	—	2,711	24,161	(147,391)	—	(5,640)
Movement classified as operating cash flows	—	—	—	(211,127)	—	(106,152)
Non-cash transactions	—	—	—	—	(4,542)	4,542
At 31 December 2017	241,577	207,961	497,711	(1,266,652)	(2,095)	267,552
At 1 January 2018	241,577	207,961	497,711	(1,266,652)	(2,095)	267,552
Changes from financing cash flows	194,107	—	1,513,282	(2,654,743)	—	267,215
Foreign exchange movement	6,663	—	311,621	43,790	—	11,874
Movement classified as operating cash flows	—	—	—	—	—	(80,094)
Non-cash transactions	—	(207,961)	207,961	—	(110,438)	101,938
At 31 December 2018	442,347	—	2,530,575	(3,877,605)	(112,533)	568,485

33. PLEDGE OF ASSETS

Details of the NEVS Group's assets pledged for the NEVS Group's convertible bonds, loans from related parties and interest-bearing bank and other borrowings are included in notes 26, 29 and 25, respectively, to the Historical Financial Information.

NEVS has pledged the shares held in one of the wholly-owned subsidiaries, Automobile Property AB in favour of Saab Automobile Bankruptcy Estates (the "Estates"). NEVS has purchased assets from the Estates in 2012. The purpose of the pledge is to provide security for the Estates in relation to an indemnification clause in the purchase agreement between NEVS and the Estates. The clause indemnifies the Estates for a third party to taking legal action against the Estates caused by the actions of NEVS. There are no on-going legal actions in relation to the indemnification clause.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The NEVS Group leases its premises under operating lease arrangements, with leases negotiated for terms ranging from six months to five years. The terms of the leases generally provide for periodic rent adjustments according to the then prevailing market conditions.

During the Relevant Periods, the NEVS Group and NEVS had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Within one year	7,197	7,549	7,338
In the second to fifth years, inclusive	6,392	2,876	2,854
After five years	6	—	—
	13,595	10,425	10,192

During the years ended 31 December 2016, 2017 and 2018, the NEVS Group recognised rental income of SEK9,864,000, SEK9,675,000 and SEK9,307,000 respectively in respect of these lease contracts.

NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Within one year	1,520	882	490
In the second to fifth years, inclusive	855	—	—
	2,375	882	490

(b) As lessee

The NEVS Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years, and those for office equipment are for terms ranging between three to five years.

During the Relevant Periods, the NEVS Group and NEVS had total future minimum lease payments under non-cancellable operating leases falling due as follows:

NEVS Group

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Within one year	129,674	64,780	25,445
In the second to fifth years, inclusive	117,556	17,498	32,481
After five years	—	—	—
	247,230	82,278	57,926

NEVS

	As at 31 December		
	2016	**2017**	**2018**
	SEK'000	*SEK'000*	*SEK'000*
Within one year	122,971	46,432	21,067
In the second to fifth years, inclusive	117,300	17,400	31,352
After five years	—	—	—
	240,271	63,832	52,419

35. SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by NEVS after 31 December 2018.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by NEVS or any of its subsidiaries in respect of any period subsequent to 31 December 2018.

*The following is the management discussion and analysis for the period from 27 July 2018 (being the date of incorporation of the Target Company) to 31 December 2018 (the "**Track Record Period**"). The financial information is based upon the accountant's report of the Target Company and of the NEVS Group as set out in Appendices II and III of this circular respectively.*

Mini Minor Limited, a company incorporated in the British Virgin Islands and the target company under the Sale and Purchase Agreement. The sole asset of the Target Company is its 51% equity interest in NEVS.

INVESTMENT ON NEVS

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

FINANCIAL REVIEW

Operating revenue

As the Target Company was established on 27 July 2018, with investment holding as its primary business, no operating revenue was recorded during the Track Record Period.

Finance costs

Finance costs during the Track Record Period mainly represented the currency translation differences of interest expense on borrowings and borrowings denominated in foreign currency.

Financial assets measured at fair value through profit and loss

Financial assets represented the investment costs in 51% equity interest in a company.

Other receivables

Other receivables represented shareholder's loan due from NEVS.

Borrowings

The Target Company entered into a borrowing agreement amounting to US$920 million in aggregate. As at 31 December 2018, the actual balance of borrowings was US$700 million, bearing an annual interest rate at 8% and repayable within one year.

Other payables

Other payables include the balance of consideration payable to NEVS of US$451 million and the accrued interest on borrowings as at 31 December 2018.

Pledge of assets

The Target Company had no pledge of assets as at 31 December 2018.

Contingent liabilities

The Target Company had no contingent liabilities as at 31 December 2018.

Capital structure, liquidity and financial resources

The Target Company supports its operation with borrowings and future dividends or current accounts of subsidiaries.

As at 31 December 2018, the Target Company had borrowings of RMB4.8 billion. The Target Company shall primarily maintain its operation with shareholder's loan in the future.

As at 31 December 2018, the gearing ratio of the Target Company was 60.8%, which was calculated as total borrowings divided by total assets.

Material changes

As at the Latest Practicable Date, all the shares of the Target Company have been acquired by a subsidiary of Evergrande Health Industry Group Limited.

The following is an illustrative and unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma statement of assets and liabilities of the Enlarged Group which have been prepared on the basis of the notes set out below and in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the acquisition of the Target Group (the "**Acquisition**") on the Group as if the Acquisition had taken place on 31 December 2018.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2017 and the revised/new accounting standards adopted in the published annual results announcement of the Group for the year ended 31 December 2018.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information contained in this circular and the accountant's report on the Target Group and set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Enlarged Group had the Acquisition been completed at 31 December 2018 or any future date.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2018

		Pro forma adjustments				
	Audited consolidated statement of assets and liabilities of the Group	Statement of assets and liabilities of the Target Company	Consolidated Statement of assets and liabilities of NEVS	Other adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
ASSETS						
Non-current assets						
Property, plant and equipment	1,534,925	—	2,344,789	2,319,852	—	6,199,566
Land use rights	590,743	—	531,485	—	—	1,122,228
Prepayments	183,644	—	—	—	—	183,644
Financial asset at fair value through profit or loss	3,979,937	7,546,839	64,954	(7,546,839)	—	4,044,891
Intangible assets	5,199	—	2,257,054	3,807,459	—	6,069,712
Deferred income tax assets	34,472	—	—	—	—	34,472
Other non-current assets	—	—	353	—	—	353
Goodwill	—	—	—	5,457,199	—	5,457,199
	6,328,920	7,546,839	5,198,635	4,037,671	—	23,112,065
Current assets						
Inventories	34,619	—	22,717	—	—	57,336
Trade and other receivables	507,137	350,023	281,421	(350,023)	—	788,558
Prepayments	1,024,442	—	77,322	—	—	1,101,764
Properties under development	11,170,539	—	—	—	—	11,170,539
Completed properties held for sale	1,169,672	—	—	—	—	1,169,672
Contract assets	9,942	—	—	—	—	9,942
Restricted cash	367,825	—	16,039	—	—	383,864
Cash and bank balances	1,570,014	—	904,458	1,372,640	—	3,847,112
	15,854,190	350,023	1,301,957	1,022,617	—	18,528,787
Total assets	22,183,110	7,896,862	6,500,592	5,060,288	—	41,640,852

			Pro forma adjustments			
	Audited consolidated statement of assets and liabilities of the Group	Statement of assets and liabilities of the Target Company	Consolidated Statement of assets and liabilities of NEVS	Other adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
LIABILITIES						
Non-current liabilities						
Trade and other payables	—	—	336,795	—	—	336,795
Borrowings	11,248,425	—	834,461	6,382,776	—	18,465,662
Finance leases	45,307	—	—	—	—	45,307
Deferred income tax liabilities	—	—	—	1,531,828	—	1,531,828
	11,293,732	—	1,171,256	7,914,604	—	20,379,592
Current liabilities						
Trade and other payables	7,330,851	3,134,271	3,893,401	(388,991)	3,168	13,972,700
Contract liabilities	99,284	—	—	—	—	99,284
Borrowings	3,613,900	4,804,231	1,092,275	(4,804,231)	—	4,706,175
Finance leases	8,705	—	—	—	—	8,705
Current income tax liabilities	499,106	—	—	—	—	499,106
	11,551,846	7,938,502	4,985,676	(5,193,222)	3,168	19,285,970
Total liabilities	22,845,578	7,938,502	6,156,932	2,721,382	3,168	39,665,562

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1 The amounts are extracted from the audited consolidated balance sheet of the Group as at 31 December 2018 as set out in the published annual results announcement of the Group for the year ended 31 December 2018.

2 The amounts are extracted from the audited balance sheet of the Target Company as at 31 December 2018 as set out in Appendix II to this circular.

3 The amounts are extracted from the audited consolidated balance sheet of NEVS as at 31 December 2018 as set out in Appendix III to this circular.

For the purpose of this Unaudited Pro Forma Financial Information, the amounts stated in Swedish Krona ("SEK") are converted into Renminbi ("RMB") at the rate of 1 SEK=RMB0.7614. No presentation is made that RMB amounts have been, could have been or maybe converted into SEK, or vice versa, at that rate.

4 For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the consideration of US$930,000,000 (equivalent to RMB6,382,776,000) for the Acquisition will be funded by the drawdown of shareholder's loan from China Evergrande Group. Upon completion of the Acquisition, the Company will own 100% equity interest in the Target Company and 51% equity interest in NEVS. The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combination".

Goodwill arising from the acquisition of the Target Group is calculated as follows:

	Note	*RMB'000*
Total consideration	*a*	6,382,776
Less:		
Total identifiable assets acquired and liabilities assumed of NEVS		4,939,143
Shareholder's loan made by Target Company to NEVS	*b*	1,050,069
Consideration payable of the Target Company for acquisition of NEVS	*c*	(2,422,710)
Non-controlling interest of the Target Group	*e*	(2,640,925)
		925,577
Goodwill arising from the Acquisition	*d*	**5,457,199**

(a) Pursuant to the Sale and Purchase Agreement, the consideration is US$930,000,000 (equivalent to RMB6,382,776,000). The Acquisition is financed by a shareholder's loan from China Evergrande Group.

(b) Up to the date of Acquisition, and pursuant to the Sale and Purchase Agreement, the Target Company had advanced shareholder's loan to NEVS in accordance with its respective shareholding proportion in NEVS, which amounts to US$153,000,000 (equivalent to RMB1,050,069,000).

(c) Pursuant to the NEVS Investment Agreement, the Target Company acquired 51% equity interest in NEVS for a total consideration of US$1,100,000,000, to be paid by instalments in cash.

As of 31 December 2018, the Target Company drew down borrowing of US$700,000,000 (equivalent to RMB4,804,231,000). Subsequently, and prior to the Acquisition, the Target Company further drew down borrowing of US$200,000,000 (equivalent to RMB1,372,640,000). These borrowings amounting to US$900,000,000 were obtained to settle the payment for the acquisition of NEVS and provide shareholder's loan to NEVS.

The Target Company, the Seller and a lender entered into an agreement, pursuant to which the payment obligation (both the principal of US$900,000,000 and accrued interest) of the Target Company under its existing facility agreement was taken up by the Seller. Such transfer has been accounted for as a shareholder contribution in the Target Company's financial statements.

As described in the paragraphs above, the Target Company has paid US$747,000,000 (equivalent to approximately RMB5,126,810,000) as partial payment for its acquisition of NEVS. The remaining consideration payable of US$353,000,000 (equivalent to approximately RMB2,422,709,000) formed part of the liabilities of the Target Company after the Acquisition. The remaining consideration payable is expected to be settled on or before 30 June 2019.

(d) This adjustment represents the recognition of goodwill which is the excess of acquisition cost over the fair value of identifiable assets acquired, and the liabilities assumed. The fair value of identifiable assets acquired and liabilities assumed in the Target Group is determined in accordance with HKFRS 3, ''Business Combination''. For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the directors have assessed the fair values of the identifiable assets and liabilities of the Target Group as at acquisition date by taking reference of the provisional valuation of the Target Group as at 31 December 2018 carried out by CBRE, an independent valuer.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from the Acquisition following the principles set out in Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the Directors' assessment, the Directors consider that there is no impairment on the goodwill. The Company will adopt consistent accounting policies and principal assumptions and valuation method (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of the Enlarged Group's goodwill in the future, and communicate such basis with its external auditor and audit committee.

(e) The non-controlling interest is measured at its proportionate share in the recognised amounts of the acquiree's identifiable net assets.

5 The adjustment represents the estimated legal and professional fees and other expenses of approximately RMB3,168,000 payable by the Company in connection with the Acquisition.

6 For the purpose of this Unaudited Pro Forma Financial Information, the amount stated in United State dollars are converted into RMB at the rate of US$1.00 to RMB6.8632. No presentation is made that RMB amount have been, could have been or maybe converted into United States dollars, or vice versa, at that rate.

7 Apart from the Transaction, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 31 December 2018.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Evergrande Health Industry Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Evergrande Health Industry Group Limited (the "Company") and its subsidiaries (collectively the "Group"), Mini Minor Limited (the "Target Company") and National Electric Vehicle Sweden AB and its subsidiaries (collectively the "Target Group") (the Group and the Target Group collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2018 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages V-1 to V-6 of the Company's circular dated 25 April 2019, in connection with the acquisition of the Target Company (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages V-1 to V-6.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2018 as if the Transaction had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2018, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 April 2019

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, contains particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors, chief executive and their respective associates in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Long positions in the shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares in associated corporation	Deemed interests in number of shares of the associated corporation	Total	Approximate percentage of the issued share capital of associated corporation as at the Latest Practicable Date
Shi Shouming	China Evergrande Group	Beneficial owner	2,700,000	3,000,000	5,700,000	0.04%
Peng Jianjun	China Evergrande Group	Beneficial owner	1,000,000	2,600,000	3,600,000	0.03%
Chau Shing Yim David	China Evergrande Group	Beneficial owner	800,000	200,000	1,000,000	0.01%
Qin Liyong	China Evergrande Group	Beneficial owner	2,000,000	2,140,000	4,140,000	0.02%
	HengTen Networks Group Limited	Beneficial owner	12,000,000	—	12,000,000	0.02%

As at the Latest Practicable Date, saved as disclosed above, none of the Directors and the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and 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 Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or the chief executive of the Company, other than a Director or the chief executive of the Company, the following persons had interests or short positions 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, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

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

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

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group within the two years preceding the issue of this circular and are or may be material:

(a) the 11 grant contracts of state-owned construction land use rights (《國有建設用地使用權出讓合同》) dated 18 September 2017 in respect of the acquisition of land use rights of land plots in Xingyang, Zhengzhou City, Henan Province, China for a consideration of approximately RMB1,829.9 million, details of which were set out in the announcement of the Company dated 7 September 2017;

(b) a sale and purchase agreement dated 26 September 2017 in respect of the sale of 9,001 ordinary shares of US$1.00 each in the share capital of New Media Group Limited and the entire shareholder's loan outstanding from New Media Group Limited to Right Bliss Limited for a consideration of HK$63 million, details of which were set out in the announcement of the Company dated 26 September 2017;

(c) the 5 grant contracts of state-owned construction land use rights (《國有建設用地使用權出讓合同》) each dated 5 January 2018 in respect of the acquisition of land use rights of land plots in Yangzhong, Zhenjiang City, Jiangsu Province, China for a total consideration of approximately RMB839.76 million, details of which were set out in the announcement of the Company dated 22 December 2017;

(d) the 3 grant contracts of state-owned construction land use rights (《國有建設用地使用權出讓合同》) each dated 13 April 2018 in respect of the acquisition of land use rights of land plots in Liuhe District, Nanjing City, Jiangsu Province, China for a total consideration of approximately RMB2.96 billion, details of which were set out in the announcement of the Company dated 23 March 2018;

(e) a sale and purchase agreement dated 25 June 2018 in respect of the sale of the Acquisition, pursuant to which the Company agreed to acquire, and the Seller agreed to sell, the share in Season Smart Limited at a total consideration of HK$6,746,700,000, details of which were set out in the announcement of the Company dated 25 June 2018;

(f) a restructuring agreement dated 31 December 2018 in respect of, among other things, the restructuring of Season Smart Limited's (a wholly-owned subsidiary of the Company) investment in Smart King Limited, details of which were set out in the announcement of the Company dated 31 December 2018;

(g) a sale and purchase agreement dated 24 January 2019 in respect of the acquisition of 58.07% equity interest in the registered capital of Shanghai CENAT New Energy Company Limited (上海卡耐新能源有限公司) by a wholly-owned subsidiary of the Company for a total consideration of RMB1,059,777,550, details of which were set out in the announcement of the Company dated 24 January 2019;

(h) a transaction agreement dated 29 January 2019 in respect of the investment by NEVS into Alpraaz AB for an aggregate consideration of Euro 150 million, details of which were set out in the announcement of the Company dated 29 January 2019;

(i) a joint venture agreement dated 29 January 2019 in respect of the establishment of Konev AB, a company incorporated under the laws of Sweden, as disclosed in the announcement of the Company dated 29 January 2019; and

(j) the Sale and Purchase Agreement.

6. EXPERTS AND CONSENTS

The following is the qualification of the experts, the text of whose reports are contained in or referred to in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Ernst & Young AB, Sweden	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

Each of the above experts has confirmed that as at the Latest Practicable Date:

(a) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(b) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published annual results announcement of the Company were made up.

7. LITIGATION AND CLAIMS

As at the Latest Practicable Date, neither the Company nor any other member of the Group was involved in any litigations or claims and no litigations or claims of material importance was pending or threatened against the Company or any member of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

9. DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

There was no contract of significance in relation to the Company's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisting as at the Latest Practicable Date.

10. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had material interest in any contract or arrangement of significance in relation to the Group's business. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets acquired, disposed of by or leased to or which are proposed to be acquired, disposed of, or leased to, any member company of the Group since 31 December 2017, being the date to which the latest published annual results announcement of the Company were made up.

11. GENERAL

(a) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

(b) The company secretary of the Company is Fong Kar Chun, Jimmy, who is a member of the Law Society of Hong Kong and a qualified solicitor in Hong Kong.

(c) The registered office and principal place of business of the Company is at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong.

(d) The Company's share registrar is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business day (public holidays excluded) from the date of this circular up to and including 16 May 2019:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the twelve months ended 31 December 2017 and the twelve months ended 31 December 2016;

(c) the accountant's report of the Target Company issued by PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular.

(d) the report from PricewaterhouseCoopers on unaudited pro forma financial information of Enlarged Group, the text of which is set out in Appendix IV to this circular.

(e) the material contracts referred to in the section headed "Material contracts" in this appendix;

(f) the written consents referred to in the section headed "Expert and Consent" in this appendix;

(g) the circular published by the Company on 1 February 2019 in relation to the continuing connected transactions relating to insurance procurement; and

(h) this circular.