
恒驰5

Contents

Board of Directors and Committees

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Authorised Representatives

Mr. Siu Shawn
Mr. Fong Kar Chun, Jimmy

Corporate and Shareholder Information

Head Office

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

Registered Office and Place of Business in Hong Kong

15/F, YF Life Centre,
38 Gloucester Road, Wanchai, Hong Kong

Website

https://www.irasia.com/listco/hk/evergrandevehicle/

Company Secretary

Mr. Fong Kar Chun, Jimmy

Auditor

PricewaterhouseCoopers *(resigned with effect from 16 January 2023)*
Certified Public Accountants and Registered PIE Auditor

Prism Hong Kong and Shanghai Limited *(appointed with effect from 16 January 2023)*
Certified Public Accountants and Registered PIE Auditor

Shareholder Information

Listing Information

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

Stock Code

Hong Kong Stock Exchange: 0708.HK

Share Registrar

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Investor Relation

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

Financial Calendar

Announcement of annual results: 26 July 2023

Management Discussion and Analysis

Overview

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

New Energy Vehicle Segment

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

Dedicated to the global R&D and promotion of new energy vehicles applications, the Group adheres to its core technology vision of "achieving world-class core technology and proprietary intellectual property rights" and its quality goal of "achieving world-class product quality", and has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, power batteries, vehicle sales, smart charging and other aspects.

The New Energy Vehicle Segment of the Group achieved promising progress for the twelve months ended 31 December 2021 (the "**Reporting Period**").

The New Energy Vehicle Segment of the Group released a smart vehicle operating system after nearly two years of development. This system is designed to create an industry-leading intelligent cockpit through various technologies, including an AI assistant. In the same year, the New Energy Vehicle Segment of the Group also released an automatic parking system which integrates various sensors such as ultrasonic radar, millimeter wave radar and high-definition surround view cameras. This system can accurately identify vehicle location and surrounding obstacles, and achieve specific intelligent driving functions in scenarios such as narrow road cruising, pedestrian avoidance, vehicle obstacle avoidance, automatic car following and automatic parking space identification.

The New Energy Vehicle Segment of the Group further established R&D bases in Shenzhen and Shanghai, focusing on the deployment of lithium-ion batteries, solid state batteries, battery materials, battery management system, and forward-looking development and application of next-generation battery technologies. In the same year, the New Energy Vehicle Segment applied for a total of 3,227 patents in the PRC and overseas, 1,793 of which have been granted patents. These patents cover core areas including pure electric chassis architecture, suspension system, steering control, vehicle control, thermal management system, batteries, battery module and battery pack, battery management system, motors and electronic control, electronic and electrical architecture, body of vehicles and interior and exterior trim, Internet of vehicles and autonomous driving.

Health Management Segment

During the Reporting Period, the Group continued to uphold the innovative service concept of integrating medical insurance with health management, medical care, rehabilitation and elderly care. It provided, through a membership platform, a full cycle of high quality and multi-dimensional health services to its members. It has also developed and formulated an all-rounded and all-age healthcare service standard, and proceeded with the development of Evergrande Elderly Care Valley. However, due to strategic considerations of the Group, resources shall be focused on the development of the Group's New Energy Vehicle Segment moving forward.

Management Discussion and Analysis

Financial Review

I. Liabilities

The total liabilities in the 2021 statement were RMB182,908.36 million, and the liabilities after excluding the receipts in advance of RMB65,249.64 million were RMB117,658.72 million, representing a year-on-year decrease of RMB14,779.67 million compared to RMB132,438.39 million, the liabilities after excluding receipts in advance in 2020. Among which:

1. Borrowings

As at 31 December 2021, the Group's borrowings amounted to RMB40,664.91 million, representing a decrease of RMB31,541.35 million compared to RMB72,206.26 million in 2020.

Part of the borrowings is secured by the property and equipment, land use rights, investment properties, properties under development, completed properties held for sale and equity interests of several subsidiaries within the Group. As at 31 December 2021, the average annual interest rate of the borrowings was 8.56% (31 December 2020: 8.98%).

2. Trade and Other Payables

As at 31 December 2021, the Group's trade and other payables amounted to RMB71,741.86 million, representing an increase of RMB18,771.10 million compared to RMB52,964.76 million in 2020.

3. Other Liabilities

As at 31 December 2021, the Group's other liabilities amounted to RMB5,251.95 million.

II. Operating Loss during the Reporting Period

Revenue

During the Reporting Period, the Group's turnover amounted to RMB2,531.22 million, representing a sharp decrease of 83.66% as compared to RMB15,486.63 million in 2020. The decrease in turnover was mainly attributable to the decrease in revenue generated by the Health Management Segment. The revenue of the segment from sales of health and living projects had decreased by 84.36% from RMB15,267.58 million in 2020 to RMB2,388.36 million in 2021, primarily due to an increased number of sales of health and living projects that were under a discount in order for the Group to maintain cash flow and as a result of the overall market downturn. Nevertheless, there were sub-segment revenue increases in (i) the income from medical cosmetology and health management, which included service revenue generated from the Group's hospitals, from RMB30.96 million to RMB63.77 million; and (ii) rental income, from RMB0.54 million to RMB6.72 million, which were mostly attributable to the increase in number of residents and subscription members.

During the Reporting Period, there was a decrease in the revenue generated by the New Energy Vehicle Segment of the Group, by 61.41% from RMB187.53 million in 2020 to RMB72.38 million. This was mainly due to a decrease in revenue from battery sales in anticipation of new battery products being further modified and upgraded, and the disposal of the Group's existing battery inventories during the Reporting Period. On the other hand, the revenue generated from technical services remained relatively stable at RMB60.50 million in 2020 and RMB60.71 million in 2021, among which RMB32.91 million and RMB19.38 million were generated from the technical services provided to NEVS and Protean respectively.

Management Discussion and Analysis

Gross loss

During the Reporting Period, the Group recorded a gross loss of RMB831.84 million as compared to a gross profit of RMB2,790.30 million in 2020, which was mostly due to the decrease in revenue generated by the Health Management Segment as a result of the overall market downturn. The gross profit margin of the Group had dropped from 18.02% in 2020 to –32.86% in 2021, and the main reason of gross loss was because of the carryover of a large amount of promotional inventory, resulting in a decrease in gross profit.

Other costs, net

Other costs during the Reporting Period were RMB746.50 million, mainly for the disposal of overseas subsidiaries.

Sales and marketing expenses

Sales and marketing expenses increased by 80.94% from RMB2,237.85 million in 2020 to RMB4,049.10 million in 2021, due to the increase in promotional efforts in the Health Management Segment to promote the sales of health and living projects, with the aim of promoting contract sales in response to a deteriorating market. There was also an increase in promotional fees for the branding of the Hengchi series.

Administrative expenses

Administrative expenses increased by 112.70% from RMB4,074.74 million in 2020 to RMB8,667.14 million in 2021, due to salary increments by RMB430.18 million, increase in employee share options by RMB565.96 million, and additional investments made in R&D of RMB2,669.10 million to boost the development of our Hengchi series.

Finance costs

The finance cost of the Group during the Reporting Period was RMB2,607.72 million.

Operating losses

In summary, the operating loss for the Reporting Period was RMB16,902.30 million.

III. Non-operating Loss during the Reporting Period

Other (losses) gains, net

Other losses during the Reporting Period were RMB9,459.87 million, due to losses related to the recovery of land, losses from joint investments, liquidated damages, impairment of FF investments and other losses.

Impairment loss on properties under development, completed properties held for sale and inventories

During the Reporting Period, the provision for impairment of inventory was RMB16,808.74 million, which was mainly due to the overall downward market environment. The Group will regularly update the valuation of the inventory. If the market recovers, the corresponding valuation may rebound.

Impairment loss on property, plant and equipment, intangible assets and goodwill

During the Reporting Period, the Group's impairment losses on property, plant and equipment, intangible assets and goodwill were RMB11,483.44 million. With the principle of prudence, the Group has made provision for impairment of property, plant and equipment, and has made significant provision for impairment of some intangible assets acquired and goodwill generated.

Fair value losses on investment property

The fair value loss of the Group's investment properties during the Reporting Period was RMB323.43 million.

Management Discussion and Analysis

Impairment losses on financial assets

The impairment losses on financial assets during the Reporting Period were RMB2,301.20 million, which was mainly due to the Group's corresponding provisions for other receivables and prepayments of associates, joint ventures and third parties.

In summary, the non-operating loss for the Reporting Period was RMB40,376.68 million.

During the Reporting Period, the Group recorded a loss of RMB56,344.38 million, representing an increase of over seven times as compared to the loss made in 2020, which was mainly due to the decline in the gross profit of the Health Management Segment and the increase in expenses. Owing to prudential considerations made due to the effects of the COVID-19 pandemic and the operational difficulties faced, the Group also increased accrual of inventory, plant and equipment, intangible assets and goodwill.

IV. Liquidity and Financial Resources

As at 31 December 2021, the total amount of cash, cash equivalents and restricted cash of the Group was RMB5,261.22 million.

Business Review

New Energy Vehicle Segment

According to figures released by the China Association of Automobile Manufacturers, the global sales volume of new energy vehicles has hit a new high in 2021, reaching 6.6 million vehicles, representing a year-on-year increase of 108%. The new energy vehicle market in China continued to achieve breakthroughs. The sales volume of new energy vehicles had ranked first in the world for seven consecutive years. The production and sales volume of China's new energy vehicles in 2021 were both approximately 3.5 million vehicles, representing a year-on-year increase of 160%.

The Chinese government attaches great importance to the development of new energy vehicles. The 14th Five-Year Plan specified focusing on strategic emerging industries such as new energy vehicles, and implementing future industry incubation and acceleration plans. A number of policies, such as the "New Energy Automobile Industry Development Plan (2021–2035)" (《新能源汽車產業發展規劃(2021–2035年)》) and the "Notice on Further Improving Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles" (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》), have been put in place to promote the development of the new energy vehicle industry.

Considering the market potential and the support received from both the industry and government policies, the Group will strive to seize the once-in-a-century industry development opportunity, strengthen its technology R&D and innovation further improve product layout and fully promote the continuous development and growth of the New Energy Vehicle Segment.

R&D aspects:

During the Reporting Period, the Group further consolidated previous R&D achievements, integrated R&D resources, improved the R&D system, and had a total headcount of more than 1,285 research staff members. The Group continued to focus on its core business, and continued with the development and testing of core products, with increased technological exploration and innovation in the fields of intelligent network connection and autonomous driving.

In terms of car launches, in 2021, the Group had simultaneously developed six models, including Hengchi 1, Hengchi 3, Hengchi 5, Hengchi 6, Hengchi 7 and SX41. We have cooperated with world-renowned suppliers to build a world-class supplier system to ensure the high quality of Hengchi vehicles. During the Reporting Period, Hengchi 1, Hengchi 3, Hengchi 5, Hengchi 6 and Hengchi 7 completed engineering prototypes and related tests. In particular, the first Hengchi 5 was successfully rolled out in the Tianjin manufacturing base in December 2021.

Management Discussion and Analysis

In terms of Smart Internet and In-Vehicle Software design, during the Reporting Period, the Group cooperated with the world's top engineering service companies and suppliers and completed the development of (i) a first-generation electrical and electronic architecture platform, jointly designed and developed with world-renowned engineering companies such as BEG, Magna (麥格納) and Edag (愛達克), with five domain controllers based on the central gateway. This architecture supports OTA software upgrade of the whole vehicle, 5G communication and in-vehicle Ethernet, meeting the development needs of vehicles with intelligent network connection in the next three to five years; (ii) the hardware and software functions of the intelligent cabin operating system, created based on the concept of "an intelligently connected mobile space of car and home integration". We independently defined and developed the H-Smart OS 1.0 system, and completed the definition, design and development of a human-machine interface series named "Guan Shanhai" (觀山海) in Hengchi vehicles. We jointly developed an intelligent cabin system based on Qualcomm 8155 platform with suppliers such as Neusoft (東軟), Baidu (百度), Faurecia (佛吉亞), and Continental (大陸), equipped with the industry-leading Baidu ecosystem, supporting 5G Internet of vehicles, and aiming to achieve an intelligent experience of "you can say whatever your see" (可見即可説); (iii) the design and development of big data systems for cloud platforms; (iv) software and hardware development for intelligent driving systems and sensor/domain control, including the design and development of the H-Pilot OS 1.0 system, which supports intelligent assisted driving functions such as L2+ level HWA+; (v) software and hardware development and testing and calibration of power, chassis and body domain systems; and (vi) the software and hardware design and development of intelligent communication systems, all of them designed to reach world-leading levels of sophistication.

Manufacturing aspects:

In 2021, the Tianjin manufacturing base has completed its technical upgrade and has started the trial production of the first model Hengchi 5. The stamping workshop is equipped with five sequences of fully automatic high-speed mechanical press lines, MES intelligent management system, real-time monitoring of key parameters and features, and intelligent decision-making through big data analysis. The body shop is equipped with 183 robots and the welding automation rate is 100%. The paint shop adopts the compact B1B2 environmental protection process, with 51 robots to realize the full automation of painting operation, and has a 100% colour set production capacity. The final assembly workshop widely applies intelligent, automated and flexible production equipment, leading the industry in automation level and quality assurance capability.

The Shanghai and Guangzhou manufacturing bases are undergoing planning and construction in accordance with Industry 4.0 standards, using the world's most advanced equipment, the world's most advanced technology, so as to achieve the world's most advanced intelligent manufacturing. The Shanghai manufacturing base is planned to have an annual production capacity of 100,000 units and the Guangzhou manufacturing base is planned to have an annual production capacity of 200,000 units (production capacity of 100,000 units for painting), and both bases have been commissioned.

In terms of power batteries, the Group's Shenzhen Battery Research Institute (深圳電池研究院) developed ternary 5-series and 8-series (三元5系、8系) battery products as planned, and laid out cutting-edge technologies. The Shanghai Battery Research Institute (上海電池研究院) is being transformed into a pilot test base for lithium iron phosphate as planned.

Sales of vehicle living projects:

Under the New Energy Vehicle Segment, as a continuation of the previous year's operations, the Group had also conducted the sales of vehicle living projects during the Reporting Period. Six new vehicle living projects were launched, including Guiyang Evergrande Creek Shangtaoyuan (貴陽恒大溪上桃源), Urumqi Evergrande Yulan Bay (烏魯木齊恒大御瀾灣), Urumqi Evergrande Yuhu Jun (烏魯木齊恒大御湖郡), Nanning Evergrande Yufu (南寧恒大御府), Urumqi Evergrande Yufeng (烏魯木齊恒大御峰) and Nantong Evergrande Jade Garden (南通恒大翡翠華庭). With a total of 23 projects, the Group achieved a sales volume of 20,090 units during the Reporting Period, representing a gross floor area of 1.98 million sq.m.. The types of properties sold include residential, apartment, commercial and parking spaces. An average discount of 37% was given to purchasers in order to promote and accelerate the sales of such projects.

Management Discussion and Analysis

Health Management Segment

During the Reporting Period, in terms of the wellness living resorts operated by the Group, as a continuation of the previous plans in the Health Management Segment, three health projects were newly opened, namely Ningchu Evergrande International Health City (寧滁恒大國際健康城), Wuhan Evergrande Health City (武漢恒大健康城) and Shangrao Evergrande Health Valley (上饒恒大養生谷). With a total of 25 projects, the Group had achieved a sales volume of 25,373 units during the Reporting Period, representing a floor area of 2.19 million sq.m.. The types of properties sold include residential, apartment, commercial and parking spaces. Among them, residential properties accounted for the largest proportion of sales, with 19,722 units sold, a floor area of 2.01 million sq.m..

Furthermore, in order to comprehensively improve the added value of products and customer satisfaction, and to enrich the owner's spare time after moving into such living projects, we had planned to construct the Four Major Parks around the residential area. A gross floor area of 427,200 sq.m. or an aggregate of 624 single buildings were under construction, of which 291 buildings had been decorated, 196 buildings had completed facade construction, 39 buildings had constructed a main body, eight buildings had constructed pile foundations, 90 buildings were undergoing facade and decoration construction; and a gross floor area of 18,300 sq.m. or 26 single buildings had not yet started any construction. During the Reporting Period, the Health Management Segment also provided medical cosmetology and health management to customers, which also included out-patient services provided to patients at the Group's hospitals, most notably the Evergrande International Hospital, and health institutions.

Outlook

New Energy Vehicle Segment

At present, the Group's New Energy Vehicle Segment is progressing steadily on track with its planned goals. In the future, the Group will make every effort to promote the mass production and delivery of Hengchi 5. The Group will continue to strengthen R&D investment and consolidate R&D foundation. While accelerating the R&D of core technologies to lead the technology innovation and development of smart electric vehicles, the Group will also stay focused on the R&D of new models, so as to provide users with more forward-looking smart electric vehicle products integrating technological aesthetics. In the meantime, the Group will accelerate the progress of the Tianjin manufacturing base towards reaching its planned production capacity.

Health Management Segment

The subsequent resources of the Group will be focused on the development of the Group's New Energy Vehicle Segment.

Other Analysis

Capital Institutions, Liquidity and Financial Resources

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

As at 31 December 2021, the Group had borrowings and lease liabilities (collectively "**total borrowings**") amounting to RMB41,678.64 million (as at 31 December 2020: RMB73,010.03 million).

As at 31 December 2021, the Group's gearing ratio was 29.03% (as at 31 December 2020: 48.65%). Gearing ratio was calculated as total borrowings divided by total assets.

Management Discussion and Analysis

Capital Commitments, Significant Investments, Pledge of Assets

As at 31 December 2021, the Group had capital commitments of approximately RMB17,069 million for the construction of the Group's bases and the purchase of fixed assets in Tianjin, Shanghai, Guangzhou, Yangzhou and other regions across the country.

For 2021, the Group had no significant investments.

As at 31 December 2021, the Group's borrowings of RMB18.327 billion were secured by pledge of the Group's property, plant and equipment, right-of-use assets, properties under development, completed properties held for sale, and equity interests of certain subsidiaries, totalling at RMB29.007 billion.

Material Litigation

As at 31 December 2021, the Group had a total of 11 pending litigation cases which involved more than RMB30 million each, and the total amount involved was approximately RMB1,594 million.

Failure to Repay Debts Due

As at 31 December 2021, the Group's unpaid debts due amounted to approximately RMB7,336 million. In addition, as at 31 December 2021, the Group's overdue commercial bills amounted to approximately RMB11,872 million.

Placing of Shares under General Mandate and the Use of Proceeds

(i) First Placing

On 9 November 2021, the Company entered into a placing and subscription agreement (the "**First Placing**"). On 12 November 2021, 174,830,000 ordinary shares of the Company were successfully placed at a price of HK$2.86 per share of the Company, raising gross proceeds of approximately HK$500,013,800.

The placing price was HK$2.86 per share of the Company and represented: (i) a discount of approximately 19.89% to the closing price of HK$3.57 per share of the Company as quoted on the Hong Kong Stock Exchange on 9 November 2021, being the last trading day prior to the signing of the placing and subscription agreement; and (ii) a discount of approximately 17.96% to the average closing price of HK$3.486 per share of the Company as quoted on the Hong Kong Stock Exchange for the last five consecutive trading days immediately prior to 9 November 2021.

The net proceeds from the First Placing were approximately HK$487,574,600 after deduction of commission and other related expenses of the First Placing from the gross proceeds of approximately HK$500,013,800. The net price per share of the Company was approximately HK$2.79 per share of the Company.

As of 31 December 2021, the Company has fully utilized such net proceeds from the First Placing for the research and development and production of the Company's new energy vehicles, paving the groundwork for putting Hengchi new energy vehicles into production. For further details of the aforesaid top-up placing by the Company, please refer to the announcement of the Company dated 9 November 2021.

Management Discussion and Analysis

(ii) Second Placing

On 19 November 2021, the Company entered into a second placing and subscription agreement (the "**Second Placing**"). On 24 November 2021, 900,000,000 ordinary shares of the Company were successfully placed at a price of HK$3.00 per share of the Company, raising gross proceeds of approximately HK$2,700 million.

The placing price was HK$3.00 per share of the Company and represented: (i) a discount of approximately 15.01% to the closing price of HK$3.53 per share of the Company as quoted on the Hong Kong Stock Exchange on 19 November 2021, being the last trading day prior to the signing of the placing and subscription agreement; and (ii) a discount of approximately 19.96% to the average closing price of HK$3.748 per share of the Company as quoted on the Hong Kong Stock Exchange for the last five consecutive trading days immediately prior to 19 November 2021.

The net proceeds from the Second Placing were approximately HK$2,635 million after deduction of commission and other related expenses of the Second Placing from the gross proceeds of approximately HK$2,700 million. The net price per share of the Company was approximately HK$2.93 per share of the Company.

As of 31 December 2021, the Company has utilized approximately HK$780 million of such net proceeds from the Second Placing for the research and development and production of the Company's new energy vehicles, paving the groundwork for putting Hengchi new energy vehicles into production. For further details of the aforesaid top-up placing by the Company, please refer to the announcement of the Company dated 19 November 2021.

Employee and Share Option Scheme

As at 31 December 2021, the Group had a total of 6,286 employees, and staff with a bachelors' degree or above accounted for approximately 89%. It incurred a total staff cost (including Directors' remuneration) of approximately RMB2,766.01 million during the period (2020: RMB3,118.78 million).

The employees were remunerated in accordance with the Group's remuneration and welfare policies with reference to the positions of employees, performance, profitability of the Company, industry level and market environment.

To provide incentives or rewards to the staff and the Directors of the Company, the Company adopted a share option scheme (the "**Share Option Scheme**") on 6 June 2018. Since its adoption and up to 31 December 2021 and save as disclosed in the announcements of the Company published on 6 November 2020, 15 June 2021 and 21 September 2021 regarding the respective grants of share options, the Company has not granted any other new share option under such Share Option Scheme or adopted any other share option scheme.

As at 31 December 2021, a total of 752,200,000 share options were granted under the Share Option Scheme, amongst which: (i) a total of 543,050,000 share options granted under the Share Option Scheme had not been exercised; (ii) a total of 209,150,000 share options granted under the Share Option Scheme had lapsed; and (iii) no share option granted under the Share Option Scheme had been cancelled.

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities (as at 31 December 2020: Nil).

Management Discussion and Analysis

Dividend

The Directors do not recommend the payment of dividend for the year ended 31 December 2021 (year ended 31 December 2020: Nil).

Important Events After the Reporting Period

Very Substantial Disposal and Connected Transaction in Relation to the Disposal of Subsidiaries

On 24 April 2023, the Company entered into a sale and purchase agreement with Anxin Holding Limited (the "**Purchaser**") and China Evergrande Group, pursuant to which the Purchaser conditionally agreed to purchase, and the Company conditionally agreed to sell as the beneficial owner, one issued share of each of Assemble Guard Limited ("**Assemble Guard**") and Flaming Ace Limited ("**Flaming Ace**"), representing the entire issued share capital of Assemble Guard and Flaming Ace respectively, at the consideration of RMB2 (the "**Disposal**"). The Disposal was completed on 12 May 2023 (after the general meeting held on the same day). For further details of the Disposal, please refer to the announcements of the Company dated 24 April 2023, 25 April 2023, 10 May 2023 and 12 May 2023 and the circular of the Company dated 25 April 2023.

Save as disclosed above, up to the date of this annual report, no significant events occurred after the Reporting Period.

Forward Looking Statements

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

Report of the Directors

Principal Activities

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in Note 42 to the consolidated financial statements. An analysis of the Group's performance for 2021 (the "**Year**") by operating segment is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 52 to 53 of this annual report.

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

Purchase, Sale or Redemption of Listed Shares

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

Distributable Reserves

There is no distributable reserves of the Company as at 31 December 2021, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") (distributable reserves for the year ended 31 December 2020: nil).

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

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

Report of the Directors

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

According to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effect for a period of 10 years commencing on 6 June 2018, and has a remaining term of approximately 5 years as at the date of this annual report.

As at 31 December 2021, 543,050,000 share options were outstanding (number of share options as at 31 December 2020: 294,880,000). On 15 June 2021, 129,660,000 share options with exercise price of HK$32.82 and validity period from 15 June 2021 to 14 June 2031 were granted to 1,583 employees of the Company. The closing price of the Company's shares on the date of grant was HK$31.35 and the average closing price of the shares for the five trading days immediately preceding the date of grant was HK$32.82. On 20 September 2021, 323,720,000 share options with exercise price of HK$3.90 and validity period from 20 September 2021 to 19 September 2028 were granted to 3 directors and 3,180 employees of the Company. The closing price of the Company's shares on the date of grant was HK$2.90 and the average closing price of the shares for the five trading days immediately preceding the date of grant was HK$3.90. During the reporting period, 205,210,000 share options were lapsed and no share option was exercised.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 156 of the annual report.

Report of the Directors

Directors

(a) Directors of the Company

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

Executive Directors:

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

Independent Non-executive Directors:

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

In accordance with Article 81(1) of the Company's Articles of Association, at the annual general meeting in each year, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

Details of the Directors to be re-elected at the annual general meeting will be set out in the circular to the shareholders of the Company prior to its forthcoming annual general meeting.

(b) Directors of the Company's Subsidiaries

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

Directors' Service Contracts

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

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

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

Report of the Directors

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Siu Shawn (肖恩) (previously named as XIAO Chenggang), aged 52, is currently the chairman and executive director of China Evergrande New Energy Vehicle Group Limited. He is also an executive director and the president of China Evergrande Group (中國恒大集團) (stock code: 03333). Mr. Siu joined China Evergrande Group in November 2013 and has previously acted as the executive president and executive vice president of China Evergrande Group and the chairman of Evergrande Tourism Group Company Limited (恒大旅遊集團有限公司). Mr. Siu has over 30 years of extensive commercial experience. Mr. Siu graduated from Beijing Normal University with a bachelor's degree in arts. He then completed a postgraduate programme in economic law at the Southwest University of Political Science & Law.

Mr. Liu Yongzhuo (劉永灼), aged 42, is currently the president of Evergrande New Energy Automobile Group. Mr. Liu joined China Evergrande Group in December 2003 and has previously acted as the vice president of China Evergrande Group, the chairman of Evergrande Football Club, the chairman of Evergrande Spring Water Group and the chairman of Evergrande High-tech Group. Mr. Liu has over 20 years of experience in real estate project investment and operation, sports operation and corporate operational management in various industries. Mr. Liu graduated from East China Normal University and Wuhan University of Technology and obtained a bachelor's degree in business management and a master's degree in engineering.

Mr. Qin Liyong (秦立永), aged 45, is currently the vice president of Evergrande New Energy Automobile Group. Mr. Qin joined China Evergrande Group in April 2005 and has previously acted as the vice president of Hengda Real Estate Group, the chairman of Hengda Grain and Oil Group (恒大糧油集團) and the chairman of the Shenzhen Company and Heilongjiang Company of Hengda Real Estate Group. Mr. Qin has over 16 years of experience in real estate engineering management and supervision. Mr. Qin graduated from Tongji University with a bachelor's degree in engineering management and a master's degree in management science and engineering.

Report of the Directors

Independent Non-executive Directors

Mr. Chau Shing Yim, David (周承炎) aged 59 has over 30 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms, Mr. Chau was a key member who found their corporate finance division and held the position as their Head of Merger and Acquisition and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants in England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a Senior Fellow and an ex-director of the Hong Kong Securities and Investment Institute and the ex-chairman of China Committee and Corporate Committee. Mr. Chau is the member of Pamela Youde Nethersole Eastern Hospital ("**PYNEH**") Fund Raising Committee and also ex-member of Hospital Governing Committee and PYNEH Charitable Trust.

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

Mr. Guo Jianwen (郭建文), aged 47, graduated from Beijing University of Chinese Medicine with a bachelor's degree in medicine, as well as Chengdu University of Traditional Chinese Medicine with a master's degree in clinical internal Chinese medicine and a doctoral degree in clinical internal Chinese medicine (specializing in brain emergency diseases). He is a senior head practitioner of Traditional Chinese medicine and has level 3 surgeon qualifications in neurointervention.

Mr. Guo is currently the head and Chief Physician of the Cerebrovascular and Cardiovascular Pathology Division of the Brain Pathology Center of Guangdong Provincial Hospital of Traditional Chinese Medicine (Guangzhou University of Chinese Medicine 2nd Affiliated Hospital), the founder of Guangzhou Wen Mai Tang Technology Company Limited and the founder and director of Guangzhou Wen Mai Tang Traditional Chinese Medicine Center (Chain) Company Limited, the supervisor of the Strategic Development Committee of the Jiangsu Nantong Liangchun Hospital, and the senior consultant of technological development at the Jiangsu Nantong Liangchun Clinical Research Institute of Traditional Chinese Medicine.

In addition, Mr. Guo is also a member of the standing committee and the secretary of the Brain Pathology Division of the China Academy of Chinese Medical Sciences, the secretary of the Expert Committee of Brain Pathology at the Guangdong Provincial Institute of Chinese Medicine, a member of the Consortium for Globalization of Chinese Medicine, an expert product pre-launch inspector of China Food and Drug Administration for new Traditional Chinese medicines, a professional academic commentator of the Guangdong Provincial Department of Science and Technology in the field of social development, an expert anonymous doctoral thesis examiner of the Guangdong Provincial Hospital of Traditional Chinese Medicine Degree Office and an expert anonymous academic title thesis examiner of the Guangzhou University of Chinese Medicine 2nd Affiliated Hospital.

Mr. Xie Wu (謝武), aged 58, is a physician of Traditional Chinese internal medicine. Mr. Xie has practiced clinical Chinese medicine for 25 years, with more than 10 years of experience in hemodialysis and extensive clinical experience in various subfields of nephrology. Mr. Xie worked in the kidney clinic in the People's Hospital in Luohu, Shenzhen and engaged in medical work in Yueyang Luowang Hospital, and is currently working at the hemodialysis center of nephrology and rheumatology of Yueyang Hospital of Traditional Chinese Medicine.

Report of the Directors

Certain Core Members of the Professional Team

Ms. Cao Hui (曹慧), aged 52, is currently the general manager of the Finance Center of Evergrande New Energy Automobile Group. Ms. Cao joined China Evergrande Group in January 2008 and has previously held various positions such as the deputy general manager of Evergrande Health Group (恒大健康集團) and the financial manager of Hengda Real Estate Group. Ms. Cao is a senior accountant, certified tax agent and certified public accountant. Ms. Cao graduated from Xinjiang University of Finance & Economics.

Mr. Fong Kar Chun, Jimmy (方家俊), aged 48, is currently the company secretary of each of Evergrande Group and Evergrande New Energy Automobile Group. Mr. Fong joined China Evergrande Group in 2009 and has previously acted as the vice president of Hengda Real Estate Group and the vice president and company secretary of Evergrande Group. Mr. Fong has over 20 years of experience in merger, acquisition and capital market. Mr. Fong graduated from the University of Hong Kong and London School of Economics and Political Science with a bachelor's degree in Laws and a master's degree in bank and finance laws, respectively.

Mr. Gao Jingshen (高景深), aged 55, is currently the executive president of Evergrande New Energy Automobile Group. Mr. Gao joined Evergrande New Energy Automobile Group in January 2019 and has previously acted as the deputy general manager of GAC Toyota Motor Co., Ltd. (廣汽豐田汽車公司), the general manager of GAC Gonow Co., Ltd. (廣汽吉奧公司) and the COO of intelligent automobile (China) of Faraday Future. Mr. Gao has over 30 years of operation and management experience in automobile industry. During his term of service at GAC Toyota, his team achieved "zero defects" in Toyota's global quality inspection. Mr. Gao graduated from Guangdong University of Technology and Murdoch University in Australia with a bachelor's degree in industrial engineering management and a master's degree in business administration, respectively.

Mr. Wei Linhe (魏林和), aged 57, is currently the vice president of Evergrande New Energy Automobile Group. Mr. Wei joined Evergrande New Energy Automobile Group in September 2020. He worked at Shanghai Volkswagen and SAIC Motor Passenger Vehicle in his early career. He has previously acted as the vice president of Foton Motors Group (福田汽車集團), the executive vice president of Borgward Group (寶沃汽車集團), the general manager of Beijing Borgward Automobile Co., Ltd. (北京寶沃汽車有限公司) and the chairman of Borgward-Faurecia Sitting System Co., Ltd. (寶沃佛吉亞座椅系統有限公司). Mr. Wei has over 35 years of experience of expert technology and corporate management in automobile industry, and is familiar with the product development procedures of mainstream automobile companies across the world. Mr. Wei graduated from Shenyang University of Technology with a bachelor's degree in machine manufacturing and automation.

Mr. Guo Haibin (郭海濱), aged 53, is currently the vice president of Evergrande New Energy Automobile Group. Mr. Guo joined Evergrande New Energy Automobile Group in May 2021 and has previously acted as the factory director of GAC Toyota. Mr. Guo has over 30 years of experience in automobile manufacturing and quality management, and is familiar with the whole process of automobile manufacturing. Mr. Guo graduated from Jilin University of Technology with a bachelor's degree in automobile application and engineering.

Mr. Chen Shiyi (陳士毅), aged 46, is currently the director of Evergrande New Energy Automobile Research Institution (恒大新能源汽車整車研究院). Mr. Chen joined Evergrande New Energy Automobile Group in June 2019 and has previously acted as the director of automobile development department of Jiangling Motors, the vice president of Foton Motors Group, the chief executive officer of cheyun.com, the general manager of business division of DFD New Energy Automobile (多氟多新能源汽車) and the general manager and director of research institution of Hongxing Automobile (紅星汽車). Mr. Chen has over 20 years of experience in research and development and management in automobile industry. Mr. Chen graduated from Nanchang University and Jilin University with a bachelor's degree in automobile and tractor and a master's degree in automobile engineering, respectively.

Report of the Directors

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

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

The following table discloses movements in the Company's share options outstanding during the reporting period:

	Number of share options										
Name or category of participant	**As at 1 January 2021**	**Granted during the reporting period**	**Exercised during the reporting period**	**Lapsed during the reporting period**	**Forfeited/ cancelled during the reporting period**	**As at 31 December 2021**	**Date of grant of share options** (Note 1)	**Exercise period of share options**	**Exercise price of share options** (HK$ per Share)	**Closing price of the Company's listed shares immediately before the grant date of options** (HK$ per share)	**The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant** (HK$ per share)
Employees											
Employees of the Group	252,880,000	NIL	0	73,350,000	0	179,530,000	6 November 2020	6 November 2020 to 5 November 2030	HK$23.05	HK$23.05	HK$21.98
	NIL	129,660,000	0	59,890,000	0	69,770,000	15 June 2021	15 June 2021 to 14 June 2031	HK$32.82	HK$31.35	HK$32.82
	NIL	322,820,000	0	71,970,000	0	250,850,000	20 September 2021	20 September 2021 to 19 September 2028	HK$3.90	HK$2.90	HK$3.90
Directors											
Siu Shawn	20,000,000	NIL	0	0	0	20,000,000	6 November 2020	6 November 2020 to 5 November 2030	HK$23.05	HK$23.05	HK$21.98
Liu Yongzhuo	20,000,000	NIL	0	0	0	20,000,000	6 November 2020	6 November 2020 to 5 November 2030	HK$23.05	HK$23.05	HK$21.98
Qin Liyong	2,000,000	NIL	0	0	0	2,000,000	6 November 2020	6 November 2020 to 5 November 2030	HK$23.05	HK$23.05	HK$21.98
Chau Shing Yim, David	NIL	300,000	0	0	0	300,000	20 September 2021	20 September 2021 to 19 September 2028	HK$3.90	HK$2.90	HK$3.90
Guo Jianwen	NIL	300,000	0	0	0	300,000	20 September 2021	20 September 2021 to 19 September 2028	HK$3.90	HK$2.90	HK$3.90
Xie Wu	NIL	300,000	0	0	0	300,000	20 September 2021	20 September 2021 to 19 September 2028	HK$3.90	HK$2.90	HK$3.90
Total	294,880,000	453,380,000	0	205,210,000	0	543,050,000					

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

Report of the Directors

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

As at 31 December 2021, the interest and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**"), were as follows:

Interests of shares in the Company

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of shareholding
Liu Yongzhuo	Beneficial owner (Note 1)	21,653,500	0.22%
Qin Liyong	Beneficial owner (Note 2)	3,386,000	0.03%
Siu Shawn	Beneficial owner (Note 3)	24,600,000	0.25%
Chau Shing Yim, David	Beneficial owner (Note 4)	300,000	0.00%
Guo Jianwen	Beneficial owner (Note 4)	300,000	0.00%
Xie Wu	Beneficial owner (Note 4)	300,000	0.00%

Notes:

As at 31 December 2021:

(1) Mr. Liu Yongzhuo was interested in 21,653,500 Shares, of which 1,653,500 Shares were directly held by Mr. Liu and 20,000,000 Shares were represented by share options.

(2) Mr. Qin Liyong was interested in 3,386,000 Shares, of which 1,386,000 Shares were directly held by Mr. Qin and 2,000,000 Shares were represented by share options.

(3) Mr. Siu Shawn was interested in 24,600,000 Shares, of which 4,600,000 Shares were directly held by Mr. Siu and 20,000,000 Shares were represented by share options.

(4) Each of Mr. Chau Shing Yim, David, Mr. Guo Jianwen and Mr. Xie Wu was interested in 300,000 Shares which were represented by share options.

Report of the Directors

Interests of shares in the associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of Shares interested	Approximate percentage of shareholding
Liu Yongzhuo	CEG	Beneficial owner	20,600,000 (Note 2)	0.16%
	Evergrande Property Services Group Limited (Note 1)	Beneficial owner	548,500	0.00%
Qin Liyong	CEG	Beneficial owner	4,136,000 (Note 3)	0.03%
Chau Shing Yim, David	CEG	Beneficial owner	1,000,000 (Note 4)	0.01%
Siu Shawn	CEG	Beneficial owner	20,600,000 (Note 5)	0.16%
Shi Shouming *(resigned with effect on 8 January 2021)*	CEG	Beneficial owner	10,000 (Note 6)	0.00%
	Evergrande Property Services Group Limited (Note 1)	Beneficial owner	10,000	0.00%

Notes:

As at 31 December 2021:

(1) Evergrande Property Services Group Limited was a subsidiary of CEG.

(2) Mr. Liu Yongzhuo was interested in 20,600,000 shares of CEG, which were represented by share options; Mr. Liu was also interested in 548,500 shares of Evergrande Property Services Group Limited, all of which were directly held by Mr. Liu.

(3) Mr. Qin Liyong was interested in 4,136,000 shares of CEG, of which 2,936,000 shares were directly held by Mr. Qin and 1,200,000 shares were represented by share options.

(4) Mr. Chau Shing Yim, David directly held 1,000,000 shares of CEG.

(5) Mr. Siu Shawn was interested in 20,600,000 shares of CEG, which were represented by share options.

(6) Mr. Shi Shouming directly held 10,000 shares of CEG and 10,000 shares of Evergrande Property Services Group Limited.

Save as disclosed above, as at 31 December 2021, none of the Directors, the chief executives of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules.

Report of the Directors

Substantial Shareholder

As at 31 December 2021, so far as was known to any Director or the chief executives of the Company, other than a director or the chief executive of the Company, the following persons had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company:

Name of Shareholder	Nature of interest held	Interest in the Shares	Approximate Percentage of Shareholding (Note)
CEG	Beneficial owner; and interest of corporation controlled by the substantial shareholder	6,347,948,000	58.54%

Note: Of the 6,347,948,000 Shares held, 128,398,000 were held in the capacity of beneficial owner, 6,219,500,000 Shares were held by Evergrande Health Industry Holdings Limited and 50,000 Shares were held by Acelin Global Limited, both being wholly-owned by CEG.

Independence of the Independent Non-executive Directors

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

Management Contracts

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

Report of the Directors

Major Suppliers and Customers

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

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

Continuing Connected Transaction

For the year ended 31 December 2021, the Group has entered into the following non-exempt continuing connected transactions.

Integrated Insurance Procurement Agreement

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

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

For the three years ended 31 December 2019, 2020 and 2021, the annual caps under the Integrated Insurance Procurement Agreement were RMB1,000,000 thousand, RMB2,000,000 thousand and RMB3,000,000 thousand, respectively. The actual amount incurred during the Year was RMB61,952 thousand (tax inclusive) and RMB58,445 thousand (tax exclusive).

Property Management Framework Agreement

On 11 September 2020, the Company and China Evergrande Group entered into a property management framework agreement (the "**Property Management Framework Agreement**"), pursuant to which, China Evergrande Group and its subsidiaries shall provide (1) fundamental property services, (2) value-added services for non-property owners; and (3) community value-added services to the Group. The term of the Property Management Framework Agreement commenced on 11 September 2020 and ended on 31 December 2022.

Report of the Directors

The service fees contemplated under the Property Management Framework Agreement have been primarily determined based on the overall quality of services and market prices, as well as the current pricing inquiries conducted by the Company and pricing processes for the procurement of services.

For the three years ended 31 December 2020, 2021 and 2022, the annual caps under the Property Management Framework Agreement were RMB123,300 thousand, RMB206,200 thousand and RMB279,800 thousand, respectively. The actual amount incurred during the Year was 127,575 thousand (tax inclusive) and RMB121,508 thousand (tax exclusive).

Real Properties Marketing Services

From 1 January 2021 to 31 December 2021, certain subsidiaries of China Evergrande Group had provided marketing services (the "**Real Properties Marketing Services**") for the real estate projects developed by certain subsidiaries of the Company, including customer confirmation service for real estate projects, transaction closing service, information technology service, platform customer diversion service, online trading service, big data enabling service, etc..

The relevant subsidiaries of the Company shall pay service fee (tax inclusive) for the Real Properties Marketing Services to the relevant subsidiaries of China Evergrande Group on the basis of 2.7% to 6% of the actual transaction amount of real properties successfully sold by the Group through the referrals of certain subsidiaries of China Evergrande Group. Service fee shall be paid by certain subsidiaries of the Company to certain subsidiaries of China Evergrande Group in cash on a monthly basis.

The aggregate amount of service fee in respect of the Real Properties Marketing Services was approximately RMB454,207 thousand (tax inclusive) and RMB427,370 thousand (tax exclusive) during the Year.

Green Landscaping Services

From 1 January 2021 to 31 December 2021, certain subsidiaries of China Evergrande Group have provided green landscaping engineering and construction services (the "**Green Landscaping Services**") for the real estate projects developed by certain subsidiaries of the Company, including terrain treatment, location caving, supply of seedlings, planting and maintenance of seedlings etc..

Service fee shall be calculated in accordance with the following two methods: (1) based on the actually incurred seedling expenses, labor expenses, machinery expenses, auxiliary expenses, administrative fees, management fees, taxes and a reasonable profit margin; or (2) on a lump sum basis of the packaged unit price of seedling and the number of seedling used. Service fee shall be paid by the relevant subsidiaries of the Company to the relevant subsidiaries of China Evergrande Group in cash based on the actual progress of each project.

The aggregate amount of service fee in respect of the Green Landscaping Services was approximately RMB58,448 thousand (tax inclusive) and RMB54,397 thousand (tax exclusive) during the Year.

Report of the Directors

Material Procurement

From 1 January 2021 to 31 December 2021, certain subsidiaries of the Company have procured building materials, materials for water and electricity supply, decoration materials, landscaping materials, equipment, etc. from certain subsidiaries of China Evergrande Group (the "**Material Procurement**").

The procurement fee was determined after arm's length negotiations and on normal commercial terms with reference to the specifications, model, unit price, type and quality of the relevant material and the average price of similar material offered by independent third parties. Procurement fee shall be paid by certain subsidiaries of the Company to certain subsidiaries of China Evergrande Group in cash based on the actual delivery progress.

The aggregate amount of procurement fee was approximately RMB47,102 thousand (tax inclusive) and RMB41,683 thousand (tax exclusive) during the Year.

Shengjing Bank Loan Agreement

Evergrande New Energy Vehicle (Tianjin) Company Limited ("**Tianjin Vehicle**", a subsidiary of the Company, as borrower) entered into a loan agreement (the "**Shengjing Bank Loan Agreement**") with Shengjing Bank Co., Ltd. ("**Shengjing Bank**", as lender) dated 16 March 2021 in relation to the borrowing of a secured loan in the principal amount of RMB500,000,000 by Tianjin Vehicle from Shengjing Bank for a term of one year at the rate of 11% per annum (the "**Shengjing Bank Borrowing**") for the procurement of raw materials. Tianjin Vehicle shall pay interest on a quarterly basis and shall repay the principal amount of the loan in a lump sum on 16 March 2022. If Tianjin Vehicle fails to repay the Shengjing Bank Borrowing and/or interest on time, Shengjing Bank will charge overdue interest on the overdue loan and/or unpaid interest (as the case may be) at an interest rate of 16.5% per annum.

The security assets of Shengjing Bank Borrowing comprises (1) one parcel of industrial land with an area of 334,454.18 square meters owned by Evergrande New Energy Vehicle (Liaoning) Company Limited (a subsidiary of the Company); (2) one parcel of industrial land with an area of 244,949.59 square meters owned by Shenyang Evergrande New Energy Technology Development Company Limited (a subsidiary of the Company); and (3) two parcels of industrial land with the respective area of 184,979.58 square meters and 80,417.36 square meters owned by Evergrande Power Technology (Shenyang) Company Limited (a subsidiary of the Company).

As at 31 December 2021, the outstanding principal amount of the Shengjing Bank Borrowing and the interest accrued on it amounted to RMB556,008 thousand.

Relationship among the Parties

As at 31 December 2021, China Evergrande Group was a controlling shareholder of the Company and Evergrande Life was a non-wholly-owned subsidiary of China Evergrande Group. Therefore, each of China Evergrande Group and Evergrande Life has been a connected person of the Company. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the transactions contemplated under the Integrated Insurance Procurement Agreement, the Property Management Framework Agreement, the Real Properties Marketing Services, the Green Landscaping Services and the Material Procurement constitute continuing connected transactions of the Company.

Report of the Directors

On the date of the Shengjing Bank Loan Agreement, Shengjing Bank was held by China Evergrande Group as to approximately 34.5%. Therefore, Shengjing Bank was a connected person of the Company by virtue of being a 30%-controlled company of China Evergrande Group and the transactions contemplated under the Shengjing Bank Loan Agreement constituted continuing connected transactions of the Company. As disclosed by the announcement of China Evergrande Group dated 29 September 2021, China Evergrande Group disposed of approximately 19.93% equity interest in Shengjing Bank. Upon the completion of the disposal, Shengjing Bank was held as to approximately 14.57% by China Evergrande Group and ceased to be a connected person of the Company. Accordingly, the transactions contemplated under the Shengjing Bank Loan Agreement were no longer continuing connected transactions of the Company from 29 September 2021 onwards.

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

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Nothing has come to the auditor's attention that causes auditor to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board; (ii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) have exceeded the annual cap as set by the Company.

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

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

Emolument Policy

The emolument policy of employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications, experience and competence. Please refer to the corporate governance report set out on page 36 for the emolument policy of Directors.

Report of the Directors

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's total issued shares during the Year and as at 31 December 2021.

Competing Business

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

Controlling Shareholders' Interests in Contracts of Significance

Saved as disclosed in this annual report, neither the Company nor any of its subsidiaries entered into any significant contracts with the controlling shareholders of the Company or any of its subsidiaries for the year ended 31 December 2021.

Business Review

(a) New Energy Vehicle Segment

According to figures released by the China Association of Automobile Manufacturers, the global sales volume of new energy vehicles has hit a new high in 2021, reaching 6.6 million vehicles, representing a year-on-year increase of 108%. The new energy vehicle market in China continued to achieve breakthroughs. The sales volume of new energy vehicles had ranked first in the world for seven consecutive years. The production and sales volume of China's new energy vehicles in 2021 were both approximately 3.5 million vehicles, representing a year-on-year increase of 160%.

The Chinese government attaches great importance to the development of new energy vehicles. The 14th Five-Year Plan specified focusing on strategic emerging industries such as new energy vehicles, and implementing future industry incubation and acceleration plans. A number of policies, such as the New Energy Automobile Industry Development Plan (2021–2035) (《新能源汽車產業發展規劃(2021–2035年)》) and the "Notice on Further Improving Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles" (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》), have been put in place to promote the development of the new energy vehicle industry.

Considering the market potential and the support received from both the industry and government policies, the Group will strive to seize the once-in-a-century industry development opportunity, strengthen its technology R&D and innovation, further improve product layout and fully promote the continuous development and growth of the New Energy Vehicle Segment.

R&D aspects:

During the Reporting Period, the Group further consolidated previous R&D achievements, integrated R&D resources, improved the R&D system, and had a total headcount of 1,285 research staff members. The Group continued to focus on its core business, and continued with the development and testing of core products, with increased technological exploration and innovation in the fields of intelligent network connection and autonomous driving.

In terms of new car designs, in 2021, the Group had simultaneously developed six models, including Hengchi 1, Hengchi 3, Hengchi 5, Hengchi 6, Hengchi 7 and SX41. We have cooperated with world-renowned suppliers to build a world-class supplier system to ensure the high quality of Hengchi vehicles. During the Reporting Period, Hengchi 1, Hengchi 3, Hengchi 5, Hengchi 6 and Hengchi 7 completed engineering prototypes and related tests. In particular, the first Hengchi 5 was successfully rolled out in the Tianjin manufacturing base in December 2021.

Report of the Directors

In terms of Smart Internet and In-Vehicle Software design, during the Reporting Period, the Group cooperated with the world's top engineering service companies and suppliers and completed the development of (i) a first-generation electrical and electronic design platform, jointly designed and developed with world-renowned engineering companies such as BEG, Magna (麥格納) and Edag (愛達克), with five domain controllers based on the central gateway. This architecture supports OTA software upgrade of the whole vehicle, 5G communication and in-vehicle Ethernet, meeting the development needs of vehicles with intelligent network connection in the next three to five years; (ii) the hardware and software functions of the intelligent cabin operating system, which created based on the concept of "an intelligently connected mobile space of car and home integration". We independently defined and developed the H-Smart OS 1.0 system, and completed the definition, design and development of a human-machine interface series in Hengchi vehicles. We jointly developed an intelligent cabin system based on Qualcomm 8155 platform with suppliers such as Neusoft (東軟), Baidu (百度), Faurecia (佛吉亞), and Continental (大陸), equipped with the industry-leading Baidu ecosystem, supporting 5G Internet of vehicles, and aiming to achieve an intelligent experience of "you can say whatever your see" (可見即可說); (iii) the design and development of big data systems for cloud platforms; (iv) software and hardware development for intelligent driving systems and sensor/domain control, including the design and development of the H-Pilot OS 1.0 system, which supports intelligent assisted driving functions such as L2+ level HWA+; (v) software and hardware development and testing and calibration of power, chassis and body domain systems; and (vi) the software and hardware design and development of intelligent communication systems, all of them designed to reach world-leading levels of sophistication.

Manufacturing aspects:

In 2021, the Tianjin manufacturing base has completed its technical upgrade and has started the trial production of the first model Hengchi 5. The stamping workshop is equipped with five sequences of fully automatic high-speed mechanical press lines, MES intelligent management system, real-time monitoring of key parameters and features, and intelligent decision-making through big data analysis. The body shop is equipped with 183 robots and the welding automation rate is 100%. The paint shop adopts the compact B1B2 environmental protection process, with 51 robots to realize the full automation of painting operation, and has a 100% colour set production capacity. The final assembly workshop widely applies intelligent, automated and flexible production equipment, leading the industry in automation level and quality assurance capability.

The Shanghai and Guangzhou manufacturing bases are undergoing planning and construction in accordance with Industry 4.0 standards, using the world's most advanced equipment, the world's most advanced technology and the world's most advanced intelligent manufacturing. The Shanghai manufacturing base is planned to have an annual production capacity of 100,000 units and the Guangzhou manufacturing base is planned to have an annual production capacity of 200,000 units, and both bases have been commissioned.

In terms of power batteries, the Group's Shenzhen Battery Research Institute (深圳電池研究院) developed ternary 5-series and 8-series (三元5系、8系) battery products as planned, and laid out cutting-edge technologies. The Shanghai Battery Research Institute (上海電池研究院) is being transformed into a pilot test base for lithium iron phosphate as planned.

Sales of vehicle living projects:

Under the New Energy Vehicle Segment, as a continuation of the previous year's operations, the Group had also conducted the sales of vehicle living projects during the Reporting Period. Six new vehicle living projects were launched, including Guiyang Evergrande Creek Shangtaoyuan (貴陽恒大溪上桃源), Urumqi Evergrande Yulan Bay (烏魯木齊恒大御瀾灣), Urumqi Evergrande Yuhu Jun (烏魯木齊恒大御湖郡), Nanning Evergrande Yufu (南寧恒大御府), Urumqi Evergrande Yufeng (烏魯木齊恒大御峰) and Nantong Evergrande Jade Garden (南通恒大翡翠華庭). With a total of 23 projects, the Group achieved a sales volume of 20,090 units during the Reporting Period, representing a gross floor area of 1.98 million sq.m.. The types of properties sold include residential, apartment, commercial and parking spaces. An average discount of 37% was given to purchasers in order to promote and accelerate the sales of such projects.

Report of the Directors

(b) Health Management Segment

During the Reporting Period, in terms of the wellness living resorts operated by the Group, as a continuation of the previous plans in the segment, three health projects were newly opened, namely Ningchu Evergrande International Health City (寧滁恒大國際健康城), Wuhan Evergrande Health City (武漢恒大健康城) and Shangrao Evergrande Health Valley (上饒恒大養生谷). With a total of 25 projects, the Group had achieved a sales volume of 25,373 units during the Reporting Period, representing a floor area of 2.19 million sq.m.. The types of properties sold include residential, apartment, commercial and parking spaces. Among them, residential properties accounted for the largest proportion of sales, with 19,722 units sold, a floor area of 2.01 million sq.m..

Furthermore, in order to comprehensively improve the added value of products and customer satisfaction, and to enrich the owner's spare time after moving into such living projects, we had planned to construct the Four Major Parks around the residential area. A gross floor area of 427,200 sq.m. or an aggregate of 624 single buildings were under construction, of which 291 buildings had been decorated, 196 buildings had completed facade construction, 39 buildings had constructed a main body, eight buildings had constructed pile foundations, 90 buildings were undergoing facade and decoration construction; and a gross floor area of 18,300 sq.m. or 26 single buildings had not yet started any construction. During the Reporting Period, the Health Management Segment also provided medical cosmetology and health management to customers, which also included out-patient services provided to patients at the Group's hospitals, most notably the Evergrande International Hospital, and health institutions.

Permitted Indemnity Provisions

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

Subsequent Event

Very Substantial Disposal and Connected Transaction in relation to the Disposal of Subsidiaries

On 24 April 2023, the Company entered into a sale and purchase agreement with Anxin Holding Limited (the "**Purchaser**") and China Evergrande Group, pursuant to which the Purchaser conditionally agreed to purchase, and the Company conditionally agreed to sell as the beneficial owner, one issued share of each of Assemble Guard Limited ("**Assemble Guard**") and Flaming Ace Limited ("**Flaming Ace**"), representing the entire issued share capital of Assemble Guard and Flaming Ace respectively, at the consideration of RMB2 (the "**Disposal**"). The Disposal was completed on 12 May 2023 (after the general meeting held on the same day). For further details of the Disposal, please refer to the announcements of the Company dated 24 April 2023, 25 April 2023, 10 May 2023 and 12 May 2023 and the circular of the Company dated 25 April 2023.

Save as disclosed above, up to the date of this annual report, no significant events occurred after the reporting period.

Report of the Directors

Auditor

The consolidated financial statements for the year ended 31 December 2019 and 2020 have been audited by PricewaterhouseCoopers ("**PwC**"), and the consolidated financial statements for the year ended 31 December 2021 have been audited by Prism Hong Kong and Shanghai Limited ("**Prism**"). A resolution will be submitted to the forthcoming annual general meeting of the Company to reappoint Prism as auditor of the Company.

PwC resigned as the auditors of the Company with effect from 16 January 2023 upon the recommendation of the Company and Prism was appointed as the new auditors to fill the casual vacancy caused by the resignation of PwC to hold the office of auditors of the Company until the conclusion of the forthcoming annual general meeting of the Company.

Save as disclosed above, there was no other changes in auditors of the Company during the past three years.

On behalf of the Board

Siu Shawn
Chairman

Hong Kong, 26 July 2023

Corporate Governance Report

Corporate Governance Code

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

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

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the Year, the Company had not had any officer with the title of Chief Executive Officer, during such period, the overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution was vested in the Board itself.

Code provision F.2.2 stipulates that the chairman of the Board should attend the annual general meeting, and invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) to attend. Mr. Siu Shawn, chairman of the Board and chairman of the Nomination Committee, failed to attend the annual general meeting of the Company held on 18 June 2021 (the "**2021 AGM**") due to travel restrictions enacted in response to the COVID-19 pandemic. Mr. Chau Shing Yim David, an independent non-executive Director, chairman of the Audit Committee, chairman of the Remuneration Committee and chairman of the Corporate Governance Committee, attended and acted as the chairman of the 2021 AGM. The Board was of the view that Mr. Chau Shing Yim David was sufficiently capable and knowledgeable to address any question at the 2021 AGM, and therefore the sound communication established between the Company and its shareholders were unaffected.

Model Code for Securities Transactions

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

Roles and Duties

Roles and Responsibilities of the Board and Management

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

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

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

Corporate Governance Report

Delegation to the Management

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

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

— Publication of final and interim results of the Company

— Dividend distribution or other distributions

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

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

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

— Non-exempted connected transaction/continuing connected transaction

— Proposed transaction requiring Shareholders' approval

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

— Financial assistance to Directors

Board Independence

The Company has established mechanisms to ensure independent views and input are available to the Board. The Board shall review the implementation and effectiveness of such mechanisms on annual basis. The Board has completed the evaluation for the year ended 31st December 2021. The Board considered that the implementation of the mechanism was effective.

During the year and up to the date of this report, the Company had at least three independent non-executive Directors.

Amongst the independent non-executive Directors, at least one of whom had appropriate financial management expertise.

According to code provision B.2.3 of the Corporate Governance Code, if an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by the shareholders. For the year ended 31st December 2021, the Company has no independent non-executive director has served more than nine years.

6 Board meetings were held during the Year. The attendance of individual Directors at the Board meetings, the meetings of the 4 Board committees and general meetings held during the year ended 31 December 2021 is set out below:

Corporate Governance Report

Board Composition

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

Executive Directors

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

Non-executive Directors

None

Independent Non-executive Directors

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

Biographical details of the current members of the Board are set out on page 16 to 17 of this annual report.

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

Corporate Governance Report

Board Committees

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

	No. of meetings attended/held					
	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**General Meeting**
Executive Directors						
Mr. Siu Shawn *(Chairman) (appointed on 8 January 2021)*[Note 1]	6/6	N/A	1/1	1/1	NIL	0/1
Mr. Liu Yongzhuo	6/6	N/A	N/A	N/A	N/A	0/1
Mr. Qin Liyong	6/6	N/A	N/A	N/A	N/A	0/1
Mr. Shi Shouming *(resigned on 8 January 2021)*	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Chau Shing Yim, David[Note 2]	6/6	2/2	1/1	1/1	NIL	1/1
Mr. Guo Jianwen[Note 3]	6/6	2/2	1/1	1/1	NIL	0/1
Mr. Xie Wu[Note 4]	6/6	2/2	N/A	N/A	N/A	0/1

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

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

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

Note 4: member of the Audit Committee

Directors' Training

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

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

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

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

Corporate Governance Report

Audit Committee

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

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

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

i. Reviewed with the Management/finance-in-charge and/or the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for the year ended 31 December 2020 and interim financial statements for the six months ended 30 June 2021;

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

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

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

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

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

During the Year, 2 meetings were held by the Audit Committee, including meetings to approve and review the annual financial statements (including accounting policies and practices adopted) of the Group for the year ended 31 December 2020 and interim financial statements of the Group for the six months ended 30 June 2021, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 34 of this annual report.

On 25 July 2023, the Audit Committee met to review the risk management and internal control systems of the Group, the annual financial statements and other reports for the Year and discussed any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval thereof. The Audit Committee recommended the Board in relation to the re-appointment of Prism as the Company's external auditor for the financial year ending 31 December 2023 at the forthcoming annual general meeting of the Company.

Corporate Governance Report

Remuneration Committee

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

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

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

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

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

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

1 meeting was convened by the Remuneration Committee for the year ended 31 December 2021 to review and make recommendations on the remuneration of the newly appointed executive director of the Company.

Nomination Committee

The Nomination Committee has been established in accordance with the requirements of the Hong Kong Listing Rules. The Nomination Committee comprises two independent non-executive Directors, namely Mr. Chau Shing Yim, David and Mr. Guo Jianwen and one executive Director, namely Mr. Siu Shawn (as the chairman of the Nomination Committee). The Nomination Committee's terms of reference are basically the same as those set forth in code provision B.3.1 of the Code. During the Year, no changes were made to the terms of reference of the Nomination Committee.

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

Corporate Governance Report

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

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

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

iii. Recommended to the Board the nomination of Directors for election and re-election at the forthcoming annual general meeting.

As adopted by the Board, the Board Diversity Policy aims to achieve diversity on the Board in the broadest sense in order to have a balance of skills, experience and diversity of perspectives appropriate to the business nature of the Company. Selection of candidates on the Board is based on a range of diversity perspectives, including gender, age, length of service, professional qualification and experience. The Nomination Committee also assesses the merits and contribution of any Director proposed for re-election or any candidate nominated to be appointed as Director and against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the existing Board. As at 31 December 2021, the gender ratio of the Company's employees (including Directors and senior management) was 27% (Female) to 73% (Male).

During the Year, 1 meeting was held by the Nomination Committee to review the structure and composition of the Board.

Corporate Governance Committee

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

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

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

i. Reviewed the Company's corporate governance policy;

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

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

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

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

Corporate Governance Report

Securities Transactions by the Directors

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

Directors' Responsibilities for the Financial Statements

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

The Directors are responsible for ensuring the maintenance of proper accounting records of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The reporting responsibilities of the external auditor, Prism, are set out in the Independent Auditor's Report on page 47 to 49 of this annual report.

Risk Management and Internal Control

Duties of the Board and Management

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

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

Corporate Governance Report

Risk Management

1. Enhancement in risk management system and structure

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

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

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

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

Corporate Governance Report

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

Corporate Governance Report

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

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

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

(Figure 1: Risk Management Procedures)

Corporate Governance Report

2. Risk Evaluation Conducted by the Company in 2021

In addition to the above risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance and improvement of the risk management system in 2021, details of which include the following:

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

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

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

- *Conduct a comprehensive review of risk management system at the group level in 2021*

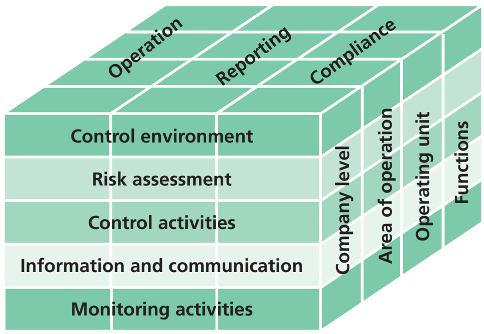
  The management of the Group updated the risk assessment standards and risk database based on the external market environment, changes in the internal operation environment, business development and risk preferences. In addition, it adopted a systematic risk assessment method to review the changes in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

Corporate Governance Report

Internal Control

1. Enhancement of the Internal Control Framework

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



(Figure 3: COSO Internal Control — Integrated Framework)

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

2. Internal Audit

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

Whistleblowing and Anti-Corruption Policies

The Company is committed to high standard of openness, probity and ethical business practices. A whistleblowing policy and system has been adopted to ensure employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company. The identity of the whistleblower will be treated with the strictest confidential.

The Company also takes a zero-tolerance approach towards all forms of bribery and corruption and is committed to observing and upholding high standards of business integrity, honesty, fairness, impartiality and transparency in all its business dealings at all times. The Company has adopted an anti-corruption policy, with a view to promoting and reinforcing compliance with anti-corruption laws and regulations.

Corporate Governance Report

Review of Risk Management and Internal Control System

The Board reviews the Group's risk management and internal control system at least once a year. During the Year, the Board had conducted a comprehensive review of the risk management and internal control system of the Group through the Audit Committee. Major works included the continuous implementation of the results of risk evaluation and internal control review in the prior year, as well as the commencement of various material risk evaluations for the Year and internal control review of key operating procedures. The period under review covered the accounting year of 2021. The scope of review covered the Group and major business segments, primarily focuses on review of controls over all major aspects, including financial control, operating control and compliance control. Such review had considered the changes in the nature and severity level of material risks (including the significant ESG risks) and the capability of the Group in handling business and external environment changes. The Board considers that the relevant systems are effective and sufficient.

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

Framework for Disclosure of Inside Information

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

Auditor's Remuneration

For the Year, the remuneration paid and payable for the annual audit financial statements amounted to approximately RMB6,830,000. No non-audit service was provided by the auditor of the Company during the Year.

Amendments to the Company's Constitutional Documents

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

Communication with Shareholders

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

Corporate Governance Report

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

Separate resolutions will be proposed at the general meetings for each substantially separate issue, including the re- election of retiring Directors. The Company's notice to Shareholders for the forthcoming 2023 annual general meeting will be provided to Shareholders at least 21 days before the meeting.

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

Shareholders' Rights

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

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

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

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

Corporate Governance Report

Enquiries from Shareholders

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

Disclaimers

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

Investor Relations

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors. During the year ended 31 December 2021, the Directors and senior management of the Company participated in several roadshows and investment meetings. Additionally, the Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

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

By telephone: (852) 2287 9208/2287 9218/2287 9207
By post: 15/F, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong

Review of Consolidated Financial Information

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2021.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA EVERGRANDE ENERGY VEHICLE GROUP LIMITED
(incorporated in the Hong Kong with limited liability)

Report of the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Evergrande New Energy Vehicle Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 155, which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. Multiple Uncertainties Relating to Going Concern

As described in note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB56,344,378,000 for the year ended 31 December 2021 and had net current liabilities of RMB57,251,098,000 as at 31 December 2021 and the Group's cash and cash equivalents amounted to RMB2,452,523,000 only. These conditions, along with other matters as described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have taken measures to improve the Group's liquidity and financial position as described in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to material uncertainties. We are unable to determine whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

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Member Firm of SCPA

Independent Auditor's Report

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, to write down the values of assets to their recoverable amounts and to provide for any further liabilities which may arise. The consolidated financial statements do not include any such adjustments. However, material uncertainties exist in relation to the Group's ability to continue as a going concern in view of the Group's future cash flow. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation but we have not obtained sufficient appropriate audit evidence regarding the Group's ability to meet its financial obligations as and when they fall due and we consider the potential cumulative effect on the consolidated financial statements of this material uncertainty relating to going concern to be so significant that we have disclaimed our opinion.

2. Insufficient appropriate audit evidence in respect of opening balances and comparative information

During the year ended 31 December 2021, the Group experienced liquidity issues which led to departure of certain staff. The staff departure has resulted in the inability of the Company and us to obtain sufficient information for the purpose of auditing opening balances despite the directors' best efforts and all reasonable steps taken by them to resolve the relevant issues. We encountered difficulties in obtaining complete and timely data and records relating to the opening balances of the Group.

We were unable to obtain all necessary written representations from management to corroborate information provided to us during the course of our audit for completeness and accuracy of data relating to opening balances. These scope limitations significantly impaired our ability to obtain sufficient appropriate audit evidence and increased the risk of material misstatements remaining undetected. Furthermore, as described in note 2 to the financial statements, the Company considered it impracticable to apply the accounting treatment for revenue recognition retrospectively as required by HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors due to certain facts and circumstances. However, we were unable to obtain sufficient appropriate audit evidence to corroborate the impracticability asserted by the Company. As such, we are unable to determine whether the changes in accounting treatment have been appropriately applied in accordance with HKAS 8. In this regard, we are unable to satisfy ourselves as to the accuracy of the opening balances of the Group and whether all transactions of the Group for the year ended 31 December 2021 have been properly recorded in the Group's consolidated financial statements. In addition, we are unable to determine whether any adjustments might be necessary in respect of recorded or unrecorded transactions that constitute elements making up the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2021.

Due to the lack of financial information as aforementioned, we are unable to satisfy ourselves that proper books of accounts have been kept so as to give a true and fair view of the state of the Group's affairs and to present the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Owing to the significance and pervasiveness of the matters, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

Consequently, in the absence of sufficient supporting documents and details of explanations relating to opening balances and comparative information, we have not been able to obtain sufficient appropriate audit evidence regarding the account balances as at 31 December 2020 and the results and cash flows of the Group for the year ended that date and the related notes to the consolidated financial statements. Any necessary adjustments found to be required to the consolidated statement of financial position as at 31 December 2020 and 1 January 2021 would have corresponding effects on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2021.

Independent Auditor's Report

Other Matter

The consolidated financial statements of the Company for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2021.

Under the same date of approval of these consolidated financial statements, we have also reported on the consolidated financial statements of the Company for the year ended 31 December 2022. Accordingly, the shareholders may wish to consider those consolidated financial statements and read them in conjunction with the audited consolidated financial statements of the Company for the year ended 31 December 2021.

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

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Lee Kwok Lun.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294

26 July 2023, Hong Kong

Consolidated Balance Sheet

As at 31 December 2021

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**20,988,979**	17,058,834
Right-of-use assets	7	**3,910,322**	4,709,499
Investment properties	8	**614,670**	938,100
Intangible assets	9	**6,524,103**	10,243,587
Goodwill	10	**—**	6,244,210
Trade receivables	11	**—**	139,361
Prepayments	12	**774,557**	1,285,886
Investments accounted for using the equity method	17	**258,475**	1,460,784
Financial assets at fair value through profit or loss	18	**501,493**	4,454,618
Deferred income tax assets	26	**151,035**	308,369
		33,723,634	46,843,248
Current assets			
Contract acquisition costs	5(e)	**796,086**	601,355
Trade and other receivables and prepaid taxes	11	**18,812,867**	7,973,999
Prepayments	12	**2,570,889**	6,386,076
Properties under development	13(a)	**73,355,683**	61,126,374
Completed properties held for sale	13(b)	**6,593,100**	12,678,679
Inventories	14	**200,496**	310,350
Financial assets at fair value through profit or loss	18	**2,255,396**	—
Restricted cash	15	**2,808,700**	3,668,420
Cash and cash equivalents	16	**2,452,523**	10,476,239
		109,845,740	103,221,492
Total assets		**143,569,374**	150,064,740
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	**28,124,101**	3,759,410
Reserves	22	**3,825,320**	3,187,047
Accumulated losses		**(71,241,322)**	(12,997,113)
		(39,291,901)	(6,050,656)
Non-controlling interests	38	**(47,081)**	212,134
Total deficit		**(39,338,982)**	(5,838,522)

Consolidated Balance Sheet

As at 31 December 2021

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	7	**694,914**	589,422
Deferred income	24	**2,821,150**	2,641,094
Borrowings	25	**11,271,059**	55,915,728
Deferred income tax liabilities	26	**1,024,395**	2,216,209
		15,811,518	61,362,453
Current liabilities			
Contract liabilities	5(e)	**65,249,638**	23,464,876
Lease liabilities	7	**318,818**	214,351
Trade and other payables	23	**71,741,863**	52,964,764
Borrowings	25	**29,393,849**	16,290,530
Current income tax liabilities		**392,670**	1,606,288
		167,096,838	94,540,809
Total liabilities		**182,908,356**	155,903,262
Total deficit and liabilities		**143,569,374**	150,064,740

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

The consolidated financial statements on pages 50 to 155 were approved by the Board of Directors on 26 July 2023 and were signed on its behalf by:

SIU SHAWN
Director

LIU YONGZHUO
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000 (Restated)
Revenue	5(a)	**2,531,219**	15,486,625
Cost of sales	27	**(3,363,055)**	(12,696,325)
Gross (loss) profit		**(831,836)**	2,790,300
Other costs, net		**(746,504)**	(6,909)
Other (losses) gains, net	29	**(7,973,003)**	214,636
Selling and marketing costs	27	**(4,049,104)**	(2,237,848)
Administrative expenses	27	**(8,667,144)**	(4,074,740)
Net impairment losses on financial assets	3(a)	**(2,301,200)**	(37,022)
Fair value losses on investment properties	8	**(323,430)**	(126,420)
Net impairment losses on property, plant and equipment, intangible assets and goodwill	6, 9 & 10	**(11,483,436)**	(1,039,778)
Net impairment losses on properties under development, completed properties held for sale and inventories	13 & 14	**(16,808,739)**	(95,477)
Operating loss		**(53,184,396)**	(4,613,258)
Finance income	30	**92,311**	146,351
Finance costs	30	**(2,700,029)**	(2,841,482)
Finance costs, net	30	**(2,607,718)**	(2,695,131)
Share of losses of investments accounted for using the equity method	17	**(104,487)**	(59,173)
Fair value losses on financial assets at fair value through profit or loss	18	**(1,382,383)**	(27,701)
Loss before income tax		**(57,278,984)**	(7,395,263)
Income tax credit (expenses)	31	**934,606**	(269,644)
Loss for the year		**(56,344,378)**	(7,664,907)
Other comprehensive income:			
Items that may be reclassified to profit and loss:			
Currency translation differences		**(236,880)**	2,749,478
		(236,880)	2,749,478
Total comprehensive loss for the year		**(56,581,258)**	(4,915,429)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000 (Restated)
Loss attributable to:			
Owners of the Company		**(56,274,540)**	(7,394,075)
Non-controlling interests	38	**(69,838)**	(270,832)
Loss for the year		**(56,344,378)**	(7,664,907)
Total comprehensive loss attributable to:			
Owners of the Company		**(56,511,420)**	(4,557,182)
Non-controlling interests		**(69,838)**	(358,247)
Total comprehensive loss for the year		**(56,581,258)**	(4,915,429)
Loss per share for loss attributable to owners of the Company (expressed in RMB cents per share)			
— Basic loss per share	33	**(585.319)**	(85.103)
— Diluted loss per share	33	**(585.319)**	(85.103)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
At 1 January 2021	250,936	3,508,474	3,187,047	(12,997,113)	(6,050,656)	212,134	(5,838,522)
Adjustment for change in accounting treatment (note 2)	—	—	—	(1,921,118)	(1,921,118)	(39,081)	(1,960,199)
Restated at 1 January 2021	250,936	3,508,474	3,187,047	(14,918,231)	(7,971,774)	173,053	(7,798,721)
Comprehensive loss							
Loss for the year	—	—	—	(56,274,540)	(56,274,540)	(69,838)	(56,344,378)
Other comprehensive income	—	—	(236,880)	—	(236,880)	—	(236,880)
Total comprehensive loss	—	—	(236,880)	(56,274,540)	(56,511,420)	(69,838)	(56,581,258)
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	—	—	48,551	(48,551)	—	—	—
Issuance of ordinary shares in connection with private placement (note 20)	—	24,417,622	—	—	24,417,622	—	24,417,622
Transaction costs attributable to issue of shares upon share placement (note 20)	—	(52,931)	—	—	(52,931)	—	(52,931)
Share-based compensation (note 21)	—	—	719,042	—	719,042	—	719,042
Capital injection from non-controlling interests (note 38)	—	—	—	—	—	818,029	818,029
Changes in ownership interests in subsidiaries without change of control (note 38)	—	—	107,560	—	107,560	(968,325)	(860,765)
Total transactions with owners in their capacity as owners	—	24,364,691	875,153	(48,551)	25,191,293	(150,296)	25,040,997
Balance at 31 December 2021	250,936	27,873,165	3,825,320	(71,241,322)	(39,291,901)	(47,081)	(39,338,982)

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows of operating activities			
Cash generated from operations	34(a)	**12,093,580**	4,010,029
Interest paid		**(3,667,840)**	(4,492,411)
Income tax refund/(paid)		**74,861**	(1,478,770)
Net cash from/(used in) operating activities		**8,500,601**	(1,961,152)
Cash flows of investing activities			
Purchases of property, plant and equipment and construction in progress		**(8,585,804)**	(5,883,302)
Purchases of intangible assets		**(101,309)**	(3,819,237)
Purchases of right-of-use assets		**—**	(1,276,216)
Purchases of investments accounted for using the equity method		**—**	(602,633)
Purchases of investment in financial assets at fair value through profit and loss	18	**(51,000)**	(2,000)
Proceeds from government grants for construction		**—**	1,098,234
Proceeds from disposal of subsidiaries		**191,813**	—
Interest received	30	**92,311**	146,351
Repayments from joint ventures		**—**	1,161,403
Repayments from associates		**—**	65,193
Payments for change of joint ventures to subsidiaries, net		**—**	(5,622)
Proceeds from disposal of property, plant and equipment		**689,610**	3,089
Proceeds from disposal of intangible assets		**185,888**	—
Proceeds from disposal of investment accounted for using the equity method		**1,097,822**	—
Proceeds from disposal of investment in financial assets at fair value through profit and loss		**248,966**	—
Net cash used in investing activities		**(6,231,703)**	(9,114,740)
Cash flows of financing activities			
Proceeds from borrowings	34(b)	**14,883,197**	42,391,773
Repayments of borrowings	34(b)	**(49,097,736)**	(30,393,471)
Issuance of ordinary shares in connection with private placement	20	**24,364,691**	3,349,923
Acquisition of interests in subsidiaries without change of control		**(860,765)**	(4,614,371)
Capital injection from non-controlling interests		**818,029**	1,035,176
Prepayment of lease payment	34(b)	**(388,635)**	(231,620)
Net cash (used in)/from financing activities		**(10,281,219)**	11,537,410
Net (decrease)/increase in cash and cash equivalents		**(8,012,321)**	461,518
Cash and cash equivalents at beginning of year		**10,476,239**	9,857,780
Effect of exchange difference on cash and cash equivalents		**(11,395)**	156,941
Cash and cash equivalents at end of year	16	**2,452,523**	10,476,239

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

Notes to the Consolidated Financial Statements

1 General information

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

The Company is incorporated in Hong Kong as a limited liability company under the Hong Kong Companies Ordinance. The address of its registered office is 15th Floor, YF Life Centre, 38 Gloucester Road, Wan Chai, Hong Kong.

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

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

The Company will deliver the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor reported on these financial statements. In the auditor's report, the independent auditor expressed a disclaimer of opinion. In the auditor's report, it did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance (Cap.622)

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and requirements of the HKCO.

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

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

(iii) Liquidity and going concern

The Group incurred loss of RMB56,344 million (2020: RMB7,665 million) for the year ended 31 December 2021. As at 31 December 2021, the accumulated losses and the shareholders' deficit of the Group amounted to RMB71,241 million (2020: RMB12,997 million) and RMB39,339 million (2020: RMB5,839 million), respectively. Cash and cash equivalents as at 31 December 2021 were RMB2,453 million (2020: RMB10,476 million).

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) Liquidity and going concern (Continued)

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

Should the Group be unable to continue as a going concern, adjustments would have to be made to write-down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect to these adjustments has not been reflected in the consolidated financial statements.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group continues to take active plans and measures to control operation and administrative costs through various channels, including but not limited to (i) having production and human resources optimisation and adjustments, (ii) reorganising the structure to each segment and maintaining close communication with suppliers, customers and banks, etc. (iii) committing to soliciting for new customers and exploring overseas markets to support the sustainable development of principle business of the Group;and (iv) containment of capital expenditures etc. (the "Business and Operation Restructuring Plan");

(ii) The Group is still actively in the process of negotiating with various bank, other financial institutions, third parties and related parties to renew its existing borrowings and corporate bonds which will be matured within twelve months after 31 December 2021 and to raise short-term and/or long-term financing to the Group so that the Group will be able to meet all financial obligations as and when they fall due in the coming twelve months (the "Financing Plan"); and

The Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 31 December 2021. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful execution and completion of the Business and Operation Restructuring Plan;

(ii) Successful execution and completion of the Financing Plan; and

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) Liquidity and going concern (Continued)

(iii) Successful generation of operating cash flows and in obtaining of additional sources of financing to finance the settlement of its existing financial obligations, commitments and future operating and capital expenditure, as well as to maintain sufficient cash flows of the Group's operations.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(iv) Change on accounting treatment

Change in Accounting Treatment for Timing of Revenue Recognition

Prior to 2021, the Group considered that the revenue is recognised when the earlier of the acceptance of the property by the customer or according to the sales contract, the property was deemed to have been accepted by the customer. However, since 2021, due to the Group gradually facing liquidity difficulties, the Group believes that including the requirement for obtaining project completion certificates or owner use as an additional condition for revenue recognition would better reflect the Group's situation and have practical operability.

Cumulative Impact

According to HKAS 8, a change in accounting treatment should be applied retrospectively to historical financial statements. However, after the company experienced liquidity problems, a large number of financial and engineering staff left and the Group was unable to identify or estimate the effect of implementing the change in accounting treatment for revenue recognition on historical financial statements. Therefore, the Group decided to make the change in revenue recognition treatment effective from 1 January 2021 and apply the new treatment from this financial year onwards. At the same time, the Group will reassess revenue as of 1 January 2021 to confirm whether the new revenue recognition criteria have been met.

According to the new accounting treatment, as at 1 January 2021, included in contract liabilities, balance exclusive of value-added tax amounting to RMB18,433 million had not been recognised as revenue, and will be recognized as revenue in the reporting periods when the corresponding conditions are met. The management of the Group believes that this change in accounting treatment can better reflect the operating performance and financial condition of the Group.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) Change on accounting treatment (Continued)

Cumulative Impact (Continued)

The following is the impact of the change in accounting treatment:

Consolidated balance sheet	RMB'000
Assets	
— Trade and other receivables	(155,513)
— Prepayment	371,506
— Properties under development and completed properties held for sales	4,188,231
	4,404,224
Liabilities	
— Income tax payable	(1,388,353)
— Trade and other payables	(12,338,168)
— Contract liabilities	20,090,944
	6,364,423
Net liabilities	(1,960,199)
Equity	
— Non-controlling interests	(39,081)
— Accumulated losses	(1,921,118)
	(1,960,199)

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(v) Changes in accounting policies and disclosures

(i) New amendments to standards adopted by the Group as at 1 January 2021

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2021 for the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) New standards and amendments to standards that have been issued but are not effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous contracts: Cost of fulfilling a contract[2]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKFRSs	Annual Improvements to HKFRS 2018–2020 cycle[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

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

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

(iv) Disposal of subsidiaries

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

2.2.2 Associates

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.2 Associates (Continued)

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

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

2.2.3 Joint arrangements

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

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

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

2.3 Separate financial statements

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group entities

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

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

2.7 Investment properties

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.7 Investment properties (Continued)

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

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

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

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

2.8 Goodwill

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets

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

(i) Patent, proprietary technology and franchise right

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

(ii) Computer software

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

(iii) Development costs

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

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

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

2.10 Impairment of non-financial assets

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

(a) Debt instruments

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

(a) Debt instruments (Continued)

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

(b) Equity investments

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

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

(iv) Impairment

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

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

(v) Offsetting financial instruments

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.12 Financial guarantee contracts

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

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

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

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

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

2.13 Properties under development

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

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

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

2.14 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2.15 Inventories

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.16 Trade and other receivables

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

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

2.17 Contract liabilities and costs for obtaining contracts

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

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

2.18 Cash and cash equivalents

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

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

2.19 Share capital

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

2.20 Trade and other payables

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.21 Borrowings

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

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

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

2.22 Borrowing costs

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

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

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

2.23 Current and deferred income tax

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

(i) Current income tax

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.23 Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

2.24 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(ii) Retirement benefits (Continued)

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

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

(iii) Bonus plans

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

(iv) Termination benefits

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

2.25 Share-based payments

(i) Equity-settled share-based payment transactions

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

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

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.25 Share-based payments (Continued)

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

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

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

(ii) Share-based payment transaction among group entities

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

2.26 Provisions and contingent liabilities

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

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

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

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

2.27 Revenue recognition

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition

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

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

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

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

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

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

For health and living projects sales contract for which the control of the property is transferred at a point in time, revenue is recognised upon acceptance of the property for the customer or when the property is deemed to be accepted by the customer under a sale contract with a certificate of completion of construction or when the property inventory has been delivered to property owners for use and the Group has a present right to receive payment and may receive consideration.

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

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

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

(iii) Interest income

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.28 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.29 Leases

(i) The Group is the lessee

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.29 Leases (Continued)

(i) The Group is the lessee (Continued)

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

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

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

(ii) The Group is the lessor

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

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

2.30 Dividend distribution

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

2.31 Government grants

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management

(a) Financial risk factors

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

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

(i) Foreign exchange risk

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
5% appreciation in RMB against HK$	**—**	6
5% depreciation in RMB against HK$	**—**	(6)
5% appreciation in RMB against US dollar (US$)	**(618,040)**	1,063,078
5% depreciation in RMB against US$	**618,040**	(1,063,078)
5% appreciation in RMB against Eurodollar (EUR)	**(11,445)**	(33,848)
5% depreciation in RMB against EUR	**11,445**	33,848

(ii) Interest rate risk

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

As at 31 December 2021, if interest rate on borrowings had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2021 would decrease/increase by approximately RMB3,540,000 (2020: decrease/increase by approximately RMB3,964,000).

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

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

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

Trade receivables and contract acquisition costs

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

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

The loss allowance provision of trade receivables as at 31 December 2021 is determined as follows, the expected credit losses below also incorporate forward looking information.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

Trade receivables and contract acquisition costs (Continued)

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

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

The loss allowance provision of trade receivables as at 31 December 2021 is set out in note 11.

Other receivables

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

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

As of 31 December 2020 and 2021, the gross carrying amount and loss allowance of other receivables in categories are as follows:

	Stage 1		Stage 2		Stage 3	
	Gross carrying amount RMB'000	Loss allowance RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000
As of 31 December 2021						
Group 1	**910,700**	**(911)**	**—**	**—**	**7,883,116**	**(257,777)**
Group 2	**2,562**	**(26)**	**—**	**—**	**1,094,793**	**(66,042)**
Group 3	**22,628**	**(1,131)**	**—**	**—**	**5,417,423**	**(712,560)**
Total	**935,890**	**(2,068)**	**—**	**—**	**14,395,332**	**(1,036,379)**
As of 31 December 2020						
Group 1	3,508,640	(3,509)	—	—	—	—
Group 2	758,526	(7,585)	—	—	—	—
Group 3	415,606	(4,724)	—	—	30,000	(30,000)
Total	4,682,772	(15,818)	—	—	30,000	(30,000)

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

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Balance as at 1 January 2020	1,717	51,918	53,635
Provision for loss allowance recognised in profit or loss	6,524	30,498	37,022
Receivable written off during the year as uncollectible	—	(36,598)	(36,598)
Balance as at 31 December 2020	8,241	45,818	54,059
Provision for loss allowance recognised in profit or loss	**1,308,571**	**992,629**	**2,301,200**
Receivable written off during the year as uncollectible	**(1,153,934)**	**—**	**(1,153,934)**
Balance as at 31 December 2021	**162,878**	**1,038,447**	**1,201,325**

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

The Group is exposed to liquidity risk as the Group had net current liabilities and net liabilities of approximately RMB57,251,098,000 and RMB39,338,982,000 respectively. The liquidity of the Group primarily depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due. Details of which are set out in Note 2 to the consolidated financial statements.

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

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021				
Borrowings including accrued interests	**33,823,822**	**14,462,777**	**—**	**48,286,599**
Lease liabilities	**441,494**	**1,063,262**	**83,421**	**1,588,177**
Trade and other payables*	**65,097,959**	**—**	**—**	**65,097,959**
Total	**99,363,275**	**15,526,039**	**83,421**	**114,972,735**
At 31 December 2020				
Borrowings including accrued interests	22,037,205	60,100,311	1,694,535	83,832,051
Lease liabilities	277,062	568,482	174,427	1,019,971
Trade and other payables*	46,776,113	—	—	46,776,113
Total	69,090,380	60,668,793	1,868,962	131,628,135

* Excluding payroll payable, other taxes payable and provisions.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The amounts have not included financial guarantee contracts:

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

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

(b) Capital risk management

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

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

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

The gearing ratios at 31 December 2021 and 2020 were as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Total borrowings (notes 7 and 25)	**41,678,640**	73,010,031
Total assets	**143,569,374**	150,064,740
Gearing ratio	**29.03%**	48.65%

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation

Financial assets and liabilities

(i) Fair value hierarchy

	31 December 2021 RMB'000	31 December 2020 RMB'000
Level 1		
Financial assets at FVTPL — Listed equity securities	**2,255,396**	—
Level 3		
Financial assets at FVTPL — unlisted redeemable preferred shares and other unlisted shares	**501,493**	4,454,618

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2021.

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

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

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Financial assets and liabilities (Continued)

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

Valuation processes

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

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

- WACC: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset;
- Revenue growth rate for unlisted equity securities: these are estimated based on market information for similar types of companies;
- Expected cash inflows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business and how the current economic environment is likely to impact it; and
- Volatility: these are based on historical volatility of the guideline companies commensurate with the time to liquidity.

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

Asset Category	Components	Fair value as at 31 December 2021 RMB'000	Fair value as at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2021 RMB'000	Range of unobservable inputs 2020 RMB'000
FVTPL — Unlisted redeemable preferred shares	Unlisted preferred shares	—	4,175,936	Discounted cash flow method	WACC	—	36.5%
					Revenue growth rate	—	20%–701%
	Embedded call option	—	(391,494)	Binomial Lattice Model approach	Volatility	—	55%–60%
	Total	—	3,784,442				

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Financial assets and liabilities (Continued)

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

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

Relationship of unobservable inputs to fair value:

- The higher WACC, the lower fair value;
- The higher revenue growth rate, the higher fair value;
- The higher volatility, the lower fair value.

Non-financial assets and liabilities

(i) Valuation processes of the Group

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

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

(ii) Valuation techniques

Valuations were based below:

- Income capitalisation approach takes into account the current or estimated rents of the property interests and the reversionary potentials of the tenancies, terminal yield and reversionary yield are then applied respectively to derive the market value of the property.
- Direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Non-financial assets and liabilities (Continued)

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

Asset category	Property category	Fair value as at 31 December 2021 RMB'000	Fair value as at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2021 RMB'000	Range of unobservable inputs 2020 RMB'000
Completed investment properties	Commercial properties	**476,370**	377,000	Income capitalisation method	Terminal yield	**6.00%**	5.25%–6.00%
					Reversionary yield	**6.00%**	5.25%–6.00%
					Capitalisation rate	**6.00%**	5.25%–6.00%
					Expected vacancy rate	**0%–10%**	5%–10%
					Monthly rental (RMB/square meter/month)	**85–120**	45–101
		138,300	561,100	Direct comparison	Market price (RMB/square meter)	**5,470–17,500**	8,200–26,700

Relationship of unobservable inputs to fair value:

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

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and assumptions

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

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

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

(b) Impairment assessment on goodwill

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

(c) Impairment assessment on intangible assets

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

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

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and assumptions (Continued)

(d) Capitalisation of development expenditure

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

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

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

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

(f) PRC corporate income taxes and deferred taxation

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

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

(g) PRC land appreciation taxes

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

Notes to the Consolidated Financial Statements

5 Segment information

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

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

New Energy Vehicle: Technology research and development, production and sales of new energy vehicles, development and sales of vehicle living projects in the PRC and in other countries.

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

(a) Revenue by type

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

	2021 RMB'000	2020 RMB'000
Health Management		
Sales of health and living projects (i)	**2,388,362**	15,267,584
Income from medical cosmetology and health management (ii)	**63,765**	30,963
Rental income	**6,716**	545
	2,458,843	15,299,092
New Energy Vehicle		
Sales of lithium batteries (i)	**9,919**	81,620
Provision of technical services (ii)	**60,709**	60,498
Sales of vehicle components (i)	**1,748**	45,415
	72,376	187,533
	2,531,219	15,486,625

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(a) Revenue by type (Continued)

(i) Revenue generated from the sales of health and living projects is recognised at the point in time when the property is deemed to be accepted by the customer under a sale contract with a certificate of completion of construction or when the property inventory has been delivered to property owners for use. Revenue from lithium batteries and vehicle components is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the assets.

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

(b) Geographical information

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

	Revenue from customers		**Non-current assets**	
	2021 **RMB'000**	2020 RMB'000	**2021** **RMB'000**	2020 RMB'000
— PRC	**2,450,147**	15,411,329	**32,634,880**	32,554,289
— Europe	**79,103**	74,854	**913,624**	10,161,568
— United States	**—**	—	**—**	3,784,442
— Others	**1,969**	442	**24,095**	34,580
	2,531,219	15,486,625	**33,572,599**	46,534,879

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(c) Segment revenue and results

The segment results and other segment items provided to the CODM for the years ended 31 December 2021 and 2020 are as follows:

Year ended 31 December 2021	**Health Management RMB'000**	**New Energy Vehicle RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Revenue from contracts with customers	2,452,127	72,376	—	2,524,503
Revenue from other sources	6,716	—	—	6,716
Segment revenue from external customers	2,458,843	72,376	—	2,531,219
Finance costs, net (i)	(819,341)	(1,788,377)	—	(2,607,718)
Share of losses of investments accounted for using the equity method	(104,487)	—	—	(104,487)
Fair value losses on financial assets at fair value through profit or loss	—	(1,382,383)	—	(1,382,383)
Fair value losses on investment properties	(323,430)	—	—	(323,430)
Segment results	(29,263,235)	(27,109,917)	(905,832)	(57,278,984)
Loss before income tax				(57,278,984)
Income tax expense				934,606
Loss for the year				(56,344,378)
Other segment item:				
Depreciation and amortisation recognised in expenses	187,804	1,619,154		1,806,958

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(c) Segment revenue and results (Continued)

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

(i) The finance costs of New Energy Vehicle Segment included interest expense of RMB1,399 million (2020: RMB2,744 million), arising from the borrowings from shareholder for acquisitions of subsidiaries and capital injections.

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(d) Segment assets and liabilities

The segment assets and liabilities as at 31 December 2021 and 31 December 2020 are as follows:

	Health Management RMB'000	New Energy Vehicle RMB'000	Unallocated RMB'000	Total RMB'000
As at 31 December 2021				
Segment assets	**95,854,231**	**47,564,108**	**151,035**	**143,569,374**
Segment liabilities	**124,926,896**	**56,564,395**	**1,417,065**	**182,908,356**
Capital expenditure	**1,496,179**	**15,496,441**	**—**	**16,992,620**
As at 31 December 2020				
Segment assets	58,699,984	91,056,387	308,369	150,064,740
Segment liabilities	55,188,469	96,892,296	3,822,497	155,903,262
Capital expenditure	377,028	12,742,910	—	13,119,938

Segment assets consist primarily of property, plant and equipment, intangible assets, goodwill, right-of-use assets, properties under development, completed properties held for sale, investments accounted for using the equity method and receivables, prepayments, cash balances and financial assets at fair value through profit or loss. They exclude deferred tax assets.

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

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, intangible assets and investment properties.

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(d) Segment assets and liabilities (Continued)

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Segment assets	**143,418,339**	149,756,371
Unallocated:		
Deferred income tax assets	**151,035**	308,369
Total assets per consolidated balance sheet	**143,569,374**	150,064,740
Segment liabilities	**181,491,291**	152,080,765
Unallocated:		
Current and deferred income tax liabilities	**1,417,065**	3,822,497
Total liabilities per consolidated balance sheet	**182,908,356**	155,903,262

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(e) Assets and liabilities related to contracts with customers

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current contract acquisition costs	**796,086**	601,355

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Sales of vehicle living projects	**57,931,843**	20,034,910
Sales of health and living projects	**7,313,223**	3,429,073
Others	**4,572**	893
	65,249,638	23,464,876

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

(ii) Revenue recognised in relation to contract liabilities

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

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Sales of health and living projects	**2,381,458**	881,632

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Mold RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2021							
Cost	4,630,092	339,385	1,430,336	617,213	593,917	18,846,918	26,457,861
Accumulated depreciation and impairment	(1,711,242)	(137,540)	(537,154)	(242,553)	(400,131)	(2,440,262)	(5,468,882)
Net book amount	2,918,850	201,845	893,182	374,660	193,786	16,406,656	20,988,979
Opening net book amount	3,840,491	254,369	1,263,398	23,683	200,885	11,476,008	17,058,834
Exchange differences	(116,204)	—	(43,847)	—	(4,590)	(4,140)	(168,781)
Additions	873	57,418	692,567	495,557	80,366	8,118,116	9,444,897
Transfer from construction in progress/transfer to property, plant and equipment	365,743	—	127,423	—	49,900	(543,066)	—
Government grants (note 24)	—	—	(10,000)	—	—	(200,000)	(210,000)
Disposals	(37,183)	—	(631,327)	(1,699)	(19,401)	—	(689,610)
Disposal of subsidiaries	(312,522)	—	(160)	—	(8,018)	—	(320,700)
Depreciation	(153,031)	(74,473)	(473,845)	(86,929)	(85,462)	—	(873,740)
Impairment	(669,317)	(35,469)	(31,027)	(55,952)	(19,894)	(2,440,262)	(3,251,921)
Closing net book amount	2,918,850	201,845	893,182	374,660	193,786	16,406,656	20,988,979

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

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

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cost of sales	194,010	109,762
Selling and marketing costs	36,820	40,295
Administrative expenses	642,910	360,446
	873,740	510,503

During the year ended 31 December 2021, the Group capitalised borrowing costs amounting to RMB238,323,000 (2020: RMB1,153,674,000) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 8.09% (2020: 8.77%).

As at 31 December 2021, the Group pledged net book values of approximately RMB1,582,974,000 (2020: RMB448,701,000) of property, plant and equipment and RMB2,378,174,000 (2020: RMB3,446,880,000) of construction in progress to secure the borrowings of RMB2,740,000,000 (2020: RMB1,777,102,000).

7 Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Right-of-use assets		
Land use rights	3,053,604	3,732,587
Buildings	565,958	758,236
Machinery and equipment	289,486	215,663
Furniture, fixtures and office equipment	1,274	3,013
	3,910,322	4,709,499
Lease liabilities		
Current	318,818	214,351
Non-current	694,914	589,422
	1,013,732	803,773

Notes to the Consolidated Financial Statements

7 Leases (Continued)

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

Additions to the right-of-use assets during the year ended 31 December 2021 were RMB1,746,569,000 (2020: RMB1,642,297,000).

As at 31 December 2021, the Group pledged net book values of approximately RMB2,018,347,000 (2020: RMB2,765,912,000) of land-use rights to secure the borrowings of RMB2,520,570,000 (2020: RMB5,182,440,000).

(ii) Amounts recognised in the statement of comprehensive income

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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**75,938**	86,072
Buildings	**181,980**	102,307
Machinery and equipment	**107,383**	44,371
Furniture, fixtures and office equipment	**1,502**	1,840
	366,803	234,590
Less: capitalised in construction in progress	**(75,938)**	(86,072)
Depreciation charges recognised in profit or loss	**290,865**	148,518
Impairment loss on right-of-use assets		
Buildings	**8,292**	—
Interest expense (included in finance costs)	**106,718**	48,976
Expense relating to short-term leases and variable leases payments (included in costs of sales, selling and marketing costs and administrative expenses)	**33,175**	79,272
Total cash outflow for leases	**421,810**	310,892

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

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

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

Notes to the Consolidated Financial Statements

7 Leases (Continued)

(iv) Extension and termination options

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

8 Investment properties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Completed investment properties		
Opening net book amount	**938,100**	1,064,520
Fair value losses on investment properties	**(323,430)**	(126,420)
Closing net book amount	**614,670**	938,100

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

	2021	2020
	RMB'000	RMB'000
Rental income	**6,716**	545
Fair value losses recognised in investment properties	**(323,430)**	(126,420)

(b) Leasing arrangements

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

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

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

Notes to the Consolidated Financial Statements

9 Intangible assets

	Intangible assets			
	Computer software RMB'000	Development costs RMB'000	Patent, proprietary technology and franchise rights RMB'000	Total RMB'000
Year ended 31 December 2021				
Cost	**217,265**	**7,012,610**	**5,514,589**	**12,744,464**
Accumulated depreciation and impairment	**(205,443)**	**(2,444,936)**	**(3,569,982)**	**(6,220,361)**
Net book amount	**11,822**	**4,567,674**	**1,944,607**	**6,524,103**
Opening net book amount	**137,914**	**6,317,792**	**3,787,881**	**10,243,587**
Currency differences	**(7)**	**(42,045)**	**(15,524)**	**(57,576)**
Additions	**52,985**	**102,423**	**10,457**	**165,865**
Disposals	**(2,532)**	**—**	**(183,356)**	**(185,888)**
Amortisations	**(17,777)**	**(348,941)**	**(340,371)**	**(707,089)**
Impairment losses (i)	**(158,761)**	**(1,461,555)**	**(1,314,480)**	**(2,934,796)**
Closing book amount	**11,822**	**4,567,674**	**1,944,607**	**6,524,103**
Year ended 31 December 2020				
Cost	167,734	6,952,232	5,712,723	12,832,689
Accumulated depreciation and impairment	(29,820)	(634,440)	(1,924,842)	(2,589,102)
Net book amount	137,914	6,317,792	3,787,881	10,243,587
Opening net book amount	82,502	2,539,747	4,958,881	7,581,130
Currency differences	409	—	13,343	13,752
Additions	72,398	4,289,814	621	4,362,833
Disposals	(5,056)	—	—	(5,056)
Amortisations	(12,339)	(376,793)	(512,080)	(901,212)
Impairment losses (i)	—	(134,976)	(672,884)	(807,860)
Closing book amount	137,914	6,317,792	3,787,881	10,243,587

Notes to the Consolidated Financial Statements

9 Intangible assets (Continued)

The Group is developing new energy vehicle projects for vehicles, batteries and motors. It has incurred research and development expenses of RMB4,326,568,000 in the current year (2020: RMB1,700,498,000) which are included in administrative expenses in the consolidated statement of comprehensive income.

(i) Impairment loss

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

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

	2021 RMB'000	2020 RMB'000
Cost of sales	**3,179**	47,718
Selling and marketing costs	**56**	442
Administrative expenses	**639,118**	375,143
Development costs	**64,736**	477,909
	707,089	901,212

10 Goodwill

	2021 RMB'000	2020 RMB'000
Balance as at 1 January	**6,244,210**	6,193,274
Eliminated on disposal of a subsidiary	**(288,035)**	—
Currency differences	**(659,456)**	282,854
Impairment charge (i)	**(5,296,719)**	(231,918)
Balance as at 31 December	**—**	6,244,210

Notes to the Consolidated Financial Statements

10 Goodwill (Continued)

(i) Impairment charge

The impairment charge of RMB5,297,000 arose in the CGUs of New energy vehicle manufacturing companies due to the reduction of further economic's benefits of this CGUs.

(ii) Impairment tests for goodwill

A summary of the goodwill allocation is presented below.

	New energy vehicle manufacturing RMB'000	New energy battery manufacturing RMB'000	TeT RMB'000	Protean Company Limited ("Protean") RMB'000
31 December 2019	5,457,199	200,023	231,918	304,134
Currency differences	282,854	—	—	—
Impairment charge	—	—	(231,918)	—
Goodwill reallocation (a)	304,134	—	—	(304,134)
31 December 2020	6,044,187	200,023	—	—
Currency differences	**(659,456)**	**—**	**—**	**—**
Impairment charge	**(5,096,696)**	**(200,023)**	**—**	**—**
Eliminated on disposal of a subsidiary	**(288,035)**	**—**	**—**	**—**
31 December 2021	**—**	**—**	**—**	**—**

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

Notes to the Consolidated Financial Statements

10 Goodwill (Continued)

(ii) Impairment tests for goodwill (Continued)

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

31 December 2021	**New energy vehicle manufacturing**	**New energy battery manufacturing**
Goodwill allocated (RMB'000)	**Nil**	**Nil**
Basis of determining the CGUs' recoverable amount	**Value in use**	**Value in use**
Fair value valuation techniques	**"Discounted cash flow"**	**"Discounted cash flow"**
Independent valuers	**Hanhua Limited**	**Hanhua Limited**
Years of forecast period	**10**	**5**
Revenue growth rate during the forecast period (%)	**3%–718%**	**3%–1,774%**
Terminal growth rate (%)	**3.00%**	**3.00%**
Discount rate (%)	**17.00%**	**19.00%**

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

Notes to the Consolidated Financial Statements

10 Goodwill (Continued)

(ii) Impairment tests for goodwill (Continued)

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

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

11 Trade and other receivables and prepaid taxes

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables (i)	**112,753**	1,129,184
Other receivables (ii)	**14,292,775**	4,666,954
Prepaid taxes	**4,407,339**	2,317,222
	18,812,867	8,113,360
Less: non-current portion of trade receivables	**—**	(139,361)
Current portion	**18,812,867**	7,973,999

Notes to the Consolidated Financial Statements

11 Trade and other receivables and prepaid taxes (Continued)

(i) Trade receivables

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables — third parties	**275,631**	1,137,425
Less: allowance provision for impairment	**(162,878)**	(8,241)
	112,753	1,129,184
Less: non-current portion	**—**	(139,361)
Current portion	**112,753**	989,823

(a) Trade receivables mainly arose from sale of health and living projects. Proceeds in respect of sales of health and living projects are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables based on the revenue recognition date as at the respective balance sheet dates is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 90 days	**39,260**	612,595
91 days and within 180 days	**76,380**	231,596
181 days and within 365 days	**50,493**	99,098
Over 365 days	**109,498**	194,136
	275,631	1,137,425

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2021, a provision of RMB162,878,000 (2020: RMB8,241,000) was made against the gross amounts of trade receivables.

(c) As at 31 December 2021 and 2020, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

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

Notes to the Consolidated Financial Statements

11 Trade and other receivables and prepaid taxes (Continued)

(ii) Other receivables

	31 December 2021 RMB'000	31 December 2020 RMB'000
Other receivables		
— third parties	**7,757,332**	1,362,910
— related parties (note 37(a)(ii))	**7,573,890**	3,349,862
	15,331,222	4,712,772
Less: allowance provision for impairment	**(1,038,447)**	(45,818)
	14,292,775	4,666,954

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

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

Notes to the Consolidated Financial Statements

12 Prepayments

	31 December 2021 RMB'000	31 December 2020 RMB'000
Prepayments		
— Land use rights	**2,549,966**	6,675,537
— Property, plant and equipment	**464,234**	619,010
— Acquisition of further interest in subsidiaries	**—**	141,748
— Others	**331,246**	235,667
	3,345,446	7,671,962
Less: non-current portion:		
— Land use rights	**(203,210)**	(514,679)
— Property, plant and equipment	**(464,234)**	(619,010)
— Acquisition of further interest in subsidiaries	**—**	(141,748)
— Others	**(107,113)**	(10,449)
	(774,557)	(1,285,886)
Current portion	**2,570,889**	6,386,076

Notes to the Consolidated Financial Statements

13 Properties under development and completed properties held for sale

(a) Properties under development

	31 December 2021 RMB'000	31 December 2020 RMB'000
Properties under development comprise:		
— Construction costs and capitalised expenditures	**32,745,651**	26,370,173
— Interests capitalised	**—**	2,722,792
— Land use rights	**40,610,032**	32,033,409
	73,355,683	61,126,374

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

The properties under development include costs of acquiring rights to use certain lands, which are located in the PRC for property development over fixed periods. Land use rights are held on leases of 40–70 years (2020: 40–70 years).

The capitalisation rate of borrowings for the year ended 31 December 2021 was 9.76% (2020: 9.26%).

As at 31 December 2021, write-down of carrying amounts of properties under development amounted to RMB15,332,211,000 (2020: nil).

During the year ended 31 December 2021,a provision of RMB15,332,211,000 (2020: nil) was made to write down the properties under development.

As at 31 December 2021, the Group pledged properties under development with a net book value of approximately RMB11,784,370,000 (2020: RMB17,429,900,000) to secure the borrowings of RMB10,415,591,000 (2020: RMB11,000,402,000).

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC, among which RMB6,593,100,000 were measured at net realisable values.

During the year ended 31 December 2021, a provision of RMB1,322,020,000 (2020: RMB30,396,000) was made to write down the completed properties held for sale.

As at 31 December 2021, write-down of carrying amounts of properties completed properties held for sale amounted to RMB1,322,020,000 (2020: RMB83,709,000).

As at 31 December 2021, completed properties held for sale of approximately RMB218,552,000 (2020: RMB558,601,000) were pledged as collateral for the Group's borrowings of RMB669,200,000 (2020: RMB326,698,000).

Notes to the Consolidated Financial Statements

14 Inventories

	31 December 2021 RMB'000	31 December 2020 RMB'000
At cost:		
Raw materials and consumables	**8,105**	136,166
Work-in-progress	**36,942**	86,559
Finished goods and merchandise	**58,888**	43,399
	103,935	266,124
At net realisable values:		
Raw materials and consumables	**72,773**	11,550
Work-in-progress	**18,422**	21,236
Finished goods and merchandise	**5,366**	11,440
	96,561	44,226
	200,496	310,350

(i) Amounts recognised in profit or loss

Inventories recognised as cost of sales during the year ended 31 December 2021 amounted to RMB124,624,000 (2020: RMB214,714,000).

During the year ended 31 December 2021, a provision of RMB154,508,000 (2020: RMB65,081,000) was made to write down the inventories.

As at 31 December 2021, write-down of carrying amounts of inventories amounted to RMB249,295,000 (2020: RMB131,968,000).

15 Restricted cash

As at 31 December 2021, restricted cash of RMB2,808,700,000 (2020: RMB3,668,420,000) are mainly comprised of guarantee deposits for construction of pre-sale properties and guarantee deposits for bank acceptance notes and loans.

Notes to the Consolidated Financial Statements

16 Cash and cash equivalents

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash at bank and in hand	**2,452,523**	10,476,239
Denominated in:		
RMB	**2,355,817**	9,615,437
US$	**7,967**	392,410
Other currencies	**88,739**	468,392
Cash and cash equivalents	**2,452,523**	10,476,239

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

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

17 Investments accounted for using the equity method

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Balance as at 1 January	**1,460,784**	1,210,964
Additions	**—**	252,366
Deemed disposals	**—**	(4,541)
Disposals	**(1,097,822)**	—
Exchange differences	**—**	61,168
Share of losses of associates and joint ventures	**(104,487)**	(59,173)
Balance as at 31 December	**258,475**	1,460,784

Notes to the Consolidated Financial Statements

17 Investments accounted for using the equity method (Continued)

(a) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2021 which, in the opinion of the directors, are immaterial to the Group.

Name of entity	Country of incorporation	% of ownership 2021	Nature of relationship	Measurement method	Carrying amount 2021 RMB'000
Hengning Health Industry Nanjing Co., Ltd. (i)	PRC	53.00%	Joint venture	Equity method	233,368
Other joint ventures	PRC	N/A	Joint venture	Equity method	24,449
Other associates	PRC	N/A	Associate	Equity method	658
Total equity account investments					258,475

(i) The Group determined Hengning Health Industry Nanjing Co., Ltd as joint ventures as this entity' process for nominating, appointing and displacing board members are through joint control, and decisions at board meetings need to be in agreement between all shareholders.

The combined information were shown as below:

	2021 RMB'000	2020 RMB'000
Aggregate carrying amount of individually immaterial associates and joint ventures	**258,475**	1,460,784
Aggregate amounts of the Group's share of: Loss of the year	**(104,487)**	(59,173)
Total comprehensive loss	**(104,487)**	(59,173)

(b) Commitments in respect of joint ventures

	2021 RMB'000	2020 RMB'000
Commitment to provide capital injection	**—**	270,432

Notes to the Consolidated Financial Statements

18 Financial assets at fair value through profit or loss

	31 December 2021 RMB'000	31 December 2020 RMB'000
Unlisted redeemable preferred shares (i)	—	3,784,442
Listed equity securities (i)	**2,255,396**	—
Other equity investments (ii)	**501,493**	670,176
	2,756,889	4,454,618

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

In 2021, the Group exercised the call option to acquire the ordinary shares of Faraday Future Intelligent Electric Inc. (the "FFIE") (formerly known as Smart King Limited). FFIE was listed on the United States NASDAQ stock market in 2021. The fair values of these investments has been determined by market share price.

(ii) As at 31 December 2021, other equity investments of financial assets at fair value through profit or loss mainly represented the Group's equity investments in certain vehicle and motor companies, and the fair value of these investments has been determined by reference to the valuation carried out by the independent valuers.

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Balance as at 1 January	**4,454,618**	4,718,278
Additions	**51,000**	2,000
Disposal	**(248,966)**	—
Fair value losses	**(1,382,383)**	(27,701)
Exchange losses	—	(11,676)
Exchange differences	**(117,380)**	(226,283)
Balance as at 31 December	**2,756,889**	4,454,618

Notes to the Consolidated Financial Statements

19 Financial instrument by category

Assets as per consolidated balance sheet

	31 December 2021 RMB'000	31 December 2020 RMB'000
Financial assets at amortised cost		
Restricted cash (note 15)	2,808,700	3,668,420
Cash and cash equivalents (note 16)	2,452,523	10,476,239
Trade and other receivables excluding prepaid taxes (note 11)	14,405,528	5,796,138
	19,666,751	19,940,797
Financial assets at fair value through profit or loss (note 18)	2,756,889	4,454,618
	22,423,640	24,395,415
Liabilities as per consolidated balance sheet		
Liabilities at amortised cost		
Borrowings (note 25)	40,664,908	72,206,258
Lease liabilities (note 7)	1,013,732	803,773
Trade and other payables, excluding payroll payable, other taxes payable and provisions (note 23)	67,298,967	51,082,720
	108,977,607	124,092,751

Notes to the Consolidated Financial Statements

20 Share capital and share premium

	Number of shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Share capital				
At 1 January 2020	8,640,000,000	250,936	—	250,936
Issue of ordinary shares in connection with private placement (i)	176,580,000	—	3,508,474	3,508,474
At 31 December 2020	**8,816,580,000**	**250,936**	**3,508,474**	**3,759,410**
Issue of ordinary shares in connection with private placement (i)	**2,027,213,000**	**—**	**24,364,691**	**24,364,691**
At 31 December 2021	**10,843,793,000**	**250,936**	**27,873,165**	**28,124,101**

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

On 24 January 2021, the Company has entered into the subscription agreements with six Investors to allot and issue 952,383,000 shares of the Company at a price of HK$27.30 per share, raising approximately HK$26,000 million.

On 9 November 2021, the Company has entered into top-up placing arrangements to introduce well-known international investors. 174,830,000 shares of the Company were placed at a price of HK$2.86 per share to these investors, raising approximately HK$500 million.

On 19 November 2021, the Company has entered into top-up placing arrangements to introduce well-known international investors. 900,000,000 shares of the Company were placed at a price of HK$3 per share to these investors, raising approximately HK$2,700 million.

Notes to the Consolidated Financial Statements

21 Share-based compensation

(a) Share options

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

On 6 November 2020, 298,820,000 share options under 2018 Share Option Plan (the "November 2020 Granted Share Options") were granted to certain directors, managements and employees of the Group with an exercise price of HK$23.05 per share, as rewards for their services. All the options granted will be exercisable within 10 years after vesting.

On 15 June 2021, 129,660,000 share options under 2018 Share Option Plan (the "June 2021 Granted Share Options") were granted to certain directors, managements and employees of the Group with an exercise price of HK$32.82 per share, as rewards for their services. All the options granted will be exercisable within 10 years after vesting.

On 20 September 2021, 323,720,000 share options under 2018 Share Option Plan (the "September 2021 Granted Share Options") were granted to certain directors, managements and employees of the Group with an exercise price of HK$3.9 share, as rewards for their services. All the options granted will be exercisable within 7 years after vesting.

Movements of share options are as follows:

	Year ended 31 December	
	2021	2020
Balance at 1 January	**294,880,000**	—
Granted during year	**453,380,000**	298,820,000
Forfeited during year	**(220,210,000)**	(3,940,000)
Balance at 31 December	**528,050,000**	294,880,000

Notes to the Consolidated Financial Statements

21 Share-based compensation (Continued)

(a) Share options (Continued)

Particulars of share options of the Company as at 31 December 2021 and 2020 are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Number of outstanding shares as at 31 December 2021	2020
November 2020 Granted Share Options					
6 November 2020	1 year	6 November 2021– 5 November 2026	HK$23.05	**44,252,000**	58,976,000
	2 year	6 November 2022– 5 November 2027	HK$23.05	**44,252,000**	58,976,000
	3 year	6 November 2023– 5 November 2028	HK$23.05	**44,252,000**	58,976,000
	4 year	6 November 2024– 5 November 2029	HK$23.05	**44,252,000**	58,976,000
	5 year	6 November 2025– 5 November 2030	HK$23.05	**44,252,000**	58,976,000
June 2021 Granted Share Options					
15 June 2021	1 year	15 June 2022– 14 June 2027	HK$32.82	**13,890,000**	—
	2 year	15 June 2023– 14 June 2028	HK$32.82	**13,890,000**	—
	3 year	15 June 2024– 14 June 2029	HK$32.82	**13,890,000**	—
	4 year	15 June 2025– 14 June 2030	HK$32.82	**13,890,000**	—
	5 year	15 June 2026– 14 June 2031	HK$32.82	**13,890,000**	—
September 2021 Granted Share Options					
20 September 2021	0.5 year	20 March 2022– 19 March 2027	HK$3.90	**59,335,000**	—
	1 year	20 September 2022– 19 September 2027	HK$3.90	**59,335,000**	—
	1.5 year	20 March 2023– 19 March 2028	HK$3.90	**59,335,000**	—
	2 year	20 September 2023– 19 September 2028	HK$3.90	**59,335,000**	—
				528,050,000	294,880,000

None of the outstanding options as at 31 December 2021 was exercisable or expired.

Notes to the Consolidated Financial Statements

21 Share-based compensation (Continued)

(b) Fair value of share options

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

November 2020 Granted Share Options	
Expected expiry date	5 November 2030
Stock price at grant date and exercise price	HK$23.05 per share
Volatility	45.55%–54.28%
Annual risk-free interest rate	0.27%–0.51%
Dividend yield	0%
Suboptimal factors	2.2–2.8

June 2021 Granted Share Options	
Expected expiry date	14 June 2031
Stock price at grant date and exercise price	HK$32.82 per share
Volatility	45.50%–46.91%
Annual risk-free interest rate	0.68%–1.28%
Dividend yield	0%
Suboptimal factors	2.2–2.8

September 2021 Granted Share Options	
Expected expiry date	19 September 2028
Stock price at grant date and exercise price	HK$3.90 per share
Volatility	45.39%–47.68%
Annual risk-free interest rate	0.61%–0.81%
Dividend yield	0%
Suboptimal factors	2.2–2.8

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

	Year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Administrative expenses and selling and marketing costs	**395,090**	81,827
Research and development expenses	**323,952**	60,948
	719,042	142,775

Notes to the Consolidated Financial Statements

22 Reserves

	Special reserve RMB'000	Capital contribution reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Total RMB'000
At 1 January 2020	85,582	796	(1,944,924)	(543,506)	164,884	—	(2,237,168)
Other comprehensive income	—	—	—	2,836,893	—	—	2,836,893
Transfer to statutory reserve	—	—	—	—	88,834	—	88,834
Share-based compensation (note 21)	—	—	—	—	—	142,775	142,775
Changes in ownership interests in subsidiaries without change of control (note 38)	—	—	2,355,713	—	—	—	2,355,713
Balance at 31 December 2020	85,582	796	410,789	2,293,387	253,718	142,775	3,187,047
At 1 January 2021	**85,582**	**796**	**410,789**	**2,293,387**	**253,718**	**142,775**	**3,187,047**
Other comprehensive loss	**—**	**—**	**—**	**(236,880)**	**—**	**—**	**(236,880)**
Transfer to statutory reserve	**—**	**—**	**—**	**—**	**48,551**	**—**	**48,551**
Share-based compensation (note 21)	**—**	**—**	**—**	**—**	**—**	**719,042**	**719,042**
Changes in ownership interests in subsidiaries without change of control (note 38)	**—**	**—**	**107,560**	**—**	**—**	**—**	**107,560**
Balance at 31 December 2021	**85,582**	**796**	**518,349**	**2,056,507**	**302,269**	**861,817**	**3,825,320**

(a) Special reserve

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

(b) Capital contribution reserve

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

(c) Other reserve

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

(d) Exchange reserve

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

Notes to the Consolidated Financial Statements

22 Reserves (Continued)

(e) Statutory reserves

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

23 Trade and other payables

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade and notes payables (a)	**41,651,892**	39,362,067
— third parties	**41,606,007**	39,324,142
— related parties (note 37(a)(ii))	**45,885**	37,925
Other payables	**23,446,067**	7,414,046
— third parties (b)	**4,115,085**	4,579,711
— related parties (note 37(a)(ii))	**19,330,982**	2,834,335
Interest payable to:	**2,201,008**	4,306,607
— third parties	**1,783,516**	539,289
— related parties (note 37(a)(ii))	**417,492**	3,767,318
Payroll payable	**206,353**	127,653
Other taxes payable	**2,038,749**	1,752,241
Provisions for litigations	**2,197,794**	2,150
Total trade and other payables	**71,741,863**	52,964,764

Notes to the Consolidated Financial Statements

23 Trade and other payables (Continued)

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
0–90 days	13,124,375	15,219,004
91–180 days	6,363,128	6,393,104
Over 180 days	22,164,389	17,749,959
	41,651,892	39,362,067

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

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
RMB	70,511,245	48,870,578
US$	417,492	3,725,886
Others	813,126	368,300
	71,741,863	52,964,764

24 Deferred income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Balance as at 1 January	2,641,094	1,551,100
Increase in government grants	409,958	1,194,394
Credited to property, plant and equipment (note 6)	(210,000)	(8,240)
Amount recognised in profit or loss	(19,902)	(96,160)
Balance as at 31 December	2,821,150	2,641,094

Notes to the Consolidated Financial Statements

25 Borrowings

	31 December 2021 RMB'000	31 December 2020 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings	—	10,433,732
Shareholder borrowings (note 37(a)(ii))	**11,271,059**	38,417,895
Other borrowings (a)	—	17,158,529
	11,271,059	66,010,156
Less: current portion of non-current borrowings	—	(10,094,428)
	11,271,059	55,915,728
Borrowings included in current liabilities:		
Bank borrowings	**10,489,523**	184,000
Other borrowings (a)	**18,904,326**	6,012,102
Current portion of non-current borrowings	—	10,094,428
	29,393,849	16,290,530
Total borrowings	**40,664,908**	72,206,258

(a) Other borrowings

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

Notes to the Consolidated Financial Statements

25 Borrowings (Continued)

At 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 1 year or on demand	**29,393,849**	16,290,530
Between 1 and 2 years	**—**	29,984,720
Between 2 and 5 years	**11,271,059**	24,947,695
Over 5 years	**—**	983,313
	40,664,908	72,206,258

As at 31 December 2021, the Group's borrowings of RMB18,326,551,000 (2020: RMB21,752,517,000) were secured by pledge of the Group's property, plant and equipment, right-of-use assets, properties under development, completed properties held for sale and equity interests of certain subsidiaries, totalling RMB29,007,065,000 (2020: RMB43,816,786,000).

As at 31 December 2021, the Group's borrowings guaranteed by intermediate controlling company, China Evergrande Group, were RMB17,461,861,000 (2020: RMB26,345,404,000).

For the year ended 31 December 2021, the effective interest rate of borrowings of RMB35,365,559,000 (2020: RMB65,489,026,000) with fixed interest rate 9.35% (2020: 8.98%) per annum.

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
RMB	**26,736,649**	33,331,240
US$	**11,271,059**	38,875,018
HK$	**2,657,200**	—
	40,664,908	72,206,258

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

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As at 31 December 2021 and 2020, the carrying amounts of non-current borrowings approximate their fair values.

Notes to the Consolidated Financial Statements

26 Deferred income tax

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

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
To be realised within 12 months	**40,522**	153,026
To be realised after more than 12 months	**110,513**	155,343
Deferred income tax assets	**151,035**	308,369
To be realised within 12 months	**(305,393)**	(213,897)
To be realised after more than 12 months	**(719,002)**	(2,002,312)
Deferred income tax liabilities	**(1,024,395)**	(2,216,209)
	(873,360)	(1,907,840)

The net movements on the deferred taxation are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	**(1,907,840)**	(2,520,448)
Recognised in income tax expenses (note 31)	**1,034,480**	612,608
At 31 December	**(873,360)**	(1,907,840)

Notes to the Consolidated Financial Statements

26 Deferred income tax (Continued)

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

Deferred income tax assets

	Tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2020	203,388	36,333	239,721
Credited to profit or loss for the year	169,381	13,781	183,162
As at 31 December 2020	372,769	50,114	422,883
Credited to profit or loss for the year	(372,769)	100,921	(271,848)
As at 31 December 2021	—	151,035	151,035

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2021, the Group did not recognise deferred tax assets of RMB1,983,514,000 (2020: RMB1,972,926,000) in respect of tax losses amounting to RMB60,180,000 (2020: RMB8,520,593,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

Year	RMB'000
2022	113,645
2023	360,034
2024	3,082,625
2025	4,908,896
2026	51,714,387
	60,179,587

Notes to the Consolidated Financial Statements

26 Deferred income tax (Continued)

(a) Deferred tax liabilities

	Excess of carrying amount of right-of-use assets, property, plant and equipment and intangible asset over the tax bases RMB'000	Temporary difference on recognition of fair value gain of Investment properties RMB'000	Total RMB'000
As at 1 January 2020	(2,637,789)	(122,380)	(2,760,169)
Credited to profit or loss for the year	397,841	31,605	429,446
As at 31 December 2020	(2,239,948)	(90,775)	(2,330,723)
Credited to profit or loss for the year	1,215,553	90,775	1,306,328
As at 31 December 2021	(1,024,395)	—	(1,024,395)

27 Expense by nature

	2021 RMB'000	2020 RMB'000
Cost of health and living projects	**2,785,743**	12,222,694
Employee benefit expenses (including directors' emoluments) (note 28)	**2,687,190**	1,426,412
Employee benefit expenditure (including directors' emoluments)	**4,930,978**	3,118,777
Less: capitalised in properties under development, construction in progress and intangible assets	**(2,243,788)**	(1,692,365)
Research and development expenses	**4,326,568**	1,700,498
Amortisation of intangible assets (note 9)	**642,353**	423,303
Depreciation of property, plant and equipment (note 6)	**873,740**	510,503
Depreciation of right-of-use assets (note 7)	**290,865**	148,518
Professional fees	**157,131**	258,762
Changes in inventories of finished goods and work in progress	**34,014**	152,460
Operating lease rentals for rented premises and machineries	**33,175**	79,272
Raw materials and consumables used	**90,610**	62,254
Legal expenses	**38,166**	15,284
Auditor's remunerations	**6,830**	6,200

Notes to the Consolidated Financial Statements

28 Employee benefit expenses — including directors' emoluments

	2021 RMB'000	2020 RMB'000
Wages and salaries	**1,684,212**	1,079,439
Pension cost — defined contribution plans	**283,936**	204,198
Employee share option schemes (note 21(b))	**719,042**	142,775
	2,687,190	1,426,412

29 Other (losses) gains, net

	2021 RMB'000	2020 RMB'000
Government grants	**24,664**	86,792
Exchange gains	**70,909**	156,941
Loss of land withdrawal	**(4,593,122)**	—
Provision for litigations and losses	**(2,895,274)**	—
Receivables written off	**(173,397)**	—
Others	**(406,783)**	(29,097)
	(7,973,003)	214,636

30 Finance costs, net

	2021 RMB'000	2020 RMB'000
Finance income		
— Bank interest income	**92,311**	146,351
Finance costs		
— Interest expense on bank and other borrowings	**(2,907,494)**	(4,216,636)
— Interest expense on shareholders borrowings	**(1,398,900)**	(2,744,153)
— Interest expense on lease liabilities	**(106,718)**	(48,976)
— Less: interest capitalised	**1,713,083**	4,168,283
	(2,700,029)	(2,841,482)
Finance costs, net	**(2,607,718)**	(2,695,131)

Notes to the Consolidated Financial Statements

31 Income tax expense

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

	2021 RMB'000	2020 RMB'000
Current income tax:		
PRC corporate income tax	**24,733**	704,045
PRC land appreciation tax	**75,141**	178,207
	99,874	882,252
Deferred income tax:		
PRC corporate income tax	**(1,034,480)**	(510,205)
PRC land appreciation tax	**—**	(102,403)
	(1,034,480)	(612,608)
	(934,606)	269,644

	2021 RMB'000	2020 RMB'000
Loss before income tax	**(57,278,984)**	(7,395,263)
Calculated at PRC corporate income tax rate	**(14,319,746)**	(1,848,816)
PRC land appreciation tax deductible for PRC corporate income tax expense	**—**	(18,951)
Income not subject to tax	**(523,734)**	(17,577)
Expenses not deductible for tax purposes	**557,396**	803,382
Tax losses for which no deferred tax asset was recognised	**11,635,737**	1,070,002
Effect of different tax rates of subsidiaries	**1,640,600**	205,800
PRC corporate income tax	**(1,009,747)**	193,840
PRC land appreciation tax	**75,141**	75,804
	(934,606)	269,644

Notes to the Consolidated Financial Statements

31 Income tax expense (Continued)

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2021 (2020: 16.5%). Hong Kong profits tax has not been provided for as the Group did not have any assessable profits during the year ended 31 December 2021 (2020: nil).

PRC corporate income tax

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the year ended 31 December 2021 (2020: 25%). The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

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

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

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of health and living projects less deductible including land use rights and all property development expenditures.

32 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

Notes to the Consolidated Financial Statements

33 Loss per share

(a) Basic

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

	2021	2020
Loss attributable to shareholders of the Company (RMB'000)	**(56,274,540)**	(7,394,075)
Weighted average number of ordinary shares for the purpose of basic loss per share (thousands)	**9,614,331**	8,688,378
Basic loss per share (RMB cents per share)	**(585.319)**	(85.103)

(b) Diluted

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

	2021	2020
Loss attributable to shareholders of the Company (RMB'000)	**(56,274,540)**	(7,394,075)
Weighted average number of ordinary shares for the purpose of basic loss per share (thousands)	**9,614,331**	8,688,378
Adjustments for share options (i)	**—**	—
Weighted average number of ordinary shares for diluted loss per share (thousands)	**9,614,331**	8,688,378
Diluted loss per share (RMB cents per share)	**(585.319)**	(85.103)

(i) The 528,050,000 options (2020:294,800,000 options) granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the year ended December 31, 2021. These options could potentially dilute basic (loss)/earnings per share in the future.

Notes to the Consolidated Financial Statements

34 Cash flow information

(a) Cash generated from operations

	2021 RMB'000	2020 RMB'000
Loss before income tax	**(57,278,984)**	(7,395,263)
Adjustments for:		
Interest income	**(92,311)**	—
Finance costs, net (note 30)	**2,700,029**	2,695,131
Depreciation of property, plant and equipment (note 6)	**873,740**	510,503
Depreciation of right-of-use assets (note 7)	**290,865**	148,518
Amortisation of intangible assets (note 9)	**642,353**	423,303
Fair value losses on financial assets at fair value through profit and loss	**1,382,383**	27,701
Fair value losses on investment properties (note 8)	**323,430**	126,420
Exchange gains (note 29)	**(70,909)**	(156,941)
Impairment losses on goodwill and intangible assets	**8,231,515**	1,039,778
Impairment losses of completed properties held for sale and other inventories	**16,808,739**	95,477
Impairment losses on property, plant and equipment	**3,251,921**	—
Impairment losses on trade and other receivables	**2,301,200**	—
Written off on trade and other receivables	**173,397**	—
Impairment losses on right-of-use assets	**8,292**	—
Employee share option schemes (note 28)	**719,042**	142,775
Share of losses of investments accounted for using the equity method (note 17)	**104,487**	59,173
Loss on disposal of subsidiaries	**290,217**	—
Operating loss before working capital changes	**(19,340,594)**	(2,283,425)
Changes in working capital:		
Increase in inventories, properties under development and completed properties held for sale	**(13,096,627)**	(39,497,576)
Increase in trade and other receivables and contract acquisition costs	**(12,407,288)**	(4,153,492)
Increase in trade and other payables and contract liabilities	**55,808,771**	51,197,833
Decrease in prepayments	**269,598**	—
Decrease (increase) in restricted cash	**859,720**	(1,253,311)
Cash generated from operations	**12,093,580**	4,010,029

Notes to the Consolidated Financial Statements

34 Cash flow information (Continued)

(b) Reconciliations of liabilities arising from financing activities

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	62,386,868	437,594	62,824,462
Financing cash flows	11,998,302	(231,620)	11,766,682
New leases entered/lease modified	—	597,799	597,799
Foreign exchange adjustments	(2,178,912)	—	(2,178,912)
At 31 December 2020	72,206,258	803,773	73,010,031
Financing cash flows	(34,214,539)	(388,635)	(34,603,174)
Disposal of subsidiaries	(70,964)	—	(70,964)
Interest payable	2,744,153	—	2,744,153
New leases entered/lease modified	—	598,594	598,594
At 31 December 2021	40,664,908	1,013,732	41,678,640

35 Commitments

(a) Capital commitments

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

	2021 RMB'000	2020 RMB'000
Acquisition of right-of-use assets, property, plant and equipment and intangible assets	**17,068,566**	15,432,486

Notes to the Consolidated Financial Statements

35 Commitments (Continued)

(b) Non-cancellable operating leases

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

	2021 RMB'000	2020 RMB'000
Minimum lease payments receivable on leases of investment properties are as follows:		
Within one year	**7,829**	1,244
In the first to second year	**8,440**	1,250
In the second to third year	**8,145**	656
In the third to fourth year	**7,917**	689
	32,331	3,839

(c) Lease commitments

As at 31 December 2021, the group did not have any material short-term lease commitment.

36 Financial guarantee

	31 December 2021 RMB'000	31 December 2020 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**19,107,396**	13,201,392

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

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

Notes to the Consolidated Financial Statements

37 Related party transactions

The Group is controlled by China Evergrande Group, which owns 58.54% of the Company's shares. The remaining 41.46% of the shares are widely held. The ultimate parent of the Group is Xin Xin (BVI) Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Dr. Hui Ka Yan.

Name	Relationship
China Evergrande Group	Intermediate controlling company
Evergrande Health Industry Holdings Limited	Parent company
HUI KA YAN	The ultimate controlling party
DING YU MEI	The ultimate controlling party
Bond Limited	Company controlled by the ultimate controlling party
Xin Xin (BVI) Limited	The ultimate controlling company
Guangzhou Evergrande Taobao Football Club Co., Ltd.	Joint venture of the Group's holding company
Guoheng Smart Energy Services Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Oupai Door Industry Co., Ltd.	Joint venture of the Group's holding company
Evergrande Life Insurance Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Qumei Home Furnishing Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Sofia Home Furnishing Co., Ltd.	Joint venture of the Group's holding company
Henan Evergrande Piano Home Furnishing Co., Ltd.	Joint venture of the Group's holding company
Shengjing Bank Co., Ltd.	Associate of the Group's holding company
Evergrande Property Services Group Limited	Fellow subsidiary
Evergrande Property Group Pearl River Delta Real Estate Development Co., Ltd.	Fellow subsidiary
Guangzhou Kuiyun Enterprise Management Consulting Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Zhengzhou Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group (Shenyang) Investment Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Guiyang Real Estate Co., Ltd.	Fellow subsidiary
Changsha Jinrui Properties Co., Ltd.	Fellow subsidiary
Hunan Hengchen Real Estate Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Nanjing Real Estate Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Urumqi Co., Ltd.	Fellow subsidiary
Evergrande Real Estate Group Nanning Co., Ltd.	Fellow subsidiary
Foshan Nanhai Xinzhongjian Real Estate Development Co., Ltd.	Fellow subsidiary
Guangzhou Jiasui Real Estate Co., Ltd.	Fellow subsidiary
Evergrande Century City (Qingyuan) Hotel Co., Ltd.	Fellow subsidiary
Chongqing Evergrande Hotel Co., Ltd.	Fellow subsidiary
Guangzhou Pinyan Catering Business Management Co., Ltd.	Fellow subsidiary
Guangzhou Evergrande Hotel Co., Ltd.	Fellow subsidiary
Pengshan Evergrande Hotel Co., Ltd.	Fellow subsidiary
Chengdu Jintang Evergrande Hotel Co., Ltd.	Fellow subsidiary
Tianjin Donglihu Evergrande Hotel Co., Ltd.	Fellow subsidiary
Qidong Evergrande Hotel Co., Ltd.	Fellow subsidiary
Nanjing Evergrande Hotel Co., Ltd.	Fellow subsidiary
Linzhi Evergrande Hotel Co., Ltd.	Fellow subsidiary
Shenzhen Evergrande Material and Equipment Co., Ltd.	Fellow subsidiary

Notes to the Consolidated Financial Statements

37 Related party transactions(Continued)

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

Notes to the Consolidated Financial Statements

37 Related party transactions (Continued)

(a) Related party transactions and balances

During the years ended 31 December 2021 and 2020, in addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties, which were carried out in the normal course of the Group's business:

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

	2021 RMB'000	2020 RMB'000
Borrowings guaranteed by intermediate controlling company	**17,461,861**	26,345,404
Interest charged by intermediate controlling company	**1,398,900**	2,744,153
Payment of integrated insurance procurement to joint venture of the Group's holding company (a)	**61,952**	255,506
Interest charged by joint ventures of the Group's holding company	**129,400**	246,704
Sales of materials to joint ventures of the Group	**46,876**	70,602
Payment of advertising expenses to a joint venture of the Group's holding company	**—**	61,450
Payment of advertising expenses to fellow subsidiaries	**459,283**	—
Payment of property management services to fellow subsidiaries	**127,575**	47,507
Payment of purchases of materials to fellow subsidiaries	**63,103**	—
Interest charged by an associate of the Group's holding company	**56,008**	30,722
Interest charged by fellow subsidiaries	**16,071**	—
Miscellaneous charges and fees	**1,861**	10
Operating revenue	**14,607**	2,311
Operating leases	**—**	719

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

Notes to the Consolidated Financial Statements

37 Related party transactions (Continued)

(a) Related party transactions and balances (Continued)

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Due from related parties (note 11):		
Intermediate controlling company	**3,599,963**	—
Fellow subsidiaries	**2,971,141**	2,918,795
Parent company	**15,798**	16,252
Joint ventures	**186,231**	382,920
Associate	**721,712**	3,221
Joint ventures of the Group's holding company	**77,439**	28,674
An associate of the Group's holding company	**1,606**	—
	7,573,890	3,349,862
Cash deposits in associate of the Group's holding company	**743,599**	1,234,950
Due to related parties (note 23):		
Intermediate controlling company	**12,460,940**	768,232
Fellow subsidiaries	**4,147,253**	623,491
Joint ventures	**1,846,627**	1,373,451
Associates	**814,154**	68,399
Joint ventures of the Group's holding company	**60,693**	762
An associate of the Group's holding company	**1,315**	—
	19,330,982	2,834,335
Trade and notes payable (note 23):		
Fellow subsidiaries	**45,885**	7,925
A Joint venture of the Group's holding company	**—**	30,000
	45,885	37,925
Loans from related parties:		
Intermediate controlling company (note 25)	**11,271,059**	38,417,895
Joint ventures of the Group's holding company	**810,000**	1,960,000
An associate of the Group's holding company	**500,000**	150,286
The ultimate controlling party	**1,635,200**	—
Company controlled by the ultimate controlling party	**490,560**	—
The ultimate controlling company	**531,440**	—
	15,238,259	40,528,181
Interest payable to related parties (note 23)		
Intermediate controlling company	**417,492**	3,724,731
Joint ventures of the Group's holding company	**—**	32,400
An associate of the Group's holding company	**—**	10,187
	417,492	3,767,318

Notes to the Consolidated Financial Statements

37 Related party transactions (Continued)

(a) Related party transactions and balances (Continued)

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

The receivables arise mainly from cash advance to fellow subsidiaries for daily operation purpose. The receivables are unsecured in nature, bear no interest and repayable on demand. No provisions are held against receivables from fellow subsidiaries (2020: nil).

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

Loans from intermediate controlling company are unsecured with the annual interest rate 8% (2020: from 7.6% to 8%).

Loans from joint ventures of the Group's holding company are guaranteed with the annual interest rate 12% (2020: from 11% to 15%).

Loans from an associate of the Group's holding company are guaranteed with the annual interest rate 11% (2020: from 7.5% to 8%).

(b) Compensation of key management personnel

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

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

	2021 **RMB'000**	2020 RMB'000
Short-term benefits	**8,923**	22,429
Contribution to a retirement benefit scheme	**216**	199
Share-based compensation	**130,293**	13,622
	139,432	36,250

Notes to the Consolidated Financial Statements

38 Non-controlling interests

The movements of non-controlling interests were as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Balance as at 1 January	**212,134**	6,204,869
Adjustment for change in accounting treatment (note 2)	**(39,081)**	—
Restated balance as at 1 January	**173,053**	6,204,869
Loss for the year	**(69,838)**	(270,832)
Currency translation differences	**—**	(87,415)
Capital injection	**818,029**	1,035,176
Changes in ownership interests in subsidiaries without change of control (i)	**(968,325)**	(6,669,664)
	(47,081)	212,134

(i) Transaction with non-controlling interests

During 2020, the Group announced to further acquire 17.6% equity interests of National Energy Vehicle Sweden AB ("NEVS") amounting to RMB2,166,025,000 from non-controlling shareholders, the difference between consideration and the carrying amount of equity interest acquired amounting to RMB2,605,298,000 was recognised as an increase in reserve. Upon completion of the acquisition, NEVS became a wholly-owned subsidiary of the Group.

The Group further acquired 20% equity interests of Evergrande National Energy Vehicle (Shanghai) Co., Limited ("ENEV") amounting to RMB442,820,000 from non-controlling shareholders, the difference between consideration and the carrying amount of equity interest acquired amounting to RMB39,902,000 was recognised as a decrease in reserve. Upon completion of the acquisition, ENEV became a wholly-owned subsidiary of the Group.

	2021	2020
	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired	**(968,325)**	(6,669,664)
Considerations to non-controlling interests	**860,765**	4,313,951
Difference between consideration paid and the carrying amount of non-controlling interests acquired	**(107,560)**	(2,355,713)

Notes to the Consolidated Financial Statements

39 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	—	4,260,165
Current assets		
Other receivables	21,424	23,041
Amounts due from subsidiaries	408,116	35,741,298
Amounts due from parent company	15,793	16,252
Cash and cash equivalents	20,721	12,500
	466,054	35,793,091
Total assets	466,054	40,053,256
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital and share premium	28,124,102	3,759,410
Reserves (b)	(52,643,797)	(6,040,353)
Total deficit	(24,519,695)	(2,280,943)
LIABILITIES		
Non-current liabilities		
Borrowings	11,271,059	38,417,895
Current liabilities		
Borrowings	2,657,201	—
Amounts due to intermediate controlling company	11,057,338	3,916,298
Other payables	151	6
	13,714,690	3,916,304
Total liabilities	24,985,749	42,334,199
Total equity and liabilities	466,054	40,053,256

The balance sheet of the Company was approved by the Board of Directors on 26 July 2023 and was signed on its behalf.

SIU SHAWN
Director

LIU YONGZHUO
Director

Notes to the Consolidated Financial Statements

39 Balance sheet and reserve movement of the Company (Continued)

(b) Reserve movement of the Company

	Merger reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	68,050	(255,019)	—	(3,410,802)	(3,597,771)
Comprehensive loss					
Loss for the year	—	—	—	(2,724,136)	(2,724,136)
Other comprehensive income	—	138,779	—	—	138,779
Share-based compensation	—	—	142,775	—	142,775
Total comprehensive income/(loss)	—	138,779	142,775	(2,724,136)	(2,442,582)
At 31 December 2020	68,050	(116,240)	142,775	(6,134,938)	(6,040,353)
At 1 January 2021	68,050	(116,240)	142,775	(6,134,938)	(6,040,353)
Comprehensive loss					
Loss for the year	—	—	—	(46,821,582)	(46,821,582)
Other comprehensive income	—	(500,904)	—	—	(500,904)
Share-based compensation	—	—	719,042	—	719,042
Total comprehensive income/(loss)	—	(500,904)	719,042	(46,821,582)	(46,603,441)
At 31 December 2021	68,050	(617,144)	861,817	(52,956,520)	(52,643,797)

The merger reserve of the Company represented the difference between the consolidated net assets of the subsidiaries at the date of the Group reorganisation and the nominal amount of the Company's shares issued.

At 31 December 2021, the Company's reserves has no available for distribution (2020: nil) as calculated.

Notes to the Consolidated Financial Statements

40 Benefits and interests of directors

(a) Directors' and Chief Executive's emoluments

The remuneration of directors and the Chief Executive for the year ended 31 December 2021 is set out below:

	Fee RMB'000	Salary RMB'000	Estimated money value of other benefits RMB'000	Employer's Contribution to a retirement benefit scheme RMB'000	Share-based compensation RMB'000	Total RMB'000
Siu Shawn (v)	**177**	**—**	**—**	**—**	**62,044**	**62,221**
Liu Yongzhuo (ii)	**180**	**6,141**	**125**	**—**	**62,044**	**68,490**
Qin Liyong (iii)	**180**	**1,582**	**92**	**—**	**6,204**	**8,058**
Chau Shing Yim, David	**300**	**—**	**—**	**—**	**—**	**300**
Guo Jianwen	**300**	**—**	**—**	**—**	**—**	**300**
Xie Wu	**300**	**—**	**—**	**—**	**—**	**300**
Total emoluments	**1,437**	**7,723**	**217**	**—**	**130,292**	**139,669**

The remuneration of directors and the Chief Executive for the year ended 31 December 2020 is set out below:

	Fee RMB'000	Salary RMB'000	Estimated money value of other benefits RMB'000	Employer's Contribution to a retirement benefit scheme RMB'000	Share-based compensation RMB'000	Total RMB'000
Shi Shouming (i)	180	—	—	9	—	189
Liu Yongzhuo (ii)	93	3,050	2,919	35	11,352	17,449
Peng Jianjun (iv)	88	2,010	2,044	30	—	4,172
Qin Liyong (iii)	180	1,113	3,082	61	1,135	5,571
Chau Shing Yim, David	300	—	—	—	—	300
Guo Jianwen	300	—	—	—	—	300
Xie Wu	300	—	—	—	—	300
Total emoluments	1,441	6,173	8,045	135	12,487	28,281

(i) Appointed on 15 May 2018 and resigned on 08 January 2021

(ii) Appointed on 26 June 2020

(iii) Appointed on 1 February 2019

(iv) Resigned on 26 June 2020

(v) Appointed Siu Shawn as chairman of the Board on 08 January 2021

Notes to the Consolidated Financial Statements

40 Benefits and interests of directors (Continued)

(b) Directors' retirement benefits and termination benefits

Except for the details disclosed in note 37(b), none of the directors of the Company received or will receive any retirement benefits or termination benefits in respect of their services to the Group for the year ended 31 December 2021 (2020: nil).

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

During the year ended 31 December 2021, the Group has not paid any consideration to any third parties for making available directors' services to the Company (2020: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings entered into by the Group in favour of the directors of the Company, or body corporate controlled by or entities connected with any of the directors of the Company at the end of the year or at any time during the year (2020: nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: nil).

(f) Five highest paid individuals

During the year ended 31 December 2021, the five highest paid individual include two of the directors (2020: One of the directors), whose emoluments are reflected in the analysis presented in note 37(b). The aggregate amounts of emoluments of the remaining highest paid individuals for the year ended 31 December 2021 are set out below:

	2021 **RMB'000**	2020 RMB'000
Salaries and other benefits	**33,787**	29,249
Share-based compensation	**195,419**	23,271
	229,206	52,520

The emoluments fell within the following bands:

	2021	2020
HK$5,000,001 – HK$6,000,000	**—**	—
HK$6,000,001 – HK$7,000,000	**4**	—
HK$9,000,001 – HK$10,000,000	**—**	1
HK$11,000,001 – HK$12,000,000	**—**	1
HK$12,000,001 – HK$13,000,000	**—**	1
HK$14,000,001 – HK$15,000,000	**1**	—
>HK$24,000,000	**—**	1

Notes to the Consolidated Financial Statements

41 Disposal of subsidiaries

For the year ended 31 December 2021

In October 2021, the Group disposed of its entire 100% equity interest in Protean Electric Holdings Ltd. (the "Protean") and its subsidiaries (the "Protean Group") for a negative consideration of RMB335,241,000. In relation to Protean Group, the negative consideration comprises of the deferred consideration of RMB34,011,000, Protean Group debts to the Group waived of RMB396,106,000 and consideration of RMB445,900,000 (equivalent to approximately HK$514,172,000) and transaction cost payment on behalf of the Group of RMB26,854,000.

The information of material subsidiaries disposal is as follow:

	Notes	2021 RMB'000
Net assets disposed of:		
Property, plant and equipment		137,443
Goodwill	10	288,035
Prepayments		6,329
Contract acquisition costs		2,800
Trade and other receivables and prepaid taxes		405,930
Inventories		42,574
Cash and cash equivalents		7,952
Deferred income tax liabilities		(16,508)
Trade and other payables		(452,509)
Borrowings		(467,070)
		(45,024)
Loss on disposal of subsidiaries		(290,217)
Satisfied by:		
Cash		—
Offset other payables		26,854
waiver of a debt		(396,106)
Consideration receivables included in other receivables		34,011
		(335,241)
An analysis of the net inflow of cash and cash equivalents in respect of the subsidiaries is as follows:		
Cash and bank balances disposed of		(7,952)
Cash consideration received		—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		(7,952)

Notes to the Consolidated Financial Statements

42 Subsidiaries

Particulars of principal subsidiaries

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability				
瀋陽超宏生活服務有限公司 Shenyang Chaohong Life Service Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
貴州恒大雋晟置業有限公司 Guizhou Evergrande Junsheng Real Estate Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
金寨恒康健康產業有限公司 Jinzhai Hengkang Health Industry Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
海南博鰲恒大國際醫院有限公司 Hainan Boao Evergrande International Hospital Co., Ltd.	RMB200,000,000	—	100%	Provision of healthcare services
廣州恒澤養生服務有限公司 Guangzhou Hengze Health Care Service Co., Ltd.	RMB10,000,000	—	100%	Provision of healthcare services
三亞恒合融醫院投資管理有限公司 Sanya Hengherong Hospital Investment Management Co., Ltd.	RMB2,250,000,000	—	100%	Provision of healthcare services
西安恒寧健康置業有限公司 Xi'an Hengning Health Property Co., Ltd.	RMB25,000,000	—	100%	Development and sales of health and living projects
鄭州恒澤通健康置業有限公司 Zhengzhou Hengzetong Health Property Co., Ltd.	RMB1,300,000,000	—	100%	Development and sales of health and living projects
湖南恒盛健康產業有限公司 Hunan Hengsheng Health Industry Co., Ltd.	RMB700,000,000	—	100%	Development and sales of health and living projects
揚中市恒瑞置業有限公司 Yangzhong Hengrui Property Co., Ltd.	RMB200,000,000	—	100%	Development and sales of health and living projects
南京恒康置業有限公司 Nanjing Hengkang Property Co., Ltd.	RMB1,000,000,000	—	100%	Development and sales of health and living projects
天階雲台(修武)投資有限公司 Tianjie Yuntai (Xiuwu) Investment Co., Ltd.	RMB30,000,000	—	100%	Development and sales of health and living projects
恒鵬健康產業遼寧有限公司 Hengpeng Health Industry Liaoning Co., Ltd.	RMB1,000,000,000	—	100%	Development and sales of health and living projects
重慶市恒隆健康產業有限公司 Chongqing Henglong Health Industry Co., Ltd.	RMB49,500,000	—	100%	Development and sales of health and living projects

Notes to the Consolidated Financial Statements

42 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
廣州恒隆設備材料有限公司 Guangzhou Henglong Equipment and Material Co., Ltd.	RMB20,000,000	—	100%	Wholesales of home care and healthcare products
廣州億恒園林綠化有限公司 Guangzhou Yiheng Garden Green Co., Ltd.	RMB20,000,000	—	100%	Landscaping
呼和浩特恒偉健康產業有限公司 Hohhot Hengwei Health Industry Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
肇東市恒偉房地產開發有限公司 Zhaodong Hengwei Real Estate Development Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
梧州恒美健康產業有限公司 Wuzhou Hengmei Health Industry Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
黃驊市恒立房地產開發有限公司 Huanghua Hengli Real Estate Development Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
湘潭恒美醫院管理有限公司 Xiangtan Hengmei Hospital Management Co., Ltd.	RMB210,000,000	—	100%	Provision of healthcare services
咸寧恒陽置業有限公司 Xianning Hengyang Property Co., Ltd.	RMB50,000,000	—	100%	Development and sales of health and living projects
咸寧恒辰置業有限公司 Xianning Hengchen Property Co., Ltd.	RMB83,333,000	—	100%	Development and sales of health and living projects
淄博恒越房地產開發有限公司 Zibo Hengyue Real Estate Development Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
重慶市恒津健康產業有限公司 Chongqing Hengjin Health Industry Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
岳陽恒駿置業有限公司 Yueyang Hengjun Property Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
昆明嘉麗澤旅遊文化有限公司 Kunming Jialize Travel Culture Co., Ltd.	RMB2,244,900,000	—	100%	Development and sales of health and living projects
唐山恒偉房地產開發有限公司 Tangshan Hengwei Real Estate Development Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
鄭州超盈生活服務有限公司 Zhengzhou Chaoying Life Service Co., Ltd.	RMB591,100,000	—	100%	Development and sales of vehicle living projects

Notes to the Consolidated Financial Statements

42 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
肇東市恒鵬房地產開發有限公司 Zhaodong Hengpeng Real Estate Development Co., Ltd.	RMB780,000,000	—	100%	Development and sales of health and living projects
遼寧恒陽健康置業有限公司 Liaoning Hengyang Health Property Co., Ltd.	RMB40,820,000	—	100%	Development and sales of health and living projects
連雲港恒鵬置業有限公司 Lianyungang Hengpeng Property Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
金寨恒鵬置業有限公司 Jinzhai Hengpeng Property Co., Ltd.	RMB20,000,000	—	100%	Development and sales of health and living projects
昆明嘉麗澤特色小鎮置業有限公司 Kunming Jialize Town Property Co., Ltd.	RMB480,000,000	—	100%	Development and sales of health and living projects
重慶市恒盈健康產業有限公司 Chongqing Hengying Health Industry Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
烏魯木齊恒隆置業有限公司 Urumqi Henglong Property Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
廣西扶綏恒利健康產業發展有限公司 Guangxi Fusui Hengli Health Industry Development Co., Ltd.	RMB10,000,000	—	100%	Development and sales of health and living projects
恒大恒馳新能源汽車(上海)有限公司 Evergrande Hengchi New Energy Vehicle (Shanghai) Co., Ltd.	RMB2,500,000,000	—	100%	Sales and manufacturing of smart mobility
國能新能源汽車有限責任公司 National New Energy Vehicle Co., Ltd.	RMB3,100,000,000	—	100%	Sales and manufacturing of smart mobility
恒大智能汽車(廣東)有限公司 Evergrande Smart Automotive (Guangdong) Co., Ltd.	RMB2,052,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車(廣東)有限公司 Evergrande New Energy Vehicle (Guangdong) Co., Ltd.	RMB3,500,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車科技(廣東)有限公司 Evergrande New Energy Vehicle Technology (Guangdong) Co., Ltd.	RMB100,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車(江蘇)有限公司 Evergrande New Energy Vehicle (Jiangsu) Co., Ltd.	USD500,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源汽車(河南)有限公司 Evergrande New Energy Vehicle (Henan) Co., Ltd.	RMB1,000,000,000	—	100%	Sales and manufacturing of smart mobility

Notes to the Consolidated Financial Statements

42 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
恒大新能源汽車(遼寧)有限公司 Evergrande New Energy Vehicle (Liaoning) Co., Ltd.	RMB3,600,000,000	—	100%	Sales and manufacturing of smart mobility
恒大恒馳新能源汽車研究院(上海)有限公司 Evergrande Hengchi New Energy Automotive Institute (Shanghai) Co., Ltd.	RMB100,000,000	—	100%	Sales and manufacturing of smart mobility
恒大新能源技術(深圳)有限公司 Evergrande New Energy Technology (Shenzhen) Co., Ltd.	RMB100,000,000	—	100%	Design, manufacture, selling lithium-ion battery
安徽恒大新能源科技生活服務有限公司 Anhui Evergrande New Energy Technology Life Service Co., Ltd.	RMB500,000,000	—	100%	Development and sales of vehicle living projects
瀋陽超豐生活服務有限公司 Shenyang Chaofeng Life Service Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
鄭州超宏生活服務有限公司 Zhengzhou Chaohong Life Service Co., Ltd.	RMB418,300,000	—	100%	Development and sales of vehicle living projects
揚州超松置業有限公司 Yangzhou Chaosong Property Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
揚州正龍置業有限公司 Yangzhou Zhenglong Property Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
天津國能生活服務有限責任公司 Tianjin Guoneng Life Service Co., Ltd.	RMB30,000,000	—	100%	Development and sales of vehicle living projects
深濤生活服務(廣東)有限公司 Shentao Life Service (Guangdong) Co., Ltd.	RMB2,500,000,000	—	100%	Development and sales of vehicle living projects
金浩生活服務(江蘇)有限公司 Jinhao Life Service (Jiangsu) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
金馳生活服務(河南)有限公司 Jinchi Life Service (Henan) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
俊明企業管理(遼寧)有限公司 Junming Enterprise Management (Liaoning) Co., Ltd.	RMB10,000,000	—	100%	Development and sales of vehicle living projects
深安生活服務(安徽)有限公司 Shenan Life Service (Anhui) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
濤永生活服務(安徽)有限公司 Taoyong Life Service (Anhui) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects

Notes to the Consolidated Financial Statements

42 Subsidiaries (Continued)

Particulars of principal subsidiaries (Continued)

Name	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
Incorporated and operating in the Mainland with limited liability (Continued)				
遼鵬生活服務(遼寧)有限公司 Liaopeng Life Service (Liaoning) Co., Ltd.	RMB50,000,000	—	100%	Development and sales of vehicle living projects
永鵬生活服務(貴州)有限公司 Yongpeng Life Service (Guizhou) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
貴州永浩企業管理有限公司 Guizhou Yonghao Enterprise Management Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
湖南浩博生活服務有限公司 Hunan Haobo Life Service Co., Ltd.	RMB490,000,000	—	100%	Development and sales of vehicle living projects
瀋陽恒大泰傑置業有限公司 Shenyang Evergrande Taijie Property Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
深永生活服務(江蘇)有限公司 Shenyong Life Service (Jiangsu) Co., Ltd.	RMB20,000,000	—	100%	Development and sales of vehicle living projects
上海卡耐新能源有限公司 Shanghai CENAT New Energy Co., Ltd.	RMB625,720,000	—	80%	Design, manufacture, selling power lithium-ion battery
江蘇卡耐新能源有限公司 Jiangsu CENAT New Energy Co., Ltd.	RMB1,000,000,000	—	80%	Manufacture, selling electric vehicles and power lithium-ion battery
廣西卡耐新能源有限公司 Guangxi CENAT New Energy Co., Ltd.	RMB100,000,000	—	80%	Manufacture, selling electric vehicles and power lithium-ion battery
揚州恒大新能源科技發展有限公司 Yangzhou Evergrande New Energy Technology Development Co., Ltd.	RMB1,683,700,000	—	100%	Design, manufacture, selling lithium-ion battery
岳陽雲揚生活服務有限公司 Yueyang Yunyang Life Service Co., Ltd.	RMB8,000,000	—	100%	Development and sales of vehicle living projects
Incorporated and operating in Hong Kong with limited liability				
良世有限公司 KIND WORLD CORPORATION LIMITED	HK$1	—	100%	Research and development of electric vehicles
Incorporated and operating in Sweden with limited liability				
National Electric Vehicle Sweden AB	SEK1,279,870,800	—	100%	Sales and manufacturing of smart mobility

Notes to the Consolidated Financial Statements

43 Subsequent event

In December 2022, the management of the Company resolved to dispose the Group's Health Management Segment (the "Disposal Group") to its holding company. The assets and liabilities attributable to the subsidiaries, which are expected to be sold within twelve months, have been classified as a Disposal Group held for sale in accordance with HKFRS 5, and are presented separately in the statement of financial position as at 31 December 2022.

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

On 24 April 2023, the Company entered into a sale and purchase agreement with Anxin Holding Limited (the "**Purchaser**") and China Evergrande Group, pursuant to which the Purchaser conditionally agreed to purchase, and the Company conditionally agreed to sell as the beneficial owner, one issued share of each of Assemble Guard Limited ("**Assemble Guard**") and Flaming Ace Limited ("**Flaming Ace**"), representing the entire issued share capital of Assemble Guard and Flaming Ace respectively, at the consideration of RMB2 (the "**Disposal**"). The Disposal was completed on 12 May 2023 (after the general meeting held on the same day). For further details of the Disposal, please refer to the announcements of the Company dated 24 April 2023, 25 April 2023, 10 May 2023 and 12 May 2023 and the circular of the Company dated 25 April 2023.

Save as disclosed above, up to the date of this annual report, no significant events occurred after the reporting period.

Five Years Financial Summary

Consolidated Statements of Comprehensive Income

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	**2,531,219**	15,486,625	5,635,559	3,133,018	1,328,474
(Loss)/Profit before income tax	**(57,278,984)**	(7,395,263)	(4,526,336)	(1,131,995)	654,734
Income tax (expenses)/credit	**934,606**	(269,644)	(421,142)	(296,383)	(349,777)
(Loss)/Profit for the year	**(56,344,378)**	(7,664,907)	(4,947,478)	(1,428,378)	301,415
Other comprehensive income/(loss), net of tax	**(236,880)**	2,749,478	(519,985)	(66,331)	3,193
Total comprehensive income for the year	**(56,581,258)**	(4,915,429)	(5,467,463)	(1,494,709)	304,608

Consolidated Assets, Equity and Liabilities

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
ASSETS					
Non-current assets	**33,723,634**	46,843,248	36,413,675	6,328,920	940,794
Current assets	**109,845,740**	103,221,492	56,994,773	15,854,190	6,715,533
Total assets	**143,569,374**	150,064,740	93,408,448	22,183,110	7,656,327
Total (deficit)/equity	**(39,338,982)**	(5,838,522)	(1,295,567)	(662,468)	832,241
LIABILITIES					
Non-current liabilities	**15,811,518**	61,362,453	51,580,322	11,293,732	3,797,165
Current liabilities	**167,096,838**	94,540,809	43,123,693	11,551,846	3,026,921
Total liabilities	**182,908,356**	155,903,262	94,704,015	22,845,578	6,824,086
Total deficit and liabilities	**143,569,374**	150,064,740	93,408,448	22,183,110	7,656,327