THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

EVERGRANDE HEALTH
INDUSTRY GROUP

EVERGRANDE HEALTH INDUSTRY GROUP LIMITED

恒 大 健 康 產 業 集 團 有 限 公 司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

MAJOR TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

A letter from the Board is set out on pages 4 to 10 of this circular.

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

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

7 December 2018

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

"Acquisition"	the acquisition of the Sale Share and the Target Company Shareholder Loan by the Company from the Seller pursuant to the terms and conditions of the Share Sale and Purchase Agreement;
"Announcement"	the announcement of the Company dated 25 June 2018 in relation to the Acquisition;
"Board"	the board of Directors;
"CFIUS"	the Committee on Foreign Investment in the United States;
"China" or "PRC"	the People's Republic of China which, for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region and Taiwan;
"China Evergrande"	China Evergrande Group, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on Stock Exchange (stock code: 3333), and being the ultimate controlling shareholder of the Company;
"Company"	Evergrande Health Industry Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on Stock Exchange (stock code: 708);
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder"	Evergrande Health Industry Holdings Limited, the controlling shareholder of the Company, which directly holds 6,479,500,000 Shares, representing approximately 74.99% of the issued Shares as at the Last Practicable Date;
"Director(s)"	director(s) of the Company;
"Enlarged Group"	the Group as enlarged by the Acquisition;
"Faraday Future"	Smart Technology Holdings Ltd. (formerly known as FF Global Holdings Ltd.), a company incorporated in the Cayman Islands with limited liability and wholly owned by the Joint Venture;
"Faraday Future Group"	Faraday Future and its subsidiaries;

"FF"	FF Hong Kong Holdings Limited (法法汽車生態(香港)有限公司), a company incorporated in Hong Kong with limited liability;
"Faraday Future Original Shareholder"	FF Top Holding Ltd., a company incorporated in the British Virgin Islands with limited liability, being the other shareholder of the Joint Venture;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Joint Venture" or "Smart King"	Smart King Ltd., an exempted company incorporated in the Cayman Islands with limited liability;
"Joint Venture Shareholders Agreement"	the shareholders agreement dated 30 November 2017 in relation to the Joint Venture entered into by, among others, the Target Company, the Joint Venture and the Faraday Future Original Shareholder (as amended and supplemented from time to time);
"Latest Practicable Date"	4 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Merger Agreement"	the merger and subscription agreement and plan dated 30 November 2017 entered into by, among others, the Target Company, the Joint Venture and the Faraday Future Original Shareholder (as amended and supplemented from time to time);
"Original Shareholder Voting Rights"	has the meaning ascribed to it under the section headed "ALLOCATION OF VOTING RIGHTS AT SHAREHOLDERS' GENERAL MEETINGS" in this circular;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Share"	one ordinary share in the share capital of the Target Company, being the entire share capital of the Target Company;

"Seller"	Mr. CHIU Tao, who, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is a third party independent of the Company and its connected persons;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	the ordinary share(s) of the Company;
"Shareholder(s)"	the holder(s) of the Share(s);
"Shareholder Loan"	the loan provided by China Evergrande to the Company pursuant to the terms and conditions of the Shareholder Loan Agreement;
"Shareholder Loan Agreement"	the shareholder loan agreement in relation to the Shareholder Loan dated 25 June 2018 entered into by the Company and China Evergrande;
"Share Sale and Purchase Agreement"	the share sale and purchase agreement in relation to the Acquisition dated 25 June 2018 entered into by the Company and the Seller;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company" or "Season Smart"	Season Smart Limited (時穎有限公司), the target company under the Share Sale and Purchase Agreement;
"Target Company Shareholder Loan"	the entire amount owing from the Target Company to the Seller as at the date of the Share Sale and Purchase Agreement;
"US" or "United States"	the United States of America;
"US Dollar" or "US$"	United States dollars, the lawful currency of the United States of America; and
"%"	per cent.

For illustrative purpose only, RMB is converted into HK$ at an exchange rate of HK$1 = RMB0.8431 and US$ is converted into HK$ at an exchange rate of HK$1 = US$0.1280 in this circular.

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

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

Executive Directors:
Mr. Shi Shouming *(Chairman)*
Mr. Peng Jianjun *(Vice-chairman)*
Mr. Li Siquan *(Chief Executive Officer)*

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

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

7 December 2018

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

INTRODUCTION

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

As disclosed in the Announcement, on 25 June 2018, the Company and the Seller entered into the Share Sale and Purchase Agreement in relation to the Acquisition, pursuant to which the Company agreed to acquire, and the Seller agreed to sell, the Sale Share and the Target Company Shareholder Loan, free from all encumbrances, at a total consideration of HK$6,746,700,000. Completion of the Acquisition took place on the date of the Share Sale and Purchase Agreement.

SHARE SALE AND PURCHASE AGREEMENT

Date : 25 June 2018

Parties : (1) the Company (as the Purchaser); and

(2) the Seller

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller is a third party independent of the Company and its connected persons.

CONSIDERATION

The consideration of HK$6,746,700,000 (settled by the Group by the Shareholder Loan) was determined on normal commercial terms and after arm's length negotiations between the Company and the Seller. The consideration was determined with reference to the valuation of the Target Company, such valuation being based on the value of a 45% equity interest in the Joint Venture (on a fully diluted basis). In determining the value of the 45% equity interest in the Joint Venture, the Company had taken into consideration that the Faraday Future Group was wholly owned by the Joint Venture and that, at the time of determining the valuation of the Faraday Future Group, reference was made to the valuation of other comparable new energy vehicle companies.

The consideration was settled in one lump sum in cash on 3 July 2018. Completion of the Acquisition took place on the date of the Share Sale and Purchase Agreement.

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

THE ASSETS ACQUIRED

Pursuant to the Share Sale and Purchase Agreement, the Seller sold to the Company and the Company acquired from the Seller the Sale Share and the Target Company Shareholder Loan, free from all encumbrances. The only asset of the Target Company is its investment in the Joint Venture.

INVESTMENT IN THE JOINT VENTURE BY THE TARGET COMPANY

Prior to completion of the Acquisition, the Target Company and the Faraday Future Original Shareholder jointly established the Joint Venture. The Target Company had agreed to make a capital contribution of US$2 billion to obtain a 45% equity interest in the Joint Venture (on a fully diluted basis); and the Faraday Future Original Shareholder had agreed to contribute technical assets and business owned by the Faraday Future Group to obtain a 33% equity interest in the Joint

Venture (on a fully diluted basis). The remaining 22% equity interest in the Joint Venture (on a fully diluted basis) was reserved as equity to be issued and allotted to the employees in accordance with the equity incentive plan.

The United States CFIUS legislation provides broad authority to review any transaction in which a foreign person would take control of a United States business and where such control might pose national security risks to the United States. As both the Seller and the Company are foreign persons, CFIUS approval of both the investment by the Target Company and the Acquisition had been sought. The Target Company received a notice from the CFIUS on 18 June 2018 that CFIUS had completed its review of the relevant transactions, including the Acquisition.

On 25 May 2018, Season Smart had already paid in advance the US$800 million which was due by the end of 2018. In July 2018, the Original Shareholder put forward that the US$800 million paid by Season Smart had basically been spent, and asked that Season Smart further advance another US$700 million. In order to give its full support to Smart King's development, Season Smart, Smart King and the Original Shareholder entered into a supplemental agreement, pursuant to which Season Smart agreed to, subject to fulfilment of payment conditions, pay in advance US$700 million.

However, by manipulating Smart King through using the majority seats in the board of directors of Smart King, the Original Shareholder had, under the circumstances where the payment conditions had not been fulfilled, requested for funding from Season Smart, and used this as an excuse to commence arbitration at the Hong Kong International Arbitration Centre on 3 October 2018, seeking to: 1) deprive Season Smart of its consent right as a shareholder in respect of financing; and 2) terminate all agreements and deprive of Season Smart's rights under the relevant agreements. The Company considers that Season Smart has already fulfilled its obligations under the relevant agreements. The arbitration commenced by Smart King has severely damaged the rights and interests of Season Smart and its shareholder. Season Smart has engaged a team of international lawyers and will take all necessary actions to protect Season Smart's continuing rights under the relevant agreements, and to protect the interests of the Company and its shareholders. On 25 October 2018, Season Smart received the result of the emergency arbitration. The arbitrator has not accepted Smart King's application for a complete enjoinment of Season Smart's consent right in respect of financing, and has previously rejected the new application of Smart King to release the security held by Season Smart. As an interim relief to support Smart King's development and protect shareholders' interests, the arbitrator allowed Smart King to proceed with financing under stringent conditions, including: the valuation of any equity financing shall not be lower than post-money valuation, Season Smart continues to enjoy pre-emptive rights and pending the outcome of the final arbitration, obtain financing at a capped amount of US$500 million.

On 7 November 2018, Season Smart filed arbitration counterclaims to the fullest extent against Yueting Jia and the Joint Venture, demanding Yueting Jia and the Joint Venture to perform contractual obligations. Yueting Jia and the Joint Venture forcefully evicted the cashier appointed by Season Smart and denied the Season Smart financial personnel of physical entry for conducting financial inspection, resulting in Season Smart not being able to understand the financial conditions of the Joint Venture. Pursuant to the Joint Venture Shareholders Agreement, Season Smart is entitled to conduct financial inspection and appoint a cashier to the Joint Venture; and it was agreed that if the cashier does not provide sign-off for payment within seven days, he will be deemed to have agreed to make payment.

On 12 November 2018, the Joint Venture made an emergency application again to the HKIAC for release of the security held by Season Smart. Such emergency application was rejected in its entirety by the emergency arbitrator on 29 November 2018.

Based on the Company's understanding on 17 November 2018, certain employees who claim to be shareholders of the Joint Venture have commenced a class action complaint at the Superior Court of Los Angeles, United States, unreasonably alleging that the Company, Season Smart and Season Smart-appointed directors have breached fiduciary duties and other legal obligations, and seeking damages and other reliefs.

MERGER AGREEMENT

As disclosed in the Announcement, pursuant to the Merger Agreement entered into with, amongst others, the Faraday Future Original Shareholder on 30 November 2017, the Target Company has invested a total amount of US$800 million into the Joint Venture. Pursuant to the Merger Agreement, the Target Company will invest a further aggregate amount of US$1.2 billion into the Joint Venture by the following dates:

(1) on or before 31 December 2019, US$600 million in installments; and

(2) on or before 31 December 2020, US$600 million in installments.

ALLOCATION OF VOTING RIGHTS AT SHAREHOLDERS' GENERAL MEETINGS

At any annual or special shareholders' general meeting of the Joint Venture, each share held by the Target Company has one vote attached thereto; and in the case of normal operation of the Joint Venture each share held by the Faraday Future Original Shareholder has ten votes attached thereto (the "**Original Shareholder Voting Rights**"). However, when the management is unable to perform its duties in accordance with the terms of the Joint Venture Shareholders Agreement, such Original Shareholder Voting Rights will be reversed to the Target Company. Such allocation of voting rights at shareholders' general meeting of the Joint Venture remains in force as of the Latest Practicable Date, as the Target Company has not, as at such date, exercised its rights to reverse such Original Shareholder Voting Rights. Any shares to be issued and allotted to the employees under the equity incentive plan has no voting rights attached thereto.

FARADAY FUTURE

Faraday Future, wholly owned by the Joint Venture, is a global internet company focused on building smart mobility ecosystems, with the objective to provide new energy, smart, interconnected and sharing products and services to users.

Faraday Future, established in May 2014, builds its core research and development team in the United States. As at June 2018, Faraday Future had close to 1,400 employees globally, of whom more than 1,000 were leading technology professionals in the fields such as new energy vehicles, computer algorithms, the internet, information and communication systems and artificial intelligence. To date, Faraday Future has filed close to 1,500 patent applications in the United States and the PRC and has been granted more than 380 patents in both countries. These patents cover the battery, powertrain and electric control system, autonomous driving, automotive connectivity and production and manufacturing sectors, including US patents granted for its large load electricity power output technology and a T-type power inverter. The charging equipment developed by Faraday Future has achieved an efficiency of 200kW/h, reaching one of the most advanced levels in the world. Its first high-end vehicle, the FF 91, has a designed 0–96kph acceleration of 2.39 seconds, a maximum cruising range of 700 kilometers and has numerous smart sensors and smart retractable 3D light detection and ranging radar enabling advanced technological features such as automatic parking, facial recognition technology and seamless entry system. The Hanford plant located in Los Angeles, United States, plans to complete start-of-production preparations by the end of 2018, and has obtained formal permission from Hanford city to commence construction and will soon fully commence the commissioning of the production line and equipment.

Concurrently, Faraday Future has established research and development centres in places such as Beijing and Shanghai in the PRC, and is preparing for the establishment of large comprehensive research, development and production bases in places such as Guangzhou, thus bringing advanced new energy automotive technology to take root in the PRC.

SHAREHOLDER LOAN AGREEMENT

The Company entered into the Shareholder Loan Agreement with China Evergrande on 25 June 2018.

Pursuant to the Shareholder Loan Agreement, China Evergrande agrees to provide a three-year unsecured loan in the amount of HK$6,750,000,000 to the Company. The annual interest rate under the Shareholder Loan Agreement is 7.6%.

Given that the terms under the Shareholder Loan Agreement are more favorable than those offered by the market, the Directors consider that the terms of the Shareholder Loan Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE GROUP

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

INFORMATION ABOUT THE SELLER

The Seller served as the chairman and executive director of CST Group Limited which was listed on the Main Board of Stock Exchange (stock code: 0985) as at the Latest Practicable Date.

FINANCIAL INFORMATION ABOUT THE TARGET COMPANY

The sole asset of the Target Company is its equity interest in the Joint Venture, and the financial information of the Joint Venture is set out below. Details of the financial information of the Target Company is set out in Appendix II of this circular.

As at 30 May 2018, the unaudited book value of the Joint Venture and its subsidiaries was approximately US$110,583,000. The unaudited loss attributable to the Joint Venture and its subsidiaries for the financial years ended 2016 and 2017 (including loss before and after taxation), respectively, is as follows:

	Year ended	
	2016	**2017**
	(Unaudited)	(Unaudited)
Loss before and after taxation	approximately US$(568,988,000)	approximately US$(339,619,000)

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

As the Joint Venture will be treated as an associate of the Group under Hong Kong Financial Reporting Standards, the Group will use equity accounting method to account for the Joint Venture.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Through acquiring world-leading new energy automotive technology and products from the Acquisition, the Company has the opportunity to obtain a strong competitiveness in the fast-growing new energy automotive industry, capture market share and diversify its businesses.

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders has a material interest in the Acquisition and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Share Sale and Purchase Agreement and the transactions contemplated thereunder. The Company will not be required to convene a general meeting for approving the Share Sale and Purchase Agreement and the transactions contemplated thereunder as the Company has obtained written Shareholder's approval from the Company's Controlling Shareholder dated 25 June 2018, in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. The Controlling Shareholder directly holds 6,479,500,000 Shares in the Company, representing approximately 74.99% of the issued Shares of the Company as at the date of this circular.

RECOMMENDATION

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

ADDITIONAL INFORMATION

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

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

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

1. CONSOLIDATED FINANCIAL STATEMENTS

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

(a) annual report of the Company for the eighteen months ended 31 December 2015 published on 28 April 2016 (pages 40 to 101): http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428507.pdf;

(b) annual report of the Company for the twelve months ended 31 December 2016 published on 28 April 2017 (pages 52 to 119): http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0428/LTN20170428614.pdf;

(c) annual report of the Company for the twelve months ended 31 December 2017 published on 30 April 2018 (pages 56 to 125): http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0430/LTN20180430652.pdf; and

(d) interim report of the Company for the six months ended 30 June 2018 published on 26 September 2018 (pages 15 to 44): http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0926/LTN20180926335.pdf.

2. BORROWINGS

As at the close of business on 31 October 2018, being the most recent practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of RMB13,922,493,000, details of which are set out as follows:

	Secured and guaranteed	Unsecured but guaranteed	Unsecured and unguaranteed	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Borrowings				
Bank borrowings	1,695,000	—	—	1,695,000
Other borrowings	2,884,400	2,917,500	5,992,043	11,793,943
Finance lease obligations	250,000	183,550	—	433,550
Total	4,829,400	3,101,050	5,992,043	13,922,493

Financial guarantee

	RMB'000 (Unaudited)
Mortgage facilities for certain purchases of properties	448,037

As at the close of business on 31 October 2018, the Group had provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Group. The outstanding mortgage loans under these guarantees amounted approximately RMB448,037,000. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2018, the Enlarged Group did not have any material debt securities issued and outstanding, and authorised or otherwise created but issued, or terms or other borrowings or indebtedness in nature of borrowing of the Enlarged Group including bank overdrafts and, liabilities under acceptance or acceptance credits or hire purchase commitments or outstanding mortgages and charges or, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

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

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Enlarged Group's internal resources, including cash flow from operations, existing borrowings, the Shareholder Loan, the present facilities available from financial institutions and the financial support of not less than US$600 million from the intermediate holding company of the Group, the Enlarged Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Outlook for Evergrande Elderly Care Valley

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

In 2018, the Group will successively set up Evergrande Elderly Care Valley in the livable and healthy areas in China. In addition to the seven livable and healthy areas where development has already commenced, the Group intends to expand its operations to nine new livable areas, where can accommodate 46,000 members. In the coming five years, the Group plans to expand to over 30 livable and healthy areas to serve members of Evergrande Health.

In the future, the Group will cooperate with enterprises in financial, tourism, Internet and other fields for expanding its member base, aiming to provide health services to more people.

Outlook for Medical Service Business

Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital commenced operation in February 2018. Leveraging the policy advantages of the pilot zone and technical support from Brigham and Women's Hospital, Boao Evergrande International Hospital will provide medical services which focus on breast cancer and liver diseases, to establish characterized discipline and gradually expand to other medical services. Premium medical service resources within China and overseas will be continuously introduced on an ongoing basis. Active cooperation with domestic and foreign scientific research institutions targets to build a world-leading integrated medical and scientific research and exchange platform.

Meanwhile, the Group will continue to facilitate its cooperation with 3A hospitals across China. A tiered medical treatment system applicable to international hospitals, 3A hospitals across China and Henghe Hospital will be optimized to expand "Evergrande Medical Association".

6. FINANCIAL EFFECT OF THE ACQUISITION

The financial effect of the Acquisition on the assets and liabilities of the Group is illustrated in the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV of the circular. According to the unaudited pro forma financial information of the Enlarged Group in Appendix IV of the circular, the total assets of the Group will increase from RMB10,124 million to RMB22,891 million, and its total liabilities will increase from RMB9,094 million to RMB21,865 million as a result of the completion of the Acquisition.

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

pwc 羅兵咸永道

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

Introduction

We report on the historical financial information of Season Smart Limited (the "Target") set out on pages II-4 to II-26, which comprises the balance sheets as at 31 December 2016 and 2017 and 30 June 2018, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 8 September 2016 (the Target's date of incorporation) to 31 December 2016, the year ended 31 December 2017 and the six months ended 30 June 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-26 forms an integral part of this report, which has been prepared for inclusion in the circular of Evergrande Health Industry Group Limited (the "Company") dated 7 December 2018 (the "Circular") in connection with the proposed acquisition of the Target by the Company.

Directors' responsibility for the Historical Financial Information

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

The financial statements of the Target for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts of the Target for the Track Record Period. The directors of the Target are responsible for the preparation of the management accounts of the Target that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants

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

("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target as at 31 December 2016 and 2017 and 30 June 2018 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target which comprises the statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review.

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

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

Adjustments

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
7 December 2018

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

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

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

BALANCE SHEET

		As at 31 December		As at 30 June
		2016	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Prepayment	*5*	—	1,959,768	—
An investment accounted for using equity method	*5*	—	—	12,269,865
Total non-current assets		—	1,959,768	12,269,865
Current assets				
Other receivables		—	50	51
Cash and cash equivalents		—	2,057	1
Total current assets		—	2,107	52
Total assets		—	1,961,875	12,269,917
EQUITY				
Equity attributable to owners of the Company				
Share capital	*6*	—	—	—
Other reserve		—	297	(428)
Accumulated losses		(5)	(8,845)	(136,500)
Total deficit		(5)	(8,548)	(136,928)

		As at 31 December		As at 30 June
		2016	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Current liabilities				
Loans from shareholder	*7*	5	1,966,684	3,961,020
Borrowings	*8*	—	—	1,348,960
Other payables	*9*	—	3,739	1,888,627
Total current liability		5	1,970,423	7,198,607
Non-current liabilities				
Other payables	*9*	—	—	5,208,238
Total liabilities		5	1,970,423	12,406,845
Total deficit and liabilities		—	1,961,875	12,269,917

STATEMENT OF COMPREHENSIVE INCOME

	Note	The period from 8 September 2016 to 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administrative expenses	10	(5)	(8,843)	(5)	(653)
Other gains		—	—	—	2,689
Operating losses		(5)	(8,843)	(5)	2,036
Finance income		—	3	—	4
Finance costs		—	—	—	(20,718)
Finance income/(costs), net	11	—	3	—	(20,714)
Share of losses of an investment accounted for using the equity method	5	—	—	—	(108,977)
Losses before income tax		(5)	(8,840)	(5)	(127,655)
Income tax expense	12	—	—	—	—
Losses for the period/year		(5)	(8,840)	(5)	(127,655)
Other comprehensive loss (Item that may be reclassified to profit or loss)					
Currency translation differences		—	297	—	(725)
Total comprehensive loss for the period/year		(5)	(8,543)	(5)	(128,380)

STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Share capital	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 8 September 2016	—	—	—	—
Comprehensive loss				
Loss for the period	—	—	(5)	(5)
Total comprehensive loss	—	—	(5)	(5)
Balance at 31 December 2016	—	—	(5)	(5)
Balance at 1 January 2017	—	—	(5)	(5)
Comprehensive loss				
Loss for the year	—	—	(8,840)	(8,840)
Other comprehensive income				
Currency translation differences	—	297	—	297
Total comprehensive loss	—	297	(8,840)	(8,543)
Balance at 31 December 2017	—	297	(8,845)	(8,548)
Balance at 1 January 2018	—	297	(8,845)	(8,548)
Comprehensive loss				
Loss for the period	—	—	(127,655)	(127,655)
Other comprehensive loss				
Currency translation differences	—	(725)	—	(725)
Total comprehensive loss	—	(725)	(127,655)	(128,380)
Balance at 30 June 2018	—	(428)	(136,500)	(136,928)
(Unaudited)				
Balance at 1 January 2017	—	—	(5)	(5)
Comprehensive loss				
Loss for the period	—	—	(5)	(5)
Total comprehensive loss	—	—	(5)	(5)
Balance at 30 June 2017	—	—	(10)	(10)

STATEMENT OF CASH FLOW

	Note	Period from 8 September 2016 to 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities					
Cash used in operations	*13*	(5)	(5,154)	—	(4,392)
Net cash outflow from operating activities		(5)	(5,154)	—	(4,392)
Cash flows from investing activities					
Prepayment for investment in associate		—	(1,959,768)	—	—
Investment in an associate		—	—	—	(3,340,312)
Interest received		—	3	—	4
Net cash outflow from investing activities		—	(1,959,765)	—	(3,340,308)
Cash flows from financing activities					
Proceeds from borrowings		—	—	—	1,348,960
Proceeds from shareholder's loans		5	1,966,679	—	1,994,336
Net cash inflow from financing activities		5	1,966,679	—	3,343,296
Increase/(decrease) in cash and cash equivalents		—	1,760	—	(1,404)
Cash and cash equivalents at the beginning of the period/year		—	—	—	2,057
Effect of foreign exchange rate changes		—	297	—	(652)
Cash and cash equivalents at the end of the period/year		—	2,057	—	1

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Season Smart Limited (the "Target") is engaged in investment holding activities. The Target was incorporated in the British Virgin Islands ("BVI") on 8 September 2016 as a limited liability company. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) *Going concern*

The Target meets its day-to-day working capital requirements through its internal resources, borrowings, capital injection and loans from shareholder. The net current liability during the Track Record Period was caused by the loan from former shareholder, Mr. Chiu Tao and other borrowings for the purpose of investment in Smart King Limited ("Smart King"). All of them were replaced by a three-year loan provided by the new shareholder, Evergrande Health Industry Group Limited ("the Company"), after the Target was acquired by the new shareholder (the "Acquisition"). China Evergrande Group, the parent company of the Company, has also confirmed its intention to provide continuing financial support to the Target so as to enable the Target to meet its liabilities when they fall due and to carry on its business. The Directors have a reasonable expectation that the Target has adequate resources to continue in operational existence for the foreseeable future. The Target therefore continues to adopt the going concern basis in preparing its historical financial information.

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

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates or Joint Ventures[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRS[1]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments[1]

1 Effective for periods beginning on or after 1 January 2019.

2 Effective for periods beginning on or after 1 January 2021.

[3] Effective date is to be determined by the HKICPA.

(ii) ***Changes in accounting policies upon adoption of new HKFRSs***

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*. The directors of the Target consider that the changes in the Group's accounting policies due to the adoption of HKFRS 9 and HKFRS 15 do not have any material impacts on prior year financial statements.

(a) *HKFRS 9 Financial Instruments — Impact of adoption*

The adoption of HKFRS 9 from 1 January 2018 only resulted in changes in accounting policies. No adjustments were made to the amounts recognised in the financial statements consider there was no change in classification and measurement of the other receivables. In accordance with the transition provisions, the Target adopted HKFRS 9 retrospectively with no restatements on comparatives. The new accounting policies are set out in note 2(d) below.

(b) *HKFRS 15 Revenue from Contracts with Customers — Impact of adoption*

The adoption of HKFRS 15 from 1 January 2018 only resulted in changes in accounting policies. No adjustments were made to the amounts recognised in the financial statements as no revenue was recognised during the Track Record Period. Therefore, there is no impact to the financial performance and position of the Target.

(b) Associates

An associate is an entity over which the Target 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 adjusted thereafter to recognise the Target's share of the post-acquisition profits or losses of the investee in profit or loss, and the Target's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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 income is reclassified to profit or loss where appropriate.

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

The Target determines at each reporting date whether there is any objective evidence that the investment in the associate, including the associated goodwill, is impaired. If this is the case, the Target 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 Target and its associate are recognised in the Target'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 Target.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

Goodwill on acquisition of associates is included in investment accounted for using equity method. Gains and losses on the disposal of an associate include the carrying amount of goodwill relating to the associates sold.

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Target are measured using RMB which is the currency of the primary economic environment in which the Target operate (the ''functional currency''). The financial statements are presented in RMB, which is the presentation currency of the Company.

(ii) *Transactions and balances*

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

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

The results and financial positions of the Target are translated into the presentation currency as follows:

- assets and liabilities of each balance sheet of the Target are translated at the closing rate at the date of that balance sheet;
- income and expenses of each income statement of the Target are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

(d) Financial Instruments

(i) *Accounting policy applied from 1 January 2018*

Classification

From 1 January 2018, the Target classifies its financial assets 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.

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Target commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target has transferred substantially all risks and rewards of ownership.

Measurement

At initial recognition, the Target measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Target's business model for managing the asset and the cash flow characteristics of the asset. 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 the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.

Impairment

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

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(ii) ***Accounting policy applied until 31 December 2017***

The Target has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Target's previous accounting policy.

Classification

The Target classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Target commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost

The Target assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Target first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(e) Other receivables

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

(f) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalent includes cash on hand and bank deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Share capital

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

(h) Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(i) Borrowings

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

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

(j) 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 as an expense in the period in which they are incurred.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The Target's major financial instruments include other receivables, cash and bank balances, other payables, borrowings and loans from shareholder. The Target manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Foreign exchange risk*

The Target operates in Hong Kong and is exposed to foreign exchange risk arising from cash and cash equivalents, bank borrowings, loans from shareholder and other recognised assets and liabilities that are denominated in currencies other than the functional currency of the Target. The Target 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.

As at 31 December 2016, 2017 and 30 June 2018, if US$ had weakened/strengthened by 1% against HKD, with all other variables held constant, post-tax losses for the period from 8 September 2016 to 31 December 2016, the year ended 31 December 2017 and the six months ended 30 June 2018 would increase/decrease by approximately nil, nil and RMB70,853,000, respectively.

(ii) *Interest rate risk*

The Target's main interest rate risk arises from borrowings with fixed rate, which expose to fair value interest rate risk. The Target has no variable rate borrowings.

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

(iii) *Credit risk*

The credit risk of the Target mainly arises from other receivables and deposits with banks.

The Target's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of the reporting period is the carrying amount of those assets as stated in the balance sheet at the end of the reporting period.

In order to minimise the credit risk, the management of the Target monitors the level of exposure to ensure that follow-up actions are taken to recover overdue debts. In addition, the management of the Target reviews the recoverability of each investments at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Target's credit risk is significantly reduced.

(iv) *Liquidity risk*

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including loans from shareholder and ultimate holding company and borrowings to meet its liabilities when they fall due. The Target has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting investment timetable to adapt the market environment and implementing cost control measures. The Target will pursue such options based on its assessment of relevant future costs and benefits.

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
At 31 December 2016				
Loans from shareholder	5	—	—	5
Total	5	—	—	5
At 31 December 2017				
Other payables	3,739	—	—	3,739
Loans from shareholder	1,966,684	—	—	1,966,684
Total	1,970,423	—	—	1,970,423
At 30 June 2018				
Borrowings	1,348,960	—	—	1,348,960
Other payables	1,984,615	3,969,230	1,984,615	7,938,460
Loans from shareholder	3,961,020	—	—	3,961,020
Total	7,294,595	3,969,230	1,984,615	13,248,440

(b) Capital risk management

The Target's objectives when managing capital are to safeguard the Target'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 Target 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 Target monitors capital on the basis of the gearing ratio. This ratio is calculated as the sum of borrowings (including current and non-current borrowings as shown in the balance sheet) and loans from shareholder divided by total assets.

The gearing ratios at 31 December 2016, 2017 and 30 June 2018 were as follows:

	As at 31 December		As at 30 June
	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*
Borrowings	—	—	1,348,960
Loans from shareholder	—	1,966,684	3,961,020
Total borrowings	—	1,966,684	5,309,980
Total assets	—	1,961,875	12,269,917
Gearing ratio	N/A	100%	43%

The decrease in ratio as at 30 June 2018 as compared to 31 December 2017 was contributed by the increase in total assets due to the acquisition of an investment accounted for using equity method to a larger extend than the increase in borrowings.

(c) Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The nominal value less impairment provisions of other receivables approximate their fair values due to their short maturities. The fair values of financial liabilities, such as other payables, borrowings and loans from shareholder, for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target for similar financial instruments, therefore the fair value of such financial liabilities approximate their carrying amount.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Impairment for the investment accounted for using equity method

The Target determines at each reporting date whether there is any objective evidence that the investment accounted for using equity method is impaired. The Target calculates the amounts of impairment as the difference between the recoverable amount of the investment accounted for using equity method and its carrying value. The recoverable amount of an investment accounted for using equity method was determined as the higher of fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates.

5 AN INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	As at 31 December		As at 30 June
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Associate	—	—	12,269,865

The amounts recognised in the comprehensive income statement are as follows:

	From 8 September 2016 to 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Share of losses of an associate	—	—	—	108,977

The movements of the investment in an associate is as follows:

	From 8 September 2016 to 31 December 2016	Year ended 31 December 2017
	RMB'000	*RMB'000*
Balance as at 1 January	—	—
Additions *(note a)*	—	—
Share of post-tax losses of an associate	—	—
Balance as at 31 December	—	—

	Six months ended 2017	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Balance as at 1 January	—	—
Additions *(note a)*	—	12,378,842
Share of post-tax losses of an associate	—	(108,977)
Balance as at 30 June	—	12,269,865

(a) During the six months ended 30 June 2018, the Target acquired 45% (on a fully diluted basis) equity interest of Smart King Limited, a company incorporated in the Cayman Islands, at an aggregate consideration of US$2,000 million. A prepayment in the amount of US$ 300 million (equivalent to RMB 1,960 million) was made during the year ended 31 December 2017.

FF Top Holding Ltd. agreed to contribute technical assets and business owned by the Faraday Future Group to obtain a 33% equity interest in Smart King (on a fully diluted basis). The remaining 22% equity interest in Smart King (on a fully diluted basis) is reserved as equity to be issued and be allotted to the employees in accordance with the equity incentive plan. As at 30 June 2018, the Target has 57.7% equity interest of Smart King in substance without the dilution of the equity incentive plan. The Target is entitled to appoint 2 directors of the board of Smart King which consisting of 7 authorized directors, and the other 5 directors are appointed by FF Top Holding Ltd. Consider the rights and obligations of the shareholders, the Target has significant influence on Smart King only and account for the investment on Smart King as an associate.

Smart King and its subsidiaries are principally engaged in the research and development, manufacture and sale of electronic vehicles in the United States of America ("USA") and the People's Republic of China (the "PRC").

Summarised balance sheet

	30 June 2018
	RMB'000
Assets	
Current assets	
Cash and banks	1,198,021
Other current assets	2,517,160
Total current assets	3,715,181
Non-current assets	
Land and land use rights	1,713,400
Property, plant and equipment	1,075,350
Intangible assets	9,323,271
Other non-current assets	5,417,996
Total non-current assets	17,530,017
Total assets	21,245,198
Liabilities	
Current liabilities	
Trade and other payables	1,344,081
Borrowings	1,913,448
Other liabilities	177,901
Total current liabilities	3,435,430
Non-current liabilities	453,171
Total liabilities	3,888,601
Net assets	17,356,597

Summarised statement of comprehensive income

	For the period from acquisition date (20 June 2018) to 30 June 2018
	RMB'000
Revenue	1,151
Gross profit	1,151
Administrative expenses	(182,476)
Other gains	503
Operating losses	(180,822)
Interest expenses, net	(8,071)
Losses and total comprehensive losses for the period	(188,893)

Reconciliation of summarised financial information

	For the period from acquisition date (20 June 2018) to 30 June 2018
	RMB'000
Net assets as at 20 June 2018	17,545,490
Losses for the period	(188,893)
Net assets as at 30 June 2018	17,356,597
Interest in the associate	10,013,421
Goodwill *(b)*	2,256,444
Carrying value	12,269,865

There are no contingent liabilities or commitment relating to the Target's interest in the associate.

(b) The goodwill is the excess of acquisition cost over the fair value of identifiable assets acquired, and the liabilities assumed. The fair value of identifiable assets acquired and liabilities assumed in Smart King is determined in accordance with HKFRS 3, "Business Combination". The directors have assessed the fair values of the identifiable assets and liabilities of Smart King as at acquisition date by taking reference of the valuation as at 20 June 2018 carried out by an independent valuer, Globalview Advisory LLC.

6 SHARE CAPITAL

	31 December 2016 US$	31 December 2017 US$	30 June 2018 US$	31 December 2016 RMB	31 December 2017 RMB	30 June 2018 RMB
One ordinary share *((a))*						
Fully paid	1	1	1	8	8	8

(a) Ordinary share has a par value of US$1, equivalent to RMB7.8. It entitles the holder to participate in dividends, and to share in the proceeds of winding up the Target in proportion to the number of and amounts paid on the shares held.

7 LOANS FROM SHAREHOLDER

These represent the loans from the former shareholder, which are denominated in HKD, interest-free and repayable on demand (Note 14(c)). The loans outstanding as at 30 June 2018 were subsequently replaced by a three-year loan provided by the Company after the Acquisition.

8 BORROWINGS

	As at 31 December 2016 RMB'000	2017 RMB'000	As at 30 June 2018 RMB'000
Current			
Other borrowings *(Note(a))*			
— Unsecured	—	—	1,348,960
Total	—	—	1,348,960

As at 30 June 2018, borrowings of HKD 1,600,000,000 (equivalent to RMB 1,348,960,000) were borrowed from non-banking financial institutions, which are denominated in HKD, bears an interest rate of 7% per annum, repayable within one year and were guaranteed by Mr. Chiu Tao, the former shareholder, and were repaid by 3 July 2018.

9 OTHER PAYABLES

	As at 31 December 2016 RMB'000	2017 RMB'000	As at 30 June 2018 RMB'000
Other payables:			
— payables for the acquisition of an associate *(Note(a))*	—	—	7,075,425
— interest payables	—	—	21,440
— other third parties	—	3,739	—
	—	3,739	7,096,865
Less: non-current portion			
— payables for the acquisition of an associate *(Note(a))*	—	—	5,208,238
Current portion	—	3,739	1,888,627

(a) The considerations payable for the acquisition of an associate is in relation to the acquisition of 45% equity interest in Smart King (on a fully diluted basis). Among the total consideration of US$2,000 million, US$800 million (equivalent to RMB 5,173 million) has been paid by 30 June 2018, the remaining US$1,200 million will be paid by twelve equal instalments in the years of 2019 and 2020. The twelve instalments are discounted to a present value of US$ 1,070 million (equivalent to RMB 7,075 million) as at 30 June 2018 at a discount rate of 7.6%.

10 EXPENSES BY NATURE

	From 8 September 2016 to 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Six months ended 30 June 2017 *RMB'000* (Unaudited)	2018 *RMB'000*
Legal and professional fees	—	8,831	—	647
Others	5	12	5	6
Total	5	8,843	5	653

11 FINANCE INCOME/(COSTS), NET

	From 8 September 2016 to 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance income				
— Bank interest income	—	3	—	4
Finance costs				
— Interest expense on borrowings	—	—	—	(20,718)
Finance income/(costs), net	—	3	—	(20,714)

12 INCOME TAX EXPENSES

The Target was incorporated in the BVI as an exempted company with limited liability under the International Business Companies Act of BVI and, accordingly, is exempted from income tax of the BVI. The Target has no assessable profit in Hong Kong.

13 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash used in operations

	From 8 September 2016 to 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Losses before income tax	(5)	(8,840)	(5)	(127,655)
Adjustments for:				
Exchange gains	—	—	—	(2,689)
Finance income	—	(3)	—	(4)
Finance costs	—	—	—	20,718
Share of losses of an investment accounted for using the equity method	—	—	—	108,977
Operating losses before working capital changes	(5)	(8,843)	(5)	(653)
Changes in working capital:				
Increase/(decrease) in other payables	—	3,739	5	(3,739)
Increase in other receivables	—	(50)	—	—
Cash used in operations	(5)	(5,154)	—	(4,392)

(b) Reconciliations of liabilities arising from financing activities

	Loans from shareholder *RMB'000*	Borrowings due within 1 year *RMB'000*	Total *RMB'000*
Total debt as at 1 January 2016	—	—	—
Proceeds	5	—	5
Total debt as at 31 December 2016	5	—	5

	Loans from shareholder *RMB'000*	Borrowings due within 1 year *RMB'000*	Total *RMB'000*
Total debt as at 1 January 2017	5	—	5
Proceeds	1,986,386	—	1,986,386
Exchange effect	(19,707)	—	(19,707)
Total debt as at 31 December 2017	1,966,684	—	1,966,684

	Loans from shareholder *RMB'000*	Borrowings due within 1 year *RMB'000*	Total *RMB'000*
(Unaudited) **Total debt as at 1 January 2017**	5	—	5
Proceeds	—	—	—
Total debt as at 30 June 2017	5	—	5
Total debt as at 1 January 2018	1,966,684	—	1,966,684
Proceeds	1,892,774	1,290,881	3,183,655
Exchange effect	101,562	58,079	159,641
Total debt as at 30 June 2018	3,961,020	1,348,960	5,309,980

14 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	**Relationship with the Target**
Mr. Chiu Tao	Ultimate controlling shareholder before the Acquisition (the "former shareholder") and also the director of the Target
Smart King	An associate of the Target

(b) Transactions with related parties

	From 8 September 2016 to 31 December 2016	Year ended 31 December 2017	As at 30 June 2017	As at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Proceeds of loans from shareholder				
— Chiu Tao	5	1,966,679	—	1,994,336

(c) Balances with related parties

	As at 31 December 2016	As at 31 December 2017	As at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000*
Due to related parties			
Included in loans from shareholder			
— Chiu Tao *(Note 7)*	5	1,966,684	3,961,020
Included in other payables			
— Smart King Limited	—	—	7,075,425
	5	1,966,684	11,036,445

15 BENEFITS AND INTERESTS OF DIRECTORS

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

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

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

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

16 SUBSEQUENT EVENTS

On 18 July 2018, in order to give full support to Smart King's development, the Target, Smart King and FF Top Holding Ltd ("Original Shareholder") entered into a supplemental agreement, pursuant to the agreement, the Target agreed to pay in advance US$ 700 million subject to fulfillment of payment condition.

On 3 October 2018, Smart King commenced arbitration at the Hong Kong International Arbitration Centre, seeking to: (1) deprive the Target of its consent right as a shareholder in respect of financing; and (2) terminate all agreements and deprive of the Target's rights under the relevant agreements.

On 25 October 2018, the Target received the result of the emergency arbitration. The arbitrator has not accepted Smart King's application for a complete enjoinment of the Target's consent right in respect of financing, and has previously rejected the new application of Smart King to release the security held by the Target.

As an interim relief to support Smart King's development and protect shareholders' interests, the arbitrator allowed Smart King to proceed with financing under stringent conditions, including: the valuation of any equity financing shall not be lower than post-money valuation, the Target continues to enjoy pre-emptive rights and pending the outcome of the final arbitration, obtain financing at a capped amount of US$500 million.

On 7 November 2018, the Target filed arbitration counterclaims to the fullest extent against Yueting Jia and Smart King, demanding Yueting Jia and Smart King to perform contractual obligations. Yueting Jia and Smart King forcefully evicted the cashier appointed by the Target and denied the Target's financial personnel of physical entry for conducting financial inspection, resulting in the Target not being able to understand the financial conditions of Smart King. At the same time, given that the Smart King has refused to produce financial information and related documents, a director of Smart King, appointed by the Target, has commenced proceedings in the Grand Court of the Cayman Islands requesting the court to order Smart King to produce all financial information and related documents. The above arbitration and proceedings is under process as at report date.

On 12 November 2018, Smart King made an emergency application again to the Hong Kong International Arbitration Centre for release of the security held by the Target. Previously, the emergency arbitrator has rejected the application of Smart King to release the security held by the Target. On 29 November 2018, the Target received the result of the emergency arbitration. The emergency arbitrator rejected in its entirety Smart King's application to release the Target's security over Smart King's assets.

Based on the Company's understanding on 17 November 2018, certain employees who claim to be shareholders of Smart King have commenced a class action complaint at the Superior Court of Los Angeles, United States, alleging that the Company, the Target and directors of Smart King appointed by the Target have breached fiduciary duties and other legal obligations, and seeking damages and other reliefs.

The directors of the Company considers that the Target has already fulfilled its obligations under the relevant agreements, and will take all necessary actions to protect the Target's continuing rights under the relevant agreements. The financial implication is hard to estimate by the management at current stage.

17 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 30 June 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Target in respect of any period subsequent to 30 June 2018.

The following is the management discussion and analysis for the period from 8 September 2016 to 31 December 2016, year ended 31 December 2017 and six months ended 30 June 2018 of the Target Company. The financial information is based upon the accountant's report of the Target Company set out in Appendix II of this circular.

Season Smart ("the Company") is established on 8 September 2016 and one of its major businesses is investment holding.

INVESTMENT IN THE JOINT VENTURE

The Company entered into an agreement for the acquisition of 45% (on fully diluted basis) equity interest of Smart King Limited with a total consideration of US$2 billion on 30 November, 2017. The Company has paid US$300 million in 2017 and another US$500 million up to 25 May 2018 (totaling US$800 million) as subscription monies. The investment was accounted for using equity method.

Other payables

The current and non current other payables are mainly the subscription amount in relation to the acquisition of Smart King Limited which should be paid in 2019 and 2020 by twelve instalments, amounting to US$1.2 billion and being discounted to a present value at a rate of 7.6%.

Administrative expense

The administrative expense in 2017 is mainly attributable to the professional fees related to the due diligence exercised over Smart King Limited.

The following is an illustrative and unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information"), comprising the unaudited pro forma statement of assets and liabilities of the Enlarged Group which have been prepared on the basis of the notes set out below and in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the Acquisition on the Group as if the Acquisition had taken place on 30 June 2018.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2017 and the revised/new accounting standards adopted in the interim report of the Company for the six months ended 30 June 2018.

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

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Enlarged Group had the Acquisition been completed at 30 June 2018 or any future date.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2018

	Unaudited condensed consolidated statement of assets and liabilities of the Group	Pro forma adjustments Statement of assets and liabilities of the Target Company	Other adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
ASSETS					
Non-current assets					
An investment accounted for using equity method	—	12,269,865	—	—	12,269,865
Property, plant and equipment	995,354	—	—	—	995,354
Land use rights	219,588	—	—	—	219,588
Intangible assets	2,874	—	—	—	2,874
Goodwill	—	—	493,651	—	493,651
Deferred income tax assets	18,631	—	—	—	18,631
Prepayments	85,680	—	—	—	85,680
	1,322,127	12,269,865	493,651	—	14,085,643
Current assets					
Inventories	2,308	—	—	—	2,308
Properties under development	4,357,231	—	—	—	4,357,231
Completed properties held for sales	905,961	—	—	—	905,961
Trade and other receivables	288,840	51	—		288,891
Contract assets	15,527	—	—	—	15,527
Prepayments	2,026,365	—	—	—	2,026,365
Cash and bank balances	823,251	1	2,782	—	826,034
Restricted deposits	382,886	—	—	—	382,886
	8,802,369	52	2,782	—	8,805,203
Total assets	10,124,496	12,269,917	496,433	—	22,890,846

	Unaudited condensed consolidated statement of assets and liabilities of the Group	Pro forma adjustments			Unaudited pro forma statement of assets and liabilities of the Enlarged Group
		Statement of assets and liabilities of the Target Company	Other adjustments		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
LIABILITIES					
Non-current liabilities					
Trade and other payables	—	5,208,238	—	—	5,208,238
Loan from the ultimate holding company	—	—	5,690,925	—	5,690,925
Borrowings	3,075,000	—	—	—	3,075,000
Finance lease obligations	72,580	—	—	—	72,580
	3,147,580	5,208,238	5,690,925	—	14,046,743
Current liabilities					
Trade and other payables	2,548,626	1,888,627	(21,440)	4,892	4,420,705
Loans from shareholder	—	3,961,020	(3,961,020)	—	—
Contract liabilities	1,119,689	—	—	—	1,119,689
Borrowings	1,733,200	1,348,960	(1,348,960)	—	1,733,200
Finance lease obligations	112,342	—	—	—	112,342
Current income tax liabilities	432,603	—	—	—	432,603
	5,946,460	7,198,607	(5,331,420)	4,892	7,818,539
Total liabilities	9,094,040	12,406,845	359,505	4,892	21,865,282

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

1 The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2018 as set out in the published interim report of the Group for the period ended 30 June 2018.

2 The amounts are extracted from the audited balance sheet of the Target Company as at 30 June 2018 as set out in Appendix II to this circular.

3 For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the consideration for the Acquisition will be funded by the drawdown of a loan for HK$6,750 million (equivalent to approximately RMB5,690.9 million) under the Shareholder Loan Agreement.

Upon completion of the Acquisition, the Company will own 100% equity interest in the Target Company. The identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combination".

Goodwill arising from the Acquisition of 100% equity interest in the Target Company is calculated as follows:

	Note	RMB'000
Consideration	a	5,688,143
Less: Net liabilities of Target Company as at 30 June 2018		(136,928)
Target Company Shareholder Loan as at 30 June 2018:	a	
Loans from shareholder		3,961,020
Borrowings and accrued but unpaid interest		1,370,400
Goodwill arising from the Acquisition	b	**493,651**

(a) Pursuant to the Share Sale and Purchase Agreement, the consideration payable for the Sale Share and the Target Company Shareholder Loan is approximately HK$6,746.7 million (equivalent to approximately RMB5,688.1 million). Pursuant to a loan assignment deed entered between the Seller and the Company dated 25 June 2018, the Seller has procured the discharge of third party loans of the Target Company, including all accrued but unpaid interest. The outstanding shareholder loan of the Target Company as at the completion date were then assigned to the Company.

(b) This adjustment represents the recognition of goodwill which is the excess of acquisition cost over the fair value of identifiable assets acquired, and the liabilities assumed. The fair value of identifiable assets acquired and liabilities assumed in the Target Company is determined in accordance with HKFRS 3, "Business Combination". For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the directors have assessed the fair values of the identifiable assets and liabilities of the Target Company as at acquisition date by taking reference of the valuation of the Joint Venture as at 20 June 2018 carried out by Globalview Advisory LLC.

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

4 The adjustment represents the estimated legal and professional fees and other expenses of approximately RMB4.9 million payable by the Company in connection with the Acquisition.

5 For the purpose of this Unaudited Pro Forma Financial Information, the amounts stated in Hong Kong dollars are converted into Renminbi at the rate of HK$1.00 to RMB0.8431. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

6 Apart from the Transaction, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2018.

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

pwc 羅兵咸永道

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

To the Directors of Evergrande Health Industry Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Evergrande Health Industry Group Limited (the "Company") and its subsidiaries (collectively the "Group"), and Season Smart Limited (the "Target Company") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2018 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-4 of the Company's circular dated 7 December 2018, in connection with proposed acquisition of the Target Company (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2018 as if the Transaction had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the six months ended 30 June 2018, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

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Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2018 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 7 December 2018

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS BY DIRECTORS

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

Long positions in the shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares in associated corporation	Deemed interests in number of shares of the associated corporation	Total	Approximate percentage of the issued share capital of associated corporation as at the Latest Practicable Date
Shi Shouming	China Evergrande Group	Beneficial owner	2,700,000	3,000,000	5,700,000	0.04%
Peng Jianjun	China Evergrande Group	Beneficial owner	85,000	4,600,000	4,685,000	0.04%
Li Siquan	China Evergrande Group	Beneficial owner	NIL	400,000	400,000	0.003%
Chau Shing Yim David	China Evergrande Group	Beneficial owner	600,000	400,000	1,000,000	0.01%

As at the Latest Practicable Date, saved as disclosed above, none of the Directors and the chief executive of the Company had any interests and short positions of in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

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

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

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. MATERIAL CONTRACTS

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

(a) a grant contract of state-owned construction land use rights (《國有建設用地使用權出讓合同》) dated 16 December 2016 in respect of the acquisition of land use rights of land plots in Chang'an District, Xi'an City, Shaanxi Province, China for a consideration of approximately RMB733.3 million, details of which were set out in the announcement of the Company dated 5 December 2016;

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

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

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

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

(f) the Share Sale and Purchase Agreement.

6. EXPERTS AND CONSENTS

The following is the qualification of the expert, the text of whose report is contained in or referred to in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

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

The above expert has confirmed that as at the Latest Practicable Date:

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

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

7. LITIGATION AND CLAIMS

Save as disclosed in the Company's announcements dated 25 June 2018, 7 October 2018, 25 October 2018, 7 November 2018, 12 November 2018, 18 November 2018 and 29 November 2018, as at the Latest Practicable Date, neither the Company nor any other member of the Group was involved in any litigations or claims and no litigations or claims of material importance was pending or threatened against the Company or any member of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

9. DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

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

10. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up.

11. GENERAL

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

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

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

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business day (public holidays excluded) from the date of this circular up to and including 21 December 2018:

(a) the articles of association of the Company;

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

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

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

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

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

(g) the circular published by the Company on 25 May 2018; and

(h) this circular.