



恒大健康产业集团
EVERGRANDE HEALTH INDUSTRY GROUP

EVERGRANDE HEALTH INDUSTRY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock code : 0708)

2016 Interim Report



2016



恒太原辰医学美容医院
恒达 医疗 医美 美容

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Board of Directors and Committees

EXECUTIVE DIRECTORS

Ms. Tan Chaohui (*Chairlady*)
Mr. Peng Sheng (*Chief Executive Officer*)
Mr. Han Xiaoran

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chau Shing Yim, David (*Chairman*)
Ms. Tan Chaohui
Mr. Guo Jianwen

NOMINATION COMMITTEE

Ms. Tan Chaohui (*Chairlady*)
Mr. Chau Shing Yim, David
Mr. Guo Jianwen

CORPORATE GOVERNANCE COMMITTEE

Mr. Chau Shing Yim, David (*Chairman*)
Ms. Tan Chaohui
Mr. Guo Jianwen
A representative from company secretarial function
A representative from finance and accounts function

AUTHORISED REPRESENTATIVES

Ms. Tan Chaohui
Mr. Fong Kar Chun, Jimmy

Corporate and Shareholder Information

HEAD OFFICE

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

REGISTERED OFFICE AND PLACE OF BUSINESS IN HONG KONG

Suites 1501–1507, One Pacific Place,
88 Queensway, Hong Kong

WEBSITE

www.evergrandehealth.com

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy

AUDITOR

PricewaterhouseCoopers

SHAREHOLDER INFORMATION

Listing Information

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

The Taiwan depository receipts of the Company are listed on the Taiwan Stock Exchange ("Taiwan Stock Exchange")

STOCK CODE

Hong Kong Stock Exchange: 0708.HK
Taiwan Stock Exchange: 910708

SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Center
183 Queen's Road East
Hong Kong

INVESTOR RELATIONSHIP

For enquiries, please contact:
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Investor relationship department
Email: evergrandelR@evergrande.com
Telephone: (852) 2287 9208/2287 9218/2287 9207

FINANCIAL CALENDAR

Announcement of interim results: 18 August 2016

Directors' Report

The principal business activities of the Group include magazine publishing, distribution of magazines, digital business, and provision of magazine content (collectively the "Media Segment") and "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing (collectively, the "Health Segment").

BUSINESS REVIEW (MEDIA SEGMENT)

During the six months ended 30 June 2016 (the "Period"), Hong Kong's economic growth slowed further as a result of sluggish global demand and continued slowdown of economic growth in China. The drastic decline in tourist spending and retail sales, as well as a weakened property market weighed heavily on the market.

Consumers' ever-changing behaviour, together with increasingly vigorous competition with peers, has urged us to change our business model from the traditional print media to digital marketing. During the Period, the Company disposed of its 100% shareholding in the company principally engaged in the publication of the magazine "NM+ New Monday" (新Monday) to an independent third party as further deploying resources for the print media has become unappealing. The disposal enables us to focus our existing resources to enhance our digital media business.

Marketers are now much more ready and open to embrace new strategies and tactics to reach out to their customers through different cost-effective communication channels. To optimize their marketing efforts, they must now rely on marketing solutions providers, such as the New Media Group ("NMG"), with multiple platforms experiences to help them constantly produce and deliver highly relevant and arousing stories to the right people at the right time and on the right platforms.

The NMG's branded websites have altogether reached a record high accumulated page view (PV) of over 283 million, with a sum of unique visitors (UV) who visit a site at least once within the reporting period reaching 33 million, as recorded in Google Analytics from January to June 2016.

According to the comScore MMX (Media Metrix) report provided by comScore, an internet analytics company that provides online audience measurement and is widely recognized by top advertisers, agencies and publishers, the NMG's latest record, up to May 2016, showed remarkable and encouraging results, reflecting particularly strong performance in the mobile sector.

Among the Top 100 Web Properties (viewing of websites via mobile devices), the NMG ranked No. 5 with over PV of 24 million and UV of 5 million. With reference to the comScore's Mobile Report in relation to the measurement of Segment and Categories performance, New Media Group Travel Network (Weekend Weekly and GOtrip) ranked 1st in Travel (main category) and 1st in Information (subcategory). Oriental Sunday ranked 1st in Entertainment News (subcategory) and 4th in Entertainment (main category), Sunday Kiss ranked 3rd in Family & Youth (main category) and Family & Parenting (subcategory). NM+ and Beeweb brands together ranked 4th in Lifestyle (main category) and 2nd in Beauty/Fashion/Style (subcategory). More and Sizz brands together ranked 5th in LifeStyle (main category) and 3rd in Beauty/Fashion/Style (subcategory).

These days, people are spending a majority of their internet time on mobile devices. Different formats and means, such as mobile video, live-streaming, virtual reality, and 360-degree videos etc, are adopted and integrated into marketing campaigns to create new levels of user experience and help clients keep their messages entertaining and engaging. Our efforts and hard work had paid off, and the team gained honours and recognition for its efforts in integrating social media and content marketing with creative and diversified campaigns.

Mob-Ex Awards 2016, organised by Marketing magazine:

1. Best App — Media Owner (Gold)
New Media Group, Oriental Sunday — More
2. Best Campaign for Tablets (Gold)
The North Face Ultra Series, by New Media Group — NMGplus
3. Most Responsive Mobile Campaign (Bronze)
Le Corporation — LeTV 2016 EPL Pre-Launch Campaign via Facebook, by New Media Group — NewDigi.Solutions
4. Best Mobile Team (Bronze)
New Media Group — NewDigi.Solutions

Media Convergence Awards 2015, organised by the Hong Kong Association of Interactive Marketing (HKAIM):

1. 10 Favourite Facebook Fanpages: 新假期JetSo
2. Weekly Magazine Category (Overall) — Bronze Award: New Monday
3. Weekly Magazine Category (Mobile) — Silver Award: New Monday
4. Weekly Magazine Category (Social Media) — Bronze Award: New Monday
5. Weekly Magazine Category (Website) — Bronze Award: New Monday
6. Top 10 Media: New Monday

Directors' Report

BUSINESS REVIEW (HEALTH INDUSTRY SEGMENT)

Healthcare Community Business

In view of the rapid aging population at present and the rising living standards of residents in the community, the Group focused on the development of large healthcare community projects. The Group completed the outline and positioning of the projects and also formulated the first large community healthcare living standards in China, by which the Group planned to develop a community into a healthcare living ecosphere integrating family doctors, health management, rehabilitation, elderly care services, community Internet+ and O2O living, and to expand the development across the country on such basis.

Recently, the design of the first two healthcare community projects, namely Sanya Haitang Bay healthcare community project and Haihua Island healthcare community project, had completed. The two projects entered into the construction phase and were expected to commence pre-selling within this year, thereby providing the customers across the country with brand-new experience in healthcare in due course.

On 11 March 2016, a strategic cooperation agreement was entered into with Shaw Healthcare Group of the United Kingdom. On 14 March 2016, a strategic cooperation agreement was entered into with Teresa Happy Care International B.V. of the Netherlands. Hence, international high-end resources were actively introduced to jointly develop the services for the elderly.

International Hospital Business

The Group cooperated with Brigham and Women's Hospital, an affiliate of Harvard Medical School and a top-class hospital in the world, in establishing a hospital. They entered into a legally binding strategic cooperation agreement on 14 March 2016. The design of their first cooperation project, Boao Evergrande International Hospital, had completed and its construction in the International Medical Tourism Pilot Zone in Boao Lecheng, Hainan, China commenced as approved by the State Council. Taking the advantages of the relevant policies in the pilot zone, the project introduced advanced domestic and overseas concept, mode, equipment, technology and talent for cancer curing. The Group strived to establish a leading international cancer hospital in China which was going to offer services and management services covering the whole treatment cycle from prevention, treatment and rehabilitation for cancer patients in China, Southeast Asia, as well as the United States. The international hospital project located at Sanya Haitang Bay also commenced planning and designing. The project will provide high-end services for the women and children and in the areas of, among other things, assisted reproduction, medical cosmetology and anti-aging and rehabilitation. At the same time, the Group and Evergrande Center for Immunologic Diseases explored cooperation opportunities in their mutually interested areas. The center has made huge progress in tumor immunotherapy research, reaching the top-tier international standards.

Community Medical Treatment and Elderly Care Business

In response to the country's call to establish a national medical service grading system and further develop the elderly care industry, the Group, taking health management and elderly service as the starting point, conducted precise positioning for 12 "Internet+" community health management centers operating across China. The Group introduced services such as rehabilitation and elderly care services based on the actual needs of different families for health treatments in the local communities. Through integration of quality medical resources from different regions, the Group aimed to establish community health services which focused on disease prevention and offered basic treatment, treatment transfer for special diseases and continuous monitoring of chronic diseases. For numerous elderly at home and for recovering patients, the Group offered rehabilitation and elderly care services in a timely manner. Long distance online specialist support can be offered through the internet. For safety matters regarding the daily life of elderly and various risks arising from deteriorating health condition of the elderly and chronic diseases, the home elderly care service and upgrade service catered for elderly integrated the use of different smart products, thus giving timely care to elderly which suits their needs.

Medical Cosmetology and Anti-aging Business

The Group joined forces with Wonjin Beauty Medical Group of Korea, the largest comprehensive aesthetic surgery hospital in Korea, to establish the Tianjin Evergrande Wonjin Medical Beauty Hospital, focusing on the development of cosmetic surgery. The Company also further refined its operation model, standards and procedures to carry out precise marketing for market expansion.

On 16 May 2016, the Company entered into a strategic cooperation agreement with Tianjin Broadcasting Television Station, pursuant to which Tianjin Evergrande Wonjin Medical Beauty Hospital became the sole skin management consultant designated for the hosts in Tianjin Broadcasting Television Station, thereby further improving the brand recognition.

At the same time, the Group explored the model for "flagship stores + medical cosmetology micro-agencies" and prepared for the opening of medical cosmetology micro-agencies in major cities.

BUSINESS OUTLOOK (MEDIA SEGMENT)

The global business environment is expected to remain turbulent and unstable. Increasingly vigorous competition with peers triggered us to streamline and adjust the business and operational models of NMG in order to maintain our presence in the recent deteriorating media market. Pressure on retail sales will continue. Yet, with new trends and technologies, as well as new channels and platforms emerging rapidly, we in fact see the world of digital marketing as full of possibilities and opportunities and we shall continue to review our business and adjust its operational models to adapt to the emerging and ever-changing demand.

Directors' Report

BUSINESS OUTLOOK (HEALTH INDUSTRY SEGMENT)

In the second half of 2016, the Company will push forward the development of the implemented projects and further accelerate the commencement of the quality health industry projects. The Company will also enhance its operation and management, enrich its service packages, improve its service quality as well as consolidating its foundation based on the business model explored. From 2017 to 2018, the Group will proactively implement market development initiatives, rapidly formulate its plans, gradually increase its scale and to develop in all aspects in the health industry.

Outlook for Healthcare Community Business

In the second half of the year, the Group will make further progress in the development of the two healthcare community projects in Sanya Haitang Bay and Haihua Island as planned. The above two projects are expected to commence the pre-selling for their first batch at the end of 2016. At the same time, the Group will continue to explore the development of new projects.

Outlook for International Hospital Business

In the second half of the year, aiming at commencing the first phase of trial operation in 2017, the Group will make further progress in the construction of Boao Evergrande International Hospital as planned and work on the main construction, equipment procurement and recruitment of first batch of staff. The Group will explore cooperation opportunities with Evergrande Center for Immunologic Diseases and plan to set up a translational medical research center so as to put their latest immunology research discoveries into practice in Evergrande International Hospital as soon as possible. The Group will also push forward the planning and design of Sanya Evergrande International Hospital and commence construction during the year.

Outlook for Community Medical Treatment and Elderly Care Business

In response to the different needs of families in different regions, community medical treatment and elderly care health management centers will integrate more excellent medical resources to provide more extensive health-related medical services and health products and improve services quality through continuous exploration and introduction of industry specialty services. More precise medical and elderly care services will be provided according to the physical and mental conditions of the elderly in the community. The Company will also introduce cultural tourism to the energetic elderly. While the well-established community medical treatment and elderly care health management centers are applying for the registration of national medical insurance, the Company will also introduce community care, elderly care and single disease insurance and become a pioneer of "Kaiser" model.

The Company aims to set up a more professional, determined, focused and caring medical treatment and elderly care team through further practice in the second half of the year.

Outlook for Medical Cosmetology and Anti-aging Business

In the second half of the year, the Group will continue to explore the model for "flagship stores + medical cosmetology micro-agencies" and plan to set up medical cosmetology micro-agencies equipped with different technologies and business features in the major cities across the country. After the operation of such business model has run smooth, the Group will further expand in the first-tier and second-tier major cities in China to form a chain service network.

FINANCIAL CAPITAL

The Group will continue to maintain its solid financial policies, endeavour to raise the total amount of cash and improve the profit margin for its main operations.

To accomplish this, the Group will apply the target management method in the cost management and profit management of existing businesses, reasonably control the ratio of operating income and expenses while stepping up sales efforts. Furthermore, the Group adopts advanced internet technology and cutting-edge united financial management software as well as implementing high-quality and centralised management of capital. With respect to new projects to be launched soon, the Group will formulate scientific and reasonable expansion plans, and rationally control major expenditure in rent, facilities and employees.

Meanwhile, with reference to overseas mature commercial medical insurance models, the Group will explore a new model which combines innovative health services industry and insurance industry in line with the situation of China to relieve the pressure on the society in terms of medical investments and lighten the medical burden of the citizens.

INVESTOR RELATIONSHIP

The Group will continue to reinforce investor relationship through press interviews, tours, participation of public functions and one-on-one and group meetings with investors, with an aim to promote the uniqueness and highlights of our development plans and businesses of our Group. At the same time, the Group will also improve the communication with investors by releasing information, communicating and interacting through new media social platform like Wechat in a timely manner, thus boosting the confident of investors.

ACKNOWLEDGEMENT

The steady development of the Group has always been trusted and supported by its shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the board of directors of the Company (the "Board"), I express my heartfelt gratitude.

By Order of the Board

Evergrande Health Industry Group Limited

Tan Chaohui

Chairlady

Hong Kong, 18 August 2016

Management Discussion and Analysis

OVERALL PERFORMANCE

During the Period, the Group's turnover was HK\$182.6 million (2015H1: HK\$193.7 million), including revenue from media segment and health segment.

During the Period, the Group's performance in media segment was adversely affected by various macro-economic headwinds and market challenges. Media segment reported a turnover of HK\$139.1 million during the Period (2015H1: HK\$179.3 million). Advertising income amounted to HK\$88.1 million (2015H1: HK\$124.8 million) and remained a key revenue contributor. Circulation income was HK\$27.6 million (2015H1: HK\$33.6 million). All businesses in media segment, except digital business, reported a period-to-period decline in the first half of 2016, due to scale down of advertising spending as a result of the general slowdown in consumption. Print media is in downward trend with higher popularity of online media platform. Less advertisement was placed to print media.

Health segment started its business in June 2015. Its revenue includes income from medical cosmetology surgery and out-patient service. Income generated from cosmetic surgery is attributed from Tianjin Evergrande Wonjin Medical Beauty Hospital. The amount increased since it represents turnover for 6 months in the Period instead of a short operating time in the prior period. Out-patient service increased by HK\$9.3 million because more community health management centers were established and more health services were provided in a health-care package, which is well-accepted by the community residents. Holders of the health-care package could have body check, medical treatment within one year from the date of purchase.

The Group's gross profit amounted to HK\$45.0 million (2015H1: HK\$75.5 million). The gross profit margin dropped from 39% during the period ended 30 June 2015 to 25% for the Period since the profit margin of media segment decreased by about 12 percentage points in the Period. Cost of sales of media segment mainly represents artwork and design costs, circulation cost, editorial costs, photographic costs and magazine printing costs in relation to the producing of magazine contents and design of advertisements. Cost of health segment mainly represents medicines, labour costs and depreciation of hospital equipment.

The Group recorded a gain on disposal of business in media segment amounting to HK\$23.8 million during the Period. The disposal was expected to reduce the loss-making assets of media segment.

Selling and marketing expenses, together with administrative expenses, were HK\$91.4 million for the Period (2015H1: HK\$99.3 million). The decrease was mainly due to the decrease in sales commission, staff costs in media segment due to the declining revenue and decrease in number of salesperson.

Profit attributable to the owners of the Company decreased to HK\$12.0 million (2015H1: HK\$116.7 million). A one-off gain on disposal of a subsidiary holding a property, amounting to HK\$136.7 million, was recorded in the prior period. Basic earnings per share was HK0.138 cents (2015H1: HK1.350 cents).

Management Discussion and Analysis

FINANCIAL SUMMARY (UNAUDITED)

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Revenue		
Advertising income	88,131	124,754
Circulation income	27,595	33,568
Digital business income	22,850	20,327
Provision of magazine content	521	618
Income from medical cosmetology surgery	33,134	13,380
Out-patient services income	10,378	1,100
	182,609	193,747
Gross profit	45,048	75,452
Profit attributable to owners of the Company	11,952	116,664
Basic earnings per share	HK0.138 cents	HK1.350 cents

CONTINGENT LIABILITIES

Certain subsidiaries of the Group were involved in legal proceedings or claims against them in the ordinary course of their business activities during the Period. In the opinion of the Directors, resolution of such litigation and claims will not have a material adverse effect on the Group's financial position and no further provision for any potential liability in the condensed consolidated balance sheet is considered necessary.

As at 30 June 2016, the Company did not have significant contingent liabilities.

Management Discussion and Analysis

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (Six months ended 30 June 2015: HK\$ nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2016, the Group had interest-bearing borrowings amounting to HK\$455.0 million (31 December 2015: HK\$133.3 million).

As at 30 June 2016, the Group's gearing ratio was 72.6% (31 December 2015: 23.0%). Gearing ratio was calculated based on the total borrowings over the total equity.

The Group had significant amount of borrowings denominated in RMB. Health segment business is mainly carried out in RMB in the mainland. Therefore, the Group is exposed to the risk of significant fluctuation in RMB exchange rates. The Group closely monitored the fluctuation and did not see any material fluctuation of exchange rates in the near future.

CHARGES ON GROUP ASSETS

As at 30 June 2016, certain borrowings are secured by a share charge covering 90.01% of the issued share capital of New Media Group Limited, a subsidiary of the Group, and bank deposits of approximately HK\$401,795,000.

HUMAN RESOURCES

As at 30 June 2016, the Group had a total of 845 employees (487 in media segment and 358 in the health industry segment); within the health industry segment, approximately 55% were medical and health professionals and approximately 78% were with undergraduate and postgraduate degrees. We worked with top-notch international professional teams to establish a pool of talents with strong academic background, excellent calibre and international vision.

The Group firmly believes that talents are the foundation and the primary engine in promoting development of the corporation. With reference to the international standard of human resource management, the Company created a scientific and standardised talent management measure with multi-channel which integrates the corporate culture of "People Orientation, Livelihood Concern, Services for Public".

Management Discussion and Analysis

In terms of recruitment, the Group upholds an international vision, and is committed to a high standard recruitment mechanism which gives us an ideal leading edge to attract international talents to join us. Through the innovative recruitment method of “Executing Projects through Professionals and Attracting Talents through Projects”, the Group opened up recruitment channels like domestic and overseas scientific institutions and high schools.

With respect to the nurturing of talents, the Group established a comprehensive and systematic training system. Under such system, the Group proactively worked with domestic and overseas well-known high schools and hospitals and established training platform leveraging on the academic strengths of medical institutions and the practical frontline experience from hospitals and drawing connection with the industry, hospital and medical institutions, thereby providing all-round training for talents.

During the Period, total staff cost (including directors’ emoluments) of the Group was approximately HK\$133.7 million.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information of the Group has been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

The condensed consolidated financial information of the Group for the six months ended 30 June 2016 has been reviewed by PricewaterhouseCoopers 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 Hong Kong Institute of Certified Public Accountants.

Corporate Governance and Other Information

CHANGES IN INFORMATION OF DIRECTORS

Directors

During the Period and up to the date of this report, the directors of the Company are as follows:

Executive Directors

Ms. Tan Chaohui (*Chairlady*)

Mr. Peng Sheng (*Chief Executive Officer*) (*appointed on 23 March 2016*)

Mr. Tong Ming (*resigned on 23 March 2016*)

Mr. Han Xiaoran

Independent Non-executive Directors

Mr. Chau Shing Yim, David

Mr. Guo Jianwen

Mr. Xie Wu

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2016, none of the Directors, executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 30 June 2016, the following person had interest or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Hong Kong Stock Exchange:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
Evergrande Real Estate Group Limited	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 are wholly-owned by Evergrande Real Estate Group Limited.

Corporate Governance and Other Information

SHARE OPTION SCHEME

To provide incentives or rewards to the staff and Directors of the Company, the Company adopted a share option scheme on 18 January 2008. No option was granted by the Company under such scheme since its adoption and up to 30 June 2016.

MATERIAL DISPOSAL

Disposal of New Monday Publishing Limited to Top Wheel Holdings Limited

On 29 June 2016, the Group disposed of 100% issued shares in New Monday Publishing Limited to Top Wheel Holdings Limited, an independent third party, at a consideration of HK\$200,000. The disposal gain is approximately HK\$23,803,000 and was recognised as “other gains” on 29 June 2016.

CORPORATE GOVERNANCE CODE

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

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 27 March 2015 to 22 March 2016, the Company did not have any officer with the title of Chief Executive Officer. During such period, the overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

Since 23 March 2016, Mr. Peng Sheng has been appointed as an executive Director and the Chief Executive Officer of the Company. Therefore, the Company has fully complied with the code provision A.2.1 since then.

According to Code provision E.1.2, the chairlady of the Board should attend the annual general meeting of the Company. Ms. Tan Chaohui, the chairlady of the Board, did not attend the annual general meeting held on 6 June 2016 due to work reasons.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and this interim report are published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (www.evergrandehealth.com).

Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	82,553	88,177
Land use rights	7	112,913	—
Construction-in-progress	7	65,785	—
Goodwill		695	695
Intangible assets	8	7,239	2,699
Deferred income tax assets	9	3,771	3,413
Prepayments for land use rights		162,435	154,617
		435,391	249,601
Current assets			
Properties under development and other inventories	11	508,055	3,071
Trade and other receivables	10	89,061	103,090
Income tax recoverable		1,534	1,584
Cash and cash equivalents		142,846	442,614
Restricted deposits		401,795	60,482
		1,143,291	610,841
Total assets		1,578,682	860,442
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	282,271	282,271
Other reserves		137,424	106,437
Retained profits		192,998	181,046
		612,693	569,754
Non-controlling interests		14,151	10,059
Total equity		626,844	579,813

Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	13	—	75,000
Loans from fellow subsidiaries	14	394,845	49,918
Deferred income tax liabilities	9	1,153	1,153
		395,998	126,071
Current liabilities			
Trade and other payables	12	85,656	58,863
Receipt in advance from health industry customers		8,860	37,080
Borrowings	13	454,976	58,300
Current income tax liabilities		6,348	315
		555,840	154,558
Total liabilities		951,838	280,629
Total equity and liabilities		1,578,682	860,442
Net current assets		587,451	456,283
Total assets less current liabilities		1,022,842	705,884

The interim condensed consolidated financial information on pages 17 to 22 were approved by the Board of Directors on 18 August 2016 and were signed on its behalf.

Tan Chaohui
Director

Peng Sheng
Director

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	6, 16	182,609	193,747
Cost of sales	17	(137,561)	(118,295)
Gross profit		45,048	75,452
Other income	18	42,803	351
Other gains	19	23,803	136,700
Selling and marketing expenses	17	(36,981)	(45,225)
Administrative expenses	17	(54,407)	(54,027)
Operating profit		20,266	113,251
Finance income		7,475	1,347
Finance costs		(4,269)	(1,295)
Finance income, net		3,206	52
Profit before income tax		23,472	113,303
Income tax (expense)/credit	20	(7,908)	1,767
Profit for the period		15,564	115,070
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Currency translation differences		(1,895)	—
Total comprehensive income for the period		13,669	115,070
Profit attributable to:			
— Owners of the Company		11,952	116,664
— Non-controlling interests		3,612	(1,594)
		15,564	115,070
Total comprehensive income attributable to:			
— Owners of the Company		10,107	116,664
— Non-controlling interests		3,562	(1,594)
Total comprehensive income for the period		13,669	115,070
Earnings per share			
— Basic and diluted	22	HK0.138 cents	HK1.350 cents

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Unaudited									
	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Special reserve	Capital contribution reserve	Other reserve	Exchange reserve	Retained profits	HK\$'000			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2016	282,271	90,700	796	17,437	(2,496)	181,046	569,754	10,059	579,813	
Comprehensive income										
Profit for the period	—	—	—	—	—	11,952	11,952	3,612	15,564	
Other comprehensive income	—	—	—	—	(1,845)	—	(1,845)	(50)	(1,895)	
Total comprehensive income	—	—	—	—	(1,845)	11,952	10,107	3,562	13,669	
Transactions with owners, recognised directly in equity										
Deemed contributions from fellow subsidiaries (Note 14)	—	—	—	32,832	—	—	32,832	—	32,832	
Contribution from a non-controlling interest	—	—	—	—	—	—	—	530	530	
Total transactions with owners, recognised directly in equity	—	—	—	32,832	—	—	32,832	530	33,362	
Balance at 30 June 2016	282,271	90,700	796	50,269	(4,341)	192,998	612,693	14,151	626,844	

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Special reserve HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1 January 2015	282,271	90,700	796	84,140	457,907	—	457,907
Total comprehensive income for the period	—	—	—	116,664	116,664	(1,594)	115,070
	—	—	—	116,664	116,664	(1,594)	115,070
Transactions with owners, recognised directly in equity							
Disposal of interest in a subsidiary without change of control (Note 28)	—	—	—	—	—	10,339	10,339
Acquisition of a subsidiary (Note 26)	—	—	—	—	—	10	10
Total transactions with owners, recognised directly in equity	—	—	—	—	—	10,349	10,349
Balance at 30 June 2015	282,271	90,700	796	200,804	574,571	8,755	583,326

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(444,074)	71,783
Interest paid		(4,269)	(1,295)
Income tax (paid)/refunded		(2,155)	519
Net cash (used in)/generated from operating activities		(450,498)	71,007
Cash flows from investing activities			
Purchases of property, plant and equipment		(5,476)	(26,702)
Purchases of intangible assets		(5,121)	—
Additions to construction-in-progress		(65,785)	—
Interest received		1,382	670
Prepayments for acquisition of land use rights		(120,731)	(23,965)
Acquisition of a subsidiary, net cash acquired	26	—	3,876
Net cash flows from the disposals of subsidiaries	27	(1,730)	414,648
Disposal of interest in a subsidiary without change of control	28	—	10,339
Restricted bank deposits		(341,313)	—
Net cash (used in)/generated from investing activities		(538,774)	378,866
Cash flows from financing activities			
Proceeds from borrowings	13	367,676	75,000
Repayments of borrowings	13	(23,000)	—
Proceeds from loans from fellow subsidiaries		344,927	—
Advances from related companies		—	42,601
Contribution from a non-controlling interest		530	—
Net cash flows generated from financing activities		690,133	117,601
Net (decrease)/increase in cash and cash equivalents		(299,139)	567,474
Cash and cash equivalents at beginning of the period		442,614	93,151
Exchange difference on cash and cash equivalents		(629)	—
Cash and cash equivalents at end of the period, representing bank balances and cash		142,846	660,625

The notes on pages 23 to 45 form an integral part of this interim condensed consolidated financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Evergrande Health Industry Group Limited (the “Company”) and its subsidiaries (together, the “Group”) is engaged in magazine publishing, distribution of magazine, digital business and provision of magazine content (collectively, the “Media Business”) and “Internet+” community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing (collectively, the “Health Segment”).

The Company is incorporated in Hong Kong as a limited liability company under the Hong Kong Companies Ordinance. The address of its registered office is Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and it has deposit receipts listed on The Taiwan Stock Exchange.

The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

Change of financial year end date and the interim report period

On 27 February 2015, China Evergrande Group (formerly known as Evergrande Real Estate Group Limited) completed certain transactions with the Company and became an intermediate holding company of the Company thereafter.

Pursuant to a resolution of the Board of Directors dated 6 July 2015, the financial year end date of the Company was changed from 30 June to 31 December to align with the financial year end date of China Evergrande Group, and thereby facilitate the preparation of the consolidated financial statements of China Evergrande Group. Accordingly, the last audited financial statements covered the eighteen months period from 1 July 2014 to 31 December 2015.

The current interim financial period covers a six-month period from 1 January 2016 to 30 June 2016 and the comparative financial period from 1 January 2015 to 30 June 2015.

The financial information relating to the period ended 31 December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the Company’s statutory consolidated financial statements for that period but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the period ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION (Continued)

Key events

On 26 June 2016, New Media Group Limited, a subsidiary of the Company, entered into a sale and purchase agreement with Top Wheel Holdings Limited, an independent third party, to dispose of 100% issued shares in New Monday Publishing Limited, which was a subsidiary of the Group, at a consideration of HK\$200,000. New Monday Publishing Limited was principally engaged in the publishing of the local magazine named "NM+ New Monday" which provides advertising platform for advertisers focusing on trend-loving young generation. The details of the disposal are disclosed in Note 26(b) to this interim condensed consolidated financial information.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the eighteen months ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2.1 Going concern basis

On 27 January 2016, the Group won a bid on a land use right at a consideration of RMB491,000,000 (approximately HK\$583,135,000). The Group plans to construct a hospital and properties to be held for sales. The total consideration of the land and future construction costs are expected to be financed by the internal resources, bank loans and loans from subsidiaries of China Evergrande Group.

China Evergrande Group has confirmed its intention to provide continuing financial support to the Group through the arrangement of long-term loans so as to ensure the Group meets its liabilities when they fall due and to enable the Group to continue operating in the foreseeable future. The directors have a reasonable expectation that the Group will continue as a going concern and accordingly have prepared the consolidated financial statements on a going concern basis.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the financial statements for the eighteen months period ended 31 December 2015, as described in those financial statements.

- (a) Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total annual earnings.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (Continued)

(b) Accounting policies applied for the financial year beginning on or after 1 January 2016

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

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

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

(c) The following standards and amendments to standards have been adopted by the Group for the first time for financial year beginning on or after 1 January 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
HKAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendments)	Improvements to HKFRSs 2012–2014 Cycles

The Group has adopted these standards and amendments to standards and the adoption did not have significant impacts on the Group's results and financial position. There are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(d) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 7	Disclosure Initiative	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

Notes to the Condensed Consolidated Interim Financial Information

4 ESTIMATES

The preparation of condensed interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the eighteen months period ended 31 December 2015.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's eighteen months period financial statements as at 31 December 2015.

There have been no changes in the risk management policies since the previous period end.

5.2 Liquidity risk

Compared to the previous period end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Interest rate risk

The Group's cash flow interest rate risk arised from bank balances at floating interest rates. The cash deposits placed with banks generate interest at the prevailing market interest rates.

Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The interest rate of the Group's borrowings is disclosed in Note 13.

5.4 Foreign exchange risk

The Group operates in Hong Kong and the PRC and carries on its sale and purchase/expenses transactions mainly in HK\$ and Renminbi ("RMB"), respectively. As the foreign currency risk generated from the sales and purchases/expenses can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases/expenses in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (Continued)

5.5 Fair value estimation

The fair value of borrowings are as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Non-current	—	72,896
Current	454,976	58,300
	454,976	131,196

The carrying values of the Group's financial assets, including trade and other receivables, cash and cash equivalents, restricted deposits and other financial liabilities, including trade and other payables and amounts due to related companies, approximate their fair values due to their short maturities.

6 SEGMENT INFORMATION

The strategic steering committee is the Group's chief operating decision-maker ("CODM") comprising the executive directors of the Company. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRS, and regularly reviewed by the CODM.

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

The Group's operating segments now comprise the followings:

Media:	Magazine publishing, distribution of magazines, digital business and provision of magazine content.
Health Industry:	"Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing (collectively, the "Health Segment").

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

The segment information provided to the CODM for the six months ended 30 June 2016 and 2015 is as follows:

	Six months ended 30 June 2016		
	Media HK\$'000	Health Industry HK\$'000	Total HK\$'000
Segment revenue and revenue from external customers	139,097	43,512	182,609
Segment results	(10,406)	33,387	22,981
Corporate expenses			(6,971)
Finance income, net			7,462
Profit before income tax			23,472
Income tax expense			(7,908)
Profit for the period			15,564
Other segment items:			
Additions to property, plant and equipment	452	5,024	5,476
Depreciation of property, plant and equipment	(5,276)	(4,011)	(9,287)
Additions to intangible assets	—	5,121	5,121
Amortisation of intangible assets	—	(509)	(509)
Interest income	13	—	13
Interest expense	(2,005)	(2,264)	(4,269)

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

	Six months ended 30 June 2015		
	Media HK\$'000	Health Industry HK\$'000	Total HK\$'000
Segment revenue and revenue from external customers	179,267	14,480	193,747
Segment results	123,295	(4,147)	119,148
Corporate expenses			(7,117)
Finance income, net			1,272
Profit before income tax			113,303
Income tax credit			1,767
Profit for the period			115,070
Other segment items:			
Additions to property, plant and equipment	5,241	21,461	26,702
Depreciation of property, plant and equipment	(8,062)	(244)	(8,306)
Interest income	75	—	75
Interest expense	(1,295)	—	(1,295)

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

The segment assets as at 30 June 2016 and 31 December 2015 are as follows:

	Media HK\$'000	Health Industry HK\$'000	Total HK\$'000
As at 30 June 2016 (Unaudited)			
Segment assets	109,811	1,049,917	1,159,728
Corporate assets			417,420
Tax recoverable			1,534
Total assets			1,578,682
As at 31 December 2015 (Audited)			
Segment assets	137,748	302,958	440,706
Corporate assets			418,152
Tax recoverable			1,584
Total assets			860,442

No analysis of segment liabilities is regularly provided to the CODM for review.

(b) Geographical information

For each of the six months ended 30 June 2016 and 2015, the Group's operations are located in Hong Kong and the PRC.

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

	Revenue from external customers Six months ended		Non-current assets As at	
	30 June 2016 HK\$'000	30 June 2015 HK\$'000	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Hong Kong	138,720	170,133	21,033	26,334
PRC	43,889	23,614	410,587	219,854
	182,609	193,747	431,620	246,188

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (Continued)

(c) Information about major customers

Revenues from customers of the corresponding period contributing over 10% of the total sales of the Group are as follows:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Customer A	26,296	34,587
Customer B	11,911	19,760

Customer A is a sole distributor of the magazines published by the Group and Customer B is an advertising agency, which generate circulation income and advertising income respectively to the Group. These revenues are attributable to the media segment.

7 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND CONSTRUCTION-IN-PROGRESS

Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired property, plant and equipment amounting to approximately HK\$5,476,000 (six months ended 30 June 2015: HK\$26,702,000) and disposed of a subsidiary with property, plant and equipment amounting to HK\$652,000 (Note 27(b)) (six months ended 30 June 2015: HK\$279,959,000) (Note 27(a)).

As at 30 June 2016 and 30 June 2015, there was no pledge of property, plant and equipment by the Group.

Land use rights

Land use rights amounting to HK\$112,913,000 is in relation to the land which the Group plans to construct a building.

Construction-in-progress

Construction-in-progress amounting to HK\$65,785,000 is in relation to the construction of the building in-progress in Hainan. During the period ended 30 June 2016, there was no transferal of construction-in-progress to property, plant and equipment.

Notes to the Condensed Consolidated Interim Financial Information

8 INTANGIBLE ASSETS

	Publishing library HK\$'000	Copyrights in photographs and articles HK\$'000	Software HK\$'000	Trademarks HK\$'000	Total HK\$'000
At 1 January 2015 and 30 June 2015					
Cost	34,690	6,620	—	—	41,310
Accumulated amortisation and impairment	(34,690)	(6,620)	—	—	(41,310)
Net book amount	—	—	—	—	—
Six months ended 30 June 2016					
Opening net book amounts at 1 January 2016	—	—	2,601	98	2,699
Additions	—	—	5,121	—	5,121
Amortisation	—	—	(504)	(5)	(509)
Currency translation differences	—	—	(71)	(1)	(72)
Closing net book amount at 30 June 2016	—	—	7,147	92	7,239
At 30 June 2016					
Cost	34,690	6,620	7,678	101	49,089
Accumulated amortisation and impairment	(34,690)	(6,620)	(531)	(9)	(41,850)
Net book amount	—	—	7,147	92	7,239

Notes to the Condensed Consolidated Interim Financial Information

9 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follow:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Deferred tax assets	3,771	3,413
Deferred tax liabilities	(1,153)	(1,153)
Deferred tax assets	2,618	2,260

10 TRADE AND OTHER RECEIVABLES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade receivables from:		
— third parties	60,887	81,857
— related companies (Note 25(a)(iii))	1,930	—
	62,817	81,857
Less: allowance for doubtful debts	(295)	(307)
	62,522	81,550
Prepayments	4,265	5,702
Deposits	7,856	6,999
Other receivables		
— third parties	10,798	4,916
— related companies (Note 25(a)(iii))	3,620	3,923
	89,061	103,090

The related companies are companies related to China Evergrande Group.

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER RECEIVABLES (Continued)

The Group normally grants credit terms of 30 days to 120 days to its customers with reference to their historical payment records and business relationship. Settlement of the sales from circulation income from magazines shall be made by the distributors to the Company within 10 days after the verification of the quantity of magazines sold. Credit limit and outstanding balance from advertising income will be reviewed by the management once a month. The following is an aging analysis of trade receivables based on the invoice date at the reporting date, which approximated the respective revenue recognition date:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Age		
0–30 days	39,728	30,816
31–90 days	17,585	33,776
Over 90 days	5,209	16,958
	62,522	81,550

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately HK\$45,358,000 (2015: HK\$56,294,000), which are past due at the end of the reporting period for which the Group has not provided for allowance as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. For the remaining trade receivables that are neither past due nor impaired, the Group believes that the amounts are considered recoverable with reference to their historical payment records and business relationship. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
1 to 90 days	40,337	48,521
91–180 days	3,987	7,181
Over 180 days	1,034	592
	45,358	56,294

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$295,000 (2015: HK\$307,000). Since the management considered the prolonged outstanding balances from individual customers were in doubt, full impairment has been made on these balances. The Group does not hold any collateral over these balances.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors believe that there is no further allowance required in excess of the current amount of allowance for doubtful debts.

Notes to the Condensed Consolidated Interim Financial Information

11 PROPERTIES UNDER DEVELOPMENT AND OTHER INVENTORIES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Properties under development	506,748	—
Medical products	1,307	3,071
	508,055	3,071

12 TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade payables to — third parties	40,754	24,652
Other payables and accrued charges — third parties	40,754	24,652
— related companies (Note 25(a)(iii))	4,227	1,306
	85,656	58,863

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Age		
0–90 days	13,557	24,034
91–180 days	26,742	453
Over 180 days	455	165
	40,754	24,652

Notes to the Condensed Consolidated Interim Financial Information

13 BORROWINGS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Borrowings	454,976	133,300
Less: non-current borrowings — secured	—	(75,000)
Current borrowing — secured	454,976	58,300

Movements in borrowings are analysed as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
At 1 January	133,300	—
Proceeds from borrowings	367,676	75,000
Repayments of borrowings	(23,000)	—
Release of borrowings due to disposal of a subsidiary (Note 27(b))	(23,000)	—
At 30 June	454,976	75,000

As at 30 June 2016, certain borrowings are secured by the share charge, representing 90.01% of the issued share capital of New Media Group Limited, a subsidiary of the Group, and bank deposits.

As at 30 June 2016, the carrying amounts of the current borrowings approximate their fair values.

The interest rate of the borrowings was ranged from 3.70% to 5.35% for the six months ended 30 June 2016 (six months ended 30 June 2015: 3.95% to 5%).

Interest expense on borrowings for the six months ended 30 June 2016 is HK\$4,269,000 (six months ended 30 June 2015: HK\$1,295,000).

14 LOANS FROM FELLOW SUBSIDIARIES

Loans from fellow subsidiaries are unsecured, interest-free and repayable on 28 June 2018. The carrying value of the loans from fellow subsidiaries as at 30 June 2016 is stated at discounted present value with an imputed interest rate of 6.18%. The loan is denominated in RMB.

The deemed contributions arising from the discounting of the non-current interest-free loans are recognised in other reserves.

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2015	864,000,000	282,271
Effect of share subdivision (Note 22(a))	7,776,000,000	—
At 30 December 2015, 1 January 2016 and 30 June 2016	8,640,000,000	282,271

16 REVENUE

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Media:		
Advertising income	88,131	124,754
Circulation income	27,595	33,568
Digital business income	22,850	20,327
Provision of magazine content	521	618
	139,097	179,267
Health industry:		
Income from medical cosmetology surgery	33,134	13,380
Out-patient services income	10,378	1,100
	43,512	14,480
	182,609	193,747

Notes to the Condensed Consolidated Interim Financial Information

17 EXPENSES BY NATURE

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Employee benefit expenses (including directors' emoluments)	133,713	114,780
Allowance for doubtful debts (Note 10)	106	149
Auditor's remuneration	1,252	1,101
Depreciation of property, plant and equipment	9,287	8,306
Amortisation of intangible assets	509	—
Net exchange loss	3,528	423
Operating lease rentals for rented premises and machineries	10,232	7,739

18 OTHER INCOME

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Income recognised upon expiry of prepaid cards	42,090	—
Others	713	351
	42,803	351

19 OTHER GAINS

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Gain on disposal of a subsidiary holding a property (Note 27(a))	—	136,700
Gain on disposal of a subsidiary (Note 27(b))	23,803	—
	23,803	136,700

Notes to the Condensed Consolidated Interim Financial Information

20 INCOME TAX (EXPENSE)/CREDIT

The amount of income tax (expense)/credit to the condensed consolidated interim financial information represents:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Current income tax:		
Hong Kong Profits Tax	—	35
PRC Corporate Income Tax	(8,266)	—
	(8,266)	35
Deferred income tax (Note 9)	358	1,732
	(7,908)	1,767

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2016 and 30 June 2015.

PRC Corporate Income Tax is calculated at 25% of the estimated assessable profit for the six months ended 30 June 2016 and 30 June 2015.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% on the estimated assessable profits for both periods, based on the existing legislation, interpretations and practices in respect thereof.

21 DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2015: HK\$nil).

Notes to the Condensed Consolidated Interim Financial Information

22 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000 (Restated)
Profit attributable to owners of the Company	11,952	116,664
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note (a))	8,640,000,000	8,640,000,000
Basic earnings per share (HK cents)	0.138	1.350

Notes:

- (a) The newly issued shares of 7,776,000,000 (Note 15) under the share subdivision pursuant to the shareholders resolutions dated 24 August 2015 are adjusted in the weighted average number of ordinary shares in issue as if the issue had occurred at 1 January 2015, the beginning of the earliest period reported.
- (b) As there was no dilutive potential ordinary shares for the six months ended 30 June 2016 (six months ended 30 June 2015: same), diluted earnings per share equals basic earnings per share.

23 OPERATING LEASE COMMITMENT

The Group had future aggregate minimum lease payments in relation of related premises and machineries under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	19,544	20,087
In the second to fifth year inclusive	25,432	35,361
	44,976	55,448

24 CONTINGENT LIABILITIES

Certain subsidiaries of the Group were involved in legal proceedings or claims against them in the ordinary course of their business activities during the period. In the opinion of the directors of the Company, resolution of such litigations and claims will not have a material adverse effect on the Group's financial position and no further provision for any potential liability in the consolidated balance sheet is considered necessary.

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

Save as disclosed elsewhere in this condensed consolidated interim financial information, during the period, the Group had the following transactions with related parties:

- (i) Transactions with companies related to Albert Yeung Holdings Limited ("AY Holdings"):

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Advertising income	—	305
Printing costs	—	99
Financial services fee	—	136
Project income	—	12
Reimbursement of administrative expense	—	(89)
Miscellaneous charges and fees	—	74

These transactions are transactions with companies either controlled by one of the then Company's directors, or ultimately owned and controlled by AY Holdings.

- (ii) Transactions with companies related to Good Force Investments Limited:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Sales proceed from the disposal of a subsidiary holding a property (Note 27(a))	—	414,737

- (iii) Transactions with companies related to China Evergrande Group:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Rental expenses	1,308	266
Income from medial cosmetology	1,930	—

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties (Continued)

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade receivables from fellow subsidiaries (Note 10)	1,930	—
Other receivables from fellow subsidiaries (Note 10)	3,620	3,923
Payables to fellow subsidiaries (Note 12)	4,227	1,306
Loans from fellow subsidiaries	394,845	49,918

The trade receivables arise mainly from healthcare services rendered to fellow subsidiaries. The other receivables arise mainly from cash advance to fellow subsidiaries for daily operation purpose. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2015: HK\$nil).

The payables arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest (2015: HK\$nil).

Loans from fellow subsidiaries arise mainly from the financial support to the Group in connection to the settlement of land use rights acquired. These loans are unsecured, interest-free and repayable on 28 June 2018.

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Short-term benefits	4,443	3,514
Post-employment benefits	18	18
	4,402	3,532

Notes to the Condensed Consolidated Interim Financial Information

26 BUSINESS COMBINATION

On 1 April 2015, the Company entered into an equity acquisition agreement with Evergrande Health Industry Co., Ltd. (the "Vendor"), a related company to the Group pursuant to which the Company has agreed to acquire from the Vendor 96.25% of the equity interest in Tianjin Evergrande Wonjin Beauty Hospital Co., Ltd. ("Evergrande Wonjin") held by the Vendor at the consideration of RMB220,000 (equivalent to approximately HK\$279,000).

The principal business of Evergrande Wonjin is to set up a beauty and plastic surgery hospital in Tianjin (the "Tianjin Hospital"). Since the Tianjin Hospital has not commenced operation as at the acquisition date, the directors considered that this acquisition was not an acquisition of any business and has been accounted for an acquisition of assets.

The net assets acquired by the Group in the above transaction are as follows:

	HK\$'000
Prepayments for property, plant and equipment	22,446
Property, plant and equipment	290
Cash and cash equivalents	4,155
Inventories	501
Amounts due to related companies	(27,103)
Net assets	289
Non-controlling interests	(10)
Satisfied by:	
Cash consideration paid	279

An analysis of the cash flows in respect of this acquisition of Evergrande Wonjin is as follows:

	HK\$'000
Inflow of cash to acquire Evergrande Wonjin:	
Cash and cash equivalents in Evergrande Wonjin acquired	4,155
Cash consideration paid	(279)
	3,876

Notes to the Condensed Consolidated Interim Financial Information

27 DISPOSALS OF SUBSIDIARIES

(a) Disposal of a subsidiary holding a property — disposal of Jade Talent Holdings Limited (“Jade Talent”) to Good Force Investments Limited

On 27 February 2015, the Group disposed of 100% equity interest in Jade Talent to Good Force Investments Limited, a related company, at the consideration of HK\$414,737,000.

Jade Talent is an investment holding company solely for the purpose of holding the interests in a property through its direct wholly-owned subsidiary, Winning Treasure Limited.

The net assets disposed of by the Group in the above transaction are as follows:

	HK\$'000
Property, plant and equipment	279,959
Prepayments, deposits and other receivables	291
Cash and cash equivalents	89
Trade and other payables	(206)
Deferred tax liabilities (Note 9)	(371)
Income tax payable	(1,725)
	<hr/> 278,037
Cash consideration received	414,737
Gain on disposal of a subsidiary holding a property (Note 19)	<hr/> 136,700

An analysis of the cash flows in respect of this disposals is as follows:

	HK\$'000
Net inflow of cash to dispose of Jade Talent:	
Cash and cash equivalents disposed of during the disposals	(89)
Cash consideration received	414,737
	<hr/> 414,648

Notes to the Condensed Consolidated Interim Financial Information

27 DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposal of New Monday Publishing Limited to Top Wheel Holdings Limited

On 29 June 2016, the Group disposed of 100% issued shares in New Monday Publishing Limited to Top Wheel Holdings Limited, an independent third party, at a consideration of HK\$200,000. The disposal gain is approximately HK\$23,803,000 and was recognised as "other gains" on 29 June 2016 (Note 19).

The net liabilities disposed of by the Group in the above transaction are as follows:

	HK\$'000
Property, plant and equipment	652
Trade receivables	967
Prepayments, deposits and other receivables	257
Cash and cash equivalents	1,930
Trade and other payables	(4,409)
Borrowings (Note 13)	(23,000)
	(23,603)
Cash consideration received	200
Gain on disposal of a subsidiary (Note 19)	23,803

An analysis of the cash flows in respect of this disposal is as follows:

	HK\$'000
Net outflow of cash to dispose of New Monday Publishing Limited:	
Cash and cash equivalents disposed of during the disposal	(1,930)
Cash consideration received	200
	(1,730)

28 DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT CHANGE OF CONTROL

On 27 February 2015, the Group disposed of 9.99% equity interest in New Media Group Limited to Rawlings Limited. The consideration was HK\$10,339,000 which approximates to the carrying amount of equity interests disposed of. As such, there was no variance of consideration received and the carrying amount of equity interests disposed of and there was no change to the equity attributable to owners of the Company.

Corporate Milestones

1. On 11 March 2016, Evergrande Health signed a strategic cooperation agreement with SHAW Healthcare in the UK. The parties shall initiate cooperation in medical and healthcare industry.
2. On 14 March 2016, Evergrande Health signed a strategic cooperation agreement with Teresa Joy Nursing International Company Limited (特蕾莎歡樂護理國際有限公司) in the Nederland. The parties shall initiate cooperation in medical and healthcare industry.
3. On 14 March 2016, Evergrande Health signed a legally binding strategic cooperation agreement with Brigham and Women's Hospital of Harvard University, aiming at jointly establishing international high-end hospital.
4. On 23 March 2016, Evergrande Health held its 2016 annual results conference in Hong Kong. In the opening year, the Company formulated an extensive business layout which gained bright performance, conformed the general planning of national health industry development, and led the developmental direction for China mega health development.
5. On 16 May 2016, Evergrande Health signed a strategic cooperation agreement with Tianjin Radio and TV Television for which Tianjin Evergrande Wonjin Beauty Hospital Company Limited (天津恒大原辰醫學美容醫院有限公司) a subsidiary of Evergrande Health became the only designated skin management consultancy for Tianjin Radio and TV Television. Meanwhile, the parties jointly launched various promotion projects, guiding the public to further understand and be aware of the field of medical beauty and mega health.

