



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)

2017 Interim Report



2017



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EXECUTIVE DIRECTORS

Ms. Tan Chaohui (*Chairlady*)
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

AUTHORISED REPRESENTATIVES

Ms. Tan Chaohui
Mr. Fong Kar Chun, Jimmy

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 Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATIONSHIP

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

FINANCIAL CALENDAR

Announcement of interim results: 22 August 2017

The principal business activities of Evergrande Health Industry Group Limited (the "Company") and its subsidiaries (together, 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-aging (collectively, the "Health Management Segment").

OVERVIEW

- **Media Segment**

During the six months ended 30 June 2017 (the "Period"), the offline-to-online migration trend in the media industry was accelerating; dragging the traditional print media industry to a continuing downturn. Throughout the Media Segment, the growth of digital business outshined the traditional circulation business. The Group strategised the product mix to enhance the benefit. Apart from enhancing existing brands, new product formats and marketing packages that leverage on the Group's well established platforms have also been launched to provide alternatives and give new promotion angles to marketers and clients to suit changing consumer needs and new generation consumption habits.

- **Health Management Segment**

The Group proactively implements the national strategy of "Healthy China", and sets its corporate vision as "establishing a healthcare service system centered on the general public, and committing itself to providing comprehensive healthcare services covering the whole treatment cycle through a complete and sustainable model". The Group aims to establish a healthcare system with high-level clinical diagnosis and therapy and quality hospital experiences, and to develop internationally leading healthcare services and products so as to meet the healthcare needs of the general public, thus actively facilitating the development of the healthcare industry in China through disease prevention to achieve lower incidence of disease.

During the Period, the Group deepened its exchange program and cooperation with top international healthcare resources including Brigham and Women's Hospital (the main teaching hospital of Harvard Medical School), progressively fostered the preliminary preparation works for the trial operation of the Boao Evergrande International Hospital, and committed to setting up a multi-level healthcare system with high-end international hospitals at the top and community health management centers forming the basis. The Group established an exclusive health management system focusing on the needs of patients, and supplemented the health management system with medical cosmetology and anti-aging services, thus creating brand new elderly care life experiences. It also formulated the first all-age healthcare service "Health & Wellness Living" standard in China, and innovatively created "Evergrande • Elderly Care Valley" products. The projects have commenced construction in many places.

BUSINESS REVIEW

• Media Segment

The New Media Group's branded websites have altogether reached a record high accumulated page view (PV) of over 1,139 million, with total unique visitors (UV) who visit a site at least once within the reporting period reaching 81 million, as recorded in Google Analytics from January to June 2017.

According to the comScore MMX (Media Metrix) Hong Kong 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 June 2017, showed remarkable and encouraging results, reflecting particularly strong performance in the mobile sector.

comScore — Mobile Metrix (viewing of websites via mobile devices)

| | | Rank | June 2017 UV |
|------------------|--------------------|------|-----------------|
| Hong Kong Report | Top 100 Properties | 5 | 3,292,000 |

| Category (Main) | Subcategory | | Rank (Main) | Rank (Sub) |
|------------------|----------------------|------------------------------------------------|-------------|------------|
| Lifestyle | Beauty/Fashion/Style | NMG Lifestyle Network (New Monday, More) | 2 | 1 |
| Travel | Information | NMG Travel Network (Weekend Weekly, GOtrip) | 1 | 1 |
| Entertainment | Entertainment News | Oriental Sunday | 4 | 2 |
| Business/Finance | News/Research | Economic Digest | 4 | 4 |
| Family & Youth | Family & Parenting | Sunday Kiss | 3 | 3 |

The team gained honours and recognition for its efforts in integrating social media and content marketing with creative and diversified campaigns. During the Period, the Group has received recognition in several prestigious competitions, including the Mob-Ex Awards 2017 organised by Marketing Magazine; Media Convergence Awards 2016, organised by the Hong Kong Association of Interactive Marketing (HKAIM); as well as the Spark Awards 2017, organised by Marketing Magazine. This year at the Spark Awards, the Group managed to grab the top honour again and was crowned the "Media Owner of the Year" for the fourth consecutive year, winning also the "Media Brand of the Year for 2017," as well as 11 Gold, 10 Silver, and 10 Bronze awards, and bringing home 33 trophies in total.

- **Health Management Segment**

Business Review for Medical Service Business

In respect of international hospitals, the Group cooperates with various top-class medical institutions in the world, such as Brigham and Women's Hospital, to establish high-end international hospitals and a multi-level healthcare system.

Boao Evergrande International Hospital-the Affiliated Hospital of Brigham and Women's Hospital, the first cooperation project of the two parties, strives to gather top-class domestic and international medical experts and consolidate medical resources such as technology, equipment and the newest medicines. It has introduced the advanced multi-discipline team, and offered leading international cancer screening, diagnoses, treatments and rehabilitation services. The hospital has formed a therapy team with outstanding cancer experts in China and the United States, and proactively nurtured outstanding medical talents meeting international standards. It has launched the clinical decision making through cooperation of multi-discipline experts. Precise medical treatment can be achieved through optimization of medical treatment with the use of pathological analysis and DNA testing technology. In addition, the hospital has introduced various advanced equipment, including 3.0T magnetic resonance, PET-CT, Next Generation Sequencing (NGS) devices, latest intelligence TrueBeam linear accelerator, etc., and intended to establish the international public service platform for proton therapy, thereby laying a solid foundation for precise cancer treatment. It has introduced the newest international medicines, which are used in clinical treatments. Hence, patients can enjoy the latest international scientific results of medicines in China.

Leveraging on the clinical research capabilities of Dana-Farber/Brigham and Women's Cancer Center, the hospital has fully introduced the management system, diagnose and treatment system and scientific system of Brigham and Women's Hospital, and established itself into a hospital providing specialized and integrated healthcare service and focusing on cancer treatment with the aim of becoming an international clinical, scientific and academic exchange center. The Brigham and Women's Hospital team has participated in hospital design and hiring key personnel and doctors, and provided consultation services and support for the Group's nationwide medical network. Currently, the construction of the hospital has fully completed. The first batch of medical staff has already been stationed in the hospital, and the works on culture building, system establishment, operation drill, testing of equipments etc. have commenced.

In respect of community health management, the Group has distributed healthcare services into the community level, maximized usage of local healthcare resources, and minimized patient inconvenience by bringing care to patients. The Group has extended the multi-level healthcare network with high-end international hospitals at the top to communities, and integrated worldwide quality medical resources, thus establishing the community health management service system, which provide diagnoses, treatment, rehabilitation and healthcare services including disease diagnoses, ailment treatment, referral services, disease prevention and control, rehabilitation monitoring and follow-up visits, as an one-stop health care platform integrated with disease prevention, treatment and care. It has also supplemented the health management system with medical cosmetology and anti-aging services, thus creating brand new elderly care life experiences. There are currently ten health management centers in nine provinces in China, which includes Guangzhou, Changsha, Nanchang, Wuhan, Chengdu, Jinan, Luoyang, Shijiazhuang and Shenyang. Meanwhile, the Group has realized continuous medical services and healthcare education through the "Internet+" technology.

Business Review for All-age Healthcare Service “Health & Wellness Living”

In response to the rapid growth of the aging population and the demand for higher living standards of community residents, Evergrande Health has developed and formulated the first all-age healthcare service “Health & Wellness Living” standard in China and launched the innovative “Evergrande • Elderly Care Valley”, which serves as an important vehicle for healthy life.

Evergrande • Elderly Care Valley will integrate the competitive edges of the Group’s three core services, namely medical treatment, elderly care, medical cosmetology and anti-aging, as well as quality health resources within and outside China. Centering on nine major stages in human life and 65 areas of health concerns, Evergrande • Elderly Care Valley will provide full life-cycle and all-rounded health services covering medical services, elderly care, medical cosmetology and anti-aging, health education and prevention of disease, health insurance, diversified living and intelligence sharing. Centering on its different core portions, Evergrande • Elderly Care Valley has been divided into “Four Major Park”, including the Elderly Care Park (頤養園) focusing on medical healthcare, the Fun Park (長樂園) focusing on cultural and entertainment activities, the Sports Park (康益園) focusing on sports and gym, as well as the Kid Park (親子園) focusing on harmonious relationship between elderly and children, thus offering healthcare and elderly care services covering high-end medical therapy, health management, Chinese medical and health preservation.

Meanwhile, the Group has established the “five-in-one” membership mode covering community medical care, travelling elderly care, high-end medical service, hierarchical medical treatment and medical insurance through integrating its business segments including the healthcare and medical care segment, medical segment, commercial insurance segment and other segments. Moreover, the Group and Evergrande Life have jointly introduced the Evergrande Fortune Life (恒享福) insurance product, offering comprehensive life-time elderly care plan covering financial planning and physical elder care services for participants.

After the launch of the first batch of projects including Sanyan Haitang Bay Evergrande • Elderly Care Valley project and Haihua Island Lien Bay Evergrande • Elderly Care Valley project, Xi’an Evergrande • Elderly Care Valley has currently implemented, and is expected to be launched during the year. The planning and design for Zhengzhou Evergrande • Elderly Care Valley have completed. At present, the expansion layout of Evergrande • Elderly Care Valley to Southern China and Northern China has been realized, which will offer a brand new elderly care experience for more customers across China.

Milestones for the first half of 2017

In March 2017, Evergrande Health organized the Health Industry Forum of the 2017 Boao Forum for Asia at Boao Evergrande International Hospital.

In March 2017, Evergrande Health, together with Evergrande Life, introduced the Evergrande Fortune Life (恒享福) insurance product, offering comprehensive life-time elderly care plan covering financial planning and physical elder care services.

From January to June 2017, the Sanya Evergrande Women's and Children's Hospital and Reproductive Center project fully proceeded.

From January to June 2017, Evergrande Health, Brigham and Women's Hospital and Guangdong Hospital of Traditional Chinese Medicine jointly conducted research and discussion on the establishment of Evergrande Health MDT system.

In June 2017, the first batch of medical staff was stationed in Boao Evergrande International Hospital, and the works on culture building, system establishment, testing of drill equipment, etc. commenced.

In June 2017, Evergrande Health and Chinese Geriatrics Society jointly organized the 2017 Chinese Medical and Elderly Care Policy and Operation Summit (2017中國醫養政策與運營研討峰會), which focused on the implementation of medical and elderly care in China and overseas and discussion of development strategy.

OUTLOOK

- **Media Segment**

Looking ahead, the Group foresees that competition in the world of digital marketing will continue to be vigorous and challenging. The Group will continue to strive to bring in fresh and new approaches to the content publishing business, providing our clients with data that make sense and solutions that bring results.

- **Health Management Segment**

Outlook for Medical Service Business

In respect of international hospitals, Boao Evergrande International Hospital will commence its trial operation on schedule in the second half of the year. Through steady operation and continuous quality enhancement, the high-end medical service system will be gradually established and optimized, thus forming a solid foundation for it to become a world-class hospital which is based in China and expanding to Southeast Asia and the global market. At the beginning, the hospital will take breast cancer, lung cancer and liver diseases as the starting point, and focus on establishing characterized special discipline. It will gradually expand to other medical services.

Meanwhile, the Group will continue to facilitate its strategic cooperation with 3A hospitals across China, consolidate resources of 3A hospitals in different regions, and establish service platforms for second treatment, remote treatment, one-stop treatment transfer, green channels, etc. A multi-level medical network covering areas across China will be ultimately established, thereby realizing the extension of quality medical services to communities, and the residents can have world-class medical and health services next door.

In respect of community health management, the Group will continue to deepen its cooperation with quality medical institutions across the world. In line with the state policy, the Group will establish a community health management system covering community prevention, diagnosis, therapy, rehabilitation and healthcare services, and supplement the health management system with medical cosmetology and anti-aging services. The Group will also establish and explore cooperation relationship with institutions in Taiwan and Japan in different aspects, such as long-term elderly care center, community rehabilitation center, talent training and certification etc.

Sanyan Haitang Bay Evergrande • Elderly Care Valley has concurrently introduced the concept of community health management, thus offering brand-new elderly care experience for customers.

Outlook for All-age Healthcare Service “Health & Wellness Living”

In the second half of 2017, the Group will gradually establish “Evergrande • Elderly Care Valley” in major cities in China. Meanwhile, the Group will further integrate quality medical treatment and elderly care resources from overseas and within China, aiming to provide all-rounded medical treatment and elderly care services covering “medical, catering, living, travelling, studying, exercising, caring and insurance” for Evergrande • Elderly Care Valley.

FINANCIAL CAPITAL

The Group will proactively explore cooperation with financial institutions such as insurance companies, thus gradually realizing national medical insurance registration, establishing health insurance system covering various kinds of insurance, and exploring the “Kaiser Model” which is suitable for China and effectively integrates medical service and medical insurance.

Meanwhile, the Group will continue to explore cross-sector integration with different industries such as financial, tourism, internet, sports, leisure and food industry, and cultivate new operation, new business trend and new model in mega health industry.

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 confidence 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, 22 August 2017

FINANCIAL REVIEW

During the Period, the Group's revenue was HK\$575.6 million (2016H1: HK\$182.6 million). The revenue included revenue from the Media Segment and the Health Management Segment.

During the Period, the Group's performance in the Media Segment was benefited by the growth of digital market in social media and online advertising platform. During the Period, the Group reported a turnover of HK\$114.8 million (2016H1: HK\$139.1 million). Digital business income amounted to HK\$49.2 million (2016H1: HK\$22.9 million) and become a key revenue contributor. Advertising income amounted to HK\$48.1 million (2016H1: HK\$88.1 million). Circulation income was HK\$17.3 million (2016H1: HK\$27.6 million). Except digital business income reported significant increase during the Period, other media segments recorded decrease in revenue in response to a general slowdown in consumption and scale down of advertising spending in print area. Gross profit amounted to HK\$55.3 million (2016H1: HK\$33.9 million).

During the Period, the Health Management Segment reported a turnover of HK\$460.7 million. The revenue included income from health and living projects of HK\$457.0 million for the Period (2016H1: Nil) and medical cosmetology surgery and out-patient service of HK\$3.7 million for the Period (2016H1: HK\$43.5 million). The reason for the increment of the Health Management Segment income is that income from health and living projects was recorded for the Period while the projects have not started operation in the first six months of 2016. The Group developed and formulated the all-age healthcare service living standard with facilities specially-designed for the elderly people. Income generated from cosmetology surgery was attributed from Tianjin Evergrande Wonjin Medical Beauty Hospital and medical cosmetology micro-agencies. The Group's health management services included out-patient service. The Group is establishing community clinics which could provide health services as a package.

The Group's gross profit amounted to HK\$311.3 million (2016H1: HK\$45.0 million). The gross profit margin increased from 25% for the six months ended 2016 to 54% for the Period. Cost of sales of the 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 the Health Management Segment mainly represents cost of health and living projects, medicines, labour costs and depreciation of hospital equipment.

The Group recorded a gain on disposal of business in the Media Segment amounting to HK\$23.8 million for the six months ended 30 June 2016. The disposal reduced the loss-making assets of media segment. By comparison, there is no such gain on disposal for the Period.

Selling and marketing expenses, together with administrative expenses, were HK\$132.9 million for the Period (2016H1: HK\$91.4 million). The increase is mainly attributable to increase in sales commission and advertising expense in Health Management Segment.

Profit attributable to the shareholders of the Company increased to HK\$83.9 million (2016H1: HK\$12.0 million), because of the incremental profit from health and living projects in the Period. Basic earnings per share was HK0.971 cents (2016H1: HK0.138 cents).

FINANCIAL SUMMARY (UNAUDITED)

| | Note | Six months ended 30 June | |
|--------------------------------------|------|--------------------------|------------------|
| | | 2017 HK\$'000 | 2016 HK\$'000 |
| Revenue | | | |
| Advertising income | | 48,088 | 88,131 |
| Circulation income | | 17,257 | 27,595 |
| Digital business income | | 49,243 | 22,850 |
| Provision of magazine content | | 249 | 521 |
| Health management income | | 460,738 | 43,512 |
| | | 575,575 | 182,609 |
| Gross profit | | 311,333 | 45,048 |
| Profit attributable to | | | |
| — Owners of the Company | | 83,868 | 11,952 |
| — Non-controlling interests | | (4,258) | 3,612 |
| | | 79,610 | 15,564 |
| Basic and diluted earnings per share | | HK0.971 cents | HK0.138 cents |

Capital Structure, Liquidity and Financial Resources

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

As at 30 June 2017, the Group had interest-bearing borrowings amounting to HK\$2,829.0 million (31 December 2016: HK\$1,384.7 million).

As at 30 June 2017, the Group's gearing ratio was 54.0% (31 December 2016: 43.9%). Gearing ratio was calculated as total borrowings over the total assets.

The Group had significant amount of borrowings denominated in RMB. Health Management 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 2017, borrowings of HK\$62,000,000 (31 December 2016: HK\$62,000,000) are secured by the issued share capital of New Media Group Limited, a subsidiary of the Group, and bank deposits. The other borrowings are secured by construction-in-progress with carrying amounts of HK\$493,555,000 (31 December 2016: HK\$Nil) and restricted deposits amounting to HK\$276,739,000 (31 December 2016: HK\$75,406,000).

HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 940 employees and incurred a total staff cost (including Directors' remuneration) of approximately HK\$70.4 million during the Period (30 June 2016: HK\$133.7 million).

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".

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.

Media Segment

As at 30 June 2017, the Group's Media Segment had 330 employees. Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include contribution to retirement benefit scheme, medical insurance and other competitive fringe benefits.

Health Management Segment

As at 30 June 2017, the Group's Health Management Segment had a total of 610 staff, among which healthcare professionals accounted for approximately 14.43% and staff with bachelors' degree or above accounted for approximately 77.05%. The Health Management Segment cooperates with top-notch international professional teams and establishes a pool of talents with strong academic background, excellent caliber and international vision.

CONTINGENT LIABILITIES

As at 30 June 2017, the Company did not have significant contingent liabilities.

SHARE OPTION SCHEME

To provide incentives or rewards to the staff and the Directors, the Company adopted a share option scheme on 18 January 2008. No option was granted by the Company under such share option scheme since its adoption and up to 30 June 2017.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2016: HK\$ nil).

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 Period 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.

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. Han Xiaoran

Mr. Peng Sheng (*Chief Executive Officer*) (resigned on 17 March 2017)

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 2017, 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 2017, 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 |
|-------------------------------|-------------------------------------------------------------------|-------------------------|----------------------------------------|
| China Evergrande Group (Note) | Interest of corporation controlled by the substantial shareholder | 6,479,550,000 (Note) | 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 China Evergrande Group.

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 1 January 2017 to 16 March 2017, the Company has fully complied with the Code provision A.2.1. Since the resignation of the chief executive officer Mr. Peng Sheng from 17 March 2017, the Company did not have any officer with the title of Chief Executive Officer, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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 is published on the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (www.evergrandehealth.com).

Interim Condensed Consolidated Balance Sheet

As at 30 June 2017

| | Note | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|-----------------------------------------------------|-------|------------------------------------------|--------------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 58,128 | 68,881 |
| Construction-in-progress | 7 | 493,555 | 215,741 |
| Land use rights | 7 | 258,737 | 253,315 |
| Goodwill | | 695 | 695 |
| Intangible assets | 8 | 6,309 | 6,334 |
| Deferred income tax assets | 9 | 3,653 | 4,185 |
| Long-term prepayments | 10 | 972,450 | 272,393 |
| | | 1,793,527 | 821,544 |
| Current assets | | | |
| Inventories | | — | 836 |
| Properties under development | 11(a) | 816,021 | 741,258 |
| Completed properties held for sales | 11(b) | 55,055 | 142,215 |
| Trade and other receivables | 10 | 179,691 | 218,549 |
| Cash and cash equivalents | | 2,116,542 | 1,155,475 |
| Restricted deposits | | 276,739 | 75,406 |
| | | 3,444,048 | 2,333,739 |
| Total assets | | 5,237,575 | 3,155,283 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 15 | 282,271 | 282,271 |
| Other reserves | | 172,955 | 113,229 |
| Retained profits | | 284,919 | 223,474 |
| | | 740,145 | 618,974 |
| Non-controlling interests | | 20,585 | 14,726 |
| Total equity | | 760,730 | 633,700 |

Interim Condensed Consolidated Balance Sheet

As at 30 June 2017

| | Note | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|----------------------------------------------|-------|------------------------------------------|--------------------------------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 13(a) | 1,358,652 | 847,615 |
| Finance lease obligations | 13(b) | 55,821 | — |
| Loans from fellow subsidiaries | 14 | 110,260 | 405,018 |
| Deferred income tax liabilities | 9 | 140 | 140 |
| | | 1,524,873 | 1,252,773 |
| Current liabilities | | | |
| Trade and other payables | 12 | 465,424 | 590,948 |
| Receipt in advance | 12 | 988,878 | 140,682 |
| Borrowings | 13(a) | 1,389,794 | 537,120 |
| Finance lease obligations | 13(b) | 24,777 | — |
| Current income tax liabilities | | 83,099 | 60 |
| | | 2,951,972 | 1,268,810 |
| Total liabilities | | 4,476,845 | 2,521,583 |
| Total equity and liabilities | | 5,237,575 | 3,155,283 |
| Net current assets | | 492,076 | 1,064,929 |
| Total assets less current liabilities | | 2,285,603 | 1,886,473 |

The interim condensed consolidated financial information on pages 17 to 44 were approved by the Board of Directors on 22 August 2017 and were signed on its behalf.

Tan Chaohui
Director

Han Xiaoran
Director

The notes on pages 23 to 44 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 2017

| | Note | Unaudited Six months ended 30 June | |
|---------------------------------------------------------|------|---------------------------------------|------------------|
| | | 2017 HK\$'000 | 2016 HK\$'000 |
| Revenue | 6 | 575,575 | 182,609 |
| Cost of sales | 16 | (264,242) | (137,561) |
| Gross profit | | 311,333 | 45,048 |
| Other income | 17 | 2,741 | 42,803 |
| Other gains | 18 | — | 23,803 |
| Selling and marketing expenses | 16 | (59,558) | (36,981) |
| Administrative expenses | 16 | (73,314) | (54,407) |
| Operating profit | | 181,202 | 20,266 |
| Finance income | | 11,032 | 7,475 |
| Finance costs | | (10,727) | (4,269) |
| Finance income, net | | 305 | 3,206 |
| Profit before income tax | | 181,507 | 23,472 |
| Income tax expenses | 19 | (101,897) | (7,908) |
| Profit for the period | | 79,610 | 15,564 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Currency translation differences | | 33,382 | (1,895) |
| Total comprehensive income for the period | | 112,992 | 13,669 |
| Profit attributable to: | | | |
| — Owners of the Company | | 83,868 | 11,952 |
| — Non-controlling interests | | (4,258) | 3,612 |
| | | 79,610 | 15,564 |
| Total comprehensive income attributable to: | | | |
| — Owners of the Company | | 107,133 | 10,107 |
| — Non-controlling interests | | 5,859 | 3,562 |
| Total comprehensive income for the period | | 112,992 | 13,669 |
| Earnings per share | | | |
| — Basic and diluted | 21 | HK0.971 cents | HK0.138 cents |

The notes on pages 23 to 44 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 2017

| | Unaudited | | | | | | | | | | |
|----------------------------------------------------------------------|---------------------------------------|-----------------|------------------------------|---------------|------------------|-------------------|------------------|----------|----------|---------------------------|-------|
| | Attributable to owners of the Company | | | | | | | | | Non-controlling interests | Total |
| | Share capital | Special reserve | Capital contribution reserve | Other reserve | Exchange reserve | Statutory reserve | Retained profits | Total | HK\$'000 | | |
| 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 2017 | 282,271 | 90,700 | 796 | 51,047 | (38,622) | 9,308 | 223,474 | 618,974 | 14,726 | 633,700 | |
| Comprehensive income | | | | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | 83,868 | 83,868 | (4,258) | 79,610 | |
| Other comprehensive income | – | – | – | – | 23,265 | – | – | 23,265 | 10,117 | 33,382 | |
| Total comprehensive income | – | – | – | – | 23,265 | – | 83,868 | 107,133 | 5,859 | 112,992 | |
| Transactions with owners, recognised directly in equity | | | | | | | | | | | |
| Deemed contributions from fellow subsidiaries (Note 14) | – | – | – | 14,038 | – | – | – | 14,038 | – | 14,038 | |
| Transfer to statutory reserve | – | – | – | – | – | 22,423 | (22,423) | – | – | – | |
| Total transactions with owners, recognised directly in equity | – | – | – | 14,038 | – | 22,423 | (22,423) | 14,038 | – | 14,038 | |
| Balance at 30 June 2017 | 282,271 | 90,700 | 796 | 65,085 | (15,357) | 31,731 | 284,919 | 740,145 | 20,585 | 760,730 | |

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

| | 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 | |

The notes on pages 23 to 44 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 2017

| | Note | Unaudited Six months ended 30 June | |
|------------------------------------------------------------------------------------------------|-------|---------------------------------------|------------------|
| | | 2017 HK\$'000 | 2016 HK\$'000 |
| Cash flows from operating activities | | | |
| Cash generated from/(used in) operations | | 980,375 | (444,074) |
| Interest paid | | (10,727) | (4,269) |
| Income tax paid | | (18,326) | (2,155) |
| Net cash generated from/(used in) operating activities | | 951,322 | (450,498) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (1,673) | (5,476) |
| Additions to construction-in-progress | | (258,118) | (65,785) |
| Purchases of intangible assets | | (4,024) | (5,121) |
| Interest received | | 11,032 | 1,382 |
| Prepayments for acquisition of land use rights | | (679,986) | (120,731) |
| Prepayments for acquisition of property, plant and equipment | | (20,071) | — |
| Net cash flows from disposal of a subsidiary | | — | (1,730) |
| Proceeds from sales of property, plant and equipment | | 521 | — |
| Increase in restricted bank deposits | | (201,333) | (341,313) |
| Net cash used in investing activities | | (1,153,652) | (538,774) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 13(a) | 2,302,800 | 367,676 |
| Repayments of borrowings | 13(a) | (939,089) | (23,000) |
| Proceeds from finance lease obligations | | 80,598 | — |
| (Repayments of)/proceeds from loans from fellow subsidiaries | | (294,758) | 344,927 |
| Contribution from a non-controlling interest | | — | 530 |
| Net cash flows generated from financing activities | | 1,149,551 | 690,133 |
| Net increase/(decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the period | | 1,155,475 | 442,614 |
| Exchange difference on cash and cash equivalents | | 13,846 | (629) |
| Cash and cash equivalents at end of the period, representing bank balances and cash | | 2,116,542 | 142,846 |

The notes on pages 23 to 44 form an integral part of this interim condensed consolidated financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

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 Management 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\$”) thousands, unless otherwise stated.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year 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 year ended 31 December 2016 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).

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the period ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the financial statements for the year ended 31 December 2016.

- (a) The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2017, the adoption of which does not have any significant impact to the results and financial position of the Group.

| | |
|----------------------|----------------------------------------------------------|
| HKAS 7 (Amendments) | Disclosure initiative |
| HKAS 12 (Amendments) | Recognition of deferred tax assets for unrealised losses |

The Group has adopted these amendments to standards which did not result in a significant impact 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.

- (b) Impact of standards issued but not yet applied by the Group.

HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities and the derivatives that are liabilities held by the Group are also classified as financial liabilities at fair value through profit or loss under the new standard. The derecognition rules have been transferred from IAS 39 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. A further clarification to HKFRS 15 was issued in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance. Management is currently assessing the effects of applying the new standard on the Group's financial statements and currently does not anticipate that the application of HKFRS 15 in the future will have a material effect on the Group's consolidated financial statements.

HKFRS 15 is mandatory for financial years commencing on or after 1 April 2018. The Group does not intend to adopt the standard before its effective date.

3 ACCOUNTING POLICIES (Continued)

(b) (Continued)

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. The new standard is mandatory for financial years commencing on or after 1 April 2019. The Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 year ended 31 December 2016.

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 annual financial statements as at 31 December 2016.

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

5.2 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from loans from fellow subsidiaries and borrowings to meet its liabilities when they fall due.

The Group's primary cash requirements are mainly for additions of construction in progress, and prepayment for land use rights and property, plant and equipment, prepayment for purchases and operating expenses. The Group mainly finances its working capital requirements through internal resources and borrowings.

The Group 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 development timetable to adopt the market environment and implementing cost control measures. The Group will pursue such options based on its assessment of relevant future costs and benefits.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Interest rate risk

The Group's cash flow interest rate risk arose from bank balances and borrowings 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 rates of the Group's borrowings are disclosed in Note 13.

5.4 Foreign exchange risk

The Group operates in Hong Kong and the People Republic of China (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.

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair values of loans and borrowings are as follows:

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|-------------------------------------------------|------------------------------------------|--------------------------------------------|
| Non-current: | | |
| Bank and other borrowings — Non-current portion | 1,349,514 | 840,053 |
| Finance lease obligations — Non-current portion | 55,267 | — |
| Loans from fellow subsidiaries | 96,222 | 371,408 |
| | 1,501,003 | 1,211,461 |
| Current: | | |
| Bank and other borrowings — Current portion | 1,389,794 | 537,120 |
| Finance lease obligations — Current portion | 24,777 | — |
| | 1,414,571 | 537,120 |

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, approximate their fair values due to their short maturities.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

6 SEGMENT INFORMATION

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

The Group's segments now comprise the followings:

Media: Magazine publishing, distribution of magazine, digital business and provision of magazine content.

Health Management: "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing.

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.

(a) Revenue by type

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

| | Six months ended 30 June | |
|-------------------------------------------------------|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Media: | | |
| Advertising income | 48,088 | 88,131 |
| Circulation income | 17,257 | 27,595 |
| Digital business income | 49,243 | 22,850 |
| Provision of magazine content | 249 | 521 |
| | 114,837 | 139,097 |
| Health Management: | | |
| Sales of health and living project | 457,040 | — |
| Income from medical cosmetology and health management | 3,698 | 43,512 |
| | 460,738 | 43,512 |
| | 575,575 | 182,609 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

6 SEGMENT INFORMATION (Continued)

(b) Segment revenue and results

The segment information provided to the CODM for the six months ended 30 June 2017 and 2016 is as follows:

| | Six months ended 30 June 2017 | | |
|------------------------------------------------------------|-------------------------------|----------------------------------|-------------------|
| | Media HK\$'000 | Health Management HK\$'000 | Total HK\$'000 |
| Segment revenue and revenue from external customers | 114,837 | 460,738 | 575,575 |
| Segment results | 5,196 | 182,878 | 188,074 |
| Corporate expenses | | | (7,363) |
| Unallocated finance income | | | 796 |
| Profit before income tax | | | 181,507 |
| Income tax expense | | | (101,897) |
| Profit for the period | | | 79,610 |
| Other segment items: | | | |
| Additions to property, plant and equipment | 1,113 | 560 | 1,673 |
| Depreciation of property, plant and equipment | (3,384) | (6,522) | (9,906) |
| Additions to intangible assets | — | 4,024 | 4,024 |
| Amortisation of intangible assets | — | (3,693) | (3,693) |
| Interest income | 5 | 10,231 | 10,236 |
| Interest expense | (1,538) | (9,189) | (10,727) |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

6 SEGMENT INFORMATION (Continued)

(b) Segment revenue and results (Continued)

| | Six months ended 30 June 2016 | | |
|------------------------------------------------------------|-------------------------------|----------------------------------|-------------------|
| | Media HK\$'000 | Health Management 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) |
| Unallocated finance income | | | 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

For the six months ended 30 June 2017

6 SEGMENT INFORMATION (Continued)

(b) Segment revenue and results (Continued)

The segment assets as at 30 June 2017 and 31 December 2016 are as follows:

| | Media HK\$'000 | Health Management HK\$'000 | Total HK\$'000 |
|-----------------------------------------|-------------------|----------------------------------|-------------------|
| As at 30 June 2017 (Unaudited) | | | |
| Segment assets | 136,510 | 4,698,456 | 4,834,966 |
| Corporate assets | | | 402,609 |
| Total assets | | | 5,237,575 |
| As at 31 December 2016 (Audited) | | | |
| Segment assets | 138,373 | 2,478,004 | 2,616,377 |
| Corporate assets | | | 538,906 |
| Total assets | | | 3,155,283 |

(c) Geographical information

For each of the six months ended 30 June 2017 and 2016, 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 30 June | | Non-current assets As at | |
|-----------|-------------------------------------------------------------|------------------|-----------------------------|---------------------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 30 June 2017 HK\$'000 | 31 December 2016 HK\$'000 |
| Hong Kong | 111,670 | 138,720 | 10,652 | 16,997 |
| The PRC | 463,905 | 43,889 | 1,779,222 | 800,362 |
| | 575,575 | 182,609 | 1,789,874 | 817,359 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

6 SEGMENT INFORMATION (Continued)

(d) 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 | |
|------------|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Customer A | N/A | 26,296 |

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

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

| | Property, plant and equipment HK\$'000 | Construction- in-progress HK\$'000 | Land use rights HK\$'000 |
|------------------------------------------|-------------------------------------------------|------------------------------------------|--------------------------------|
| Six months ended 30 June 2017 | | | |
| Opening net book value at 1 January 2017 | 68,881 | 215,741 | 253,315 |
| Additions | 1,673 | 267,452 | — |
| Disposal | (3,987) | — | — |
| Depreciation/amortisation | (9,906) | — | (2,641) |
| Exchange difference | 1,467 | 10,362 | 8,063 |
| Closing net book amount at 30 June 2017 | 58,128 | 493,555 | 258,737 |
| Six months ended 30 June 2016 | | | |
| Opening net book value at 1 January 2016 | 88,177 | — | — |
| Additions | 5,476 | 65,785 | 114,658 |
| Disposal | (193) | — | — |
| Disposal of a subsidiary | (652) | — | — |
| Depreciation/amortisation | (9,287) | — | (577) |
| Exchange difference | (968) | — | (1,168) |
| Closing net book amount at 30 June 2016 | 82,553 | 65,785 | 112,913 |

As at 30 June 2017 and 31 December 2016, there was no pledge of property, plant and equipment by the Group.

Bank borrowings are secured by certain construction-in-progress with carrying amounts of HK\$493,555,000 (31 December 2016: HK\$Nil) (Note 13(a)).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

8 INTANGIBLE ASSETS

| | Publishing library HK\$'000 | Copyrights in photographs and articles HK\$'000 | Software HK\$'000 | Trademarks HK\$'000 | Total HK\$'000 |
|--------------------------------------------------------|-----------------------------------|----------------------------------------------------------|----------------------|------------------------|-------------------|
| At 30 June 2016 (unaudited) | | | | | |
| 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 |
| Six months ended 30 June 2017 (unaudited) | | | | | |
| Opening net book amount at 1 January 2017 | — | — | 6,252 | 82 | 6,334 |
| Additions | — | — | 4,024 | — | 4,024 |
| Amortisation | — | — | (3,689) | (4) | (3,693) |
| Currency translation differences | — | — | (359) | 3 | (356) |
| Closing net book amount at 30 June 2017 (unaudited) | — | — | 6,228 | 81 | 6,309 |
| At 30 June 2017 (unaudited) | | | | | |
| Cost | 34,690 | 6,620 | 8,254 | 99 | 49,663 |
| Accumulated amortisation and impairment | (34,690) | (6,620) | (2,026) | (18) | (43,354) |
| Net book amount | — | — | 6,228 | 81 | 6,309 |

9 DEFERRED INCOME TAX

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

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|--------------------------|------------------------------------------|--------------------------------------------|
| Deferred tax assets | 3,653 | 4,185 |
| Deferred tax liabilities | (140) | (140) |
| Deferred tax assets | 3,513 | 4,045 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

10 TRADE AND OTHER RECEIVABLES

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|-------------------------------------------------|------------------------------------------|--------------------------------------------|
| Trade receivables | 102,955 | 121,006 |
| Less: allowance for doubtful debts | (740) | (686) |
| | 102,215 | 120,320 |
| Prepayments | 985,776 | 284,357 |
| Deposits | 18,115 | 9,846 |
| Other receivables | | |
| — third parties | 32,045 | 10,149 |
| — related companies (Note 24(a)(ii)) | 13,990 | 66,270 |
| | 1,152,141 | 490,942 |
| Less: non-current portion: | | |
| — prepayments for land use rights | (903,748) | (223,762) |
| — prepayments for property, plant and equipment | (68,702) | (48,631) |
| | (972,450) | (272,393) |
| | 179,691 | 218,549 |

The related companies are companies related to China Evergrande Group, an intermediate holding company.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

10 TRADE AND OTHER RECEIVABLES (Continued)

The Group normally grants credit terms of 30 days to 180 days to the Health Management Segment's customers with reference to their payment records and business relationship. For the Media Segment's customers, settlement of the sales from circulation income from magazines shall be made by the distributor 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:

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|--------------|------------------------------------------|--------------------------------------------|
| 0–30 days | 22,227 | 101,097 |
| 31–90 days | 28,780 | 15,842 |
| Over 90 days | 51,208 | 3,381 |
| | 102,215 | 120,320 |

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately HK\$37,073,000 (31 December 2016: HK\$30,724,000), 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

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|---------------|------------------------------------------|--------------------------------------------|
| 1 to 90 days | 32,651 | 26,312 |
| 91–180 days | 4,282 | 3,695 |
| Over 180 days | 140 | 717 |
| | 37,073 | 30,724 |

10 TRADE AND OTHER RECEIVABLES (Continued)

Aging of trade receivables which are past due but not impaired (Continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$740,000 (31 December 2016: HK\$686,000). 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.

11 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALES

(a) Properties under development

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|---------------------------------------------------|------------------------------------------|--------------------------------------------|
| Properties under development comprise: | | |
| – Construction costs and capitalised expenditures | 389,338 | 69,733 |
| – Interest capitalised | 64,834 | 14,947 |
| – Land use rights | 361,849 | 656,578 |
| | 816,021 | 741,258 |

(b) Completed properties held for sales

All completed properties held for sales are located in the PRC.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

12 TRADE AND OTHER PAYABLES

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|--------------------------------------|------------------------------------------|--------------------------------------------|
| Trade payables to: | | |
| – third parties | 311,009 | 392,762 |
| | 311,009 | 392,762 |
| Other payables to: | | |
| – third parties | 154,194 | 196,888 |
| – related companies (Note 24(a)(ii)) | 221 | 1,298 |
| | 154,415 | 198,186 |
| Total trade and other payables | 465,424 | 590,948 |
| Receipt in advance from: | | |
| – sale of health and living project | 981,657 | 133,997 |
| – other customers | 7,221 | 6,685 |
| Total receipt in advance | 988,878 | 140,682 |

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:

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|---------------|------------------------------------------|--------------------------------------------|
| 0–90 days | 84,370 | 392,592 |
| 91–180 days | 184,051 | 108 |
| Over 180 days | 42,588 | 62 |
| | 311,009 | 392,762 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

13 BORROWINGS

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|---------------------------|------------------------------------------|--------------------------------------------|
| Bank and other borrowings | 2,748,446 | 1,384,735 |
| Finance lease obligations | 80,598 | — |
| | 2,829,044 | 1,384,735 |

(a) Bank and other borrowings

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|----------------------------------------|------------------------------------------|--------------------------------------------|
| Borrowings | 2,748,446 | 1,384,735 |
| Less: non-current borrowings — secured | (1,358,652) | (847,615) |
| Current borrowings — secured | 1,389,794 | 537,120 |

Movements in borrowings are analysed as follows:

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|-------------------------------------------------------|------------------------------------------|--------------------------------------------|
| At 1 January | 1,384,735 | 133,300 |
| Proceeds from borrowings | 2,302,800 | 1,332,735 |
| Repayments of borrowings | (939,089) | (58,300) |
| Release of borrowings due to disposal of a subsidiary | — | (23,000) |
| At 30 June | 2,748,446 | 1,384,735 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

13 BORROWINGS (Continued)

(a) Bank and other borrowings (Continued)

As at 30 June 2017, borrowings of HK\$62,000,000 (31 December 2016: HK\$62,000,000) are secured by the issued share capital of New Media Group Limited, a subsidiary of the Group, and bank deposits. The other borrowings are secured by construction-in-progress with carrying amounts of HK\$493,555,000 (31 December 2016: HK\$Nil) and restricted deposits amounting to HK\$276,739,000 (31 December 2016: HK\$75,406,000).

Interest expense on borrowings for the six months ended 30 June 2017 is HK\$10,727,000 (six months ended 30 June 2016: HK\$4,269,000). The interest rate of the borrowings was ranged from 6.9% to 9.9% per annum for the six months ended 30 June 2017 (six months ended 30 June 2016: 3.70% to 5.35% per annum).

(b) Finance lease obligations

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|---------------------------|------------------------------------------|--------------------------------------------|
| Finance lease obligations | 80,598 | — |
| Less: non-current portion | (55,821) | — |
| Current portion | 24,777 | — |

The Group's finance lease obligations were analysed as follow:

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|------------------------------------------------------------------------|------------------------------------------|--------------------------------------------|
| Current | | |
| Portion of finance lease obligations due for repayment within one year | 24,777 | — |
| Non-current | | |
| Finance lease obligations due for repayment after one year | | |
| Between one and two years | 27,944 | — |
| Between two to five years | 27,877 | — |
| | 55,821 | — |
| Total finance lease obligations | 80,598 | — |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

13 BORROWINGS (Continued)

(b) Finance lease obligations (Continued)

The finance lease obligations were due for repayment as follows:

| | Unaudited 30 June 2017 HK\$'000 | Audited 31 December 2016 HK\$'000 |
|----------------------------------------------------------|------------------------------------------|--------------------------------------------|
| Gross finance lease obligations — minimum lease payments | | |
| Within one year | 28,380 | — |
| Between one and two years | 32,007 | — |
| Between two and five years | 31,931 | — |
| | 92,318 | — |
| Future finance charges on finance leases | (11,720) | — |
| Present value of finance lease obligations | 80,598 | — |

The above amounts due are based on the schedule repayment dates set out in the relevant agreements.

The carrying amount of finance lease obligations was denominated in RMB.

14 LOANS FROM FELLOW SUBSIDIARIES

Loans from fellow subsidiaries are unsecured, interest-free and repayable on 30 December 2020. The carrying value of the loans from fellow subsidiaries as at 30 June 2017 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.

15 SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|------------------------------------------------------|---------------------|--------------------|
| Ordinary shares, issued and fully paid: | | |
| At 1 January 2016, 31 December 2016 and 30 June 2017 | 8,640,000,000 | 282,271 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

16 OPERATING PROFIT

| | Six months ended 30 June | |
|-------------------------------------------------------------|--------------------------|----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Employee benefit expenses (including directors' emoluments) | 70,446 | 133,713 |
| Allowance for doubtful debts (Note 10) | 54 | 106 |
| Auditor's remuneration | 1,339 | 1,252 |
| Depreciation of property, plant and equipment | 9,906 | 9,287 |
| Amortisation of intangible assets | 3,693 | 509 |
| Net exchange (gain)/loss | (3,819) | 3,528 |
| Operating lease rentals for rented premises and machineries | 7,458 | 10,232 |

17 OTHER INCOME

| | Six months ended 30 June | |
|------------------------------------------------|--------------------------|----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Income recognised upon expiry of prepaid cards | — | 42,090 |
| Others | 2,741 | 713 |
| | 2,741 | 42,803 |

18 OTHER GAINS

| | Six months ended 30 June | |
|----------------------------------|--------------------------|----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Gain on disposal of a subsidiary | — | 23,803 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

19 INCOME TAX EXPENSES

The amount of income tax expense to the condensed consolidated interim financial information represents:

| | Six months ended 30 June | |
|---------------------------|--------------------------|----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Current income tax: | | |
| Hong Kong Profits Tax | — | — |
| PRC Corporate Income Tax | (48,441) | (8,266) |
| PRC Land Appreciation Tax | (52,924) | — |
| | (101,365) | (8,266) |
| Deferred income tax | (532) | 358 |
| | (101,897) | (7,908) |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2017 and 30 June 2016.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% (six months ended 30 June 2016: 25%) on the estimated assessable profits for both periods, based on the existing legislation, interpretations and practices in respect thereof.

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

20 DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2016: HK\$nil).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

21 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 | |
|---------------------------------------------------------------------------------------------------|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Profit attributable to owners of the Company | 83,868 | 11,952 |
| 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) | 0.971 | 0.138 |

Note (a): As there was no dilutive potential ordinary shares for the six months ended 30 June 2017 and 30 June 2016, diluted earnings per share equals basic earnings per share.

22 OPERATING LEASE COMMITMENT

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Within one year | 12,972 | 20,261 |
| In the second to fifth year inclusive | 33,932 | 17,188 |
| More than five years | 6,481 | — |
| | 53,385 | 37,449 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

23 FINANCIAL GUARANTEE

| | Unaudited | Audited |
|---------------------------------------------------------------------------------------------------|------------------|-------------|
| | 30 June | 31 December |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units | 117,086 | — |

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

24 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 China Evergrande Group:

| | Six months ended 30 June | |
|--------------------------------|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Rental expenses | 1,264 | 1,308 |
| Income from medial cosmetology | — | 1,930 |

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

| | 30 June | 31 December |
|------------------------------------------------|------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Receivables from fellow subsidiaries (Note 10) | 13,990 | 66,270 |
| Payables to fellow subsidiaries (Note 12) | 221 | 1,298 |
| Loans from fellow subsidiaries | 110,260 | 405,018 |

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 (2016: HK\$nil).

The payables arise mainly from cash advance from fellow subsidiaries. The payables bear no interest (2016: 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 30 December 2020.

(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 | |
|--------------------------|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Short-term benefits | 2,769 | 4,443 |
| Post-employment benefits | 242 | 18 |
| | 3,011 | 4,461 |