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

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL SUMMARY (UNAUDITED)

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'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

The board of directors (the "Board" or the "Directors") of Evergrande Health Industry Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 (the "Period") together with comparative figures for the corresponding period in 2016 as set out below:

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As At 30 June 2017

	Note	**30 June 2017** *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**58,128**	68,881
Construction-in-progress		**493,555**	215,741
Land use rights		**258,737**	253,315
Goodwill		**695**	695
Intangible assets		**6,309**	6,334
Deferred income tax assets		**3,653**	4,185
Long-term prepayments	*9*	**972,450**	272,393
		1,793,527	821,544
Current assets			
Inventories		**—**	836
Properties under development		**816,021**	741,258
Completed properties held for sales		**55,055**	142,215
Trade and other receivables	*9*	**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

	Note	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**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
LIABILITIES			
Non-current liabilities			
Borrowings	*10(a)*	**1,358,652**	847,615
Finance lease obligations	*10(b)*	**55,821**	—
Loans from fellow subsidiaries		**110,260**	405,018
Deferred income tax liabilities		**140**	140
		1,524,873	1,252,773
Current liabilities			
Trade and other payables	*11*	**465,424**	590,948
Receipt in advance	*11*	**988,878**	140,682
Borrowings	*10(a)*	**1,389,794**	537,120
Finance lease obligations	*10(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**575,575**	182,609
Cost of sales		**(264,242)**	(137,561)
Gross profit		**311,333**	45,048
Other income		**2,741**	42,803
Other gains	*5*	**—**	23,803
Selling and marketing expenses		**(59,558)**	(36,981)
Administrative expenses		**(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	*6*	**(101,897)**	(7,908)
Profit for the Period		**79,610**	15,564
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**33,382**	(1,895)
Total comprehensive income for the Period		**112,992**	13,669

		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
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	*8*	**HK0.971 cents**	HK0.138 cents

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 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").

3 ACCOUNTING POLICIES

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

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.

4 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 organized 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	2016
	HK$'000	*HK$'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

(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	**Health Management**	**Total**
	HK$'000	*HK$'000*	*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)

	Six months ended 30 June 2016		
	Media	Health Management	Total
	HK$'000	*HK$'000*	*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)

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

	Media	**Health Management**	**Total**
	HK$'000	*HK$'000*	*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		**Non-current assets**	
			As at	
	Six months ended 30 June		**30 June**	31 December
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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

(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	2016
	HK$'000	*HK$'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.

5 OTHER GAINS

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

6 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.

7 DIVIDENDS

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

8 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	2016
	HK$'000	*HK$'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.

9 TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	Unaudited	Audited
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	**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.

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:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	Unaudited	Audited
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

10 BORROWINGS

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	Unaudited	Audited
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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	Unaudited	Audited
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

(b) Finance lease obligations

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

11 TRADE AND OTHER PAYABLES

	30 June 2017 HK$'000 Unaudited	31 December 2016 HK$'000 Audited
Trade payables to:		
— third parties	**311,009**	392,762
	311,009	392,762
Other payables to:		
— third parties	**154,194**	196,888
— related companies	**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:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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-aging (collectively, the "Health Management Segment").

- ***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.

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, all segments 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).

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 True Beam 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 Bar 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.

Other Outlook

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.

OTHER ANALYSIS

Capital Institutions, 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.

Employee and Share Option Scheme

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).

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.

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.

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.

CORPORATE GOVERNANCE

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 Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (www.evergrandehealth.com). The interim report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Evergrande Health Industry Group Limited
Tan Chaohui
Chairlady

Hong Kong, 22 August 2017

As at the date of this announcement, the executive directors of the Company are Ms. Tan Chaohui and Mr. Han Xiaoran; and the independent non-executive directors of the Company are Mr. Chau Shing Yim, David, Mr. Guo Jianwen and Mr. Xie Wu.