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)

Annual Report 2016

Perfection For Supreme HEALTH AND BEAUTY

CONTENTS

BOARD OF DIRECTORS AND COMMITTEES

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

CORPORATE AND SHAREHOLDER INFORMATION

Head Office

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

Registered Office and Place of Business in Hong Kong

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

Website

www.evergrandehealth.com

Company Secretary

Mr. Fong Kar Chun, Jimmy

Auditor

PricewaterhouseCoopers

Shareholder Information

Listing Information

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

Stock Code

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

Share Registrar

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

Investor Relationship

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

Financial Calendar

Announcement of annual results: 22 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "Board") of directors ("Directors") of Evergrande Health Industry Group Limited (the "Company" or "Evergrande Health", together with its subsidiaries, the "Group") present the result of the Group for the year ended 31 December 2016.

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 year ended 31 December 2016 (the "Year"), competition in various industries within the Hong Kong local economy remained fierce, especially in the retail and media business sectors of which they are considered to be highly correlated. In addition, as a global trend, marketers have been increasing their advertising and media spending in digital platforms in order to optimise their marketing efforts. Being a fully developed multimedia content publisher with a wide spectrum of both online and offline media platforms, the Group is committed to providing strategic planning together with tailor-made transmedia marketing campaigns as a whole to help clients create content, build brands, maintain loyalty and expand market reach and boost sales.

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 Year, the Group successfully introduced top international healthcare resources including Brigham and Women's Hospital (the main teaching hospital of Harvard Medical School), progressively fostered the establishment of the Boao Evergrande International Hospital Project, 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 operated medical cosmetology centers in major cities such as Guangzhou and Beijing and expanded the network across China. 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 commenced construction in many places. In developing the Health & Wellness Living projects, Evergrande Health is the first to set up guidelines on health and wellness living ecosystem standard in China.

Financial Review

During the Year, the Group's turnover was HK$528.1 million. By comparison, it was HK$638.3 million for the eighteen months ended 31 December 2015 (the "Last Financial Period" or "2015"). The turnover included revenue from the Media Segment and the Health Management Segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Year, the Group's performance in the Media Segment was adversely affected by various macro-economic headwinds and market challenges. The Media Segment reported a turnover of HK$279.0 million during the Year (2015: HK$582.0 million). Advertising income amounted to HK$165.7 million (2015: HK$438.1 million) and remained a key revenue contributor. Circulation income was HK$47.0 million (2015: HK$101.8 million). The performance of the Media Segment for the Year reported a significant decrease when comparing with the Last Financial Period, due to a general slowdown in consumption and scale down of advertising spending. Print media is in downward trend with higher popularity of online media platform. Less advertisement was placed to print media. The Group has put more attention to digital business in 2016. On this condition, the Group's digital business reported significant increase in the Year.

During the Year, the Health Management Segment reported a turnover of HK$249.1 million. The revenue included income from medical cosmetology surgery and out-patient service of HK$64.7 million (2015: HK$56.3 million). Income from health and living project amounted to HK$184.4 million (2015: Nil). 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$201.6 million (2015: HK$223.1 million). The gross profit margin increased from 35% for the Last Financial Period to 38% for the Year. 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 medicines, labour costs, depreciation of hospital equipment, cost of health and living project.

The Group recorded a gain on disposal of business in the Media Segment amounting to HK$23.8 million during the Year. The disposal could reduce the loss-making assets of the Media Segment.

Selling and marketing expenses, together with administrative expenses, were HK$178.0 million for the Year (2015: HK$267.2 million). The decrease was mainly due to decrease in sales commission and staff costs in the Media Segment due to the declining revenue and decrease in number of salesperson. It is also attributable to the disposal of a loss-making media subsidiary.

Profit attributable to the shareholders of the Company decreased to HK$51.7 million (2015: HK$99.9 million). A one-off gain on disposal of a subsidiary holding a property, amounting to HK$136.7 million, was recorded in the Last Financial Period. Basic earnings per share was HK$0.599 cents (2015: HK1.156 cents).

Business Review

Media Segment

The Group's business has now expanded in the digital arena, and the Group has made continuous efforts to streamline its publishing business, reallocating its resources to leverage and realize the value from its continuously growing digital platforms and services. During the Year, the Company disposed of its 100% shareholding in the company principally engaged in the publication of the magazine "New Monday" (新Monday), to an independent third party as further deploying resources for the print media has become unappealing. The disposal enables the Group to focus its existing resources to enhance its digital media business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The New Media Group ("NMG") branded websites have altogether reached a record high accumulated page view (PV) of over 1,106 million, with total unique visitors (UV) who visit a site at least once within the Year reaching 76 million, as recorded in Google Analytics from January to December 2016.

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 November 2016, showed remarkable and encouraging results, reflecting particularly strong performance in the mobile sector.

comScore — Mobile Metrix (viewing of websites via mobile devices)		November 2016		
		Rank	Pageview	UV
Hong Kong Report	Top 100 Properties	5	84,000,000	2,855,000

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	6	3
Business/Finance	News/Research	Economic Digest	4	4
Family & Youth	Family & Parenting	Sunday Kiss	1	1

Once again, the team gained honours and recognition for its efforts in integrating social media and content marketing with creative and diversified campaigns. During the Year, the Group has received recognition in several prestigious competitions, including the Mob-Ex Awards 2016 organised by Marketing magazine; Media Convergence Awards 2015, organised by the Hong Kong Association of Interactive Marketing (HKAIM); as well as the Spark Awards 2016, organised by Marketing magazine, in which the Group managed to grab the top honour and was again crowned the "Media Owner of the Year" for the third consecutive year, winning also 7 Gold, 5 Silver, and 9 Bronze awards, and bringing home 22 trophies in total.

Award/competition name	Grand Award	Gold	Silver	Bronze	Special Award	Total
Spark Awards 2016 **organiser: Marketing magazine**	1	7	5	9		**22**
Mob-Ex Awards 2016 **organiser: Marketing magazine**		2		2		**4**
Media Convergence Awards 2015 **organiser: Hong Kong Association of Interactive Marketing (HKAIM)**			1	3	2	**6**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Health Management Segment

Medical Service Business

In respect of international hospitals, the Group cooperated 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. The Group entered into a legally binding strategic cooperation agreement and a deepening cooperation agreement with Brigham and Women's Hospital on 14 March 2016 and 15 December 2016, respectively.

The first cooperation project of the two parties was "Boao Evergrande International Hospital-the Affiliated Hospital of Brigham and Women's Hospital", a hospital located in the International Medical Tourism Pilot Zone in Boao Lecheng, Hainan, China. The project introduced top-class international medical talent teams, technology, equipment and newest medicines, and aimed to formulate the best medical treatment plan based on the actual needs of the patient, thereby providing customized medical treatment; and precise medical treatment can be achieved through optimization of medical treatment with the use of pathological analysis and DNA testing technology. Meanwhile, the project also initiated advanced medical researches to provide patients with leading international cancer diagnoses, treatment and rehabilitation services. The project taps into the clinical research capabilities of Dana-Farber/Brigham and Women's Cancer Center. By establishing partnership with the United State's Evergrande Center for Immunologic Disease, the project stands at the forefront of basic research for immunotherapy.

The Brigham and Women's Hospital team participated from design of hospital to hiring key personnel and doctors, and provided consultation services and support for the Group's nationwide medical network. Boao Evergrande International Hospital-the Affiliated Hospital of Brigham and Women's Hospital adopts an approach which is different from Chinese doctors' traditional approach. It adopts multi-discipline team based clinical decision process, to which the Brigham and Women's Hospital provides support and participation. It also provides United States-trained doctors coupled with domestic medical staff to try to ensure the best treatment know-how while not losing sight of the specific needs of China's patients. Currently, the construction of the hospital is basically completed.

In respect of community medical treatment and elderly care, the Group adopted decentralization of healthcare into community setting, maximized usage of local healthcare resources, and minimized patient inconvenience by bringing care to patients. The Group also 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 provided 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. There are currently eleven pilot community health centers in nine provinces in China, which includes Guangzhou, Changsha, Nanchang, Wuhan, Chengdu, Jinan, Luoyang, Shijiazhuang and Shenyang. Meanwhile, the Group realised continuous medical services and healthcare education through the "Internet+" technology.

In respect of medical cosmetology and anti-aging, the Group endeavored to establish Evergrande Wonjin Medical Beauty Hospital in Tianjin which focused on the development of cosmetic surgery and bringing-in of the latest aesthetic know-how. It also carried out precise marketing for market expansion by refining its operation model, standards and procedures. On 16 May 2016, the Group entered into a strategic cooperation agreement with Tianjin Broadcasting Television Station, pursuant to which Evergrande Wonjin Beauty Hospital became the only designated skin management consultancy for the hosts of Tianjin Broadcasting Television Station, thereby further improving the brand recognition.

Meanwhile, the Group adopts a hub-and-spoke model and successively sets up medical cosmetology centers in various prime cities such as Guangzhou and Beijing in the Year, aiming to provide convenient and light luxury skin management and anti-aging services at all time.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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, the Group developed and formulated the first all-age healthcare service "Health & Wellness Living" standard in China and launched the innovative "Evergrande • Elderly Care Valley", which served 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.

Currently, the first projects of Evergrande • Elderly Care Valley, namely Sanya Haitang Bay Evergrande • Elderly Care Valley project and Haihua Island Lien Bay project, had launched during the Year, aiming to provide brand-new elderly care experience for clients across China.

Environmental Policies and Performance

The Group strictly complies with the laws and regulations related to environmental protection and use of resources in the People's Republic of China and relevant regions, including the Environmental Protection Law of the People's Republic of China, prevents producing waste gases and greenhouse gases during the operation, and prevents discharging pollutants into water and on land. In respect of the medical waste generated by the operating activities. The Group has formulated the Medical Waste Management Provisions (醫療廢物管理規定), which specifically regulate the process of disposal of medical waste, in accordance with the Regulations on the Management of Waste from Medical Institutions issued by the NHFPC, and the Measures for Administrative Penalties against Medical Waste Management issued jointly by the NHFPC and the State Administration for Environmental Protection. The Group has adopted the principle of classified collection and disposal, which classifies medical waste into medical garbage and household garbage, and then separately places, collects and disposes of them. Medical garbage is required to be centrally collected and disposed by professional dispose units with hygiene licenses and operation licenses issued by local administrative department of health and environmental protection department. Household garbage is regularly and centrally collected by special personnel with hermetic containers, and transported on fixed routes to environmental protection department for disposal.

Corporate Milestones

On 15 March 2016, the Group signed a strategic cooperation agreement with Brigham and Women's Hospital, a major teaching hospital of Harvard Medical School, aiming at jointly establishing an international high-end hospital and commencing in-depth cooperation.

On 23 March 2016, the Group held its 2015 annual results conference in Hong Kong. In its starting year, the Group formulated an extensive business layout which gained bright performance, conformed the general planning of the national health industry development, and led the developmental direction for China's mega health development.

On 16 May 2016, the Group and Tianjin Broadcasting Television Station signed a strategic cooperation agreement, pursuant to which Tianjin Evergrande Wonjin Beauty Hospital Company Limited (天津恒大原辰醫學美容醫院有限公司), a subsidiary of Evergrande Health, became the only designated skin management consultancy for Tianjin Radio and TV Television. Meanwhile, the parties jointly launched various promotion projects, educating the public to further understand and be aware of aesthetic and mega health.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In June 2016, the Group developed and formulated the first all-age healthcare service "Health & Wellness Living" standard in China, and launched the innovative Evergrande • Elderly Care Valley. Through consolidating the edges in our three core services, namely medical treatment, elderly care and medical cosmetology, the Group offered full life-cycle and all-rounded health services covering "prevention, treatment and elderly care". At the end of the same month, the construction of the first Evergrande • Elderly Care Valley project, namely Haihua Island Lien Bay and Sanya Haitang Bay Evergrande • Elderly Care Valley, commenced.

On 18 August 2016, Evergrande Health held its 2016 interim results conference in Hong Kong. Leveraging on the opportunities arising from the comprehensive development in China's healthcare industry, the Group achieved enhancement in numerous business segments.

On 28 November 2016, Evergrande Health convened a press conference in Guangzhou. At the press conference, Evergrande Health announced its strategic directions in three major aspects, namely medical service optimisation, health insurance improvement and mega health industry development, as well as our business plans in high-end hospital and multi-level healthcare, community medical service, and three core services, namely medical treatment, elderly care and medical cosmetology.

On 5 December 2016, Evergrande Health won the bid for land plots No. CA06-29-1 and CA06-29-2 in Chang'an District, Xi'an City, Shaanxi Province through public tender. The land will be used for the construction of "Health & Wellness Living" projects, which will, together with financial insurance, offer scientific, full life-cycle and all-rounded health services.

During November to December 2016, the member recruitment for Sanya Haitang Bay Evergrande • Elderly Care Valley and Haihua Island Lien Bay project solely developed by Evergrande Health commenced.

On 15 December 2016, the Group further entered into a collaboration agreement with Brigham and Women's Hospital. Both parties will work together on developing Boao Evergrande International Hospital into the first overseas hospital in affiliation with Brigham and Women's Hospital. Brigham and Women's Hospital will provide support to Boao Evergrande International Hospital in expertise, set-up and subsequent hospital operation and other aspects.

Outlook

Media Segment

Looking ahead, the Group foresees that competition in the world of digital marketing will continue to be vigorous and challenging but also with possibilities and opportunities. The Group's team of experts is providing innovative approaches and delivering creative and effective content distributing strategies to clients. Different formats and means are adopted and integrated into marketing campaigns to improve user experience and help clients keep their messages entertaining and engaging.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Health Management Segment

In 2017, the Group will continue to adhere to its corporate vision, and actively promote healthy lifestyle and concept. While putting great efforts in the development of core businesses such as medical treatment, elderly care, medical cosmetology and anti-aging, the Group will actively explore other fields in the healthcare industry, striving to provide all-rounded and full life-cycle health services for the public and facilitate the development of the healthcare industry in China.

Outlook for Medical Service

In respect of international hospitals, in 2017, Boao Evergrande International Hospital will commence its first phase trial operation on schedule. Through steady operation and continuous quality enhancement, a high-end medical service system will gradually be established and optimized, thus forming a solid foundation for becoming a world-class hospital which is based in China and expanding to Southeast Asia and the global market.

Meanwhile, the Group will strategically cooperate 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 medical treatment and elderly care, through community health management centers, the Group will collect, track and manage health data from residents in communities. Through the introduction of world advanced genetic testing technology, coupled with health insurance, the Group will provide solutions covering "prevention, treatment and elderly care" especially for common diseases and high prevalence chronic diseases. At the same time, focusing on different needs of elderly in communities, the Group offers different services including home safety evaluation and upgrade service catering for elderly, home elderly care service, smart elderly care service, functional capacity evaluation for elderly, elderly lectures, cultural activities and entertainment, etc.

In respect of medical cosmetology and anti-aging, in 2017, the Group aims to gradually establish several medical cosmetology centers in first-tier and second-tier major cities across China, integrating these centers into the healthcare management system of the Group, and striving to fulfill different levels of medical cosmetology demand of citizens in the coming two decades. Meanwhile, in respect of the anti-aging business, the Group will keep a close eye on latest international cellular anti-aging technology, and adhere to applying such technology.

Outlook for All-age Healthcare Service "Health & Wellness Living"

In 2017, the Group aims to 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 and caring" for Evergrande • Elderly Care Valley.

Other Outlook

The Group will also commence in-depth cooperation with financial institutions such as insurance companies, thereby 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 and leisure 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 31 December 2016, the Group had interest-bearing borrowings amounting to HK$1,384.7 million (31 December 2015: HK$133.3 million).

As at 31 December 2016, the Group's gearing ratio was 43.9% (31 December 2015: 15.5%). Gearing ratio was calculated as interest-bearing borrowings divided by 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 31 December 2016, the Group had a total of approximately 710 employees and incurred a total staff cost (including Directors' remuneration) of approximately HK$175.1 million during the Year (2015: HK$353.6 million).

To provide incentives or rewards to the staff and 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 31 December 2016.

Media Segment

As at 31 December 2016, the Group's Media Segment business had approximately 346 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 31 December 2016, the Group's Health Management Segment business had a total of approximately 364 staff, among which, staff with bachelors' degree or above accounted for approximately 82.7%. The Health Management Segment cooperates with top-notch international professional teams and establishes a pool of talents with strong academic background, excellent calibre and international vision.

Contingent Liabilities

For the Year, the Group had no material contingent liabilities.

Dividend

The Directors do not recommend payment of dividend for the Year (eighteen months ended 31 December 2015: Nil).

REPORT OF THE DIRECTORS

Principal Activities

The principal activity of the Company is investment holding. The activities of the Company's subsidiaries are set out in Note 25(a) to the consolidated financial statements.

An analysis of the Group's performance for the Year by operating segment is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 54 of this report.

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

Purchase, Sale or Redemption of Listed Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the Year.

Distributable Reserves

Distributable reserves of the Company at 31 December 2016, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$243,960,000 (eighteen months ended 31 December 2015: HK$211,587,000).

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

Pursuant to the written resolutions passed by the then sole shareholder of the Company on 18 January 2008, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Share Option Scheme, the directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director but excluding any non-executive director), any non-executive director (including independent non-executive directors), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the number of shares in issue as at the date of commencement of listing of shares of the Company on the Hong Kong Stock Exchange and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's total issued share capital, without prior approval from the Company's shareholders.

REPORT OF THE DIRECTORS (CONTINUED)

Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's total number of shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders. Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will be not less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No share option was granted to the Directors under the Share Option Scheme since its adoption and up to the report date.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120 of the annual report.

Directors

(a) Directors of the Company

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

Executive Directors:

Ms. Tan Chaohui *(Chairlady)*	
Mr. Peng Sheng *(Chief Executive Officer)*	(Appointed on 23 March 2016 and resigned on 17 March 2017)
Mr. Han Xiaoran	
Mr. Tong Ming	(Resigned on 23 March 2016)

Independent Non-executive Directors:

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

In accordance with the Company's Articles of Association, Mr. Han Xiaoran and Mr. Guo Jianwen shall retire at the forthcoming annual general meeting of the Company (the "Annual General Meeting") and, being eligible, offer themselves for re-election.

Mr. Tong Ming and Mr. Peng Sheng resigned on 23 March 2016 and 17 March 2017 respectively as executive directors of the Company. Mr. Tong Ming and Mr. Peng Shang have respectively confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company need to be brought to the attention of the shareholders of the Company.

REPORT OF THE DIRECTORS (CONTINUED)

(b) Directors of the Company's Subsidiaries

During the Year and up to the date of this Director's Report, Ms. Tan Chaohui, Mr. Peng Sheng and Mr. Tong Ming were also directors in certain subsidiaries of the Company.

Other directors of the Company's subsidiaries during the Year and up to the date of this Director's Report included: Ms. Bai Sheng, Mr. Chen Mingliang, Mr. Jung NakHee, Mr. Jiang Zhihui, Mr. Deng Xulin, Ms. Liu Lu, Mr. Lu Pei, Mr. Lu Shan, Mr. Luo Jing, Mr. Ma Wei, Mr. Park MinWoo, Mr. Shi Shouming, Mr. Sun Zhong, Ms. Wang Yan, Mr. Xie Wei, Mr. Xie Xiaolin, Mr. Yan Huijun, Mr. Zhang Dawei, Mr. Zhao Qian, Mr. Campos Antonia Francisco, Mr. Cheung Wai Lun, Ms. Fan Man Seung, Vanessa, Mr. Lee Yat Pui, Royce, Mr. Lee Che Keung, Danny, Ms. Percy Hughes, Shirley and Mr. Wong Chi Fai.

Directors' Service Contracts

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

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

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

Biographical Details of Directors and Senior Management

Executive Directors

Tan Chaohui (談朝暉), female, aged 49, has over 26 years of managerial experience in large enterprises and real estate development. Ms. Tan has been serving in the Evergrande Group since its founding. She is currently an executive vice president of the China Evergrande Group, as well as the chairlady of Evergrande Health, responsible for the management of Evergrande Health. Ms. Tan graduated from Changsha Railway University (now known as Central South University) with a bachelor's degree in industrial and civil engineering. She is a certified cost engineer.

Han Xiaoran (韓笑然), male, aged 31, has 8 years of experience in investing, financing and comprehensive management. He was the assistant to general manager of the Shandong operations of Evergrande and the deputy general manager of Evergrande's operations in the United States, and is currently the chief investment officer of Evergrande Health Group. Mr. Han graduated from Jilin University with a bachelor of science degree in computer science and technology.

REPORT OF THE DIRECTORS (CONTINUED)

Independent Non-executive Directors

Chau Shing Yim, David, male, aged 53, he has over 20 years of experience in corporate finance, working on projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a Director of the Hong Kong Securities and Investment Institute, the members of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is the member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference ("CPPCC") and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital on 1 April 2017.

Mr. Chau currently is an Independent Non-executive Director of each of Man Wah Holdings Limited (Stock Code: 1999), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), China Evergrande Group (formerly known as Evergrande Real Estate Group Limited) (Stock Code: 3333), Richly Field China Development Limited (Stock Code: 313) and Hengten Networks Group Limited (Stock Code: 136). He was appointed as the Independent Non-executive Director of each of IDG Energy Investment Group Limited (formerly known as Shun Cheong Holdings Limited) (Stock Code: 650) and Asia Grocery Distribution Limited (Stock Code: 8413) on 5 August 2016 and 27 March 2017, respectively. All the aforesaid companies are listed on the Hong Kong Stock Exchange.

Mr. Chau has resigned as a Director of China Solar Energy Holdings Limited (Stock Code: 155) on 12 June 2015. He has retired as an Independent Non-Executive Director of each of Up Energy Development Group Limited (Stock Code: 307) and Varitronix International Limited (Stock Code: 710) on 25 September 2015 and 3 June 2016, respectively. All the aforesaid companies are listed on the Hong Kong Stock Exchange.

Guo Jianwen (郭建文), male, aged 41, is currently the head and Chief Physician of the Cerebrovascular and Cardiovascular Pathology Division of the Brain Pathology Center of Guangdong Provincial Hospital of Traditional Chinese Medicine (Guangzhou University of Chinese Medicine 2nd Affiliated Hospital), the founder of Guangzhou Wen Mai Tang Technology Company Limited and the founder and director of Guangzhou Wen Mai Tang Traditional Chinese Medicine Center (Chain) Company Limited, the supervisor of the Strategic Development Committee of the Jiangsu Nantong Liangchun Hospital, the senior consultant of technological development at the Jiangsu Nantong Liangchun Clinical Research Institute of Traditional Chinese Medicine. He is a senior head practitioner of Traditional Chinese medicine and has level 3 surgeon qualifications in neurointervention. In addition, Mr. Guo is also a member of the standing committee and the secretary of the Brain Pathology Division of the China Academy of Chinese Medical Sciences, the secretary of the Expert Committee of Brain Pathology at the Guangdong Provincial Institute of Chinese Medicine, a member of the Consortium for Globalization of Chinese Medicine, an expert product pre-launch inspector of China Food and Drug Administration for new Traditional Chinese medicines, a professional academic commentator of the Guangdong Provincial Department of Science and Technology in the field of social development, an expert anonymous doctoral thesis examiner of the Guangdong Provincial Hospital of Traditional Chinese Medicine Degree Office and an expert anonymous academic title thesis examiner of the Guangzhou University of Chinese Medicine 2nd Affiliated Hospital. In July 1998, Mr. Guo received a bachelor's degree in medicine from Beijing University of Chinese Medicine. In July 2001, he received a master's degree in clinical internal Chinese medicine from Chengdu University of Traditional Chinese Medicine. In July 2004, he received a doctoral degree in clinical internal Chinese medicine (specialising in brain emergency diseases) from Chengdu University of Traditional Chinese Medicine.

Xie Wu (謝武), male, aged 52, is a physician of Traditional Chinese internal medicine. He has practiced clinical Chinese medicine for 26 years, with more than 10 years of experience in hemodialysis and extensive clinical experience in various sub-fields of nephrology. He worked in the kidney clinic in the People's Hospital in Luohu, Shenzhen and engaged in medical work in Yueyang Luowang Hospital, and is currently working at the hemodialysis center of nephrology and rheumatology of Yueyang Hospital of Traditional Chinese Medicine.

REPORT OF THE DIRECTORS (CONTINUED)

Certain Core Members of the Professional Team

Pan Darong (潘大榮), male, aged 44, has over 23 years of experience in financial management. He is currently the chief financial officer of the Group, responsible for financial planning and management. Mr. Pan graduated from the investment and economic faculty of Zhongnan University of Economics (中南財經大學) with a bachelor's degree in economic administration. He is an accountant.

Fong Kar Chun, Jimmy (方家俊), male, aged 42, has over 18 years of experience in merger, acquisition and capital market. He is currently the company secretary of the Company. Mr. Fong has been a qualified solicitor in Hong Kong since 2001, and is currently a member of the Law Society of Hong Kong. Mr. Fong graduated from London School of Economics and Political Science with a master's degree in Laws.

Huang Yifei (黃一緋), female, aged 44, was the head of medical health industry for emerging Asia region of the investment banking department of J.P.Morgan. She is currently the chief strategic officer of the Group. Ms. Huang graduated from the Wharton School of the University of Pennsylvania with a master's degree in business administration.

Chen Keji (陳可冀), male, aged 87, is an academician of Chinese Academy of Sciences (中國科學院院士), a master of traditional Chinese medicine and a member of the 7th, 8th and 9th session of the National Committee of the Chinese People's Political Consultative Conference. He worked at the traditional medicine committee of World Health Organization from 1979 to 2009. He is currently the chief researcher and permanent researcher of China Academy of Chinese Medical Sciences (中國中醫科學院), the strategic consultant for technology innovation of National Health and Family Planning Commission (國家衛生計生委), the committee member of expert consultation committee of State Administration of Traditional Chinese Medicine, the president of expert and consultant committee of World Federation of Chinese Medicine Societies, the honorary member of China Association for Science and Technology, the senior expert of the expert committee of National Heart Center (國家心臟中心), the expert of the expert committee of National Neurologic Clinical Center (國家神經疾病臨床中心) and the chief member of academic committee of Aging Research Center of Peking University (北京大學衰老研究中心). Mr. Chen is an icon of traditional medicine, the intangible cultural heritage in China. He has made contributions to the research on cardiovascular diseases, elderly diseases and original medical archives in the imperial palace of the Qing dynasty (清代宮廷原始醫藥檔案).

REPORT OF THE DIRECTORS (CONTINUED)

Zhong Nanshan (鍾南山), male, aged 81, is an academician of Chinese Academy of Engineering (中國工程院院士). He was the dean of each of the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), the First Affiliated Hospital of Guangzhou Medical University (廣州醫學院第一附屬醫院) and Guangzhou Medical University (廣州醫學院), as well as the president of Chinese Medical Association (中華醫學會) and the director of each of State Key Academy (國家重點學科), State Clinical Research Center (國家臨床研究中心), and State Key Laboratory (國家重點實驗室) of Respiratory Disease. He received the honorable doctorate's degree in medicine from University of Edinburgh and University of Birmingham. Mr. Zhong was a member of the Asthma Prevention Guiding Committee and the executive member of Global Alliance against Chronic Respiratory Diseases (GARD) under World Health Organization (WHO). He was elected as a member of the Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會) for three consecutive sessions and the deputy to the National People's Congress (全國人大代表) for two consecutive sessions. He guided the formulation of curing guidance for emerging infectious diseases, such as SARS, H5N1 and H1N1. In 2003, he achieved the highest survival rate across the world in the combat of SARS. He also succeeded in the subsequent combat of serious infectious diseases, such as H7N9, MERS and H5N6. Among the academic essay published by Mr. Zhong, one essay won the best essay award granted by the Lancet (《柳葉刀》) Magazine, and one essay won the best essay award granted by International Society for Environmental Epidemiology (ISEE). He has published 12 books. Mr. Zhong had won four awards, including the Outstanding Academic Contribution Award for Respiratory Diseases (傑出呼吸學術貢獻獎) and the Honorary Award for Respiratory Diseases (終身呼吸成就獎) by Chinese Medical Association (中華醫學會), the Outstanding Award of Guanghua Technology Award of Chinese Academy of Engineering (中國工程院光華工程科技成就獎) and the Second Prize of National Scientific Achievement (國家科技進步二等獎). He had received various titles, including State Advanced Technology Officer (全國先進工作者), State Bethune Medal (全國白求恩獎章) and State Model Worker (全國勞動模範) etc.

Jiao Guoxiang (焦國翔), male, aged 59, is currently the vice president of China Welfare Foundation (中國福利基金會) under the Ministry of Civil Affairs, the administrative vice president and center director of Zhongyi Ageing Development Center (中益老齡事業發展中心) under the Ministry of Civil Affairs, and the vice president of each of the State Ageing Work Committee (全國老齡工作委員會) and China Silver Industry Association (中國老齡產業協會).

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

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

As at 31 December 2016, none of the Directors and the chief executives of the Company had any interests and short positions of in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO")), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules").

REPORT OF THE DIRECTORS (CONTINUED)

Substantial Shareholders

As at 31 December 2016, so far as was known to any Director or the chief executives of the Company, other than a director or the chief executive of the Company, the following persons had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
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 being wholly-owned by China Evergrande Group.

Independence of the Independent Non-executive Directors

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

Management Contracts

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

Major Suppliers and Customers

The percentages of cost of sales and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	38%
— five largest suppliers in aggregate	59%
Sales	
— the largest customer	9%
— five largest customers in aggregate	19%

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

Connected Transactions

A summary of the related party transactions entered into by the Group during the year ended 31 December 2016 is contained in Note 32 to the consolidated financial statements.

All related party transactions contained in Note 32 to the consolidated financial statements are connected transactions or continuing connected transactions fully exempt from all (including, among others, disclosure) requirements under Chapter 14A of the Hong Kong Listing Rules.

No transactions between connected persons (as defined in the Hong Kong Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company during the year ended 31 December 2016 in accordance with Chapter 14A of the Hong Kong Listing Rules.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's total issued shares during the Year and as at 31 December 2016.

Competing Business

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

Business Review

(a) Media Segment

The Group's business has now expanded into the digital arena, and the Group has made continuous efforts to streamline its publishing business, reallocating its resources to leverage and realize the value from its continuously growing digital platforms and services. During the Year, the Company disposed of its 100% shareholding in the company principally engaged in the publication of the magazine "New Monday" (新Monday), to an independent third party as further deploying resources for the print media has become unappealing. The disposal enables the Group to focus its existing resources to enhance its digital media business.

The NMG's branded websites have altogether reached a record high accumulated page view (PV) of over 1,106 million, with total unique visitors (UV) who visit a site at least once within the reporting period reaching 76 million, as recorded in Google Analytics from January to December 2016.

REPORT OF THE DIRECTORS (CONTINUED)

(b) Health Management Segment

In respect of international hospitals, the Group cooperated 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. The Group entered into a legally binding strategic cooperation agreement and a deepening cooperation agreement with Brigham and Women's Hospital on 14 March 2016 and 15 December 2016, respectively.

The first cooperation project of the two parties was "Boao Evergrande International Hospital-the Affiliated Hospital of Brigham and Women's Hospital", a hospital located in the International Medical Tourism Pilot Zone in Boao Lecheng, Hainan, China. The project introduced top-class international medical talent teams, technology, equipment and newest medicines, and aimed to formulate the best medical treatment plan based on the actual needs of the patient, thereby providing customized medical treatment; and precise medical treatment can be achieved through optimization of medical treatment with the use of pathological analysis and DNA testing technology. Meanwhile, the project also initiated advanced medical researches to provide patients with leading international cancer diagnoses, treatment and rehabilitation services. The project taps into the clinical research capabilities of Dana-Farber/Brigham and Women's Cancer Center. By establishing partnership with the United State's Evergrande Center for Immunologic Disease, the project stands at the forefront of basic research for immunotherapy.

The Brigham and Women's Hospital team participated from designing the hospital to hiring key personnel and doctors, and provided consultation services and support for the Group's nationwide medical network. Boao Evergrande International Hospital-the Affiliated Hospital of Brigham and Women's Hospital adopts an approach which is different from Chinese doctors' traditional approach. It adopts multi-discipline team-based clinical decision process, to which the Brigham and Women's Hospital provides support and participation. It also provides United States-trained doctors coupled with domestic medical staff to try to ensure the best treatment know-how while not losing sight of the specific needs of China's patients. Currently, the construction of the hospital is basically completed.

In respect of community medical treatment and elderly care, the Group adopted decentralization of healthcare into community setting, maximized usage of local healthcare resources, and minimized patient inconvenience by bringing care to patients. The Group also 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 provided 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. There are currently eleven pilot community health centers in nine provinces in China, which includes Guangzhou, Changsha, Nanchang, Wuhan, Chengdu, Jinan, Luoyang, Shijiazhuang and Shenyang. Meanwhile, the Group realised continuous medical services and healthcare education through the "Internet+" technology.

In respect of medical cosmetology and anti-aging, the Group endeavored to establish Evergrande Wonjin Medical Beauty Hospital in Tianjin which focused on the development of cosmetic surgery and bringing-in of the latest aesthetic know-how. It also carried out precise marketing for market expansion by refining its operation model, standards and procedures. On 16 May 2016, the Group entered into a strategic cooperation agreement with Tianjin Broadcasting Television Station, pursuant to which Evergrande Wonjin Beauty Hospital became the only designated skin management consultancy for the hosts of Tianjin Broadcasting Television Station, thereby further improving the brand recognition. Meanwhile, the Group adopts a hub-and-spoke model and successively sets up medical cosmetology centers in various prime cities such as Guangzhou and Beijing in the Year, aiming to provide convenient and light luxury skin management and anti-aging services at all time.

REPORT OF THE DIRECTORS (CONTINUED)

Permitted Indemnity Provisions

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

Auditor

The consolidated financial statements for the year ended 31 December 2016 and for the eighteen months ended 31 December 2015 were audited by PricewaterhouseCoopers ("PwC") while for the year ended 30 June 2014 were audited by Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to reappoint PwC as auditor of the Company.

On behalf of the board

Tan Chaohui
Chairlady

Hong Kong, 22 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

This environmental, social and governance report (the "ESG Report") aims to review the works and performance of the Group in respect of environment, society and governance in 2016, and discloses the practices of the Group in relation to the performance of social responsibility and its concept for sustainable development. At the same time, the Group proactively responds to important concerns of different stakeholders, and provides an interactive communication platform for stakeholders. This report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide of the listing rules of the Hong Kong Stock Exchange. This report mainly covers the health segment, the core business of Evergrande Health comprising of Internet+ community health management, international hospital, elderly care and rehabilitation, medical cosmetology and anti-aging, during the period from 1 January 2016 to 31 December 2016.

All data in this report is derived from third party questionnaires, third party commentaries and interviews, media coverage, government statistics and official documents or statistics reports of the Group. The Group guarantees that the report is free from false statements, misleading representations or material omissions.

Environmental, Social and Governance Strategy

Environmental, Social and Governance Directions and Objectives

Evergrande Health always believes that sustainable development and prolonged operations can only be achieved through maintaining harmony and unification with the society and the environment. Striving to become an "environmentally friendly" enterprise and adhering to the concept of green development, the Group implements different energy conservation measures in its hospital operation and ordinary course of business. Moreover, the Group enhances staff's awareness of environmental protection and energy conservation, aiming to minimize resources utilization and the impacts on surrounding environment, thus building a green, healthy environment. The Group strives to conduct compliance operation with honesty, and incorporates the concept of sustainable development into its corporate strategic plans and operation management, thus protecting the rights of stakeholders including shareholders, employees, suppliers and customers. Meanwhile, we actively perform our social responsibility as a corporate citizen. Coupled with our business and industry features, we offer high quality medical technology and services so as to achieve our dream of health and beauty for all. We also put great efforts on promoting the healthcare culture of Chinese medication, aiming to facilitate the comprehensive and rapid development of healthcare industry.

"One of the ultimate goals of the social development is to make the people have a healthy, happy and long-living life. Evergrande Health hopes that it can contribute to the healthy well-being of the Chinese people through its operations", says Tan Chaohui, the chairlady of Evergrande Health.

Involvement and Communication of Stakeholders

Consolidating its operations with features in the industry, the Group emphasizes the importance of trust and support from all walks of life to the sustainable development of the Company. The Group attaches great importance to the communication and exchange with its stakeholders. It establishes the diversified communication and interaction platform and mechanism, and actively listens to opinions of government authorities, industry associations, shareholders, employees, suppliers, customers and consumers. The Group listens to their recommendations and endeavors to fulfill their expectation and demands.

Stakeholder	Concerns and requirements of the stakeholder	Response and feedback from Evergrande Health	Communication channels with stakeholder
Government	Operates in accordance with the law, pays taxes and supports economic development.	Operates in compliance with the law, timely pays taxes and cooperates in tax review; responds to the national strategy of "building a healthy China", and actively promotes the development of the healthcare industry.	Communicates with relevant government authorities in respect of legal and compliance matters; and has established a contract and legal affairs department to handle legal matters.
Medical industry associations	Ensures that medical products are of good quality and meet the industry standards, and prevents the pollution caused by medical wastes.	Enhances the quality of products and services provided to meet the industry standards; and standardizes the procedures of medical waste treatment.	Hosts industry standard consultation and training, and participates in seminars and forums organized by industry associations.
Shareholders	Ensures that the Company manages to generate revenue on going-concern basis; the investment in the capital is safe; and the corporate information is disclosed completely, accurately, timely and effectively.	Gradually enhances the business management, governance and risk management standards, creates continuously and steadily increasing long-term value for investors, establishes a scientific, reasonable and effective corporate governance structure, and standardizes and optimizes the information disclosure system.	Holds general meetings, publishes annual reports, and makes announcements on the Company's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Stakeholder	Concerns and requirements of the stakeholder	Response and feedback from Evergrande Health	Communication channels with stakeholder
Employees	Provides fair competition and promotion opportunities; offers a healthy and safe working environment; and gives the employees the security of receiving remuneration and benefits.	Establishes a fair promotion platform, organizes diversified trainings; offers an excellent working environment; and optimizes the remuneration and benefit system.	Organises staff trainings, staff activities and an introduction class for new employees.
Suppliers	Provides fair, open and non-discriminatory tendering procedures and operates with honesty.	Standardizes an open and transparent tendering and procurement system, and standardizes supplier management and procedures.	Adopts open tendering and performs various projects in accordance with the contracts and the laws, and reviews and appraises the suppliers.
Customers and consumers	Offers safe products and quality services, and protects the privacy of customers and consumers.	Establishes a privacy protection system for customers.	Conducts customer visits, and provides different communication channels such as official website and WeChat.
Public	Actively participates in charity events, and performs corporate social responsibility.	Actively focuses on and participates in charity works.	Promotes media coverage, publishes annual reports, provides health talks and community voluntary medical consultation.

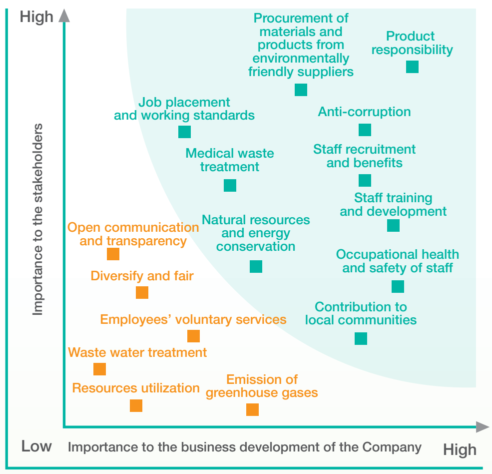
Evaluation on Important Matters

The Group has appointed independent third party professional institutions to organize and conduct communication and coordination works between internal and external stakeholders. This helps us further understand the expectations and requests of stakeholders, enhances communication between stakeholders, and increases the effectiveness and responsiveness of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Through various communication methods such as devising questionnaires and conducting telephone interviews, after taking into consideration the importance of relevant matters for stakeholders and their correlation with the businesses of Evergrande Health, we draw up a materiality matrix in respect of environment, society and governance, and identify the following material matters. Based on the selected material matters, we adjust the key matters of concern in respect of environmental, social and governance works, focus on areas which require improvement, and continue to improve the standards of environmental, social and governance management.

Materiality Matrix



Material matters

1	Product responsibility
2	Procurement of materials and products from environmentally friendly suppliers
3	Anti-corruption
4	Staff recruitment and benefits
5	Staff training and development
6	Occupational health and safety of staff
7	Job placement and working standards
8	Medical waste treatment
9	Natural resources and energy conservation
10	Contribution to local communities

Product Responsibility

Health and Safety of Medical Products and Services

In compliance with relevant laws and regulations in respect of health and safety matters of products and services and privacy issues in China and regions where the Group operates, including the Administrative Regulations on Medical Institutions, the Drug Administration Law of the People's Republic of China and the Law on Practicing Doctors of the People's Republic of China, the Group has formulated the quality and safety management system so as to ensure and secure health and safety of medical services and products.

We attach great importance to safety management to ensure medical service quality. In order to standardize procedures of different medical works and strictly control medical quality and safety, we have established the Hospital Medical Quality Management Committee. During the process of ensuring medical safety and quality management, the committee is responsible for:

- Establishing and optimizing medical safety and quality guarantee system for all hospitals;
- Maintaining various standards for medical quality evaluation, and organizing business trainings and appraisals for technicians;
- Conducting regular analysis and evaluation on medical safety issues, and formulating feasible rectification measures and proposals.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Through formulating key medical quality management systems, including the General Medical System for Hospitals (《醫院通用醫療制度》) and the System for Utilization, Repair, Maintenance and Management of Medical equipment (《醫療設備使用、維護、保養及管理制度》), we have established relevant medical quality guarantee measures and procedures, and continued to enhance the standards of medical services.

The materials used in our micro cosmetic injection and the prosthesis materials used in cosmetic surgeries such as breast augmentation and rhinoplasty have obtained authoritative certifications, including the US's FDA certification, the EU's CE certification and the China's SFDA certification. The materials for cosmetic surgery have passed long-term clinical safety test. We adopt safety protective measures throughout the whole surgery process. From pre-surgery comprehensive body check, psychological assessment and preoperative anesthesia to refined surgery operation, as well as 24-hour one-on-one post-surgery healthcare service, we offer "safety cabin mode" protection for patients.

Privacy protection and complaint handling

We strictly protect the privacy of customers and consumers and have formulated the Customer Privacy Protection System, specifying the obligations of the medical staff in protecting customers' privacy and regulating the medical services provided by the medical staff. "One doctor for one patient" services should be provided for the outpatients in order to fully protect customers' privacy. Besides, the Medical Department has designated personnel to process complaints from guests and family members of patients as well as investigating, verifying and handling the complaints according to the standards under the Complaint Handling Process for Medical Matters.

In addition, the hospitals have formulated the Management System on Medical History to strengthen the security management of the clinical history of customers. The hospitals have designated personnel and counters to be responsible for the file management for customers in order to prevent the leakage of private information of customers.

Advertisement and marketing

Pursuant to the Advertisement Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other applicable state and local laws and regulations, we have formulated standardized advertisement and marketing programs for products and services, prohibiting all contents which deviate from social values, such as violence, deception and pornography, and guiding the consumers to establish a healthy lifestyle and the concept of green consumption. We adhere to the bottom line of ethics of commercial advertisements and participate in market competition with objective, true and customized advertisements in order to build a corporate image with integrity and positivity. During the reporting period, the Group did not have any violation in relation to advertising, products and services.

Supply Chain Management

Supplier management is one of the critical sections of the safety and quality management systems for products and services. Being a participant in the medical industry, we understand that the safety of the sources of pharmaceutical materials and medical equipment poses direct influence on the quality of our products and services. We have formulated the eligibility criteria for business qualification and investigation and defined the qualification and size of suppliers in order to ensure our products meet the safety and environmental protection requirements.

Upon the formulation of the Tendering and Procurement Management System and its relevant practice guidelines, we have regulated the procurement process to create an open and transparent business environment. We select alternate suppliers among the industry leading enterprises with respect to the eligibility criteria for business qualification and the needs for the tendering and procurement projects and invite such suppliers to participate in the tendering.

Besides, we have formulated the Management Rules on Suppliers to regulate the procedures including admittance, selection, evaluation and elimination of suppliers. For example, we mainly perform quarterly grading and annual evaluation on suppliers. With respect to quarterly grading, we grade the suppliers in terms of three aspects, namely product and service quality, on-time delivery rate and improvement made. With respect to annual evaluation, we perform annual comprehensive evaluation on suppliers based on their quarterly grading results and classify the suppliers in three levels, A, B and C.

- A-grade suppliers: Excellent. They can become suppliers for the newly developed products and enter the selection criteria of supplier for the year;

- B-grade suppliers: Average. They need to make self-examination and improvement and we may assess the effect of rectification when necessary;

- C-grade suppliers: Unsatisfactory. We will issue warning on quality and require them to adopt rectification measures and we will assess the effect of rectification. We will also arrange on-site inspection and guidance when necessary.

Anti-Corruption

Pursuant to the state and local laws and regulations in relation to anti-corruption, bribery, extortion, fraud and money laundering, we adopt internal monitoring measures to monitor our compliance operations. In case our tendering and procurement personnel are discovered to be in violation of the tendering and procurement regulations or involve in other activities for the purpose of illicit profits, we will pass such case to the Inspection Office of the Group for inspection and punishment in a timely manner. In addition, as specified in the Reward and Punishment for Medical Personnel, we also prohibit our medical personnel from accepting or obtaining money or property from customers and their relatives and friends or trying to acquire other illicit benefits.

The Group has set up the Inspection Office as a dedicated management institution for cases of corruption. The Inspection Office is responsible for reporting the discovered corruption activities in violation of criminal laws to the state judiciary authorities for punishment according to the law. The Inspection Office has a dedicated hotline, e-mail and QQ to receive the complaints and whistle-blowing in relation to the corruption behavior of employees. The major zones in the official website also set up “Corruption Reporting” and “Complaint & Suggestion” sections to provide alternate channels on whistle-blowing for the public and create an open and clean business environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

We have always advocate cooperation with openness, integrity and honesty. The Inspection Office arranges all employees to watch videos on cautioning and the importance of incorruption every year and learn about the relevant matters to ensure their in-depth understanding on the harm of corruption to the Company as well as the individuals so as to maintain self-awareness on working with integrity. After watching the videos, the Inspection Office also arranges employees to attend study sessions on special topics, participate in group discussions and write down their feelings and experiences in order to raise the legal awareness and sense of responsibility of all employees, and emphasizes on professional ethics in respect of loyalty, conscientiousness, honesty and efficiency, thereby maintaining vigilance on corruption with unremitting efforts.

In 2016, there was no concluded litigation in relation to corruption, bribery, extortion, fraud and money laundering which were initiated against the Group or its employees.

Employment and Labor Relations

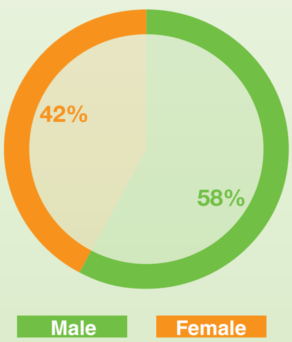
Employment Practice

We strictly comply with the state and local laws and regulations in relation to remuneration and dismissal, recruitment and promotion, working hours, holidays and anti-discrimination, including the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China.

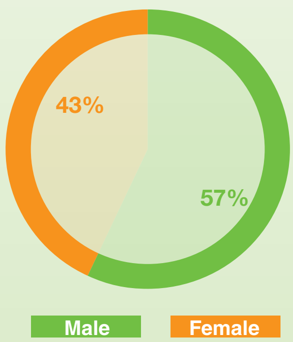
With reference to the international standard of human resource management, we have established a standardized human resources management system which integrates the corporate culture of "People Orientation, Livelihood Concern, Services for Public" within the Group. Adhering to the recruitment principle of being objective, fair and just as well as diversification, we provide equal employment opportunities for the people of different nationalities, races, ethnic groups, genders, sexual orientations and religions as well as the people with physical disabilities based on the employment criteria including working experience, technical skills and competency via various channels such as campus recruitment, social recruitment, internal referral and overseas recruitment.

We provide a wide development platform and promotion opportunities for our employees, aiming to achieve simultaneous growth of employees and the Company. In respect of internal promotion management, we have established a comprehensive appraisal and selection system. We conduct comprehensive, objective candidate selection and appraisal based on the principle of "fair, scientific selection of excellent candidate" so as to ensure employees capable of performing relevant positions can exploit their personal ability and potential. Meanwhile, the sound internal promotion system has formed a solid foundation for the establishment of the Group's talent team. The Group can achieve rapid, sustainable development with the assistance of excellent talent resources.

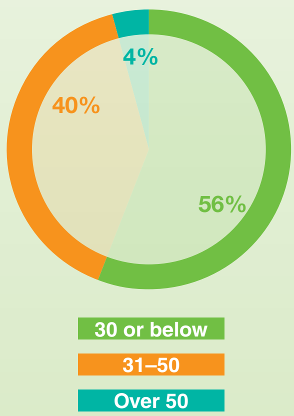
Gender Distribution



Gender Distribution of the Directors and Senior Management of the Group



Distribution of Age Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Remuneration and benefit

We enter into and terminate labor contracts with employees according to the law, and determine the remuneration for all employees based on their personal duties, ability and skills, experience and performance, as well as prevailing market salary rate. We provide our employees with competitive benefits including social security, housing provident fund, scholarship, pension, statutory holiday, travel holiday and annual body check, etc.

As at 31 December 2016, the Health Management Segment, a core business of Evergrande Health, had a total of 392 employees, and 42% of them were female. Female accounted for 57% of the directors and senior management of the Group.

Staff training and development

We attach great importance to staff development. In order to strengthen the training on the quality of medical personnel and cultivate professionals for modern medical science and technology, we have prepared the Training Guidelines for Quality of Medical Personnel. The guidelines regulate the training system of medical personnel with a training period of two years. The training comprises two sections: basic quality and business quality. The basic quality section consists of five aspects, namely regulation education, system education, discipline education, language training and appearance and deportment training. The business quality section consists of four aspects, namely basic theory training, professional technical training, foreign language training and scientific research and teaching quality training.

Teaching site of basic theory training

Teaching site of professional technical training

We provide guidance to medical personnel by organizing special lectures and academic activities, convening short-term training courses and full-time classes, and providing written materials including textbooks, handouts, compilations and periodicals.

According to the statistics, every employee received 55 hours of training in average in 2016.

Staff Health and Safety

We strictly comply with the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Rights and Interests of Labor (中華人民共和國勞動者權益保護法) and other applicable laws and regulations, dedicating ourselves to providing a safe and comfortable working environment for our staff. We actively promote a healthy living style, and regularly hold seminars with topics of health preservation and occupational disease prevention. Meanwhile, we have established the Health Preservation Healthcare Room of Evergrande Center as the health manager for all of our staff. The Health Preservation Healthcare Room can provide the staff with guidance in different aspects including common diseases treatment, one-to-one health management, body-check report analysis and weight management. We vigorously encourage the staff to concern about their health development, to choose a healthy living style, and to follow the concept of health preservation in order to involve in work with better health.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)


Group photo of "Working Happily and Living Healthily" staff activity

We actively organize various kinds of group recreational and sports activities, enriching staff's spare time with strengthening the cohesion of staff team. In March 2016, we held a Spring activity for staff with the theme of "Working Happily and Living Healthily", allowing the staff to fully relax and train their bodies, get close to nature, cultivate their temperament, and strengthen the communication and collaboration among the staff during the spare time apart from hectic work.

Labor Standard

We strictly comply with the laws and regulations related to labor interests in the People's Republic of China and relevant regions, including the Labor Contract Law of the People's Republic of China, and preclude the use of child labor and forced labor. We have formulated the Labor Discipline Management System to strictly stipulate the staff attendance without forcing staff to work overtime, and to arrange day off according to actual situation in order to ensure the staff's physical and mental health.

Environmental Protection

The Group strictly comply with the laws and regulations related to environmental protection and use of resources in the People's Republic of China and relevant regions, including the Environmental Protection Law of the People's Republic of China, prevent producing waste gases and greenhouse gases during the operation, and prevent discharging pollutants into water and on land. In respect of the medical waste generated by the operating activities, we have formulated the Medical Waste Management Provisions (醫療廢物管理規定), which specifically regulate the process of disposal of medical waste, in accordance with the Regulations on the Management of Waste from Medical Institutions issued by the NHFPC, and the Measures for Administrative Penalties against Medical Waste Management issued jointly by the NHFPC and the State Administration for Environmental Protection. We have adopted the principle of classified collection and disposal, which classifies medical waste into medical garbage and household garbage, and then separately places, collects and disposes of them. Medical garbage is required to be centrally collected and disposed by professional dispose units with hygiene licenses and operation licenses issued by local administrative department of health and environmental protection department. Household garbage is regularly and centrally collected by special personnel with hermetic containers, and transported on fixed routes to environmental protection department for disposal.

Striving to be environmentally responsible, the Group strictly regulates the utilization of electricity, water, paper and other resources in its ordinary operation, aiming to mitigate the adverse effects of the Company's operation on the environment. The Group actively advocates the concept of "green office", prohibits waste of resources, and puts great efforts in implementing different energy saving and consumption reduction measures. Pursuant to requirements under the office management system of the Group, employees are required to turn off power, light and water whenever there is no necessary use of resources. Fully leveraging on internet edges, the Group gradually realizes paperless office, and automatic duplex printing is set for saving paper. The Group implements registration system for taking office supplies, and encourages our employees to utilize office supplies in better ways. Meanwhile, we focus on the promotion and propaganda of environmental protection concept. Through trainings and various promotional campaigns, we actively promote the green office and living concept to our employees. We encourage our employees to practice the green and environmentally friendly concept starting from living details, thus helping the Company in maximizing energy and resources utilization.

In addition, no information in respect of "environment and natural resources" is reported and disclosed, as the Group's daily operation has caused tiny effect on the environment and natural resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Community Investment

We are committed to promoting the culture of health, and enhancing Chinese treatment and healthcare, thus facilitating the sustainable development of health industry and building a harmonious and healthy community. We have actively carried out a series of activities including free Health All-in-One body check, free community clinic and health promotion in order to popularize the health knowledge in communities and raise the health awareness of the public.

Free health examination

The Company actively carries out a series of activities including free health examination activities, free community clinic and health promotion in order to popularize the health knowledge in communities and raise the health awareness of the public. We examine various health indicators such as blood pressure, blood oxygen, mentality, electro cardio, blood glucose, weight, body fat analysis and body composition analysis through utilizing high-tech products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Free community clinic and free health consultation activities

The Company usually carries out free clinic and health consultation activities in communities, getting closer to the community residents, building up the trust with them and establishing a healthy community with them.

We regularly hold health promotion and health seminars in the communities with topics mainly covering common diseases, frequently-occurring diseases, chronic diseases, seasonal diseases and Chinese medical healthcare to popularize the health knowledge in communities and raise the health awareness of the public.

Forge and diffuse health culture

The Company actively organizes health voluntary teams comprised of the staff and community residents to initiate healthy sport projects such as briskly walking, Baduanjin qigong, Tai Chi and aerobics, and to exchange health information, striving to forge and diffuse health culture.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance for the Company within a sensible framework. The Company has complied throughout the Year with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rule, except as disclosed below.

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

Mr. Peng Sheng was appointed as an executive Director and the Chief Executive Officer of the Company with effect from 23 March 2016. Since then, the Company has fully complied with the Code provision A.2.1 throughout the year ended 31 December 2016.

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

Roles and Duties

Roles and Responsibilities of the Board and Management

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

Biographical details of the current members of the Board are set out on page 14 to page 15 of this annual report.

During the Year, the Board had at all times met the requirements of Rules 3.10 (1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Delegation to the Management

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

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

— Publication of final and interim results of the Company

— Dividend distribution or other distributions

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

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

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

— Non-exempted connected transaction/continuing connected transaction

— Proposed transaction requiring Shareholders' approval

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

— Financial assistance to Directors

CORPORATE GOVERNANCE REPORT (CONTINUED)

The attendance of individual Directors at the Board meetings, the meetings of the four Committees and general meetings held during the year ended 31 December 2016 is set out below:

Committees of the Board

The Company has set up the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board.

	No. of meetings attended/held					
	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**General Meeting**
Executive Directors						
Ms. Tan Chaohui *(Chairlady)* Note 1	5/5	N/A	Nil	2/2	Nil	0/1
Mr. Peng Sheng *(Chief Executive Officer)* (appointed with effect from 23 March 2016 and resigned with effect from 17 March 2017)	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Han Xiaoran	3/5	N/A	N/A	N/A	N/A	0/1
Mr. Tong Ming (resigned with effect from 23 March 2016)	1/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Chau Shing Yim, David Note 2	5/5	2/2	Nil	2/2	Nil	1/1
Mr. Guo Jianwen Note 3	5/5	2/2	Nil	2/2	Nil	0/1
Mr. Xie Wu Note 4	5/5	2/2	N/A	N/A	N/A	0/1

Note 1: member of the Remuneration Committee and Corporate Governance Committee and chairlady of the Nomination Committee
Note 2: chairman of the Audit Committee, Remuneration Committee and Corporate Governance Committee and member of the Nomination Committee
Note 3: member of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee
Note 4: member of the Audit Committee

Directors' Training

All Directors have complied with the code provision in relation to continuous professional development. This involved various forms of activities including attending a presentation given by an external professional party in respect of the new regime on disclosure, reading materials relevant to corporate governance and other regulatory requirements.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

All of the Directors who had served during the Year, namely, Ms. Tan Chaohui, Mr. Peng Sheng, Mr. Han Xiaoran, Mr. Chau Shing Yim, David, Mr. Guo Jianwen and Mr. Xie Wu attended the above-mentioned training sessions to develop and refresh their knowledge and skills. The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Hong Kong Listing Rules.

Audit Committee

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

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

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

i. Reviewed with the management/finance-in-charge and/or the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for the 18 months ended 31 December 2015 and interim financial statements for the 6 months ended 30 June 2016;

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

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

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

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

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

During the Year, 2 meetings were held by the Audit Committee, including meetings to approve and review interim financial statements (including accounting policies and practices adopted) of the Group for the 18 months ended 31 December 2015, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 35 of this Annual Report.

On 17 March 2017, the Audit Committee met to review the risk management and internal control systems of the Group, the annual financial statements and other reports for the Year and discussed any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval thereof. The Audit Committee recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2017 at the forthcoming annual general meeting of the Company.

Remuneration Committee

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

The specific written terms of reference of the Remuneration Committee is available on the Company's website. The Remuneration Committee is primarily responsible for making recommendation to the Board on (a) the Company's policy and structure for the remuneration of Directors and senior management; (b) the remuneration of non-executive Directors; (c) the specific remuneration packages of individual executive Directors and senior management; and (d) assessing performance of executive Directors, and approving executive directors' service contracts. Details of the remuneration of each of the Directors for the Year are set out in note 20 to the consolidated financial statements in this Annual Report.

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

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

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

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

No meeting was convened by the Remuneration Committee for the year ended 31 December 2016 as the Board did not put forward any material change in the prevailing remuneration package or amendment to the terms of employment of the Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Nomination Committee

A Nomination Committee has been established in accordance with the requirements of the Hong Kong Listing Rules. The Nomination Committee comprises two independent non-executive Directors, namely Mr. Chau Shing Yim, David and Mr. Guo Jianwen and one executive Director, namely Ms. Tan Chaohui (as the chairlady of the Nomination Committee). The Nomination Committee's terms of reference are basically the same as those set forth in code provision A.5.2 of the Code. During the Year, no changes were made to the terms of reference of the Nomination Committee.

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

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

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

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

iii. Recommended to the Board the nomination of Directors for election and re-election at the 2016 Annual General Meeting ("AGM").

As adopted by the Board, the Board Diversity Policy aims to achieve diversity on Board in the broadest sense in order to have a balance of skills, experience and diversity of perspectives appropriate to the business nature of the Company. Selection of candidates on the Board is based on a range of diversity perspectives, including gender, age, length of service, professional qualification and experience. The Nomination Committee also assesses the merits and contribution of any Director proposed for re-election or any candidate nominated to be appointed as Director and against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the existing Board.

During the Year, 2 meetings were held by the Nomination Committee to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The record of attendance of members at such meetings is set out on page 35 of this Annual Report.

Corporate Governance Committee

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

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

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

i. Reviewed the Corporate Governance Policy;

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

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

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

v. Reviewed the Company's compliance with the Code and disclosure in Corporate Governance Report.

Securities Transactions by the Directors

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

Directors' Responsibilities for the Financial Statements

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

The Directors are responsible for ensuring the maintenance of proper accounting records of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The reporting responsibilities of the external auditor, PwC, are set out in the Independent Auditor's Report on pages 46 to 51 of this Annual Report.

Risk Management and Internal Controls

Responsibility of the Board and the Management

The Board is responsible for the risk management and internal control system and for reviewing its effectiveness. The Board is responsible for evaluating and determining the nature and extent of risks the Group is willing to take in achieving the strategic objectives, and supervising the management in establishing and maintaining a suitable, effective risk management and internal control system. The management is responsible for establishing and maintaining effective risk management and internal control system, and reporting to the Board in respect of the effectiveness of relevant system.

Such risk management and internal control system aim to manage, rather than eliminate, the risk exposures in relation to operating goals which are not achieved yet, and can only provide reasonable but not absolute assurance against misstatements or losses.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Risk Management

During the Year, the Group had established the risk management system and structure, provided guidance for the commencement of risk evaluation works of different segments and conducted risk control activities on continuous basis through the following measures:

- **Organizational structure of risk management is established** — The organizational structure comprises of the decision-making party, served by the Audit Committee of Evergrande Health, and the execution party, served by the leading groups in business segments and the management of different segments. The Group has classified its risk management functions, and defined the direct management responsibility for risk management and the guidance on risk information reporting.

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

Role	Major Responsibility
The Board (the decision-making party)	■ Evaluates and determines the nature and acceptable extent of risks so as to ensure that the strategic objectives can be achieved ■ Ensures the establishment and maintenance of effective risk management and internal control system ■ Supervises the management in designing, implementing and supervising the risk management and internal control system
The Audit Committee (the decision-making party)	■ Reviews the structure of risk management and monitors its effectiveness on a continuous basis, and reviews the fundamental risk management system ■ Supervises the management in designing, implementing and supervising the risk management and internal control system ■ Monitors the frequency of the occurrence of material control default or discovery of material control weakness, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition
Senior management of the Group (the leader)	■ Facilitates the establishment of risk management system, and reviews the policy and mechanism in relation to the risk management on regular basis ■ Designs, implements and supervises the risk management of the Group, reports matters in relation to risk management to the Audit Committee on a regular basis, and reports and discloses significant risk information to the Audit Committee ■ Confirms to the Audit Committee on whether the risk management system is effective or not

CORPORATE GOVERNANCE REPORT (CONTINUED)

Role	Major Responsibility
Management of the Group's headquarter, and the management of segments under the Group and functional department of project company (the execution party)	■ Updates the risk exposure list of operations on a regular basis, and conducts relevant works such as risk identification and evaluation ■ Formulates and implements risk response plan of operations ■ Responsible for the execution and implementation of specific risk management measures ■ Controls various risk exposures in operations, and timely reports risk information to the coordinator and management of risk management matters ■ Conducts other works in relation to risk management
Internal audit function	■ Acts as risk management supervisory institution, responsible for supervising and evaluating the risk management works conducted by the Group and its business segments

- **Risk evaluation standard is established** — Base on the nature and operating features and strategic goals of the Group and its businesses, as well as the risk appetite of the management, the Group has established risk evaluation standards applicable to different business segments, adopted common evaluation methods and standards, and conducted evaluation on risk exposures which are most likely to affect the achievement of corporate goals.

- **Work flow for risk management work** — The Group has established risk management procedures (for details, please refer to Figure 1: Risk Management Procedures set out below), with major steps including identification, evaluation, response, control and report, so as to manage, mitigate and control risk exposures systematically. Centering on the operating goals of the Group and different business segments, major works include identifying risk factors affecting the achievement of such operating goals, evaluating possible and potential impacts of each specific risk, adopting specific measures in response to identified risk exposures, and continuously supervising and evaluating changes in risk exposure and timely adjusting response measures.

- **Frequency of risk management review is determined** — The frequency of evaluation and report on risk management of Evergrande Health has been determined (at least once for every year). The aforesaid key elements standardized the format and frequency of report through the Risk Management Manual of Evergrande Health.

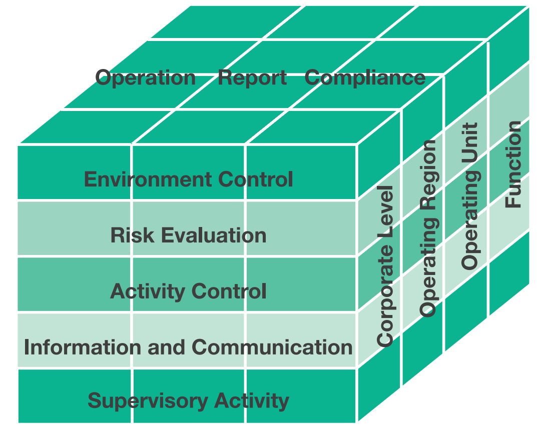
(Figure 1: Risk Management Procedures)

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Year, the Board of Evergrande Health had conducted a comprehensive review on risk management system through the Audit Committee. Moreover, with the assistance of external institution, the Board had identified top ten risks exposed to our operations and adjusted the response measures, determined departments responsible for risk management and the follow-up response measures and improvement directions, and reported to the Audit Committee on the evaluation results.

Internal Controls

With reference to the internal control and management framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission) (see Figure 2: Internal Control and Management Framework of COSO), Evergrande Health has established the internal control system which is suitable for the Group. The risk management system of the Group comprises of five elements, which are dependent, interact and cooperate with each other, thus ensuring the effectiveness of the internal control function of the Group. These five elements are: environment control, risk evaluation, activity control, information and communication, as well as supervisory activity.



(Figure 2: Internal Control and Management Framework of COSO)

As the major components of risk management, the internal control system of Evergrande Health was established based on various risks exposed to the Group. Focusing on procedures in relation to financial, operational and compliance matters, each person in the management of the Group's headquarter, segments and different departments under the Group has formulated a series of policy and procedure, and supervised the execution and effectiveness of relevant policies and procedures.

Internal Audit

Evergrande Health has established its internal audit functional department. The management has established improvement plans on defaults and weakness discovered during an internal audit, and the internal audit department will take follow-up action regularly so as to ensure relevant improvement measures can be timely executed.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Review on Risk Management and Internal Control System

During the Year, the Board of Evergrande Health had conducted a comprehensive review on the risk management and internal control system of the Group through the Audit Committee. The period under review covered the accounting year of 2016. The scope of review covered the Group and its business segments, primarily focuses on review of major controls, including financial control, operating control and compliance control. Such review had considered the changes in nature and level of severity of material risks and the capability of the Group in handling business changes. The Board considers that the relevant systems are effective and sufficient.

After reviewing the resources allocated to accounting, internal control and financial reporting, the qualification and experience of responsible staff, as well as training programs for staff and relevant budgets, the Audit Committee considers that they are sufficient.

Framework for Disclosure of Inside Information

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

Auditor's Remuneration

For the Year, the remuneration paid and payable for audit services amounted to approximately HK$1,860,000 and non-audit services regarding the review of interim financial statements and other assurance and non-assurance engagements rendered to the Group amounted to approximately HK$1,111,000.

Amendments to the Company's Constitutional Documents

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Communication with Shareholders

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

There is regular dialogue with institutional shareholders and general presentations are usually made when financial results are announced. Shareholders and investors are welcome to visit the Company's website and raise enquires through our Investor Relations Department whose contact details are available on the Company's website and the "Corporate and Shareholder Information" section of this Annual Report.

Separate resolutions are proposed at the general meetings for each substantially separate issue, including the re-election of retiring Directors. The Company's notice to Shareholders for the 2016 AGM was sent to Shareholders at least 20 clear business days before the meeting.

The chairperson of the annual general meeting, chairperson/chairman/members of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee and the external auditors were available at the 2016 AGM to answer questions from the Shareholders. The Chairperson of the meeting had explained the procedures for conducting a poll during the meeting.

The forthcoming annual general meeting of the Company is planned to be held on 1 June 2017, the voting of which will be conducted by way of poll.

Shareholders' Rights

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

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

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

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

Enquires from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Secretaries Limited. Other Shareholders' enquiries can be directed to the Investor Relations Department of the Company whose contact details are shown on the "Corporate and Shareholder Information" section of this Annual Report.

Disclaimers

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

Investor Relationship

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors. During the year ended 31 December 2016, the Directors and senior management of the Company participated in several roadshows and investment meetings. Additionally, the Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

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

By telephone: (852) 2287 9208/2287 9218/2287 9207
By post: Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong

Review of Consolidated Financial Information

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2016.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE MEMBERS OF EVERGRANDE HEALTH INDUSTRY GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Evergrande Health Industry Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 119, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Health Management Segment — Recoverability assessment on properties under development and completed properties held for sale

- Media Segment — Recoverability assessment on property, plant and equipment

Key Audit Matter	How our audit addressed the Key Audit Matter
Health Management Segment — Recoverability assessment on properties under development and completed properties held for sale Refer to Notes 4(a) and 10 to the consolidated financial statements. The Group holds properties that are health and living project for sales to third parties under the Health Management Segment. Properties under development and completed properties held for sale amounted to approximately HK$883,473,000 as at 31 December 2016, accounting for approximately 28% of the Group's total assets. Management assessed the recoverability of the carrying amounts of properties under development and completed properties held for sale (including land use rights for property development) according to their expected recoverable amounts, taking into account the anticipated costs to completion based on the Group's past experience and the expected net sales value based on prevailing market conditions. No provision was made based on management's assessment.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and tested the internal control over the Group's process in determining the costs to completion and net sales value in the recoverability assessment of the Group's properties. (ii) We assessed the Group's estimates of the anticipated costs to completion for properties under development by reconciling the anticipated costs to completion to the approved budgets and checking material differences to supporting documentation. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar types of completed properties in similar locations. We also checked the adjustments to the supporting document.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this recoverability assessment because of the use of significant estimates and judgements by management in determining the costs to completion and net sales value described above.	(iii) We challenged management's assumptions when determining the expected net sales value based on prevailing market conditions by: • On a sample basis, comparing the estimated selling prices of the Group's properties to its most recent transactions of the Group's properties under sales or presales, or the prevailing market price of the similar type of properties in similar location based on our research of publicly available resources; • Analysing the Group's historical selling expenses to selling price ratio and assessing whether management's estimated selling expenses were within such range. Based on the above, we found that management's estimates and judgements used in the recoverability assessment on properties under development and completed properties held for sale are supported by the available evidences.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Media Segment — Recoverability assessment on property, plant and equipment Refer to Notes 2(i), 4(b) and 6 to the consolidated financial statements. Media Segment recorded a loss for the current year (excluding gain from disposal of a subsidiary to a third party) which gave rise to an impairment indicator on the Media Segment to which the property, plant and equipment belong. As at 31 December 2016, the carrying value of the segment's property, plant and equipment amounted to HK$16,301,000. Management assesses on each balance sheet date whether the segment's property, plant and equipment are impaired. The recoverable amount of the property, plant and equipment is supported by the management's forecast on the segment's discounted cash flows. Management considered that no impairment provision is necessary for the year ended 31 December 2016. We focused on this area as the recoverability assessment requires significant judgement of management to determine the key assumptions used in the future cash flow forecast and there is a risk that any adverse change in such forecast impact the recoverable amount of the property, plant and equipment.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and tested the key controls over the preparation and approval of the future cash flow forecast of the Media Segment. (ii) With regard to the recoverability assessment performed by management, we tested the underlying calculation and agreed the future cash flow forecast to the latest budget approved by the board of directors. In addition, we tested the key assumptions used in the future cash flow forecast. We tested the revenue growth rate by comparing it with the Group's historical data and corroborating with the development plan based on our discussion with the operational management. We also tested the discount rate and terminal growth rate by benchmarking them to the rates used by similar companies in the market. (iii) We also tested management's sensitivity analysis on revenue growth rate and discount rate to consider the potential impact of reasonable plausible changes to those assumptions. Based on the results of our work, we considered that the key assumptions used by management in this recoverability assessment were within an acceptable range and supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6(a)	284,622	88,177
Land use rights	6(b)	253,315	—
Goodwill	7	695	695
Intangible assets	9	6,334	2,699
Deferred income tax assets	17	4,185	3,413
Long-term prepayments	8	272,393	154,617
		821,544	249,601
Current assets			
Inventories		836	3,071
Properties under development	10(a)	741,258	—
Completed properties held for sales	10(b)	142,215	—
Trade and other receivables	8	218,549	103,090
Income tax recoverable		—	1,584
Cash and bank balances	11(a)	1,155,475	442,614
Restricted deposits	11(b)	75,406	60,482
		2,333,739	610,841
Total assets		3,155,283	860,442
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	282,271	282,271
Retained earnings		223,474	181,046
Reserves	14	113,229	106,437
		618,974	569,754
Non-controlling interests		14,726	10,059
Total equity		633,700	579,813

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2016

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	**847,615**	75,000
Loans from fellow subsidiaries	31	**405,018**	49,918
Deferred income tax liabilities	17	**140**	1,153
		1,252,773	126,071
Current liabilities			
Borrowings	16	**537,120**	58,300
Trade and other payables	15	**590,948**	58,863
Receipt in advance	15	**140,682**	37,080
Current income tax liabilities		**60**	315
		1,268,810	154,558
Total liabilities		**2,521,583**	280,629
Total equity and liabilities		**3,155,283**	860,442
Net current assets		**1,064,929**	456,283
Total assets less current liabilities		**1,886,473**	705,884

The consolidated financial statements on pages 52 to 119 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf.

Tan Chaohui
Director

Han Xiaoran
Director

The notes on pages 58 to 119 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Revenue	5	528,132	638,260
Cost of sales	18	(326,483)	(415,179)
Gross profit		201,649	223,081
Other gains, net	21	23,992	136,547
Other income	22	40,404	1,956
Selling and marketing costs	18	(68,076)	(122,619)
Administrative expenses	18	(109,880)	(144,623)
Operating profit		88,089	94,342
Finance income	23	27,305	2,223
Finance costs	23	(5,468)	(3,614)
Finance income/(costs), net		21,837	(1,391)
Profit before income tax		109,926	92,951
Income tax (expense)/credit	24	(51,373)	3,513
Profit for the year/period		58,553	96,464
Other comprehensive income:			
Items that may be reclassified to profit and loss:			
Currency translation differences		(38,276)	(3,054)
Total comprehensive income for the year/period		20,277	93,410
Profit attributable to:			
— Owners of the Company		51,736	99,876
— Non-controlling interests		6,817	(3,412)
		58,553	96,464
Total comprehensive income attributable to:			
— Owners of the company		15,610	97,380
— Non-controlling interests	25(b)	4,667	(3,970)
Total comprehensive income for the year/period		20,277	93,410
Earnings per share			
— Basic and diluted	27	HK0.599 cents	HK1.156 cents

The notes on pages 58 to 119 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Special reserve HK$'000	Capital contribution reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 30 June 2014	282,271	90,700	796	–	–	82,293	456,060	–	456,060
Comprehensive income									
Profit for the period	–	–	–	–	–	99,876	99,876	(3,412)	96,464
Other comprehensive income									
Currency translation difference	–	–	–	–	(2,496)	–	(2,496)	(558)	(3,054)
Total other comprehensive income for the period	–	–	–	–	(2,496)	–	(2,496)	(558)	(3,054)
Total comprehensive income	–	–	–	–	(2,496)	99,876	97,380	(3,970)	93,410
Transactions with owners in their capacity as owners									
Deemed contribution from fellow subsidiaries	–	–	–	17,437	–	–	17,437	–	17,437
Contribution from a non-controlling interest	–	–	–	–	–	–	–	3,680	3,680
Final dividend paid (Note 26)	–	–	–	–	–	(1,123)	(1,123)	–	(1,123)
Disposal of interest in a subsidiary without change of control (Note 34(b))	–	–	–	–	–	–	–	10,339	10,339
Acquisition of a subsidiary (Note 33)	–	–	–	–	–	–	–	10	10
Total transactions with owners in their capacity as owners	–	–	–	17,437	–	(1,123)	16,314	14,029	30,343
Balance at 31 December 2015	282,271	90,700	796	17,437	(2,496)	181,046	569,754	10,059	579,813

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Special reserve HK$'000	Capital contribution reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 year	–	–	–	–	–	–	51,736	51,736	6,817	58,553
Other comprehensive income										
Currency translation difference	–	–	–	–	(36,126)	–	–	(36,126)	(2,150)	(38,276)
Total other comprehensive income for the year	–	–	–	–	(36,126)	–	–	(36,126)	(2,150)	(38,276)
Total comprehensive income	–	–	–	–	(36,126)	–	51,736	15,610	4,667	20,277
Transactions with owners in their capacity as owners										
Deemed contribution from fellow subsidiaries	–	–	–	33,610	–	–	–	33,610	–	33,610
Transfer to statutory reserve	–	–	–	–	–	9,308	(9,308)	–	–	–
Total transactions with owners in their capacity as owners	–	–	–	33,610	–	9,308	(9,308)	33,610	–	33,610
Balance at 31 December 2016	282,271	90,700	796	51,047	(38,622)	9,308	223,474	618,974	14,726	633,700

The notes on pages 58 to 119 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	28(a)	(256,747)	18,007
Interest paid		(2,592)	(2,299)
Income tax paid		(27,858)	(3,377)
PRC land appreciation tax paid		(23,971)	—
Net cash (used in)/generated from operating activities		(311,168)	12,331
Cash flows from investing activities			
Purchases of property, plant and equipment		(98,081)	(59,141)
Purchases of intangible assets		(5,937)	(2,815)
Purchases of land use rights		(268,390)	—
Interest received		27,305	3,388
Proceeds from disposal of property, plant and equipment	28(b)	1,057	110
Deposit for acquisition of land use rights	8	(223,762)	(153,867)
Deposit for acquisition of property, plant and equipment	8	(48,631)	(750)
Acquisition of a subsidiary, net of cash acquired	33	—	3,876
Cash inflow from disposal of a subsidiary holding a property	34(a)	—	414,648
Cash outflow to disposal of a subsidiary	34(c)	(1,730)	—
Restricted deposits		(14,924)	(60,482)
Net cash (used in)/generated from investing activities		(633,093)	144,967
Cash flows from financing activities			
Proceeds from interest-bearing borrowings	16	1,395,335	133,300
Repayments and release of borrowings	16	(58,300)	—
Proceeds from loans from fellow subsidiaries		355,100	49,918
Cash inflow from disposal of interest in a subsidiary without change of control	34(b)	—	10,339
Dividends paid to the Company's shareholders	26	—	(1,123)
Contribution from a non-controlling interest		—	3,680
Net cash generated from financing activities		1,692,135	196,114
Net increase in cash and cash equivalents		747,874	353,412
Cash and cash equivalents at beginning of year/period		442,614	90,238
Exchange loss on cash and cash equivalents		(35,013)	(1,036)
Cash and cash equivalents at end of year/period, representing bank balances and cash	11(a)	1,155,475	442,614

The notes on pages 58 to 119 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$") thousands, unless otherwise stated.

Pursuant to a resolution of the Board of Directors dated 6 July 2015, the Company's financial year end date was changed from 30 June to 31 December to align with that of China Evergrande Group, an intermediate holding company. Accordingly, the comparative figures covered an eighteen-month period from 1 July 2014 to 31 December 2015, which may not be comparable with the amounts shown for the current year.

Key events

On 27 January 2016, the Group won a bidding on a land use right at Sanya, Hainan Province, the People's Republic of China (the "PRC"), at a consideration of RMB491,000,000 (equivalent to approximately HK$583,135,000). During the year ended 31 December 2016, the Group was constructing an international hospital and other elderly care facilities including health and living project.

On 26 June 2016, New Media Group Limited, a subsidiary of the Company, entered into a sale and purchase agreement with Top Wheel Holdings Limited, an independent third party, to dispose of 100% issued shares in New Monday Publishing Limited, which was a subsidiary of the Group, at a consideration of HK$200,000. New Monday Publishing Limited was principally engaged in the publishing of the local magazine named "NM+ New Monday" which provides advertising platform for advertisers focusing on trend-loving young generation. The details of the disposal are disclosed in Note 34(c) to the consolidated financial statements.

On 5 December 2016, the Group won a bidding on another land use right at Xian, Sanxi Province, the PRC through public tender, at a consideration of RMB733,300,000 (equivalent to approximately HK$819,778,000). The land will be used for the construction of "Health & Wellness Living" projects.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap 622. The consolidated financial statements have been prepared under the historical cost convention.

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

(i) Going concern

The Group meets its day-to-day working capital requirements through its internal resources, bank facilities, borrowings and loans from fellow subsidiaries. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(ii) New standards and amendments to existing standards adopted by the Group

The following new standards and amendments to existing standards are mandatory for the first time for the financial period beginning 1 January 2016. The adoption of these new and amended standards does not have any significant impact to the results or financial position of the Group.

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

The adoption of the above new standards and amendments to existing standards do not have significant impact on the consolidated financial statements, other than certain disclosures.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New standards and amendments to existing standards have been issued but are not effective for the financial period beginning 1 January 2016 and have not been early adopted by the Group:

HKAS 7 (Amendments)	Changes in liabilities arising from financial activities[1]
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[4]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date is to be determined by the International Accounting Standard Board.

The Group has already commenced an assessment of the impact of these new standards and amendments to existing standards, certain of which are relevant to the Group's operations.

The amendments to HKAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 9 replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New standards and amendments to existing standards have been issued but are not effective for the financial period beginning 1 January 2016 and have not been early adopted by the Group: (Continued)

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

At this stage, the Group is not able to estimate the impact of HKFRS 15 on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group is a lessee of certain premises, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy as set out in Note 2 (z). Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the statement of financial position. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on or after 1 January 2019.

There are no other new standards and amendments to existing standards that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Summary of significant accounting policies (Continued)

(b) Consolidation

(i) Subsidiaries

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

(ii) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(ii) Business combinations (Continued)

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

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

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

(iv) Disposal of subsidiaries

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

(c) Separate financial statements

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

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

(d) Segment reporting

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

2 Summary of significant accounting policies (Continued)

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(f) Property, plant and equipment

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

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

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

Leasehold land and building	Shorter of 36 years and unexpired terms of the relevant lease
Leasehold improvements	10 years
Machinery and equipment	3 to 10 years
Furniture, fixtures and office equipment	3 to 6 years

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Summary of significant accounting policies (Continued)

(g) Goodwill

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

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

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

(h) Intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives of 5 to 10 years.

(i) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets

(i) Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise as "trade and other receivables", "cash and bank balances" and "restricted cash" in the consolidated balance sheet.

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(ii) Recognition and measurement

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

(iii) Offsetting financial instruments

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

(k) Impairment of financial assets carried at amortised cost

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(k) Impairment of financial assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists.

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

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

(l) Properties under development

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

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

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

(m) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (Continued)

(o) Trade and other receivables

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

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

(p) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalent includes cash in hand and bank deposits.

(q) Share capital

Ordinary shares are classified as equity.

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

(r) Trade and other payables

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

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

(s) Current and deferred income tax

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

(i) Current income tax

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

2 Summary of significant accounting policies (Continued)

(s) Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

(t) Borrowings

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

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

2 Summary of significant accounting policies (Continued)

(u) Borrowing costs

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

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

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(v) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

(iii) Bonus plans

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

2 Summary of significant accounting policies (Continued)

(v) Employee benefits (Continued)

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(w) Provisions

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

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

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

(x) Contingent liabilities

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

A contingent liability is not recognised but is disclosed in the notes to the financial statements.

(y) Revenue and income

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

(i) Advertising income

Advertising income is recognised upon the publication of the edition in which the advertisement is placed.

2 Summary of significant accounting policies (Continued)

(y) Revenue and income (Continued)

(ii) Circulation income

Circulation income represents sales of magazines and books, which is recognised when the publications are delivered and title has passed, net of any allowances for returned unsold copies.

(iii) Digital business income

Digital business income represents revenue from provision of digital services platform, which is recognised when services are provided.

(iv) Provision of magazine content

Revenue from the provision of magazine content is recognised on a straight-line basis over the relevant contract period.

(v) Income from medical cosmetology and health management

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

(vi) Sales of health and living project

Revenue from sales of health and living project is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheet under current liabilities.

(vii) Income recognised upon expiry of prepaid card

Prepaid cards are issued and sold to customers, and the receipts in respect of which are deferred and recognised as “receipts in advance” on the consolidated balance sheet. The Group implements a contractual expiry policy for these cards under which any unutilised prepayments are fully recognised in the consolidated statement of comprehensive income upon their expiry.

(viii) Interest income

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

2 Summary of significant accounting policies (Continued)

(z) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit and loss on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

Land use rights under operating lease, which mainly comprised land use rights to be developed for self-use buildings, are stated at cost and subsequently amortised in the profit and loss on a straight-line basis over the operating lease periods, less accumulated impairment provision.

(aa) Dividend distribution

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

3 Financial risk management

(a) Financial risk factors

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

The Group's major financial instruments include trade and other receivables, cash and bank balances, restricted cash, trade and other payables, receipt in advance, borrowings and loans from fellow subsidiaries. The Group manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

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

As at 31 December 2016, if HK$ had weakened/strengthened by 5% against Renminbi ("RMB"), with all other variables held constant, post-tax profit for the year ended 31 December 2016 would decrease/increase by approximately HK$45,970,000 (eighteen months ended 31 December 2015: increase/decrease by approximately HK$2,500,000).

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk

The Group's interest rate risk arises from cash and cash equivalents, borrowings and loans from fellow subsidiaries. Cash and cash equivalents and borrowings at variable rates expose the Group to cash flow interest rate risk. Loans from fellow subsidiaries at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2016, if interest rate on cash and cash equivalents, borrowings and loans from fellow subsidiaries had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2016 would increase/decrease by approximately HK$4,814,000 (eighteen months ended 31 December 2015: increase/decrease by approximately HK$773,000).

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

(iii) Credit risk

The credit risk of the Group mainly arises from trade and other receivables and deposits with banks. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of the reporting period is the carrying amount of those assets as stated in the consolidated balance sheet at the end of the reporting period.

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

The Group has concentration of credit risk as the Group's trade receivables as at 31 December 2016 of approximately HK$23,103,000 (2015: HK$35,200,000) were derived from a few advertising agencies and a sole distributor of the Group, representing the top five customers of the Group. They are assessed by the management as high credit rating customers. In order to minimise the credit risk, the directors of the Group continuously monitor the level of exposure to ensure that follow-up actions and/ or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. The Group has no significant concentration of credit risk for the remaining trade receivables, with exposure spread over a number of counterparties and customers.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and with good reputation.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

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

	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Total HK$'000
At 31 December 2016			
Borrowings including accrued interests	**607,487**	**958,587**	**1,566,074**
Loans from fellow subsidiaries including imputed interests	**—**	**456,065**	**456,065**
Trade and other payables	**474,854**	**—**	**474,854**
Total	**1,082,341**	**1,414,652**	**2,496,993**
At 31 December 2015			
Borrowings including accrued interests	63,290	76,917	140,207
Loans from fellow subsidiaries including imputed interests	—	67,355	67,355
Trade and other payables	56,119	—	56,119
Total	119,409	144,272	263,681

3 Financial risk management (Continued)

(b) Capital risk management

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

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

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

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Interest-bearing borrowings	**1,384,735**	133,300
Total assets	**3,155,283**	860,442
Gearing ratio	**43.9%**	15.5%

The increase in the gearing ratio as at 31 December 2016 was primarily due to the increase in total borrowings.

(c) Fair value estimation

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

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

The nominal value less impairment provisions of trade and other receivables approximate their fair values due to their short maturities. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Critical accounting estimates and assumptions

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

(a) Provision for properties under development and completed properties held for sale

Properties represent health and living project. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(b) Impairment of non-financial assets

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(c) PRC corporate income taxes and deferred taxation

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

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

(d) PRC land appreciation taxes

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

5 Segment information

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

Media: Magazine publishing, distribution of magazines, 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

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

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Media Segment:		
Advertising income	**165,729**	438,078
Circulation income	**46,951**	101,832
Digital business income	**65,426**	39,739
Provision of magazine content	**909**	2,331
	279,015	581,980
Health Management Segment:		
Income from medical cosmetology and health management	**64,755**	56,280
Sales of health and living project	**184,362**	—
	249,117	56,280
	528,132	638,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Segment information (Continued)

(b) Geographical information

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

	Revenue from external		Non-current assets	
	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000	31 December 2016 HK$'000	31 December 2015 HK$'000
Hong Kong	274,052	580,449	16,997	26,334
PRC	254,080	57,811	800,362	219,854
	528,132	638,260	817,359	246,188

(c) Segment revenue and results

The segment information provided to the CODM for the year ended 31 December 2016 and the eighteen months ended 31 December 2015 is as follows:

	Year ended 31 December 2016		
	Media HK$'000	Health Management HK$'000	Total HK$'000
Segment revenue and revenue from external customers	279,015	249,117	528,132
Segment results	1,144	91,287	92,431
Corporate expenses			(8,563)
Finance income			26,058
Profit before income tax			109,926
Income tax expense			(51,373)
Profit for the year			58,553
Other segment items:			
Additions to property, plant and equipment	696	230,370	231,066
Additions to land use rights	—	268,390	268,390
Depreciation	(9,610)	(10,565)	(20,175)
Amortisation	—	(6,008)	(6,008)
Interest income	19	1,228	1,247
Interest expense	(3,547)	(1,921)	(5,468)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Segment information (Continued)

(c) Segment revenue and results (Continued)

	Eighteen months ended 31 December 2015		
	Media HK$'000	Health Management HK$'000	Total HK$'000
Segment revenue and revenue from external customers	581,980	56,280	638,260
Segment results	117,436	(17,381)	100,055
Corporate expenses			(8,565)
Finance income			1,461
Profit before income tax			92,951
Income tax credit			3,513
Profit for the period			96,464
Other segment items:			
Additions to property, plant and equipment	13,367	68,220	81,587
Depreciation	(26,191)	(4,742)	(30,933)
Amortisation	—	(31)	(31)
Interest income	762	—	762
Interest expense	(3,190)	(424)	(3,614)

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

	Media HK$'000	**Health Management** HK$'000	**Total** HK$'000
As at 31 December 2016			
Segment assets	**138,373**	**2,478,004**	**2,616,377**
Corporate assets			**538,906**
Total assets			**3,155,283**
As at 31 December 2015			
Segment assets	137,748	302,958	440,706
Corporate assets			418,152
Tax recoverable			1,584
Total assets			860,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Segment information (Continued)

(d) Information about major customer

Revenue from customer of the corresponding year/period contributing over 10% of the total sales of the Group is as follows:

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Customer A	–	96,341

Customer A is a sole distributor of the magazines published by the Group. The revenue is attributable to the Media Segment.

6 Property, plant and equipment and land use rights

(a) Movements of property, plant and equipment

	Leasehold land and building HK$'000	**Leasehold improvements** HK$'000	**Machinery and equipment** HK$'000	**Furniture, fixtures and office equipment** HK$'000	**Total** HK$'000
At 30 June 2014					
Cost	267,693	62,160	15,362	69,666	414,881
Accumulated depreciation	(16,731)	(15,349)	(10,545)	(52,867)	(95,492)
Net book amount	250,962	46,811	4,817	16,799	319,389
Period ended 31 December 2015					
Opening net book amount	250,962	46,811	4,817	16,799	319,389
Currency translation differences	–	–	(1,625)	(309)	(1,934)
Acquisition of a subsidiary (Note 33)	–	–	290	–	290
Disposal of a subsidiary holding a property (Note 34(a))	(246,032)	(33,927)	–	–	(279,959)
Additions	–	5,060	58,141	18,386	81,587
Disposals (Note 28(b))	–	(61)	(114)	(88)	(263)
Depreciation (Note 18)	(4,930)	(6,042)	(6,536)	(13,425)	(30,933)
Closing net book amount	–	11,841	54,973	21,363	88,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Property, plant and equipment and land use rights (Continued)

(a) Movements of property, plant and equipment (Continued)

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
As at 31 December 2015					
Cost	19,848	71,186	86,213	—	177,247
Accumulated depreciation	(8,007)	(16,213)	(64,850)	—	(89,070)
Net book amount	11,841	54,973	21,363	—	88,177
Year ended 31 December 2016					
Opening net book amount	**11,841**	**54,973**	**21,363**	**—**	**88,177**
Currency translation differences	**—**	**(3,860)**	**(136)**	**(8,930)**	**(12,926)**
Disposal of a subsidiary (Note 34(c))	**(186)**	**(18)**	**(448)**	**—**	**(652)**
Additions	**9**	**456**	**5,930**	**224,671**	**231,066**
Disposals (Note 28(b))	**—**	**(169)**	**(699)**	**—**	**(868)**
Depreciation (Note 18)	**(1,921)**	**(9,702)**	**(8,552)**	**—**	**(20,175)**
Closing net book amount	**9,743**	**41,680**	**17,458**	**215,741**	**284,622**
As at 31 December 2016					
Cost	**19,536**	**65,362**	**85,376**	**215,741**	**386,015**
Accumulated depreciation	**(9,793)**	**(23,682)**	**(67,918)**	**—**	**(101,393)**
Net book amount	**9,743**	**41,680**	**17,458**	**215,741**	**284,622**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Property, plant and equipment and land use rights (Continued)

(a) Movements of property, plant and equipment (Continued)

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Cost of sales	**9,335**	4,118
Selling and marketing costs	**394**	166
Administrative expenses	**10,446**	26,649
	20,175	30,933

As at 31 December 2016, there was no pledge of property, plant and equipment by the Group. As at 31 December 2015, the Group pledged leasehold land and building with a net book value of approximately HK$250,962,000 to secure general undrawn banking facilities amounting to HK$60,000,000 granted to the Group. The banking facilities was not available to the Group since the disposal of a subsidiary holding a property which holds the pledged leasehold land and building (Note 34(a)).

(b) Movements of land use rights

Land use rights are related to properties outside Hong Kong, held on leases of over 40 years:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Additions	**268,390**	—
Currency translation differences	**(11,041)**	—
Amortisation	**(4,034)**	—
	253,315	—

Land use rights comprise cost of acquiring rights to use certain lands located in the PRC.

7 Goodwill

	HK$'000
At 1 July 2014, 31 December 2015 and 31 December 2016	695

7 Goodwill (Continued)

The goodwill is allocated to the cash generating unit ("CGU") of the magazine operated by Weekend Weekly Publishing Limited ("Weekend Weekly"). As at 31 December 2016, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the CGU is determined based on value-in-use calculations.

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering five-year period. Cash flow beyond five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Discount rate	8%	8%
Constant growth rate	1%	1%

Management of the Group determines that there was no impairment of CGU containing goodwill at the end of the reporting period.

8 Prepayments, trade and other receivables

	31 December 2016 HK$'000	31 December 2015 HK$'000
Trade receivables	121,006	81,857
Less: allowance for doubtful debts	(686)	(307)
	120,320	81,550
Prepayments	284,357	160,319
Deposits	9,846	6,999
Other receivables from:		
— third parties	10,149	4,916
— related companies (Note 32(a)(iv))	66,270	3,923
	490,942	257,707
Less: non-current portion:		
— prepayments for land use rights	(223,762)	(153,867)
— prepayments for property, plant and equipment	(48,631)	(750)
	(272,393)	(154,617)
Current portion	218,549	103,090

8 Prepayments, 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 at the reporting date, which approximated the respective revenue recognition date:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Age		
0–90 days	**101,097**	64,592
91–180 days	**15,842**	16,192
Over 180 days	**3,381**	766
	120,320	81,550

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately HK$30,724,000 (2015: HK$56,294,000), which are past due at the end of the reporting period for which the Group has not provided allowance as there has not been a significant change in credit quality and the Group believes that the amounts are 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

	31 December 2016 HK$'000	31 December 2015 HK$'000
1 to 90 days	**26,312**	48,521
91–180 days	**3,695**	7,181
Over 180 days	**717**	592
	30,724	56,294

8 Prepayments, trade and other receivables (Continued)

Movements in the allowance for doubtful debts

	31 December 2016 HK$'000	31 December 2015 HK$'000
Balance at beginning of year/period	**307**	377
Amounts written off as uncollectible	**(160)**	(219)
Charged to profit or loss (Note 18)	**539**	149
Balance at end of year/period	**686**	307

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$686,000 (2015: HK$307,000). Since the management considered the prolonged outstanding balances from individual customers were in doubt, full impairment has been made on these balances. The Group does not hold any collateral over these balances.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables 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.

The carrying amounts of the Group's prepayments, trade and other receivables are denominated in the following currencies:

	31 December 2016 HK$'000	31 December 2015 HK$'000
RMB	**399,181**	164,428
HKD	**91,761**	93,279
	490,942	257,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Intangible assets

	Publishing library HK$'000	Copyrights in photographs and articles HK$'000	Software HK$'000	Trademarks HK$'000	Total HK$'000
As at 1 July 2014					
Cost	34,690	6,620	—	—	41,310
Accumulated amortisation and impairment	(34,690)	(6,620)	—	—	(41,310)
Net book amount	—	—	—	—	—
Period ended 31 December 2015					
Opening net book amount at 1 July 2014	—	—	—	—	—
Additions	—	—	2,710	105	2,815
Amortisation	—	—	(27)	(4)	(31)
Currency translation differences	—	—	(82)	(3)	(85)
Closing net book amount	—	—	2,601	98	2,699
As at 31 December 2015					
Cost	34,690	6,620	2,628	102	44,040
Accumulated amortisation and impairment	(34,690)	(6,620)	(27)	(4)	(41,341)
Net book amount	—	—	2,601	98	2,699
Year ended 31 December 2016					
Opening net book amount at 1 January 2016	—	—	2,601	98	2,699
Additions	—	—	5,937	—	5,937
Amortisation	—	—	(1,964)	(10)	(1,974)
Currency translation differences	—	—	(322)	(6)	(328)
Closing net book amount	—	—	6,252	82	6,334
As at 31 December 2016					
Cost	—	—	8,157	96	8,253
Accumulated amortisation and impairment	—	—	(1,905)	(14)	(1,919)
Net book amount	—	—	6,252	82	6,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Properties under development and completed properties held for sales

(a) Properties under development

	31 December 2016 HK$'000	31 December 2015 HK$'000
Properties under development comprise:		
— Construction costs and capitalised expenditures	69,733	—
— Interests capitalised	14,947	—
— Land use rights	656,578	—
	741,258	—

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

The capitalisation rate of borrowing rate for the year ended 31 December 2016 is 6% (2015: Nil).

(b) Completed properties held for sale

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

11 Cash and bank balances

(a) Cash and cash equivalents

	31 December 2016 HK$'000	31 December 2015 HK$'000
Cash at bank and on hand	823,572	92,548
Short-term bank deposits	331,903	350,066
Cash and cash equivalents	1,155,475	442,614

	31 December 2016 HK$'000	31 December 2015 HK$'000
Denominated in:		
HK$	29,614	370,723
RMB	1,125,004	70,981
Other currencies	857	910
Cash and cash equivalents	1,155,475	442,614

11 Cash and bank balances (Continued)

(a) Cash and cash equivalents (Continued)

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

Cash at banks earns interest at floating daily bank deposit rates. Cash and cash equivalents carry interest at market rates ranging from 0.01% to 0.5% (2015: 0.01% to 0.5%).

(b) Restricted deposits

As at 31 December 2016, HK$75,406,000 (2015: HK$60,482,000) are restricted deposits held at bank as reserve for serving of debt for revolving loans of HK$372,494,000 (2015: HK$58,300,000) and corporate credit card facility provided by the bank.

(c) Banking facilities

During the year, uncommitted banking facility of RMB500,000,000 (approximately HK$558,965,000) (2015: RMB500,000,000 (approximately HK$594,900,000)) was granted to the Group secured by deposits of the Company provided that the drawing shall not exceed 98% of the deposits.

As at 31 December 2016, the total uncommitted banking facility was utilised to the extent of RMB49,000,000 (approximately HK$58,300,000) and the Group has available un-utilised banking facility of RMB451,000,000 (approximately HK$536,600,000).

12 Share capital

	Number of shares	**Amount** HK$'000
Ordinary shares, issued and fully paid:		
At 1 July 2014, 31 December 2015 and 31 December 2016	8,640,000,000	282,271

13 Share option schemes

No option was granted by the Company under the Share Option Scheme since its adoption and up to 31 December 2016.

14 Reserves

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity.

(a) Special reserve

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

(b) Capital contribution reserve

The amount of HK$695,000 was arising from the acquisition of additional 15% equity interest in Weekend Weekly by Top Queen Investments Limited ("Top Queen") from a non-controlling shareholder in 2006 and deemed as capital contribution to the Group.

The amount of HK$101,000 was arising from the current accounts waived by Top Queen during the year ended 31 March 2008 as a result of deregistration of Weekend Limited and Forever Grace Limited prior to the Group Reorganisation.

(c) Other reserve

Other reserve represents the deemed contribution arising from discounting of the non-current interest-free loans from fellow subsidiaries.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities with fluctuation currency other than HK$. The reserve is dealt with in accordance with the accounting policies set out in Note 2(e)(iii) to the consolidated financial statements.

(e) Statutory reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Trade and other payables

	31 December 2016 HK$'000	31 December 2015 HK$'000
Trade and other payables:		
Trade payables	392,762	24,652
Other payables to:		
— third parties	196,888	32,905
— related companies (Note 32(a)(iv))	1,298	1,306
	198,186	34,211
Total trade and other payables	590,948	58,863
Receipt in advance:		
Receipt in advance from:		
— sale of health and living project	133,997	—
— other customers	6,685	37,080
Total receipt in advance	140,682	37,080

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:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Age		
0 to 90 days	392,592	24,034
91–180 days	108	453
Over 180 days	62	165
	392,762	24,652

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
RMB	534,598	12,255
HK$	56,350	46,608
	590,948	58,863

The Group's receipt in advance from Health Management Segment's customers are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Borrowings

	31 December 2016 HK$'000	31 December 2015 HK$'000
Borrowings	**1,384,735**	133,300
Less: non-current borrowings — secured	**(847,615)**	(75,000)
Current borrowings — secured	**537,120**	58,300

At 31 December 2016, the Group's borrowings were repayable as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Within 1 year	**537,120**	58,300
Between 1 and 2 years	**847,615**	75,000
	1,384,735	133,300

As at 31 December 2016, borrowings of approximately HK$62,000,000 and HK$1,322,735,000 are secured by the share charge, representing 90.01% of the issued share capital of New Media Group Limited, a subsidiary of the Group, and bank deposits respectively.

For the year ended 31 December 2016, the interest rate of borrowings of HK$62,000,000 was fixed to 5% per annum. The remaining borrowings are interest bearing loans at floating rate. Interest expense on borrowings for the year ended 31 December 2016 is HK$5,468,000 (eighteen months ended 31 December 2015: HK3,614,000).

The movements in borrowings as below:

	31 December 2016 HK$'000	31 December 2015 HK$'000
At 1 January	**133,300**	—
Proceeds from borrowings	**1,332,735**	133,300
Repayments of borrowings	**(58,300)**	—
Release of borrowings due to disposal of a subsidiary (Note 34(c))	**(23,000)**	—
At 31 December	**1,384,735**	133,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Borrowings (Continued)

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
HK$	62,000	75,000
RMB	1,322,735	58,300
	1,384,735	133,300

The carrying amounts of the current borrowings approximate their fair values due to its short maturities. The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	31 December 2016 HK$'000	31 December 2015 HK$'000	31 December 2016 HK$'000	31 December 2015 HK$'000
Long-term bank loans	1,384,735	133,300	1,377,173	132,996

17 Deferred income tax liabilities/(assets)

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
Deferred tax assets	(4,185)	(3,413)
Deferred tax liabilities	140	1,153
Deferred tax assets, net	(4,045)	(2,260)

17 Deferred income tax liabilities/(assets) (Continued)

The following are the major deferred tax liabilities/(assets) recognised and movements thereon during the year/period:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Disposal of a subsidiary (Note 34(a)) HK$'000	Total HK$'000
As at 30 June 2014	3,010	(435)	—	2,575
Credit to profit or loss for the period (Note 24)	(1,331)	(3,133)	(371)	(4,835)
As at 31 December 2015	1,679	(3,568)	(371)	(2,260)
Credit to profit or loss for the year (Note 24)	(849)	(936)	—	(1,785)
As at 31 December 2016	830	(4,504)	(371)	(4,045)

At 31 December 2016, the Group had unused tax losses of approximately HK$78,317,000 (2015: HK$70,374,000) available for offset against future profits. As at 31 December 2016, a deferred tax asset had been recognised in respect of approximately HK$19,267,000 (2015: HK$14,587,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$59,050,000 (2015: HK$55,787,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2016 are losses of approximately HK$16,773,000 (2015: HK$2,919,000) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year/period or at the end of the reporting period.

18 Operating profit

An analysis of major expenses as stated in cost of sales, selling and marketing costs and administrative expenses is as follows:

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Employee benefit expenses (including directors' emoluments) (Note 19)	**175,058**	353,588
Allowance for doubtful debts (Note 8)	**539**	149
Auditor's remuneration	**2,971**	2,395
Depreciation of property, plant and equipment (Note 6)	**20,175**	30,933
Net exchange loss	**(4)**	1,954
Cost of inventories	**3,191**	5,684
Operating lease rentals for rented premises and machineries	**18,066**	18,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Employee benefit expenses — including directors' emoluments

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Wages and salaries	162,897	337,268
Pension cost — defined contribution plans	12,161	16,320
	175,058	353,588

20 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and Chief Executive's emoluments

The remuneration of directors and the Chief Executive for the year ended 31 December 2016 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking				
	Fee HK$'000	Salary HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Tan Chaohui	211	—	—	11	222
Peng Sheng (Notes a and c)	145	—	—	—	145
Han Xiaoran	105	—	—	—	105
Tong Ming (Note b)	48	—	—	—	48
Chau Shing Yim, David	351	—	—	—	351
Guo Jianwen	350	—	—	—	350
Xie Wu	350	—	—	—	350
Total emoluments	1,560	—	—	11	1,571

Notes:

(a) Appointed on 23 March 2016.

(b) Resigned on 23 March 2016.

(c) Resigned on 17 March 2017.

20 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

The remuneration of directors and the Chief Executive for the eighteen months ended 31 December 2015 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking				
	Fee HK$'000	Salary HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Tan Chaohui (Note a)	221	—	—	—	221
Tong Ming (Note c)	169	464	15	32	680
Han Xiaoran (Note a)	169	287	19	32	507
Chau Shing Yim, David (Note a)	283	—	—	—	283
Guo Jianwen (Note a)	281	—	—	—	281
Xie Wu (Note a)	281	—	—	—	281
Percy Hughes, Shirley (Note b)	111	2,254	—	13	2,378
Lee Che Keung, Danny (Note b)	111	1,939	—	13	2,063
Wong Chi Fai (Note b)	111	—	—	—	111
Fan Man Seung, Vanessa (Note b)	111	—	—	—	111
Hui Wai Man, Shirley (Note b)	133	—	—	—	133
Tse Hin Lin, Arnold (Note b)	—	—	—	—	—
Kwan Shin Luen, Susanna (Note b)	133	—	—	—	133
Chan Sim Ling, Irene (Note b)	133	—	—	—	133
Total emoluments	2,247	4,944	34	90	7,315

Notes:

(a) Appointed on 27 March 2015.

(b) Resigned on 27 March 2015.

(c) Appointed on 27 March 2015 and resigned on 23 March 2016.

20 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

(b) Directors' retirement benefits and termination benefits

Except for the details disclosed in note 20(a), none of the directors of the Company received or will receive any retirement benefits or termination benefits in respect of their services to the Group for the year ended 31 December 2016 (eighteen months ended 31 December 2015: HK$nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, the Group has not paid any consideration to any third parties for making available directors' services to the Company (eighteen months ended 31 December 2015: HK$nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings entered into by the Group in favour of the directors of the Company, or body corporate controlled by or entities connected with any of the directors of the Company at the end of the year or at any time during the year (eighteen months ended 31 December 2015: HK$nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (eighteen months ended 31 December 2015: HK$nil).

With effect from 23 March 2016, Mr. Peng Sheng was appointed as an Executive Director of the Company and Chief Executive Officer of the Group.

(f) Five highest paid individuals

During the year ended 31 December 2016, the five highest paid individual include none of the directors (2015: 2), whose emoluments are reflected in the analysis presented in Note 20(a). The aggregate amounts of emoluments of the other five highest paid individuals for the year ended 31 December 2016 are set out below:

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Salaries and other benefits	**10,734**	9,002

20 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

(f) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended 31 December 2016	Eighteen months ended 31 December 2015
HK$1 — HK$1,000,000	—	—
HK$1,000,001 — HK$2,000,000	2	2
HK$2,000,001 — HK$3,000,000	3	1

21 Other gains, net

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Gain/(loss) on disposal of property, plant and equipment (Note 28(b))	189	(153)
Gain on disposal of a subsidiary holding a property (Note 34(a))	—	136,700
Gain on disposal of a subsidiary (Note 34(c))	23,803	—
Other gains, net	23,992	136,547

22 Other income

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Income recognised upon expiry of prepaid cards	38,783	—
Others	1,621	1,956
	40,404	1,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 Finance income/(costs)

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Finance income		
— Bank interest income	**27,305**	2,223
Finance costs		
— Interest expense on borrowings	**(5,468)**	(3,614)
Finance income/(cost), net	**21,837**	(1,391)

24 Income tax (expense)/credit

The amount of income tax (charged)/credited to profit or loss represents:

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Current tax:		
Hong Kong profits tax	**(1,377)**	(1,442)
PRC corporate income tax	**(27,810)**	88
PRC land appreciate tax	**(23,971)**	—
Over-provision in prior year/period	**—**	32
Deferred taxation (Note 17)	**1,785**	4,835
Income tax (expense)/credit	**(51,373)**	3,513

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2016 (eighteen months ended 31 December 2015: 16.5%).

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the year ended 31 December 2016 (eighteen months ended 31 December 2015: 25%). The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year/period, based on the existing legislation, interpretations and practices in respect thereof.

24 Income tax (expense)/credit (Continued)

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.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Profit before income tax	**109,926**	92,951
Tax calculated at domestic tax rates applicable to profits in the respective countries	**25,704**	13,964
Income not subject to tax	**(3,914)**	(22,950)
Expenses not deductible for taxation purposes	**1,882**	2,330
Utilisation of previously unrecognised tax losses	**(217)**	(517)
Temporary difference not recognised	**771**	36
Tax losses for which no deferred tax asset was recognised	**3,176**	3,656
Over-provision in prior year/period	**—**	(32)
Income tax expense/(credit)	**27,402**	(3,513)
PRC land appreciation tax	**23,971**	—
	51,373	(3,513)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Subsidiaries

(a) Particulars of principal subsidiaries

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	Percentage of attributable equity interest held indirectly	Principal activities
Media Publishing Limited	Hong Kong	HK$2	—	90.01%	Magazine and book publishing
New Media Group Digital Services Limited	Hong Kong	HK$2	—	90.01%	Digital business and provision of magazine content
New Media Group Publishing Limited	Hong Kong	HK$800,000	—	90.01%	Magazine publishing
New Media Services Consultant Company Limited (formerly known as Economic Digest Publishing Limited)	Hong Kong	HK$2	—	90.01%	Book publishing agent
New Monday Publishing Limited	Hong Kong	HK$2	—	90.01%#	Magazine publishing
Reach Gain Limited	Hong Kong	HK$1	—	90.01%	Digital business
Time Year Limited	Hong Kong	HK$2	—	90.01%	Copyright holding and licensing business
Weekend Weekly Publishing Limited	Hong Kong	HK$100	—	90.01%	Magazine publishing
廣東薪傳出版技術開發有限公司	PRC (i)	RMB6,500,000	—	90.01%	Provision of magazine contents and digital business development services
New Media Group Limited	BVI	US$10,000	—	90.01%	Investment holdings
Right Bliss Limited	BVI	US$1	100%	—	Investment holdings
Flaming Ace Limited	BVI	US$1	100%	—	Investment holdings
佳康發展有限公司(香港) Best Wealth Development Limited	Hong Kong	HK$1	—	100%	Investment holdings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
廣州市慧宇貿易有限公司 Guangzhou Huiyu Trading Co. Ltd.	PRC (i)	RMB19,085,700	—	100%	Wholesales of home care and healthcare products
廣州市凱尚健康產業有限公司 Guangzhou Kaishang Health Industry Co. Ltd.	PRC (iii)	RMB10,000,000	—	100%	Wholesales of cosmetic products and provision of healthcare services
天津恒大原辰美容醫院有限公司 Tianjin Evergrande Wonjin Beauty Hospital Co. Ltd.	PRC (ii)	RMB43,000,000	—	96.25%	Provision of health services
廣州恒大健康醫療投資有限公司 Guangzhou Evergrande Health Medical Investment Co. Ltd.	PRC (iii)	RMB10,000,000	—	100%	Investment holding
廣州市海珠區恒暉門診部有限公司 Guangzhou Haizhu Henghui Clinic Co. Ltd.	PRC (iii)	RMB4,000,000	—	100%	Provision of healthcare services
廣州恒大雅苑健康管理服務有限公司 Guangzhou Evergrande Yayuan Health Management Service Co. Ltd.	PRC (iii)	RMB3,000,000	—	100%	Provision of healthcare services
佛山南海恒大御景健康管理服務有限公司 Foshan Nanhai Evergrande Yujing Health Management Service Co. Ltd.	PRC (iii)	RMB3,000,000	—	100%	Provision of healthcare services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
濟南恒暉門診部有限公司 Jinan Henghui Clinic Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of healthcare services
濟南綠洲恒暉門診部有限公司 Jinan Oasis Henghui Clinic Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of healthcare services
洛陽市恒暉健康服務有限公司 Luoyang Henghui Health Service Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of healthcare services
成都恒暉門診部有限公司 Chengdu Henghui Clinic Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of healthcare services
長沙市恒暉門診部有限公司 Changsha Henghui Clinic Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of healthcare services
武漢恒暉健康咨詢服務有限公司 Wuhan Henghui Health Consulting Service Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of healthcare services
南昌市恒暉醫院管理有限公司 Nanchang Henghui Hospital Management Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of hospital management, software and advertisement design service
石家庄恒暉門診部有限公司 Shijiazhuang Henghui Clinic Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of healthcare services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest held directly	indirectly	Principal activities
海南恒大國際醫療有限公司 Hainan Evergrande International Medical Co. Ltd.	PRC (ii)	RMB100,000,000	—	100%	Provision of healthcare services
深圳市恒大數碼科技有限責任公司 Shenzhen Evergrande Digital Technology Co. Ltd.	PRC (i)	RMB5,000,000	—	100%	Provision of information technology consultancy services
瀋陽市於洪區恒暉綜合門診部有限公司 Shenyang Yuhong Henghui Polyclinic Co. Ltd.	PRC (iii)	RMB1,000,000	—	100%	Provision of healthcare services
天津恒美之源美容有限公司^	PRC (iii)	RMB5,000,000	—	100%	Provision of healthcare services
西安恒寧健康置業有限公司^	PRC (iii)	RMB25,000,000	—	100%	Provision of healthcare services

Subsidiary disposed of during the year ended 31 December 2016

^ Subsidiary incorporated during the year ended 31 December 2016

Notes:

(i) These subsidiaries are wholly-owned foreign enterprises in the PRC.

(ii) These subsidiaries are sino-foreign co-operative joint venture in the PRC. Each of these entities is considered as a subsidiary of the Group because the Group has majority voting rights on the board of directors and its strategic, operating, investing and financing activities are controlled by the Group.

(iii) These subsidiaries are domestic enterprises in the PRC.

(b) Non-controlling interests

Summarised financial information on subsidiaries with non-controlling interests

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

25 Subsidiaries (Continued)

(b) Non-controlling interests (Continued)

Summarised financial information on subsidiaries with non-controlling interests (Continued)

As disclosed in Note 33, on 1 April 2015, the Company entered into an equity acquisition agreement with Evergrande Health Industry Co., Ltd.* (恒大健康產業有限公司) (the "Vendor"), to acquire 96.25% of the equity interest in Tianjin Evergrande Wonjin Beauty Hospital Co., Ltd.* (天津恒大原辰美容醫院有限公司) ("Evergrande Wonjin"). According to agreement with non-controlling interest, the percentage of ownership interest held by the non-controlling interest is 3.75% and it shares 40% of the results of operation of Evergrande Wonjin.

The total profit allocated to non-controlling interests to the year is HK$4,667,000 (2015: HK$10,059,000), of which HK$506,000 (2015: HK$9,644,000) is attributed to New Media and HK$4,161,000 (2015: HK$415,000) is attributed to Evergrande Wonjin.

* *For identification purpose only*

Summarised balance sheet

	Evergrande Wonjin		New Media	
Percentage of ownership interest held by non-controlling interest	3.75%		9.99%	
	31 December 2016 HK$'000	31 December 2015 HK$'000	**31 December 2016 HK$'000**	31 December 2015 HK$'000
Current				
Assets	**183,706**	78,289	**121,377**	112,170
Liabilities	**(106,042)**	(95,764)	**(124,419)**	(127,436)
Total current net assets/(liabilities)	**77,664**	(17,475)	**(3,042)**	(15,266)
Non-current				
Assets	**110,197**	62,318	**16,997**	27,036
Liabilities	**—**	—	**(140)**	(1,153)
Total non-current net assets	**110,197**	62,318	**16,857**	25,883
Net assets	**187,861**	44,843	**13,815**	10,617

25 Subsidiaries (Continued)

(b) Non-controlling interests (Continued)

Summarised statement of comprehensive income

	Evergrande Wonjin		New Media	
	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000	**Year ended 31 December 2016 HK$'000**	Eighteen months ended 31 December 2015 HK$'000
Revenue	**37,102**	55,046	**279,015**	581,980
Profit/(loss) before income tax	**21,538**	(9,060)	**4,700**	116,906
Income tax (expense)/credit	**(5,394)**	2,265	**365**	12
Profit/(loss) for the year/period	**16,144**	(6,795)	**5,065**	116,918
Other comprehensive loss	**(5,742)**	(1,394)	**—**	—
Total comprehensive income/(loss) for the year/period	**10,402**	(8,189)	**5,065**	116,918
Total comprehensive income/(loss) allocated to non-controlling interests	**4,161**	(3,275)	**506**	(695)
Dividends paid to non-controlling interests	**—**	—	**—**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Subsidiaries (Continued)

(b) Non-controlling interests (Continued)

Summarised statement of cash flows

	Evergrande Wonjin		New Media	
	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000	**Year ended 31 December 2016 HK$'000**	Eighteen months ended 31 December 2015 HK$'000
Cash flows from operating activities				
Cash generated from/(used in) operations	**17,829**	25,515	**16,360**	(17,878)
Interest paid	**—**	—	**(3,547)**	—
Income tax paid	**(10,029)**	—	**(170)**	(3,340)
Net cash generated from/(used in) operating activities	**7,800**	25,515	**12,643**	(21,218)
Net cash (used in)/generated from investing activities	**(1,838)**	(109,460)	**24,526**	402,519
Net cash (used in)/generated from financing activities	**(10,146)**	89,549	**(25,365)**	(449,168)
Net (decrease)/increase in cash and cash equivalents	**(4,184)**	5,604	**11,804**	(67,867)
Cash and cash equivalents at beginning of year/period	**9,759**	4,155	**17,013**	84,880
Cash and cash equivalents at end of year/period	**5,575**	9,759	**28,817**	17,013

The information above is the amount before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 Dividends

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Final dividend paid of Nil cents (2015: HK0.13 cents) per ordinary share	–	1,123

27 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:

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Profit attributable to owners of the Company	51,736	99,876
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) (Note (b))	0.599	1.156

Notes:

(a) The newly issued shares of 7,776,000,000 under the share subdivision pursuant to the shareholders resolutions dated 24 August 2015 are adjusted in the weighted average number of ordinary shares in issue as if the issue had occurred at 1 July 2013, the beginning of the earliest period reported.

(b) As there was no dilutive potential ordinary shares for the year ended 31 December 2016 (eighteen months ended 31 December 2015: same), diluted earnings per share equals basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 Notes to the consolidated statement of cash flows

(a) Cash (used in)/generated from operations

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Profit before income tax	**109,926**	92,951
Adjustments for:		
Finance income	**(27,305)**	(2,223)
Finance costs	**5,468**	3,614
Depreciation of property, plant and equipment (Note 6(a))	**20,175**	30,933
(Gain)/loss from disposal of property, plant and equipment (Note 21)	**(189)**	153
Gain on disposal of a subsidiary holding a property (Note 34(a))	**—**	(136,700)
Gain on disposal of a subsidiary (Note 34(c))	**(23,803)**	—
Allowance for doubtful debts (Note 18)	**539**	149
Amortisation of intangible assets (Note 9)	**1,974**	31
Amortisation of land use right (Note 6(b))	**4,034**	—
Operating profit/(loss) before working capital changes	**90,819**	(11,092)
Changes in working capital:		
Increase in inventories, properties under development and completed properties held for sales	**(944,572)**	(2,570)
Increase in trade and other receivables	**(114,801)**	(2,779)
Increase in trade and other payables and receipt in advance	**711,807**	34,448
Cash (used in)/generated from operations	**(256,747)**	18,007

(b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Net book amount (Note 6)	**868**	263
Gain/(loss) from disposal of property, plant and equipment (Note 21)	**189**	(153)
Proceeds from disposal of property, plant and equipment	**1,057**	110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Commitments

(a) Capital commitments

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
Land use rights	**596,192**	22,035

(b) Operating lease commitments

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
Within one year	**20,261**	20,087
In the second to fifth year inclusive	**17,188**	35,361
	37,449	55,448

30 Contingent liabilities

For the year ended 31 December 2016, the Group has no material contingent liabilities (eighteen months ended 31 December 2015: nil).

31 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 31 December 2016 is stated at discounted present value with an imputed interest rate of 6.18% (2015: 6.18%). The loan is denominated in RMB.

32 Related party transactions

(a) Related party transactions

The Group is controlled by Evergrande Real Estate Group Limited, which owns 74.99% of the Company's shares. The remaining 25% of the shares are widely held. The ultimate parent of the Group is Xin Xin (BVI) Limited, incorporated in British Virgin Islands. The ultimate controlling party of the Group is Dr. Hui Ka Yan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Related party transactions (Continued)

(a) Related party transactions (Continued)

During the year ended 31 December 2016 and eighteen months ended 31 December 2015, in addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties, which were carried out in the normal course of the Group's business:

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

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Advertising income	–	1,004
Printing costs	–	1,456
Financial services fees	–	236
Reimbursement of administrative expenses	–	1,578
Secretarial services fees	–	186
Miscellaneous income	–	24
Miscellaneous charges and fees	–	113

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

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

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Sales proceed from the disposal of a subsidiary holding a property (Note 34(a))	–	414,737

32 Related party transactions (Continued)

(a) Related party transactions (Continued)

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

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Purchase of materials	**283**	—
Operating expenses	**2,303**	1,324
Advertising expenses	**—**	1,840
Miscellaneous charges and fees	**18**	5
Acquisition of a subsidiary (Note 33)	**—**	279

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
Receivables from fellow subsidiaries (Note 8)	**66,270**	3,923
Payables to fellow subsidiaries (Note 15)	**1,298**	1,306
Loans from fellow subsidiaries (Note 31)	**405,018**	49,918

The receivables arise mainly from cash advance to fellow subsidiaries for daily operation purpose. The receivables are unsecured in nature, bear no interest and repayable on demand. No provisions are held against receivables from fellow subsidiaries (2015: HK$nil).

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

Loans from fellow subsidiaries arise mainly from the loans to the Group. These loans are unsecured, interest-free and repayable on 30 December 2020.

32 Related party transactions (Continued)

(b) Compensation of key management personnel

Key management includes directors (executive and non-executive) of the Company. The compensation paid or payable to key management for employee services is shown below:

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

	Year ended 31 December 2016 HK$'000	Eighteen months ended 31 December 2015 HK$'000
Short-term benefits	1,560	7,225
Contribution to a retirement benefit scheme	11	90
	1,571	7,315

33 Acquisition of a subsidiary

On 1 April 2015, the Company entered into an equity acquisition agreement with Evergrande Health Industry Co., Ltd.* (恒大健康產業有限公司), a fellow subsidiary of the Group, which is controlled by Evergrande Real Estate Group Limited, pursuant to which the Company has agreed to acquire from the Vendor 96.25% of the equity interest in Tianjin Evergrande Wonjin Beauty Hospital Co., Ltd.* (天津恒大原辰美容醫院有限公司) ("Evergrande Wonjin") held by the Vendor at the consideration of RMB220,000 (equivalent to approximately HK$279,000).

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

* *For identification purpose only*

33 Acquisition of a subsidiary

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

	Eighteen months ended 31 December 2015 HK$'000
Property, plant and equipment (Note 6(a))	290
Prepayment	22,446
Cash and cash equivalents	4,155
Inventories	501
Amounts due to related companies	(27,103)
Net assets value	289
Non-controlling interest	(10)
Satisfied by:	
Cash consideration paid (Note 32(a)(iii))	279

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

	Eighteen months ended 31 December 2015 HK$'000
Net inflow of cash to acquire Evergrande Wonjin:	
Cash and cash equivalents in Evergrande Wonjin acquired	4,155
Cash consideration paid (Note 32(a)(iii))	(279)
	3,876

34 Disposal of subsidiaries

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

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

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

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

	Eighteen months ended 31 December 2015 HK$'000
Property, plant and equipment (Note 6(a))	279,959
Prepayments, deposits and other receivables	291
Cash and cash equivalents	89
Trade and other payables	(206)
Deferred tax liabilities (Note 17)	(371)
Income tax payable	(1,725)
Net assets	278,037
Cash consideration received	414,737
Gain on disposals of a subsidiary holding a property (Note 21)	136,700

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

	Eighteen months ended 31 December 2015 HK$'000
Net inflow of cash to dispose of Jade Talent:	
Cash and cash equivalents disposed of during the disposals	(89)
Cash consideration received	414,737
	414,648

34 Disposal of subsidiaries (Continued)

(b) Disposal of interest in a subsidiary without change of control

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

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

On 29 June 2016, the Group disposed of 100% issued shares in New Monday Publishing Limited to Top Wheel Holdings Limited, an independent third party, at a consideration of HK$200,000. The disposal gain is approximately HK$23,803,000 and was recognised as "other gains" on 29 June 2016 (Note 21).

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

	31 December 2016 HK$'000
Property, plant and equipment (Note 6(a))	652
Trade receivables	967
Prepayments, deposits and other receivables	257
Cash and cash equivalents	1,930
Trade and other payables	(4,409)
Borrowings (Note 16)	(23,000)
Net liabilities	(23,603)
Cash consideration received	200
Gain on disposal of a subsidiary (Note 21)	23,803

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

	31 December 2016 HK$'000
Net outflow of cash to dispose of New Monday Publishing Limited:	
Cash and cash equivalents disposed of during the disposal	(1,930)
Cash consideration received	200
	(1,730)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Balance sheet and reserve movement of the Company

Balance sheet of the Company

		As at 31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		8,701	8,701
		8,701	8,701
Current assets			
Other receivables		–	634
Amounts due from subsidiaries		196,731	140,260
Income tax recoverable		–	72
Cash and cash equivalents		335,193	357,829
Restricted cash		57,726	59,682
		589,650	558,477
Total assets		598,351	567,178
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		282,271	282,271
Reserves	Note a	316,080	283,707
Total equity		598,351	565,978
LIABILITIES			
Current liabilities			
Other payables and accruals		–	1,200
Total liabilities		–	1,200
Total equity and liabilities		598,351	567,178

Tan Chaohui
Director

Han Xiaoran
Director

35 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Merger reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 30 June 2014	72,120	29,590	101,710
Profit and total comprehensive income for the period	—	183,120	183,120
Final dividend paid for 2014	—	(1,123)	(1,123)
At 31 December 2015	72,120	211,587	283,707
Profit and total comprehensive income for the period	—	32,373	32,373
Final dividend paid for 2015	—	—	—
At 31 December 2016	72,120	243,960	316,080

The merger reserve of the Company represented the difference between the consolidated net assets of the subsidiaries at the date of the group reorganisation and the nominal amount of the Company's shares issued.

At 31 December 2016, the Company's reserves available for distribution was HK$243,960,000 (2015: HK$211,587,000) as calculated.

FIVE YEARS FINANCIAL SUMMARY

Results

	For the year ended 31 December 2016 HK$'000	For the 18 months ended 31 December 2015 HK$'000	For the year ended 30 June 2014 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	528,132	638,260	455,624	495,197	504,840
Profit before taxation	109,926	92,951	12,914	27,433	35,805
Income tax (expense)/credit	(51,373)	3,513	(1,895)	(5,158)	(6,151)
Profit for the year/period	58,553	96,464	11,019	22,275	29,654
Items that may be reclassified to profit and loss	(38,276)	(3,054)	—	—	—
Total comprehensive income for the year/period	20,277	93,410	11,019	22,275	29,654

Assets and liabilities

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000	As at 30 June 2014 HK$'000	2013 HK$'000	2012 HK$'000
Total assets	3,155,283	860,442	512,238	514,598	565,814
Total liabilities	(2,521,583)	(280,629)	(56,178)	(63,941)	(130,952)
Total equity	633,700	579,813	456,060	450,657	434,862