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EVERGRANDE HEALTH INDUSTRY GROUP

EVERGRANDE HEALTH INDUSTRY GROUP LIMITED

恒大健康產業集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL SUMMARY (UNAUDITED)

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

The board of directors (the “Board” or the “Directors”) of Evergrande Health Industry Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 (the “Period”) together with comparative figures for the corresponding period in 2015 as set out below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

| | <i>Note</i> | Six months ended 30 June | |
|--|-------------|---------------------------------|------------------------|
| | | 2016 | 2015 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4, 5 | 182,609 | 193,747 |
| Cost of sales | 6 | (137,561) | (118,295) |
| Gross profit | | 45,048 | 75,452 |
| Other income | 7 | 42,803 | 351 |
| Other gains | 8 | 23,803 | 136,700 |
| Selling and marketing expenses | 6 | (36,981) | (45,225) |
| Administrative expenses | 6 | (54,407) | (54,027) |
| Operating profit | | 20,266 | 113,251 |
| Finance income | | 7,475 | 1,347 |
| Finance costs | | (4,269) | (1,295) |
| Finance income, net | | 3,206 | 52 |
| Profit before income tax | | 23,472 | 113,303 |
| Income tax (expense)/credit | 9 | (7,908) | 1,767 |
| Profit for the period | | 15,564 | 115,070 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit and loss</i> | | | |
| Currency translation differences | | (1,895) | — |
| Total comprehensive income for the period | | 13,669 | 115,070 |

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|----------------------|
| | | 2016 | 2015 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Profit attributable to: | | | |
| — Owners of the Company | | 11,952 | 116,664 |
| — Non-controlling interests | | <u>3,612</u> | <u>(1,594)</u> |
| | | <u>15,564</u> | <u>115,070</u> |
| Total comprehensive income attributable to: | | | |
| — Owners of the Company | | 10,107 | 116,664 |
| — Non-controlling interests | | <u>3,562</u> | <u>(1,594)</u> |
| | | <u>13,669</u> | <u>115,070</u> |
| Total comprehensive income for the period | | | |
| Earnings per share | | | |
| — Basic and diluted | <i>11</i> | <u>HK0.138 cents</u> | <u>HK1.350 cents</u> |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Evergrande Health Industry Group Limited (the “Company”) and its subsidiaries (together, the “Group”) is engaged in book and magazine publishing, digital business, copyright holding and licensing business (collectively, the “Media Business”) in Hong Kong and engaged in providing plastic surgery, anti-aging and other health services and properties development (collectively, the “Health Industry Business”) to customers in the People’s Republic of China (the “PRC”).

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

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

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

Change of financial year end date and the interim report period

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

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

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

Key events

On 26 June 2016, New Media Group Limited, a subsidiary of the Company, entered into a sale and purchase agreement with Top Wheel Holdings Limited, an independent third party, to dispose of 100% issued shares in New Monday Publishing Limited, which was a subsidiary of the Group, at a consideration of HK\$200,000. New Monday Publishing Limited was principally engaged in the publishing of the local magazine named “NM+ New Monday” which provides advertising platform for advertisers focusing on trend-loving young generation. The details of the disposal are disclosed in Note 14 to this interim condensed consolidated financial information.

2 BASIS OF PREPARATION

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

2.1 Going concern basis

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

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

3 ACCOUNTING POLICIES

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

- (a) Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total annual earnings.
- (b) **Accounting policies applied for the financial year beginning on or after 1 January 2016**

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

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

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

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

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

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

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

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

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

4 SEGMENT INFORMATION

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

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

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

The Group's operating segments comprise the followings:

| | |
|------------------|---|
| Media: | Book and magazine publishing, digital business, copyright holding and licensing business. |
| Health Industry: | Providing plastic surgery, anti-aging and other health services and properties development. |

(a) **Segment revenue and results**

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

| | Six months ended 30 June 2016 | | |
|--|-------------------------------|----------------|----------------|
| | Media | Health | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment revenue and revenue from external customers | 139,097 | 43,512 | 182,609 |
| Segment results | (10,406) | 33,387 | 22,981 |
| Corporate expenses | | | (6,971) |
| Finance income, net | | | 7,462 |
| Profit before income tax | | | 23,472 |
| Income tax expense | | | (7,908) |
| Profit for the period | | | 15,564 |
| Other segment items: | | | |
| Additions to property, plant and equipment | 452 | 5,024 | 5,476 |
| Depreciation of property, plant and equipment | (5,276) | (4,011) | (9,287) |
| Additions to intangible assets | — | 5,121 | 5,121 |
| Amortisation of intangible assets | — | (509) | (509) |
| Interest income | 13 | — | 13 |
| Interest expense | (2,005) | (2,264) | (4,269) |
| | | | |
| | Six months ended 30 June 2015 | | |
| | Media | Health | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment revenue and revenue from external customers | 179,267 | 14,480 | 193,747 |
| Segment results | 123,295 | (4,147) | 119,148 |
| Corporate expenses | | | (7,117) |
| Finance income, net | | | 1,272 |
| Profit before income tax | | | 113,303 |
| Income tax credit | | | 1,767 |
| Profit for the period | | | 115,070 |
| Other segment items: | | | |
| Additions to property, plant and equipment | 5,241 | 21,461 | 26,702 |
| Depreciation of property, plant and equipment | (8,062) | (244) | (8,306) |
| Interest income | 75 | — | 75 |
| Interest expense | (1,295) | — | (1,295) |

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

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

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

(b) Geographical information

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

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

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

(c) **Information about major customers**

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

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

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

5 REVENUE

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

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

6 EXPENSES BY NATURE

Six months ended 30 June

| 2016 | 2015 |
|-----------------|-----------------|
| <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Unaudited) | (Unaudited) |

| | | |
|---|---------------|--------------|
| Employee benefit expenses (including directors' emoluments) | 133,713 | 114,780 |
| Allowance for doubtful debts | 106 | 149 |
| Auditor's remuneration | 1,252 | 1,101 |
| Depreciation of property, plant and equipment | 9,287 | 8,306 |
| Amortisation of intangible assets | 509 | — |
| Net exchange loss | 3,528 | 423 |
| Operating lease rentals for rented premises and machineries | <u>10,232</u> | <u>7,739</u> |

7 OTHER INCOME

Six months ended 30 June

| 2016 | 2015 |
|-----------------|-----------------|
| <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Unaudited) | (Unaudited) |

| | | |
|--|---------------|------------|
| Income recognised upon expiry of prepaid cards | 42,090 | — |
| Others | <u>713</u> | <u>351</u> |
| | <u>42,803</u> | <u>351</u> |

8 OTHER GAINS

Six months ended 30 June

| 2016 | 2015 |
|-----------------|-----------------|
| <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Unaudited) | (Unaudited) |

| | | |
|---|---------------|----------------|
| Gain on disposal of a subsidiary holding a property | — | 136,700 |
| Gain on disposal of a subsidiary (<i>Note 14</i>) | <u>23,803</u> | <u>—</u> |
| | <u>23,803</u> | <u>136,700</u> |

9 INCOME TAX (EXPENSE)/CREDIT

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

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

10 DIVIDENDS

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

11 EARNINGS PER SHARE

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

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

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 January 2015, the beginning of the earliest period reported.
- (b) As there was no dilutive potential ordinary shares for the six months ended 30 June 2016 (six months ended 30 June 2015: same), diluted earnings per share equals basic earnings per share.

12 TRADE AND OTHER RECEIVABLES

| | 2016 <i>HK\$'000</i> (Unaudited) | 2015 <i>HK\$'000</i> (Audited) |
|------------------------------------|--|--------------------------------------|
| Trade receivables from: | | |
| — third parties | 60,887 | 81,857 |
| — related companies | <u>1,930</u> | <u>—</u> |
| | 62,817 | 81,857 |
| Less: allowance for doubtful debts | <u>(295)</u> | <u>(307)</u> |
| | ----- 62,522 | ----- 81,550 |
| Prepayments | 4,265 | 5,702 |
| Deposits | 7,856 | 6,999 |
| Other receivables | | |
| — third parties | 10,798 | 4,916 |
| — related companies | <u>3,620</u> | <u>3,923</u> |
| | <u>89,061</u> | <u>103,090</u> |

The related companies are companies related to China Evergrande Group.

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

| | 2016 <i>HK\$'000</i> (Unaudited) | 2015 <i>HK\$'000</i> (Audited) |
|--------------|---|--------------------------------------|
| Age | | |
| 0–30 days | 39,728 | 30,816 |
| 31–90 days | 17,585 | 33,776 |
| Over 90 days | <u>5,209</u> | <u>16,958</u> |
| | <u>62,522</u> | <u>81,550</u> |

13 TRADE AND OTHER PAYABLES

| | 2016 <i>HK\$'000</i> (Unaudited) | 2015 <i>HK\$'000</i> (Audited) |
|------------------------------------|---|--------------------------------------|
| Trade payables to | | |
| — third parties | <u>40,754</u> | <u>24,652</u> |
| | 40,754 | 24,652 |
| Other payables and accrued charges | | |
| — third parties | 40,675 | 32,905 |
| — related companies | <u>4,227</u> | <u>1,306</u> |
| | <u>85,656</u> | <u>58,863</u> |

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:

| | 2016 <i>HK\$'000</i> (Unaudited) | 2015 <i>HK\$'000</i> (Audited) |
|---------------|---|--------------------------------------|
| Age | | |
| 0–90 days | 13,557 | 24,034 |
| 91–180 days | 26,742 | 453 |
| Over 180 days | <u>455</u> | <u>165</u> |
| | <u>40,754</u> | <u>24,652</u> |

14 DISPOSAL OF A SUBSIDIARY

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 8).

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

| | <i>HK\$'000</i> |
|--|------------------------|
| Property, plant and equipment | 652 |
| Trade receivables | 967 |
| Prepayments, deposits and other receivables | 257 |
| Cash and cash equivalents | 1,930 |
| Trade and other payables | (4,409) |
| Borrowings | <u>(23,000)</u> |
| | <u><u>(23,603)</u></u> |
| Cash consideration received | <u><u>200</u></u> |
| Gain on disposal of a subsidiary (<i>Note 8</i>) | <u><u>23,803</u></u> |

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

| | <i>HK\$'000</i> |
|--|-----------------------|
| 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 | <u>200</u> |
| | <u><u>(1,730)</u></u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The principal business activities of the Group are magazine publishing, distribution of magazines, digital business, and provision of magazine content (collectively the “Media Segment”) and healthcare community, international hospitals, community medical treatment and elderly care and medical cosmetology and anti-aging (collectively, the “Health Segment”).

- ***Media Segment***

As the media segment of the Group, the New Media Group (“NMG”) is one of the leaders in the Hong Kong media market. Leveraging on its consolidated strengths and well established brands in the weeklies market, NMG has transformed into a multimedia platform over the years. NMG now focuses on producing quality content for its own platform and developing creative marketing solutions for clients, further reinforcing its new positioning as a mega content provider and marketer in the media industry.

- ***Health Industry Segment***

Apart from the existing media-related business, the Group diversified its business allocation and proactively developed its business in the health industry with an aim to build an international group in this sector.

The Group devoted its effort to various health-related business sectors, such as healthcare communities, modern high-end international hospitals, community medical treatment and elderly care, as well as medical cosmetology and anti-aging, with the aim of integrating global premium medical resources, introducing the most advanced elderly care concepts and offering world-class healthcare service experience based on the imperative demands of citizens on medical, healthcare and elderly care services.

Leveraging opportunities arising from the comprehensive development of the health industry in China, the Group further facilitated the development and implementation of health projects during the 6 months ended 30 June 2016 (the “Period”). For the healthcare community business sector, the Group formulated the first large community healthcare living standards in China and commenced construction of a number of healthcare community projects. For the international hospital business sector, the Group successfully introduced international excellent health resources including Brigham and Women’s Hospital, an affiliate of Harvard Medical School, thereby facilitating the project planning and construction of Boao Evergrande International Hospital stage by stage. For the community medical treatment and elderly care sector, the Group completed the re-positioning and integration of community medical treatment and elderly care health management centers. For the medical cosmetology and anti-aging business sector, the Group was exploring the model for “flagship stores + medical cosmetology micro-agencies” across China.

Financial Review

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

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

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

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

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

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

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

Business Review

- *Media Segment*

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

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

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

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

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

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

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

Mob-Ex Awards 2016, organised by *Marketing* magazine:

1. Best App — Media Owner (Gold)

New Media Group, Oriental Sunday — More

2. Best Campaign for Tablets (Gold)

The North Face Ultra Series, by New Media Group — NMGplus

3. Most Responsive Mobile Campaign (Bronze)

Le Corporation — LeTV 2016 EPL Pre-Launch Campaign via Facebook, by New Media Group — NewDigi.Solutions

4. Best Mobile Team (Bronze)

New Media Group — NewDigi.Solutions

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

1. 10 Favourite Facebook Fanpages: 新假期JetSo

2. Weekly Magazine Category (Overall) — Bronze Award: New Monday

3. Weekly Magazine Category (Mobile) — Silver Award: New Monday

4. Weekly Magazine Category (Social Media) — Bronze Award: New Monday

5. Weekly Magazine Category (Website) — Bronze Award: New Monday

6. Top 10 Media: New Monday

● ***Health Industry Segment***

Healthcare Community Business

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

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

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

International Hospital Business

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

Community Medical Treatment and Elderly Care Business

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

various risks arising from deteriorating health condition of the elderly and chronic diseases, the home elderly care service and upgrade service catered for elderly integrated the use of different smart products, thus giving timely care to elderly which suits their needs.

Medical Cosmetology and Anti-aging Business

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

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

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

Outlook

- ***Media Segment***

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

- ***Health Industry Segment***

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

Outlook for Healthcare Community Business

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

Outlook for International Hospital Business

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

Outlook for Community Medical Treatment and Elderly Care Business

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

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

Outlook for Medical Cosmetology and Anti-aging Business

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

OTHER ANALYSIS

Capital Structure, Liquidity and Financial Resources

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

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

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

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

Employee and Share Option Scheme

As at 30 June 2016, the Group had a total of 845 employees and incurred a total staff cost (including Directors' remuneration) of approximately HK\$133.7 million during the Period (30 June 2015: HK\$114.8 million).

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

- ***Media Segment***

As at 30 June 2016, the Group's media business had 487 employees (30 June 2015: 664). 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 Industry Segment***

As at 30 June 2016, the Group's health industry business had a total of 358 staff, among which healthcare professionals accounted for approximately 55% and staff with bachelors' degree or above accounted for approximately 78%. The health industry 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

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

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

INTERIM DIVIDEND

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

REVIEW OF INTERIM RESULTS

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

The condensed consolidated financial information of the Group for the Period has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

Corporate Governance Code

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

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

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

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

Model Code for Securities Transactions

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

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

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

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 18 August 2016

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