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 2017

Perfection For Supreme Health

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

23rd Floor, China Evergrande Centre,
38 Gloucester Road, Wanchai, 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
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Telephone: (852) 2287 9208/2287 9218/2287 9207

Financial Calendar

Announcement of annual results: 23 March 2018

Management Discussion and Analysis

The board (the "**Board**") of directors ("**Director(s)**") of Evergrande Health Industry Group Limited (the "**Company**" or "**Evergrande Health**", together with its subsidiaries, the "**Group**") presents the result of the Group for the year ended 31 December 2017.

Overview

The principal business activities of the Group include "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing (collectively, the "**Health Management Segment**").

The principle business activities of the Group in 2017 also included magazine publishing, distribution of magazines, digital business and provision of magazine content (collectively the "**Media Segment**"). As disclosed in the announcement of the Company dated 26 September 2017, Right Bliss Limited, a wholly-owned subsidiary of the Company and Future Blossom Limited, a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of Albert Yeung Holdings Limited, entered into a sale and purchase agreement (the "**Agreement**"), pursuant to which Future Blossom Limited had conditionally agreed to acquire, and Right Bliss Limited had conditionally agreed to sell, the 9,001 ordinary shares of US$1.00 each in the share capital of New Media Group Limited and the entire shareholder's loan outstanding from New Media Group Limited to Right Bliss Limited for a consideration of approximately HK$63.0 million (equivalent to RMB53.6 million). Completion of the transactions under the Agreement took place in November 2017. As a result, the Company has ceased to hold any interest in New Media Group Limited being the operation arm of Media Segment and does not operate in the Media Segment.

Media Segment

During the year ended 31 December 2017 (the "**Year**"), the New Media Group continued its business as a digital media and content publisher in Hong Kong. Its fully developed online/offline platforms and social networks covered a wide spectrum of topics ranging from travel & entertainment, food & dinning, lifestyle & fashion, sports, finance and analysis, as well as local culture & trends etc. The Group provided tailor-made services and tactical campaigns that helped clients not only to fulfill their promotional needs, but also to expand their brands' marketing reach, ultimately achieving actual conversions and generating sales revenue.

Health Management Segment

The Group proactively implements the national strategy of "Healthy China", and establishes membership mechanism, optimizes medical services, improves healthcare protection, facilitates the implementation of new technologies and develops comprehensive healthcare industry. Adhering to its corporate vision of "enhancing the healthy living standards for the general public", and centering on the healthcare needs of the general public, the Group creates a membership mechanism on all-round healthy life management for all-aged populations, and establishes a service system covering personal lifelong health management, high-end medical and tiered medical services, thereby enhancing the healthy living standards for the general public.

During the Year, the Group initiated the idea of innovative services integrating medical insurance with prevention, medical services and health care. It has established a member platform, which aims to provide services for members such as health care and health preserving, health management, health insurance and elderly healthcare through the "rent-purchase-travel" so as to realize comprehensive full-life cycle health management by integrating the world's first-class old-age care and health preserving, medical and commercial insurance and other resources. The Group developed and formulated the first all-round healthcare service standard for all-aged population in China, and innovatively created 'Evergrande Healthy Land', a brand new model for healthcare, elderly care and wellness living that has been constructed in many places nationwide. The Group also deepened its exchange program and cooperation with top international healthcare resources including Brigham and Women's Hospital (the main teaching hospital of Harvard Medical School), progressively fostered the preparation works for the operation of the Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital, and committed to developing a tiered medical service system, namely Evergrande Medical Association, with high-end international hospitals at the top and domestic high-quality 3A hospitals and Henghe Hospital as the basis.

Financial Review

During the Year, the Group's turnover increased by 522.2% to RMB1,328.5 million, as compared with the turnover of RMB213.5 million for the year ended 31 December 2016. The turnover was mainly attributable to the income generated in the Health Management Segment. As the Media Segment was disposed in November 2017, the profit of the Media Segment prior to the disposal was included in the profit or loss in discontinued operation.

The significant increase in turnover of the Health Management Segment during the Year was mainly due to the increase in income from the Evergrande Healthy Land (the "Healthy Land") of 731.3% to RMB1,313.4 million from RMB158.0 million in the same period of 2016. During 2017, income from medical cosmetology surgery and out-patient service decreased by 72.8% to RMB15.1 million from RMB55.5 million in the same period of 2016, mainly due to the decline in business volume.

In respect of the revenue of the Media Segment, advertising income decreased by 47.4% to RMB74.7 million during the Year from RMB142.1 million in the same period of 2016, mainly due to the decline in the number of advertisements placed to print media. However, income from digital business only increased by 52.0% to RMB85.3 million in 2017 from RMB56.1 million in the prior year. Despite there was growth in digital business, the growth rate was slower.

The Group's gross profit amounted to RMB846.3 million, increased by 855.2% from RMB88.6 million in 2016. Gross profit margin increased to 64% during the Year from 41% in the same period of 2016, mainly due to the increase in business volume of Healthy Land and the increase in gross profit arising from the increase in total income. In addition, driven by high gross profit margin in the Healthy Land business, the overall gross profit margin has also increased. Cost of the Health Management Segment mainly represents cost of health and living project, labour costs, depreciation of equipments and medicines etc.

The Group recorded other costs, net, of RMB1.4 million during the Year, as compared with an other income, net, of RMB33.2 million in the same period of 2016, mainly due to the decline in other income from medical cosmetology.

Selling and marketing expenses increased by 591.2% to RMB70.5 million during the Year from RMB10.2 million in the same period of 2016, mainly due to the increase in marketing expenses for the Healthy Land project and the increase in sales commissions. Administrative expenses increased by 234.4% to RMB134.1 million during the Year from RMB40.1 million in the same period of 2016. As the business scale of the Company has expanded, there was an increase in salary for management staff and administrative expenses in 2017.

Finance income, net, decreased by RMB7.2 million to RMB14.5 million during the Year from RMB21.7 million in the same period of 2016, mainly due to the increase in interest expenses which could not be capitalized.

Income tax expense increased by 700.5% to RMB349.8 million during the Year from RMB43.7 million in the same period of 2016, mainly due to the increase in income tax expense in relation to the sales of Healthy Land.

Net loss from discontinued operation amounted to RMB3.5 million during the Year, as compared with a net profit of RMB0.7 million in the same period of 2016. This was attributable to the loss arising from the disposal of the Media Segment on the ground that the management was expecting huge pressure in Media Segment amidst the economic uncertainties and fierce market competition. The disposal was conducted so as to enable the Company to focus on its Health Management Segment and optimize its financial structure.

Profit attributable to the shareholders of the Company increased to RMB307.7 million during the Year from RMB44.3 million in the same period of 2016. Basic earnings per share amounted to RMB3.562 cents (2016 (restated): RMB0.513 cents).

Business Review

Media Segment

During the Year, the New Media Group continued its business as a digital media and content publisher in Hong Kong. Its fully developed on/offline platforms and social networks covered a wide spectrum of topics ranging from travel & entertainment, food & dining, lifestyle & fashion, sports, finance and analysis, as well as local culture & trends etc. The Group provided tailor-made services and tactical campaigns that helped clients not only to fulfill their promotional needs, but also to expand their brands' marketing reach, ultimately achieving actual conversions and generating sales revenue. In recognition of its achievements, the New Media Group was awarded the "Media Owner of the Year" for the fourth consecutive year, and also won the "Media Brand of the Year for 2017", as well as 11 Gold, 10 Silver, and 10 Bronze awards at the Spark Awards organised by Marketing magazine, bringing home altogether 33 trophies in total. In view of the increasingly challenging and highly competitive business environment in the Media Segment, the Group disposed of the New Media Group operation in November 2017 so as to enable the Group to focus on the strategic development in its healthcare business.

Health Management Segment

Business Review for Evergrande Healthy Land

In response to the rapid growth of the aging population and the demand for higher living standards of community residents, the Group had developed and formulated the first all-round healthcare service standard for all-aged population in China creating Evergrande Healthy Land. Evergrande Healthy Land creates a new rent-purchase-travel membership mechanism and a new all-round healthy life for all-aged populations, which also implies a new high-precision, multi-dimension health management mode, a new high-quality multi-level health care mode for the elderly, a new whole life cycle high-availability health insurance system. It originally creates four gardens and provides 852 types of facilities and 867 items of services. Boao Evergrande International Hospital (the "**BEIH**"), which is the only affiliated hospital of Brigham and Women's Hospital in China, together with Evergrande Nursing Home integrate excellent international and domestic hospitals and nursing homes, as well as other resources to create China's world-class health care and sanitorium resort, to fill the gap in domestic health industry and start a new chapter in all-round health care and regime for all-aged populations.

Evergrande Healthy Land has established the brand new, diversified membership scheme of "rent-purchase-travel", which integrates the world's first-class old-age care and health preserving, medical and commercial insurance and other resources, sets up "rent-purchase-travel" member service mode and provides customers with a variety of flexible enrollment selections to meet the diversified needs of the members.

Embracing people of all age groups, Evergrande Healthy Land creates new lifestyle for comprehensive full-life cycle health management and pioneers four major gardens, namely, YiYang (Keep fit), ChangLe (Cheerfulness), KangYi (Health) and Qinzi (Parent-child), provides 852 types of facilities and 867 items of all-round services such as tourism, learning, meditation, music, cheer, diet, beauty, living, health care and nursing, creates a new healthy life of “one family with three generations, living in two apartments”.

Evergrande Healthy Land creates accurate, multi-dimensional new mode for health management. BEIH keeps pace with international standards and the world’s cutting-edge technology, such as Brigham and Women’s Hospital, to establish a lifelong health tracking management system for all memberships, conducing multidimensional scientific life management from all aspects like health education, genetic test, risk assessment, preventive intervention, hierarchical diagnosis and treatment, intelligent monitoring, dietary therapy, psychological counseling etc.

Evergrande Healthy Land creates quality, multi-layer elderly healthcare mode and integrates international advanced healthy old-age care mode, provides the energetic seniors with a health preserving service system combing the integration of medical treatment and rehabilitation, parent-child shared joy, sojourn and vacation, cosmetic medicine and anti-aging, diversiform classes, entertaining and socializing, and elderly employment; Evergrande Nursing Home provides professional nursing, day care, rehabilitation care, home-based care, humanistic care to the disabled elderly.

Integrating domestic and overseas high-quality insurance resources, Evergrande Healthy Land created full-life cycle high-level insurance system and established a high-level insurance system for all-aged groups, customizing exclusive insurance for the aged under 100 years old, offering members with various types of insurance covering high-end medical, critical illness, long-term care, accidental injury and pension etc., thus realizing green service channel with hundreds of excellent top 3A hospitals in China.

Currently, Evergrande Healthy Land expanded to 7 livable and healthy areas, including Sanya, Haihua Island, Xian, Zhengzhou, Yangzhong, Chang-Zhu-Tan and Yuntaishan. Among them, the Health Wellness Experience Centers of Sanya Haitang Bay Evergrande Healthy Land and Xian Evergrande Healthy Land have been in operation.

Business Review for Medical Service Business

The Group cooperated with various top-class medical institutions around the world, such as Brigham and Women’s Hospital, to establish high-end international hospitals and a tiered medical care system.

“Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women’s Hospital”, the first cooperation project of the two parties, strived to gather top-class domestic and international outstanding medical experts and consolidate medical resources such as technology, equipment and the newest medicines. The project introduced an integrated diagnosis and treatment model spanning over multiple disciplines, and offered internationally leading cancer screening, diagnoses, treatments and rehabilitation services. The hospital had formed a therapy team with outstanding experts in China and the United States, and nurtured outstanding medical talents meeting international standards. In addition, with reference to the MDT model in the United States, the hospital had launched multi-discipline clinical decision making through the cooperation of experts from multiple disciplines. The hospital had also introduced various sets of large equipment, including PET-CT, 3.0T magnetic resonance, the latest intelligence TrueBeam linear accelerator, big bore CT, molybdenum target, etc. The construction of Boao Proton Heavy Ion Medical Center has begun, aiming to achieve precise cancer treatment. The Group also established cooperation with outstanding 3A hospitals in China including Ruijin Hospital, the affiliated hospital of the School of Medicine of Shanghai Jiao Tong University, and Hainan Provincial People’s Hospital as well as internationally renowned pharmaceutical companies (including AstraZeneca in the United Kingdom and Novartis in Switzerland), to build an integrated medical research and transfer platform.

Leveraging the clinical research capabilities of Brigham and Women's Cancer Center/Dana-Farber, the hospital fully implemented the management system, the diagnosis and treatment system and the scientific research system of Brigham and Women's Hospital, with the aim of becoming an international clinical, scientific and academic exchange center. The Brigham and Women's Hospital team participated in hospital design and management, and provided consultation services and support for the Group's nationwide medical network. The hospital commenced its trial operations in December 2017, and was officially open on 28 February 2018.

Environmental Policies and Performance

The Group strictly complies with the national and regional laws and regulations in relation to environmental protection and the use of resources, including the Environmental Protection Law of the People's Republic of China, and conduct regular reviews to ensure the effective implementation of environmental management systems and measures. The Group strictly regulates the consumption of energy and resources during its operations with prohibitions of wasting. It also actively introduces energy conservation and emission reduction measures to reduce the emission of waste gases and greenhouse gases. The Group implements strict classified collection regulations for medical waste and engages institutions with professional qualifications to dispose of them to ensure proper disposal of medical waste. The Group is well aware that good environmental resources are the cornerstone of the sustainable development of a company. It will continue to implement the concept of green operation, and publicize the knowledge of environmental protection, and work together with stakeholders to build a green future.

Corporate Milestones

On 25 March 2017, Boao Evergrande International Hospital successfully held the Health Industry Forum of the 2017 Boao Forum for Asia, and discussed the development mode of the comprehensive health industry with renowned domestic and overseas experts in healthcare field at the forum.

In 30 June 2017, the Group and Chinese Geriatrics Society jointly organized the 2017 Chinese Medical and Elderly Care Policy and Operation Summit (2017中國醫養政策與運營研討峰會), which focused on the implementation of medical and elderly care in China and overseas and discussion of development strategy.

On 12 October 2017, Boao Proton International Hospital and Boao Proton Heavy Ion Medical Center (博鰲質子國際醫院暨博鰲質子重離子醫學中心) was officially launched in Boao, Hainan. The establishment represented the first Proton Center in Hainan province and even China.

On 9 November 2017, the Group completed the disposal of its 100% equity interests in New Media Group Holdings Limited, a wholly-owned subsidiary, which enabled the Group to focus on its business development in the comprehensive health industry.

On 14 December 2017, the press conference for "Evergrande Healthy Land" was held in Guangzhou, officially unveiling "Evergrande Healthy Land" to the world. It received wide attention from the central media such as CCTV and Xinhua News Agency, as well as the major mainstream media. In 2018, the brand has been included in the "National Brand Plan" of CCTV.

On 23 December 2017, the Group entered into a strategic cooperation agreement with Ping An Good Doctor, providing high-end medical and healthcare management services for 190 million users at the Ping An Good Doctor Platform.

On 23 December 2017, the Group entered into strategic cooperation agreements with 3A hospitals such as Ruijin Hospital, the affiliated hospital of the School of Medicine of Shanghai Jiao Tong University and Hainan Provincial People's Hospital, and internationally renowned pharmaceutical companies such as AstraZeneca in the United Kingdom and Novartis in Switzerland respectively, to accelerate the formation of an integrated platform for medical research.

On 28 February 2018, Boao Evergrande International Hospital was officially open. On the same day, Boao Public Bonded Drug Warehouse (博鰲公共保税藥倉) was officially open.

Outlook

Health Management Segment

Outlook for Evergrande Healthy Land

The Group will further integrate world-class resources on old-age care and health preserving, medical and commercial insurance. Through the multi-model membership service platform of "rent-purchase-travel", the Group aims to provide members with 388 types of healthcare services, 389 types of health management services, 90 types of elderly care services, 5 major types of insurance as well as 852 facilities and equipment under the theme of tourism, learning, meditation, music, cheer, diet, beauty, living, health care, nursing, so as to cover the entire treatment cycle from pre-pregnancy, infants to centenarians, to create a new healthy lifestyle of "one family with three generations, living in two departments".

In 2018, the Group will successively set up Evergrande Healthy Land in the livable and healthy areas in China. In addition to seven livable and healthy areas in which development has already commenced, the Group intends to expand its operations to nine new livable areas, which can accommodate 46,000 members. It aims for an income from members of Evergrande Health and miscellaneous income of RMB10.0 billion. In the coming five years, the Group plans to expand to over 30 livable and healthy areas to serve members of Evergrande Health.

In the future, the Group will cooperate with financial, tourism, Internet and other fields to grasp more members and provide health services for more people.

Outlook for Medical Service Business

Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital has commenced operation in February 2018. Leveraging on the policy advantages of the pilot zone and technical support from Brigham and Women's Hospital, Boao Evergrande International Hospital will provide medical services which focus on breast cancer and liver diseases, to establish characterized discipline and gradually expand to other medical services. Premium medical service resources within China and overseas will be introduced on an ongoing basis and actively cooperate with domestic and overseas technology research institutions to establish a world-leading platform for medical research and transformation.

Meanwhile, the Group will continue to facilitate its cooperation with 3A hospitals across China. A tiered medical treatment system applicable to international hospitals, 3A hospitals across China and Henghe Hospital will be optimized to expand Evergrande Medical Association.

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 2017, the Group had borrowings, finance leases and loans from fellow subsidiaries (collectively "total borrowings") amounting to RMB5.4 billion (31 December 2016 (restated): RMB1.6 billion).

As at 31 December 2017, the Group's gearing ratio was 69.9% (31 December 2016 (restated): 56.7%). Gearing ratio was calculated as total borrowings divided by total assets.

Employee and Share Option Scheme

As at 31 December 2017, the Group had a total of approximately 673 employees and incurred a total staff cost (including Directors' remuneration) of continuing operations of approximately RMB107.7 million during the Year (2016 (restated): RMB84.0 million).

To provide incentives or rewards to the staff and the Directors of the Company, the Company adopted a share option scheme (the "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 2017. According to the terms of the Scheme, the Scheme shall be valid and effect for a period of 10 years commencing on 18 January 2008. Therefore, the Scheme has expired on 18 January 2018. No options will be granted under the Scheme. The Company proposes to adopt a new share option scheme.

Media Segment

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

As disclosed above, in November 2017, the Group disposed of New Media Group Limited. As a result, the Company has ceased to hold any interest in New Media Group Limited being the operation arm of Media Segment and does not operate in the Media Segment.

Health Management Segment

As at 31 December 2017, the Group's Health Management Segment had a total of approximately 673 staff members, among which the staff with bachelors' degree or above accounted for approximately 81.3%. The Health Management Segment cooperated with top-notch international professional teams and established a pool of talents with strong academic background, excellent caliber and international vision.

Contingent Liabilities

For the year ended 31 December 2017, the Group had no material contingent liabilities (31 December 2016: nil).

Dividend

The Directors do not recommend the payment of dividend for the Year (year ended 31 December 2016: 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 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 58 to page 59 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 2017, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), amounted to RMB460,548,000 (year ended 31 December 2016: RMB191,242,000).

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.

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.

According to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effect for a period of 10 years commencing on 18 January 2008. Therefore, the Share Option Scheme has expired on 18 January 2018.

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 126 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. Han Xiaoran
Mr. Peng Sheng *(Chief Executive Officer)* (Resigned on 17 March 2017)

Independent Non-executive Directors:

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

In accordance with the Company's Articles of Association, Mr. Chau Shing Yim, David and Mr. Xie Wu shall retire at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") and, being eligible, offer themselves for re-election.

Mr. Peng Sheng resigned on 17 March 2017 as executive director of the Company. Mr. Peng Sheng has confirmed that he has 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.

(b) Directors of the Company's Subsidiaries

During the Year and up to the date of this Director's Report, Ms. Tan Chaohui and Mr. Peng Sheng 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: Mr. Xie Wei, Mr. Sun Zhong, Ms. Luo Kunwen, Mr. Zhang Jiwen, Mr. Chen Cheng, Mr. Peng Laian, Mr. Li Mingzhe, Mr. Liu Fei, Mr. Li Xiangyu, Mr. Fong Kar Chun Jimmy, Mr. Huang Xiangui, Mr. Lu Pei, Mr. Peng Sheng, Mr. Ma Wei, Mr. Zhang Dawei, Mr. Lee Yat Pui Royce, Mr. Wong Chi Fai, Ms. Fan Man Seung Vanessa.

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 50, has over 27 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 32, has 9 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.

Independent Non-executive Directors

Chau Shing Yim, David, aged 54, he has over 20 years of experience in corporate finance covering 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 member of the Hong Kong Securities Institute, the member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. Mr. Chau is also the member of 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"), a director of Hong Kong Securities and Investments Institute and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital on 1 April 2017.

Mr. Chau is currently is an independent non-executive director of Man Wah Holdings Limited (Stock Code: 1999), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), China Evergrande Group (Stock Code: 3333), Richly Field China Development Limited (Stock Code: 313), HengTen Networks Group Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Asia Grocery Distribution Limited (Stock Code: 8413) and Branding China Group Limited (Stock code: 863). All the aforesaid companies are listed on the Stock Exchange.

Mr. Chau was also an executive director of China Solar Energy Holdings Limited (Stock Code: 155) from May 2015 to June 2015, an independent non-executive director of Up Energy Development Group Limited (Stock Code: 307) from June 2013 to September 2015, and Varitronix International Limited (Stock Code: 710) from July 2009 to June 2016. All the aforesaid companies are listed on the Stock Exchange.

Guo Jianwen (郭建文), male, aged 42, 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 53, is a physician of Traditional Chinese internal medicine. He has practiced clinical Chinese medicine for 27 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.

Certain Core Members of the Professional Team

Pan Darong (潘大榮), male, aged 45, 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 43, 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.

Jiang Wenqi (姜文奇), male, aged 61, is a second-grade professor in oncology, a chief physician, a doctoral advisor and the president of Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital. He was the vice president of the Sun Yat-sen University Cancer Center, the vice-chairman of the Oncology Sub-Association of the Chinese Medical Doctor Association (中國醫師協會腫瘤學分會), the chairman of the fourth session of the Tumor Clinical Chemotherapy Professional Committee of the China Anti-Cancer Association (中國抗癌協會腫瘤臨床化療專業委員會) and the chairman of the third session of the Lymphoma Professional Committee of the China Anti-Cancer Association (中國抗癌協會淋巴瘤專業委員會).

Ye Gang (葉剛), male, aged 59, in clinical practice in the United States for 15 years, is a Doctor of Medicine and the medical director of Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital. He is experienced in the treatment of blood diseases and tumors and has unique insights in the medical systems in China and the United States, in particular the tumor treatment and clinical research. He worked in the University of Texas Medical Branch, a genetic cancer research institute, Vancouver Clinic and the Louisiana State University Health Sciences Center. He is a member of the American Society of Clinical Oncology, the American Society of Hematology and the American College of Physicians.

Yang Yuesong (楊岳松), male, aged 52, in clinical practice in Canada for 6 years, is a Doctor of Medicine in medical imaging and the director of the imaging center of Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital. He was an attending physician and a chief physician of Radiology at Shanghai General Hospital and an adjunct assistant professor of Radiology at Johns Hopkins University. He was engaged in medical imaging clinical research and practice in Sunnybrook Health Sciences Centre affiliated with the University of Toronto. He is also an adjunct professor of medical imaging at South Zhongshan Hospital affiliated with Fudan University/Shanghai Public Health Clinical Center (復旦大學中山醫院南院/上海市公共衛生臨床中心).

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 2017, the interest and short positions of the Directors and the chief executives of the Company 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 of the Laws of Hong Kong) ("**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**"), were as follows:

Interest in the Shares of the Company

Name of Director	Nature of interest	Number of shares	Approximate percentage of shareholding
Tan Chaohui	Beneficial owner	6,290,000	0.07%

Save as disclosed above, as at 31 December 2017, none of the Directors, the chief executives of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Hong Kong Listing Rules.

Substantial Shareholders

As at 31 December 2017, 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	12%
— five largest suppliers in aggregate	44%
Sales	
— the largest customer	1%
— five largest customers in aggregate	3%

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 2017 is contained in Note 33 to the consolidated financial statements.

All related party transactions contained in Note 33 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 2017 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 2017.

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

During the Year, the New Media Group continued its business as a digital media and content publisher in Hong Kong. Its fully developed on/offline platforms and social networks covered a wide spectrum of topics ranging from travel & entertainment, food & dining, lifestyle & fashion, sports, finance and analysis, as well as local culture & trends etc. The Group provided tailor-made services and tactical campaigns that helped clients not only to fulfill their promotional needs, but also to expand their brands' marketing reach, ultimately achieving actual conversions and generating sales revenue. In recognition of its achievements, the New Media Group was awarded the "Media Owner of the Year" for the fourth consecutive year, and also won the "Media Brand of the Year for 2017," as well as 11 Gold, 10 Silver, and 10 Bronze awards at the Spark Awards organised by Marketing magazine, bringing home altogether 33 trophies in total. In view of the increasingly challenging and highly competitive business environment in the Media Segment, the Group disposed of the New Media Group operation in November 2017 so as to enable the Group to focus on the strategic development in its healthcare business.

(b) Health Management Segment

Business Review for Evergrande Healthy Land

In response to the rapid growth of the aging population and the demand for higher living standards of community residents, the Group had developed and formulated the first all-round healthcare service standard for all-aged population in China creating Evergrande Healthy Land. Evergrande Healthy Land creates a new rent-purchase-travel membership mechanism and a new all-round healthy life for all-aged populations, which also implies a new high-precision, multi-dimension health management mode, a new high-quality multi-level health care mode for the elderly, a new whole life cycle high-availability health insurance system. It originally creates four gardens and provides 852 types of facilities and 867 items of services. Boao Evergrande International Hospital (the "BEIH"), which is the only affiliated hospital of Brigham and Women's Hospital in China, together with Evergrande Nursing Home integrate excellent international and domestic hospitals and nursing homes, as well as other resources to create China's world-class health care and sanitorium resort, to fill the gap in domestic health industry and start a new chapter in all-round health care and regime for all-aged populations.

Evergrande Healthy Land has established the brand new, diversified membership scheme of "rent-purchase-travel" which integrates the world's first-class old-age care and health preserving, medical and commercial insurance and other resources, sets up "rent-purchase-travel" member service mode and provides customers with a variety of flexible enrollment selections to meet the diversified needs of the members.

Embracing people of all age groups, Evergrande Healthy Land creates new lifestyle for comprehensive full-life cycle health management and pioneers four major gardens, namely, YiYang (Keep fit), ChangLe (Cheerfulness), KangYi (Health) and Qinzi (Parent-child), provides 852 types of facilities and 867 items of all-round services such as tourism, learning, meditation, music, cheer, diet, beauty, living, health care and nursing, creates a new healthy life of "one family with three generations, living in two apartments".

Evergrande Healthy Land creates accurate, multi-dimensional new mode for health management. BEIH keeps pace with international standards and the world's cutting-edge technology, such as Brigham and Women's Hospital, to establish a lifelong health tracking management system for all memberships, conducing multidimensional scientific life management from all aspects like health education, genetic test, risk assessment, preventive intervention, hierarchical diagnosis and treatment, intelligent monitoring, dietary therapy, psychological counseling etc.

Evergrande Healthy Land creates quality, multi-layer elderly healthcare mode and integrates international advanced healthy old-age care mode, provides the energetic seniors with a health preserving service system combing the integration of medical treatment and rehabilitation, parent-child shared joy, sojourn and vacation, cosmetic medicine and anti-aging, diversiform classes, entertaining and socializing, and elderly employment; Evergrande Nursing Home provides professional nursing, day care, rehabilitation care, home-based care, humanistic care to the disabled elderly.

Integrating domestic and overseas high-quality insurance resources, Evergrande Healthy Land created full-life cycle high-level insurance system and established a high-level insurance system for all-aged groups, customizing exclusive insurance for the aged under 100 years old, offering members with various types of insurance covering high-end medical, critical illness, long-term care, accidental injury and pension etc., thus realizing green service channel with hundreds of excellent top 3A hospitals in China.

Currently, Evergrande Healthy Land expanded to 7 livable and healthy areas, including Sanya, Haihua Island, Xian, Zhengzhou, Yangzhong, Chang-Zhu-Tan and Yuntaishan. Among them, the Health Wellness Experience Centers of Sanya Haitang Bay Evergrande Healthy Land and Xian Evergrande Healthy Land have been in operation.

Business Review for Medical Service Business

The Group cooperated with various top-class medical institutions around the world, such as Brigham and Women's Hospital, to establish high-end international hospitals and a tiered medical care system.

"Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital", the first cooperation project of the two parties, strived to gather top-class domestic and international outstanding medical experts and consolidate medical resources such as technology, equipment and the newest medicines. The project introduced an integrated diagnosis and treatment model spanning over multiple disciplines, and offered internationally leading cancer screening, diagnoses, treatments and rehabilitation services. The hospital had formed a therapy team with outstanding experts in China and the United States, and nurtured outstanding medical talents meeting international standards. In addition, with reference to the MDT model in the United States, the hospital had launched multi-discipline clinical decision making through the cooperation of experts from multiple disciplines. The hospital had also introduced various sets of large equipment, including PET-CT, 3.0T magnetic resonance, the latest intelligence TrueBeam linear accelerator, big bore CT, molybdenum target, etc. The construction of Boao Proton Heavy Ion Medical Center has begun, aiming to achieve precise cancer treatment. The Group also established cooperation with outstanding 3A hospitals in China including Ruijin Hospital, the affiliated hospital of the School of Medicine of Shanghai Jiao Tong University, and Hainan Provincial People's Hospital as well as internationally renowned pharmaceutical companies (including AstraZeneca in the United Kingdom and Novartis in Switzerland), to build an integrated medical research and transfer platform.

Leveraging the clinical research capabilities of Brigham and Women's Cancer Center/Dana-Farber, the hospital fully implemented the management system, the diagnosis and treatment system and the scientific research system of Brigham and Women's Hospital, with the aim of becoming an international clinical, scientific and academic exchange center. The Brigham and Women's Hospital team participated in hospital design and management, and provided consultation services and support for the Group's nationwide medical network. The hospital commenced its trial operations in December 2017, and was officially open on 28 February 2018.

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 2017 and 31 December 2016 and for the eighteen months ended 31 December 2015 were audited by PricewaterhouseCoopers ("PwC") while for the years ended 30 June 2014 and 30 June 2013 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, 23 March 2018

Environmental, Social and Governance Report

I. About This Report

The Group is delighted to issue the second environmental, social and governance report. This report is prepared in accordance with Appendix 27 Environmental, Social and Governance (ESG) Reporting Guide of the Listing Rules of the Hong Kong Stock Exchange. We have also made additional disclosure of our environmental key performance indicators to demonstrate the environmental management results of the Group with quantitative information to improve the transparency of the report.

This report covers the international hospitals, community health management service and the comprehensive full-life cycle healthcare service of the Group. In 2017, the Group's businesses achieved sound development with rapid growth. This report covers a time frame from 1 January 2017 to 31 December 2017, and includes contents dating back to previous years.

All data in this report is derived from official internal documents, statistical reports, and third party questionnaires, and third party commentaries and interviews.

If there is any inconsistency between the Chinese and English versions of this report, the Chinese version shall prevail.

II. Environmental, Social and Governance Strategy

The Group has been promoting and pursuing sustainable development by taking into account the environmental and social benefits in the course of business development. As a corporate citizen, we are committed to caring for the natural environment, paying attention to the development of our employees, supporting public charity and maintaining a fair and healthy business environment in order to create long-term values for stakeholders and work together to achieve sustainable development.

In response to the national strategic direction of "Healthy China 2030", the Group has collaborated with professional healthcare and medical institutions in the exploration of a new service model integrating elderly care and medical services based on the health and living project. At the same time, we have introduced a tiered medical service linkage system, namely Evergrande Medical Association, comprising Boao Evergrande International Hospital, 3A hospitals across China and Henghe Hospital in Healthy Land to establish a whole new approach for full life-cycle health management, and support the implementation of the national strategy of "Co-construction and sharing of comprehensive healthcare" in order to meet the demand of the public for high-quality life and fulfill our long-term commitment to social welfare.

The board of directors of the Group (the "**Board**") oversights the environmental, social and governance related matters and is responsible for supervising the revision and implementation of ESG strategy of the Group, and ensuring the effective operation of ESG risk management and internal control system. In addition, the Board of the Group is also responsible for reviewing and approving the annual ESG report.

III. Stakeholder Engagement

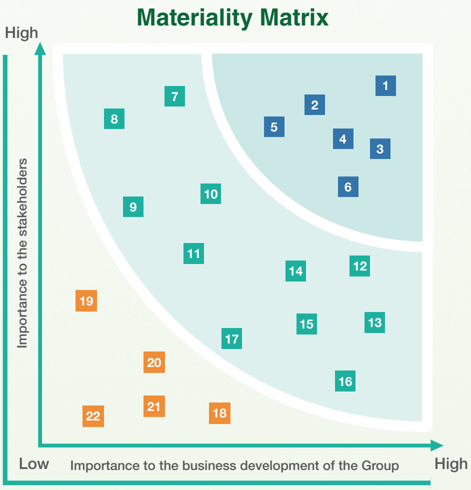
The trust and support of stakeholders are the foundation for a company's long-term development. The Group strives to fulfill the information disclosure obligations and has established a multi-level and multi-channel communication mechanism to share with stakeholders information most relevant to them. We are committed to enhancing the quality and efficiency of the development and maximizing returns to our stakeholders.

Stakeholder	Expectations and requirements	Communication and response
Employees	Protection of legal rights Promotion and development platform Promotion of healthy and safe working environment Remuneration and benefits	Abides by labor laws Improve training and promotion mechanisms Maintains a healthy and comfortable working environment Provides competitive compensation
Customers	High-quality products and services Protection of customer privacy Operations in compliance with regulations	Product and service management Strict customer information confidentiality Optimizes internal control and risk management
Government	Compliant with all applicable rules and regulations Pays taxes on time Promotes economic development	Operates in compliance with laws and regulations Pays taxes on time and cooperates in tax review Actively promotes the transformation and upgrades the healthcare and elderly care industry
Industry associations	Propels research and development in the industry Actively cooperates for mutual benefits Promotes industry development	Enhances capability in research and development Participates in industry conferences Multi-channel cooperation and research
Shareholders	Protection of legal interests Return on investment Information disclosure	Convenes general meetings Enhances profitability Publishes regular reports
Suppliers	Responsible purchases Shares resources for win-win cooperation Be open and fair and keeps promises	Transparent tendering process Conducts strategic cooperation Executes agreements and contracts
Communities	Provides quality healthcare projects Supports public welfare Performs environmental responsibilities	Innovates health management mode Carries out public welfare activities Practices green operation

IV. ESG Materiality Assessment

In 2017, the Group appointed independent third-party institution to conduct stakeholder survey through the use of questionnaires and interviews. The survey highlighted the Group's practices and results in promoting ESG management and helped us to understand the topics that are important to internal and external stakeholders with relevant priority rankings. The Group evaluated each ESG matter in terms of materiality based on in-depth analysis of the opinions of the stakeholders with reference to the business development plan of the Group and ranked them by priority.

ESG materiality matrix of 2017:



Materiality matrix of 2017

Materiality	Number	Result of materiality assessment
Very Important	1	Product and service quality management
	2	Customer satisfaction and compliant handling
	3	Customer privacy
	4	Compliant with policy and regulation
	5	Community investment
	6	Anti-corruption management mechanism
Important	7	Usage of materials
	8	Medical waste treatment
	9	Promoting community health
	10	Exhaust gas treatment and emission
	11	Consumption of water resources and sewage treatment
	12	Energy consumption
	13	Performance appraisal and remuneration and benefits
	14	Occupational health and security
	15	Staff training and education
	16	Protection of intellectual property rights
	17	Staff recruitment and team building
Less Important	18	Prevention of child and forced labour
	19	Promoting sustainable development of supply chain
	20	Responsible marketing and promotion
	21	Supply chain management
	22	Greenhouse gas emissions

Compared with the materiality assessment results of 2016, the stakeholders remained highly focused on matters in relation to product responsibility and customer service whilst the environmental implications of medical business was emphasised with greater importance. In this report, the Group will specifically respond to each material matter as indicated by the assessment, but also address other less material matters.

Looking ahead to 2018, with an aim to continue to achieve sustainable future for the Group, the Group will continue to communicate with our stakeholders, to better understand and address the ESG challenges faced by the Group, increasing our effort to enhance our overall environmental and social responsibilities.

V. Environmental Responsibility

The Group has always placed great emphasis in performing environmental responsibilities and has strictly abided by national and regional environment laws and regulations. The Group participates in the whole process of environmental management, including prevention at the source, control during the course and governance at the end. In each business segment, the Group actively advances energy-saving and consumption-reducing measures to reduce our ecological footprint and continuously optimizes the Group's environmental performance. During the reporting period, the Group did not violate any environmental laws or regulations.

1 Emission management

The Group strictly adhered to the Medical Waste Management Provisions (《醫療廢棄物管理條例》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and other relevant laws and regulations. The Group treated all types of emission in an appropriate manner and ensured all emissions are in compliance with the regulations.

For the medical and health business segment, the Group established a sophisticated environment system, to standardize requirements for the treatment of waste water, exhaust gas and medical waste emission, specifically allocating management and supervision duties to each business department, to ensure compliance with environmental regulations and emission standards of the medical industry.

- Waste water: treatment facilities had been installed in the hospitals of the Group to divide and separately treat medical waste water of varied types, and water may only be discharged into the sewage system where it meets the state-stipulated effluent standard;

- Exhaust gas: the Group's waste gas, such as surgical anesthetizing gas, was universally collected to the gas treatment system, while direct emission was strictly prohibited;

- Medical waste: the Group implemented strict management over collection, transport, storage and treatment of medical waste. The Group adopted a centralized medical waste treatment process within its vicinity. Such waste were categorized and temporarily stored in special anti-leakage and anti-penetration packaging or sealed container. Qualified waste management companies are engaged for the treatment of such waste, minimizing disease transmission and protecting the environment and community health.

For the segment of health and living projects, the Group closely monitored the emission management during project construction and to minimize negative environmental effects of the construction.

- Noise: the Group introduced noise control and reduction measures, set up temporary walls and acoustic screens, strictly followed the construction schedule and lowered ambient noise impact during the course of construction and operation;

- Dust: earthwork and materials at the construction site and during transportation were densely covered, for example using tarp. Sprinkler and spraying systems were installed to maintain on-site sanitation and control dust pollution;

- Construction waste: in accordance with relevant local regulations in respect of the projects, construction waste were categorized, collected, stored and cleared. Metal waste was recycled and hazardous waste was handed over to qualified companies for treatment.

2 Energy and resources efficiency and environment management

Consumption of energy and resources are critical contributors of the Group's environmental impact. The Group actively adopted energy-saving and consumption-reducing measures to enhance resource application efficiency. Solar water heaters were introduced in the health and living project of the Group to reduce the consumption of primary energy. Rainwater collection system was installed. The rainwater collected and reclaimed water were used for irrigating gardens so as to reduce the usage of water. In the meantime, the Group reduced water consumption by equipping automatic faucets and water economizers.

The Group evaluated the environmental impact of each project strictly in accordance with relevant government regulations, assessed environmental hazards arising in the course of project development and took corresponding steps, putting forth efforts to reduce the impact of our projects to the ambient natural environment. Projects were subject to inspection and acceptance of environmental protection by government sectors upon completion.

Garden design was an important part of the Group's projects, where plant breeds compatible with the local natural environment were selected to make cities greener, improve microclimate of the communities and deliver excellent natural experiences to the customers.

3 Green office and environmental education

Committed to environmental protection, the Group implemented strict requirements on the usage of resources including electricity, water and paper, striving to minimize the negative impact of corporate operation on the environment.

- The Group adopted the concept of green office and minimized paper consumption through an integrated management system (EMS), which enabled functions such process management, contract approval and issuance of system documents to be performed online;

- Taking advantage of the internet, the Group convened video conferences to avoid unnecessary travels, which reduced resource consumption and greenhouse gas emission arising from transportation;

- The Group implemented registration system for utilizing office supplies, provided routine maintenance for office facilities and encouraged employees to value office resources;

- The Group encouraged efficient resource consumption within the office area, requiring employees to turn off light and water as appropriate, thereby prohibiting wasting. Notices were placed beside the switches to raise conservation awareness among the employees;

- Through training and publicity activities, the Group actively promoted green office and lifestyle to the staff, encouraging them to take every small step to practice the environmental protection philosophy.

Key Environment Performance Data of 2017

Key Performance Indicators	Unit	Consumption/ Emission
Sulphur oxides	Kg	0.24
Nitrogen oxides	Kg	137.19
Particulate matter	Kg	12.17
Greenhouse gas emissions (Scope I)	Tonne CO_2e	66.88
Greenhouse gas emissions (Scope II)	Tonne CO_2e	799.26
Total greenhouse gas emissions (Scopes I and II)	Tonne CO_2e	866.14
Medical waste	Tonne	0.68
Non-hazardous waste	Tonne	33.28
Electricity consumption	kWh	845,977.35
Petrol	Litre	16,001.14
Diesel	Litre	140
Natural gas	m^3	10,608
Direct energy consumption	GJ	881.71
Indirect energy consumption	GJ	3,045.71
Total energy consumption	GJ	3,927.23
Energy consumption intensity	GJ per employee	6.16
Water consumption	m^3	5,455.61
Water consumption intensity	m^3 per employee	4.76

Notes:

(1) The scope of environmental data covers data collected from the headquarters office area of the Group in Guangzhou from 1 January 2017 to 31 December 2017, the offices of projects under construction including Sanya Healthy Land, Zhengzhou Healthy Land and the Boao Evergrande International Hospital in 2017, and Hengli Cosmetology Center (恒麗美容中心) and Wonjin Medical Beauty Hospital in Tianjin (operated during January to June 2017, and it was formally sold in the second half of 2017).

(2) The emission was the result of the use of company vehicles. Greenhouse gas emissions (Scope I) was primarily due to petrol and diesel consumption of company vehicles, and greenhouse gas emissions (Scope II) primarily originated from purchased electricity. The emission factor was accounted for with reference to the Reporting Guidance on Environmental KPIs issued by Hong Kong Stock Exchange, while the electricity's greenhouse gas emission factor was accounted for with reference to the 2015 China Regional Grid Baseline Emission Factor (2015年中國區域電網基準線排放因子) issued by the China National Development and Reform Commission.

VI. Mutual Development with Employees

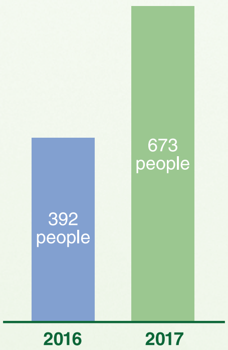
The Group's talent strategy "people oriented", identifies outstanding employee to retain talents, builds a fair and flexible occupation development platform, optimizes the remuneration system, protects employees' rights, cares for employees' health and is dedicated to achieving synergy between employees and the Group. During the reporting period, the Group did not violate any laws and regulations relating to employment, occupational health and safety and labor standards.

1 Talent recruitment and retention

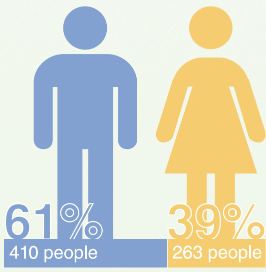
The Group implemented the talent recruitment strategy, and actively cooperated with specialized human resources institutions, colleges and universities and scientific institutions, introducing outstanding talents through campus recruitment, social recruitment, internal recommendation, among other channels. Adhering to the recruitment principle of fairness and openness the Group placed significant emphasis on the ability and professional qualities of the applicants, aiming for a highly educated and high-quality team of talents so as to meet the manpower demand supporting the Group's rapid business development.

The Group formulated a annual human resources plan and made seasonal adjustments based on business needs. In 2017, the Group placed particular emphasis on building medical management and service teams in correspondence with the Boao Evergrande International Hospital commencing its trial operation. As of 31 December 2017, leaders and directors of all departments of the hospital successively assumed their positions, and the domestic and overseas medical teams will be further strengthened as the hospitals formally commence its operation.

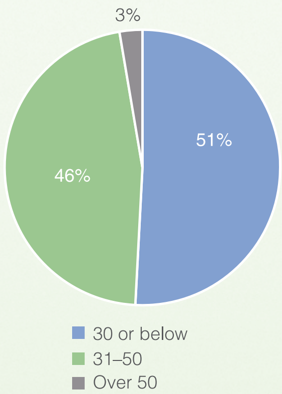
As of 31 December 2017, the Group had a total of 673 employees, details of which are as follows:



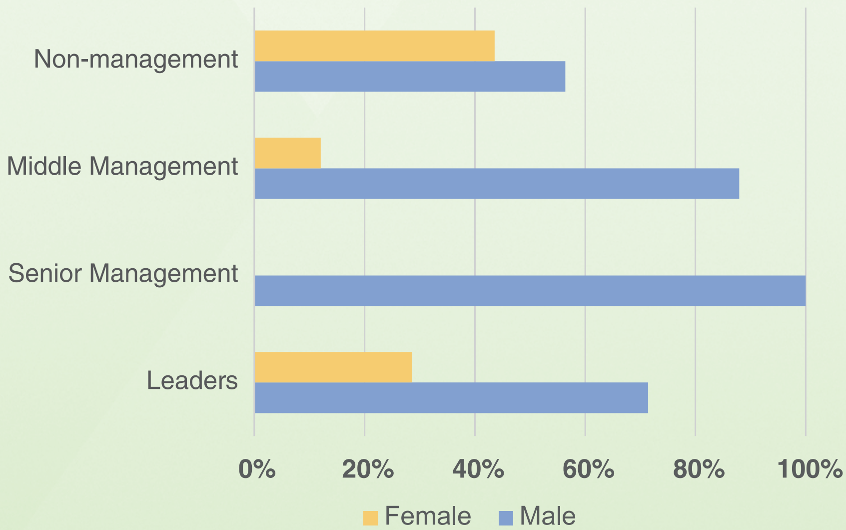
Employee by Gender



Employee by Age group



Employee by Position and Gender



2 Performance management and promotion

The Group had established and made improvements on a fair and transparent performance management mechanism, continued to advance refined management and constantly enhanced the performance appraisal indicator system. On the basis of evaluating work performance, employees were able to fully comprehend the development and planning of the Group's businesses as well as their individual duties through the performance appraisal targets. Meanwhile, the Group, with consideration of the employees' personal development appeals, guided the employees with their career plans and personal development and encouraged them to keep challenging themselves and perform their potential.

The Group has set up a sophisticated promotion channel and appraisal standards to boost employee initiative and upward mobility. Appraisal and selection process consisted of employee self-recommendation, assessment by the direct supervisor and comprehensive appraisal, with participation of the senior management, the human resources department and the direct superior of the candidates, to ensure a comprehensive evaluation.

3 Remuneration and benefits

A sound remuneration incentive system is one of the important approaches of the Group to attract and retain talents. The Group set its remuneration standard based on industry research results, positions and job responsibilities. Monthly bonus and special bonus, among other incentives, were in place to encourage employees to continuously improve their performance, subject to comprehensive evaluation based on the Group's operation circumstances as well as performance rankings of the individual and within the individual department. Meanwhile, we made periodic adjustments to the remuneration according to the industry average salary and the price level, ensuring that we offered reasonable and competitive remuneration.

For fresh graduates, the Group had established and implemented the "three year compensation guarantee system", a policy providing remuneration and incentive protection applicable for the first three years of entry. Annual talent assessment was organized to provide significant salary adjustments to outstanding graduates, subject to evaluation based on personal performance, encouraging graduates to rapidly develop and in turn contribute to the development of the Group.

The Group timely and sufficiently contributed to the "social insurance and housing fund" and provided statutory holidays to the employees according to the law. To enhance morale, the Group has in place an employee benefit system, hosting a myriad of group activities and sending holiday greetings to the employees, thus increasing our talents' sense of belonging. In 2017, the Group provided numerous benefits to the staff including physical examination, Mid-autumn Festival greeting and ticket discounts to multiple sport events.

4 Development and training

In light of the characteristics of business and positions, the Group had integrated internal and external training to establish a targeted, professional and international staff training mechanism which aimed at enhancing the capabilities and technical expertise of our staff so as to fully guarantee and promote the achievement of the Group's strategic goals.

Total number of participants of training
7,843

Total hours of training
465 hours

Leadership training in 2017


Induction training for fresh graduates in 2017

In 2017, the Group placed the emphasis of providing leadership training to the middle management. We engaged external professional lecturers to give lectures on time management, team management and other relevant knowledge and skills in order to enhance the team management capability of the middle management and help them prepare for their promotion to senior management. In 2017, the Group organized three sessions of leadership training in total. Each session offered training for 60 middle management personnel.

The Group has set up a three-year fostering system with respect to campus recruitment. Supervisors are designated to act as career mentors who are responsible for communicating with and providing guidance for new employees in day-to-day work and helping such employees to improve their career development plan so as to open up careers paths for new employees.

Case: The third session of induction training for new employees in 2017

In June 2017, the Group organized the third session of induction training for new employees in the training room of Evergrande Center, which covered brand culture, basic rules, regulations and systems, code of conduct of employees, anti-corruption and integrity, and other information of the Group, so as to help the new employees understand the working environment, work in professional roles and adapt to corporate culture as soon as possible.

In order to ensure the quality of training, the Group has conducted evaluation on the effectiveness of training and collected opinions and suggestions from participants. The department organizing the training will conduct evaluation on learning outcomes by requesting the participants to take an examination or submit feedback. Underperformers will receive a warning so as to fully realize the effectiveness of training.

In view of the professional requirements in the medical industry, the Group will put standardized training for doctors in place step by step and will continue to use the medical education system and arrange for employees to participate in the industry and academic seminars and professional training so as to enhance the core competitiveness of our hospitals. As the only affiliated hospital of Brigham and Women's Hospital (one of the main teaching hospitals of Harvard Medical School) in China, Boao Evergrande International Hospital will organize more exchange visits for international medical teams to facilitate the exchange and guidance on professional knowledge. In December 2017, a team of experts from Brigham and Women's Hospital participated in the professional exchange and technical guidance for one week, providing valuable advice for the preparation and trial operation of the hospital.

5 Occupational health and safety

Adhering to the principle of prevention and control, and in strict compliant with the laws and regulations in relation to occupational health in China, the Group standardizes occupational health management and properly implements protective measures for occupational hazards, striving to provide a safe and comfortable working environment and maintain work-life balance.

Safety management is the cornerstone to ensure the stable operation of hospitals. The Group has established a medical occupational health management system and enhanced the safety management rules for departments and specific positions to regulate operational procedures and self-protection measures. Labor protection and first aid supplies are provided for positions subject to occupational hazards. Our safety management team gives instructions on and supervises the use of such protective equipment. Warnings and instructions notices are posted at the working sites, medical devices and objects subject to occupational hazards and risks. Regular safety training is also provided to improve the safety protection capability and employees' awareness of self-protection.

The Group cares about the physical and mental development, and promotes healthy working and living styles to guide its employees to a positive and healthy attitude.

- We organize regular health training and promotion campaigns while providing body check for employees to help them aware of their physical conditions timely and to urge them to strengthen their health management;
- We organize regular team building activities such as ball games and mountaineering, encouraging employees to participate in sports and exercising so as to enhance physical fitness;
- We attach great importance to the mental health of employees and carry out various forms of promotion on mental health and guarantee sufficient time for rest, helping employees to relieve their work pressure and stay positive to cope with challenges at work.

Employee team-building activity in 2017

Employee participated in Volleyball competition in 2017

6 Equal opportunities and labor rights

In strict compliant with the Labor Law of the People's Republic of China and the Employment Promotion Law of the People's Republic of China, the Group has specified in the Recruitment Management System that, it shall not discriminate employees on the basis of gender, ethnicity, religion and other aspects in the process of recruitment, appraisal and promotion, in order to ensure all employees can gain access to the fair career development platform and resources.

The Group calls for equality between men and women. When recruiting employees, the Group shall not refuse to employ women on the ground of their gender or impose higher recruitment standards on women, except for the jobs or positions that are not suitable for women as stipulated by the State. We also strictly comply with the national requirements on pregnant employees and breastfeeding leaves to protect the labor rights of female employees.

The Group prohibits the use of child labor and any request for forced labor. The recruitment and labor discipline management procedures of the Group have strict stipulations about the age and working hours of employees. If there is a need to work overtime, employees may apply for day off according to the working requirements.

VII. Dynamic Supplier Management

With the strict implementation of the Procurement Management System, the Medical Procurement Management System and the relevant operational rules, the Group has set up the Medical Procurement Department to be responsible for the procurement and supplier management of the medical business and maintain an open and transparent tendering and bidding environment to provide a fair platform for competition among suppliers and cooperate with them to achieve mutual development.

As at 31 December 2017, the Group engaged a total of 77 suppliers for materials, of which 23 suppliers were nationwide suppliers and 3 suppliers were overseas medical equipment suppliers.

1 Medical procurement management

With respect to the recruitment of medical-related suppliers such as drugs and medical equipment, the Group requires suppliers to ensure that they have obtained the business licenses for drugs or medical devices as well as the legal and valid certification from the CFDA. The supplier recruitment team searches for the information related to the suppliers, summarizes the search results, and reports the same to the upper management to compile a preliminary list of suppliers. The Group then assigns relevant responsible persons to inspect the suppliers who are willing to cooperate with. The suppliers who pass the inspection become qualified suppliers and enter the database of qualified suppliers.

The medical control center of the Group is responsible for arranging the materials companies, project companies and end-user units to evaluate their suppliers in terms of quality, services, delivery period and other aspects at each quarter and update the information of suppliers in a timely manner so as to ensure the products and services procured meet the Group's standards. The materials companies under the Group review all qualified companies once a year to screen out unqualified suppliers and those who perform below the standard for a long period of time, and formulate supplementary plans of the database of suppliers for the year to ensure the successful procurement of the Group in the following year.

Case: Procurement management of medical equipment and drugs

The Group has adopted design standards which are more stringent than those in China and selects premium suppliers with leading market share to guarantee the quality of our medical services. Our hospitals are equipped with equipment in accordance with the high international standards by cooperating with various leading international medical equipment manufacturers and introducing advanced medical devices worldwide. All drugs of the Group are procured from leading pharmaceutical enterprises in China. All imported drugs have obtained the Imported Drug Certificate Registration Certificates from the CFDA and other relevant documents. The pharmaceutical management companies under the Group are also responsible for the research on new drugs suitable for the Group or under overseas research, and impose strict control on drugs.

2 Procurement management of general materials

The Group has a clear Procurement Management System serving as a standard guide for supplier management and carries out quotation or tendering and bidding procurement procedures based on the items to be procured and the relevant budget. The materials companies form a recruitment team with the tendering and bidding center and the relevant departments in need of such materials commence recruitment and tendering for suppliers based on the "back-to-back" principle in strict compliance with the system requirements. According to the status of the recruitment of suppliers, tiered management is implemented on suppliers by putting them into the relevant database of suppliers. The construction management and monitoring center of the Group is responsible for the regular evaluation on the suppliers and arranging the materials companies, project companies and end-user units to evaluate their suppliers in terms of quality, services, delivery period and other aspects so as to ensure the quality of the products and services supplied.

VIII. Creating Values for Customers

The Group strives to establish a new health management model to provide high-quality and comprehensive medical and elderly care experience for customers. Attaching great importance to the development and construction of projects and the management on the quality of medical services, we keep on improving the customer service and complaint handling mechanism to protect the information security of customers and pushing forward medical research and development while focusing on addressing the growing demand for quality of life, healthcare, rehabilitation and nursing from the citizens.

1 Management of the quality of medical products and services

The Group highly values the management of medical quality and safety and strives to establish a medical quality management and control mechanism through total involvement covering the complete process of clinical diagnosis and treatment services. With the commencement of total operation, Boao Evergrande International Hospital has preliminarily formulated and implemented the Medical Quality Management Plan, the Medical Quality Evaluation System and other system in relation to medical quality management, and achieved the standardized management of work process with process documents including the Quality Assurance Process of Inspection Results. At the same time, operational safety standards such as hospital safety precautions have also been set up to ensure medical safety.

The supervision and management on the quality of drugs in hospitals is an integral part in the medical quality management system. Boao Evergrande International Hospital has set up a quality leading group under the Pharmacy Department as a supervisor for checking the quality of drugs for clinical use and stored in departments, analyzing and putting forward opinions on rectification, to urge the departments to implement rectification measures so as to ensure the medication safety of the hospital. When giving and dispensing prescriptions, doctors and pharmacists shall stick to the principles of being safe, effective and economical, and enhance the quality of prescriptions in order to ensure rational use of drugs and medical safety.

Under the guidance of Brigham and Women's Hospital, the hospital has introduced and applied advanced equipment in a scientific and reasonable manner, providing strong support and protection for the results of precise treatment for cancer patients. The Group has set up a high-standard molecular diagnostic center and a pathology diagnostic and testing center, and introduced NGS high-throughput sequencing machines and other molecular diagnostic equipment as well as 3.0T magnetic resonance imaging, PET-CT and other high-end imaging equipment, equipped with robotic surgical systems and other equipment, so as to strengthen the operation and maintenance and standardized operational management of equipment and ensure providing high-quality medical services for customers.

The community health management center of the Group has strictly complied with the rules and regulations such as the Administrative Regulations on Medical Institutions and the Basic Standards on Medical Institutions to formulate and implement the duties and responsibilities and operational standards for various positions. At the same time, pursuant to the Administrative Measure on the Supervision and Management of Drugs in Medical Institutions, we seriously implements the regulations on the acceptance, storage and use of drugs and follows the principle of "drugs getting closer to be expired shall be first used" to guarantee the quality of drugs. We provides regular medical operations and safety training for medical staff , aiming at further improving the awareness and ability with respect of the operational standards and safety of the medical team to ensure the quality and safety of medical care.

The Group actively cooperates with the competent authorities such as the Health Bureau in respect of supervision and inspection, obtains access permits for the establishment of medical and health institutions, the commencement of medical service projects, the application of new medical technologies and access permits of its medical and healthcare professionals in a timely manner, and undergoes a review on its business qualifications every year. The medical management center of the Group is responsible for conducting regular reviews on the systems and regulations of the health management centers as well as supervising and monitoring the operations, so as to continuously improve our medical services. The contract and legal affairs center of the Group is responsible for supervising and inspecting compliance matters such as business licenses for the health management centers and professional qualifications of medical professionals every year in order to ensure the compliant operations of the health management centers.

In view of the characteristics of medical services, we pay special attention to customer visits for better understanding of the treatment results. Boao Evergrande International Hospital is focused on enhancing the customer visit process to ensure it can follow up with the recovery of customers post-operation to develop treatment plans. In addition, opinions and needs of customers are also observed as part of the Group's continuous enhancement of their medical services.

2 Quality management and service innovation of health and living project

The Group closely monitors the quality and safety management during the construction of various projects by implementing a monthly inspection process to timely identify quality issues and potential risks of the project construction and require the construction party to rectify within a limited time. Re-inspections are carried out after the rectification. At the same time, we prepare monthly work reports to summarize the project progress and safety and civilized construction conditions. An inter-departmental team will carry out project acceptance check, and employ third-party agencies to assist the acceptance check, so as to provide full guarantee for the quality of the project.

In light of the target of the health and living project, the Group pays attention to the environmental elements of the project and aims to improve the quality of life for the elderly when designing ancillary facilities of the project. This include barrier-free design and used smart water, electricity and gas switch-off facilities and equipment. In addition, the project has set up day care center and medical center staffed with rescuers and will cooperate with the peripheral large hospitals for medical care.

3 Protection of customer privacy

The Group strictly protects the privacy of customers and is committed to establishing long-term customer relationships with trust. In 2017, the Group strengthened the construction of customer information management system, formulated and issued system documents such as the Information Security Management System and the Hospital Information System User Authorization Management System. We implement dedicated management for customer information to clarify management responsibilities and set authorization for users to guarantee the safe and stable operation of the information system, while prohibiting the leakage of customer information to protect the rights and interests of customers.

The Group stipulates that employees must also sign a confidentiality agreement when signing the labor contract, which specifies the confidentiality requirements of the employees during their employment and after they resign from the job, in order to regulate their behavior and enhance their awareness of confidentiality.

4 Marketing compliance management

Sales materials and on-site displays of each project of the Group are provided in accordance with the Advertisement Law and relevant requirements of the central and local governments in terms of honesty, openness and responsibility, protecting customers' right to know while remaining committed to the corporate brand. Promotional materials are compiled by the Marketing Center, subject to finalization after level-by-level approvals from the head of the center and leadership of the Group, ensuring the contents are true and accurate and not intentionally exaggerated or misleading.

5 Protection of intellectual property

The Group places great importance on the management of intellectual property to protect the Group's intangible assets. The Contract and Legal Affairs Center is responsible for the application, registration, filing and change of ownership of the Group's intellectual properties and other relevant information management. In order to enhance the capabilities and raise awareness in relation to maintenance and protection of the Group's intellectual properties among our employees, the Group's Contract and Legal Affairs Center organized special training sessions in 2017 which provided detailed introduction to brand protection precautionary measures, various acts of infringement, and emergency handling measures on infringement disputes, in order to reduce the Group's legal risks.

IX. Anti-Corruption and Development with Integrity

The Group strictly abides by relevant state and local laws and regulations in relation to anti-corruption, bribery and money laundering. The Group adopts internal monitoring measures to ensure the compliance of operations. The Group has set up the Inspection Office as a dedicated management institution for cases of corruption, which is responsible for overall management of anti-corruption supervision, inspection and integrity education.

To maintain a fair and impartial business environment, the Group strictly implements mechanisms to prevent and supervise cases of corruption or fraud in the course of tendering or project construction. Meanwhile, the Group also enhances workstyle inspection of middle management and above, with one of the performance criteria being "clean, honest, self-disciplined and upright". Leadership and management are required not to abuse power for personal gain, offer or accept bribery, or violate laws or rules.

The Group set up informants' hotline and email as well as "Corruption Reporting" and "Complaint & Suggestion" sections in the online office system, providing multiple channels for internal and external whistle-blowing. When receiving such report, the Inspection Office commences investigation and handles the issue immediately, while the source of whistle-blowing will remain strictly confidential, and special measures are in place to protect informers from potential damage in interests.

The Group advocates cooperation with openness, integrity and honesty. New employees may learn about the Group's code of conduct on integrity through orientation training and employee manual. The Inspection Office arranges all employees to watch videos on cautioning and the importance of incorruption every year, and subsequently arranges employees to attend study sessions on special topics, to participate in group discussions and share their feelings and experiences. Thus, employees are equipped to understand corruption and its impact on the Group, and uphold integrity in all operations with a sense of responsibility and initiative at all times.

In 2017, there was no concluded litigation in relation to corruption, bribery, extortion, fraud and money laundering which were initiated against the Group or its employees.

X. Contribution to Society

1 Active participation in public welfare activities

The Group actively participates in public welfare activities and is eager to perform its social responsibilities. The Group encourages its employees to participate in "one-to-one" paired assist activities to provide material assistance for underprivileged families. In 2017, the Group donated approximately RMB540,000 for such activities.

The Group pledges to pursue the philosophy of corporate citizenship, focuses on people's livelihood, actively undertakes its corporate social responsibilities, dedicate itself to social welfare activities whenever possible and ceaselessly explore and strive for a harmonious and progressive society as well as win-win development.

2 Dedication to promote the health philosophy

The Group is dedicated to establishing the "Evergrande medical treatment alliance" multi-level treatment linked system and building a new health management model for medical healthcare and treatment to promote public health. Meanwhile, we vigorously promote Chinese medicine and healthcare via our health management center, broadcast health culture, raise awareness and elevate health management capacity of community residents with our advanced community health management services, contributing to the realization of the "Healthy China 2030" national strategy.

With its own medical resources, the Group organizes voluntary medical consultations to promote community public health over the years. In 2017, the health management center hosted regular voluntary consultations based on medical demands of all community residents, providing conventional health services such as blood pressure measurement and health consultations. The Group actively advocated the philosophy of healthcare in the communities and fulfilled its social responsibilities.


Voluntary medical consultation of the health management center

Voluntary medical consultation of the health management center

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 commencing from 1 January 2017 to 16 March 2017, the Company has fully complied with the Code provision A.2.1. Since Mr. Peng Sheng resigned from the postion of executive Director from 17 March 2017, 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 align with the order of the Board in terms of day-to-day operations and executions are vested in the Board itself.

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 13 to page 14 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.

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

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 2017 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	4/4	N/A	Nil	Nil	Nil	1/1
Mr. Han Xiaoran	3/4	N/A	N/A	N/A	N/A	0/1
Mr. Peng Sheng (resigned with effect from 17 March 2017)	1/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Chau Shing Yim, David Note 2	4/4	2/2	Nil	Nil	Nil	1/1
Mr. Guo Jianwen Note 3	4/4	2/2	Nil	Nil	Nil	0/1
Mr. Xie Wu Note 4	3/4	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. 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.

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. 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 year ended 31 December 2016 and interim financial statements for the six months ended 30 June 2017;

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 year ended 31 December 2016, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 39 of this Annual Report.

On 19 March 2018, 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 2018 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 2017 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.

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 2017 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, no meeting was held by the Nomination Committee.

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 include (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 during 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 51 to 55 of this Annual Report.

Risk Management and Internal Control

Duties of the Board and the Management

The Board is responsible for the risk management and internal controls system and has the responsibility to review the effectiveness of the system. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving the strategic objectives, and monitoring the establishment and maintenances of appropriate and effective risk management and internal controls system. The management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system.

Sound risk management and internal controls systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.

Risk Management

1. **Establishment of a risk management system and structure**
   The Group has established a risk management system structure at the group level to guide the risk assessment activities and ongoing risk monitoring activities through the following measures:

   - **Established a risk management organizational structure** — An organizational structure with the Audit Committee of the Company as the decision-maker, the leading groups and management of various business segments of the Company as the execution unit, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting line.

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 and emergent 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

Role	Major Responsibility
Management of the Group's headquarters and the management of the segments under the Group (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 for operations ■ Responsible for the execution and implementation of specific risk management measures ■ Monitors and 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
Coordinator of risk management matters	■ Organizes the commencement of risk identification and evaluation works ■ Organizes the preparation of regular risk evaluation reports and submits the results to the management of risk management matters ■ Organizes and coordinates risk management training and guidance
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

- **Established risk assessment criteria** — Risk assessment criteria applicable to each business segment has been established based on the nature, business characteristics and strategic objectives of the Group and various activities of the business segments and the risk appetite of the management. The risks that are most likely to affect the achievement of the objectives have also been assessed using commonly recognized assessment methods and assessment criteria.

- **Formulation of 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, analysis, response, control and reporting, so as to manage, mitigate and control risk exposures systematically. By mainly considering the operating goals of the Group and different business segments, the Group identifies risk factors affecting the achievement of such operating goals. The Group also evaluates possible and potential impacts of each specific risk, adopts specific measures in response to identified risk exposures, and continuously supervises and evaluates 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 the Group 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 Industry Group Limited.

(Figure 1: Risk Management Procedures)

2. Risk Evaluation Conducted by the Company in 2017

In addition to the aforesaid risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance and improvement of the risk management system in 2017, details of which include the following:

- **Follow up on the implementation of risk management improvement measures from last year's risk assessment**
  During the Year, the management of the Group followed up on the implementation of the risk management improvement measures identified in prior year's risk assessment, as well as establishing a continuous risk management cycle which contains the process of "Risk assessment — Implementation the of the risk management procedures — Follow-up of the implementation of risk management measures — Risk management system ongoing monitoring" in order to ensure that the any risk management gaps are rectified and the ability to prevent and cope with risks is strengthened (for details, please refer to Figure 2: Risk assessment and management model).

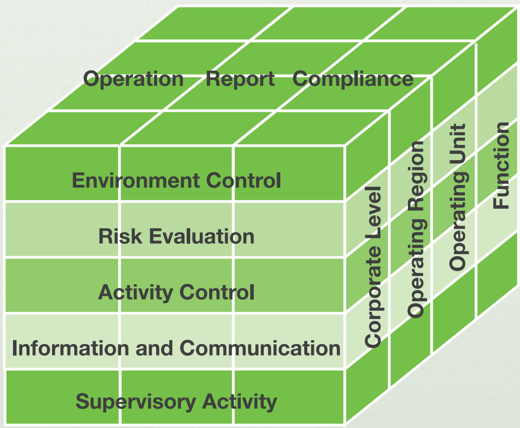
(Figure 2: Management and Control Mode for Risk Management)

- **Conduct a comprehensive review of risk management system at the group level**
  The management of the Group updated the risk assessment standards based on the current status of the operations. The management also reviewed and revised the risk register in view of its business changes. In addition, it adopted a systematic risk assessment method to review the changes in the nature and degree of the material risks facing its business segments, identified the material risks facing its business segments, analyzed the status of risk management and control and countermeasures to be adopted and key risk management strategies, and reported the risk assessment results to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and degree of material risks on behalf of the Board, and completed the review of the risk management systems and considered the risk management systems is effective and sufficient.

Internal Control

1. Establishment of Internal Control and Management Framework

The Group has established its own internal control system by making reference to the internal control and management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to chart 3: COSO internal control management framework). The Group's risk management system consists of five interdependent elements, which coordinates with each other and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.



(Figure 3: Internal Control and Management Framework of COSO)

The internal control system of the Group, as an integral part of its risk management, is established based on the risks facing the Group. The management at the headquarters of the Group, its business segments and other departments have designed and implemented a series of policies and procedures in view of the process relating to finance, operation and compliance, and monitors the implementation of these policies and procedures and their effectiveness.

2. Internal Audit

The Group has in place internal control functions. The management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the internal controls review, which are followed up on by the Supervision Department on a regular basis to ensure the timely implementation of the relevant measures for improvement.

Review of Risk Management and Internal Control System

During the Year, the Board of the Company had conducted a comprehensive review of the risk management and internal control system of the Group through the Audit Committee. Major works included the continuous implementation of the results of risk evaluation and internal control review in the prior year, as well as the commencement of various material risk evaluations for the Year and internal control review of key operating procedures. The period under review covered the accounting year of 2017. The scope of review covered the Group and major business segments, primarily focuses on review of controls over all major aspects, 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 and external environment changes. The Board considers that the relevant systems are effective and sufficient.

The Audit Committee has reviewed the resources, staff qualifications and experience of the Company on accounting, risk management, internal audit and financial reporting functions as well as its staff training programs and budget and confirmed the adequacy of the same.

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 RMB1,631,000 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 RMB774,000.

Amendments to the Company's Constitutional Documents

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

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 2017 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 2017 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 6 June 2018, 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 2017, 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: 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong

Review of Consolidated Financial Information

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2017.

Independent Auditor's Report

pwc

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 56 to 125, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 2017, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 matter identified in our audit is:

- Health Management Segment — Recoverability assessment on properties under development (including land use rights) and completed properties held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
Health Management Segment — Recoverability assessment on properties under development (including land use rights) and completed properties held for sale Refer to Notes 4(a) and 10(a), (b) to the consolidated financial statements. The Group holds properties that are health and living project for sale to third parties under the Health Management Segment. The Group also holds land use rights with the intention to develop project for sale.	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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Properties under development (including land use rights) and completed properties held for sale amounted to approximately RMB3,529,677,000 and RMB170,174,000, respectively, as at 31 December 2017, accounting for approximately 48% of the Group's total assets in aggregate. Management assessed the recoverability of the carrying amounts of properties under development (including land use rights) and completed properties held for sale 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 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 most recent transactions of the Group's properties under sales or presales, or the prevailing market price of 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 (including land use rights) and completed properties held for sale are supportable by the 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.

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.

- 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, 23 March 2018

Consolidated Balance Sheet

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))	As at 1 January 2016 RMB'000 (Restated) (Note 2(a)(i))
ASSETS				
Non-current assets				
Property, plant and equipment	6(a)	**704,025**	254,598	74,110
Land use rights	6(b)	**221,923**	226,593	—
Goodwill	7	**—**	622	584
Long-term prepayments	8	**5,108**	243,658	129,952
Intangible assets	9	**3,161**	5,666	2,269
Deferred income tax assets	18	**6,577**	3,744	2,868
		940,794	734,881	209,783
Current assets				
Inventories		**128**	748	2,581
Prepayments, trade and other receivables	8	**496,678**	195,494	86,645
Properties under development	10(a)	**3,529,677**	663,063	—
Completed properties held for sale	10(b)	**170,174**	127,213	—
Cash and bank balances	12(a)	**2,301,683**	1,033,585	372,008
Restricted deposits	12(b)	**217,193**	67,452	50,834
Income tax recoverable		**—**	—	1,331
		6,715,533	2,087,555	513,399
Total assets		**7,656,327**	2,822,436	723,182
EQUITY				
Equity attributable to owners of the Company				
Share capital	13	**250,936**	250,936	250,936
Retained earnings		**460,548**	191,242	154,275
Reserves	15	**121,760**	113,107	73,455
		833,244	555,285	478,666
Non-controlling interests		**(1,003)**	11,566	8,654
Total equity		**832,241**	566,851	487,320

	Note	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))	As at 1 January 2016 RMB'000 (Restated) (Note 2(a)(i))
LIABILITIES				
Non-current liabilities				
Borrowings	17(a)	**3,720,000**	758,200	63,036
Finance leases	17(b)	**77,165**	—	—
Deferred income tax liabilities	18	**—**	126	969
Loans from fellow subsidiaries	31	**—**	362,293	41,955
		3,797,165	1,120,619	105,960
Current liabilities				
Trade and other payables	16	**640,549**	528,611	49,472
Receipt in advance from customers	16	**507,542**	125,841	31,165
Borrowings	17(a)	**1,539,400**	480,460	49,000
Finance leases	17(b)	**18,710**	—	—
Current income tax liabilities		**320,720**	54	265
		3,026,921	1,134,966	129,902
Total liabilities		**6,824,086**	2,255,585	235,862
Total equity and liabilities		**7,656,327**	2,822,436	723,182
Net current assets		**3,688,612**	952,589	383,497
Total assets less current liabilities		**4,629,406**	1,687,470	593,280

The consolidated financial statements on pages 56 to 125 were approved by the Board of Directors on 23 March 2018 and were signed on its behalf.

Tan Chaohui
Director

Han Xiaoran
Director

The notes on pages 63 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	**2017 RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Continuing operations			
Revenue	5	**1,328,474**	213,531
Cost of sales	19	**(482,172)**	(124,938)
Gross profit		**846,302**	88,593
Other (costs)/income, net	22	**(1,423)**	33,242
Selling and marketing costs	19	**(70,526)**	(10,227)
Administrative expenses	19	**(134,092)**	(40,107)
Operating profit		**640,261**	71,501
Finance income	23	**20,609**	23,388
Finance costs	23	**(6,136)**	(1,647)
Finance income, net		**14,473**	21,741
Profit before income tax		**654,734**	93,242
Income tax expense	24	**(349,777)**	(43,722)
Profit from continuing operations		**304,957**	49,520
Discontinued operation			
(Loss)/profit from discontinued operation	11	**(3,542)**	668
Profit for the year		**301,415**	50,188
Other comprehensive income:			
Items that may not be reclassified to profit and loss:			
Currency translation differences		**3,193**	7,510
Total comprehensive income for the year		**304,608**	57,698
Profit/(loss) attributable to owners of the Company arising from:			
— Continuing operations		**310,936**	43,744
— Discontinued operation		**(3,188)**	601
		307,748	44,345
Other comprehensive income attributable to owners of the Company:			
Currency translation differences		**6,957**	10,441
Total comprehensive income attributable to owners of the Company		**314,705**	54,786

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
(Loss)/profit attributable to non-controlling interests			
— Continuing operations		**(7,573)**	5,776
— Discontinued operation		**1,240**	67
		(6,333)	5,843
Other comprehensive loss attribute to non-controlling interests			
Currency translation differences		**(3,764)**	(2,931)
Total comprehensive (loss)/profit attributable to non-controlling interests		**(10,097)**	2,912
Total comprehensive income for the year		**304,608**	57,698
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company	27	**3.562 cents**	0.513 cents

The notes on pages 63 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital RMB'000 (Restated) (Note 2(a)(i))	Special reserve RMB'000 (Restated) (Note 2(a)(i))	Capital contribution reserve RMB'000 (Restated) (Note 2(a)(i))	Other reserve RMB'000 (Restated) (Note 2(a)(i))	Exchange reserve RMB'000 (Restated) (Note 2(a)(i))	Statutory reserve RMB'000 (Restated) (Note 2(a)(i))	Retained earnings RMB'000 (Restated) (Note 2(a)(i))	Total RMB'000 (Restated) (Note 2(a)(i))	Non-controlling interests RMB'000 (Restated) (Note 2(a)(i))	Total equity RMB'000 (Restated) (Note 2(a)(i))
At 1 January 2016	250,936	85,582	796	14,913	(27,836)	—	154,275	478,666	8,654	487,320
Comprehensive income										
Profit for the year	—	—	—	—	—	—	44,345	44,345	5,843	50,188
Other comprehensive income										
Currency translation difference	—	—	—	—	10,441	—	—	10,441	(2,931)	7,510
Total other comprehensive income for the year	—	—	—	—	10,441	—	—	10,441	(2,931)	7,510
Total comprehensive income	—	—	—	—	10,441	—	44,345	54,786	2,912	57,698
Transactions with owners in their capacity as owners										
Deemed contribution from fellow subsidiaries	—	—	—	21,833	—	—	—	21,833	—	21,833
Transfer to statutory reserve	—	—	—	—	—	7,378	(7,378)	—	—	—
Total transactions with owners in their capacity as owners	—	—	—	21,833	—	7,378	(7,378)	21,833	—	21,833
Balance at 31 December 2016	250,936	85,582	796	36,746	(17,395)	7,378	191,242	555,285	11,566	566,851

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Special reserve RMB'000	Capital contribution reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
At 1 January 2017 (Restated)	250,936	85,582	796	36,746	(17,395)	7,378	191,242	555,285	11,566	566,851
Comprehensive income										
Profit/(loss) for the year	–	–	–	–	–	–	307,748	307,748	(6,333)	301,415
Other comprehensive income										
Currency translation difference	–	–	–	–	6,957	–	–	6,957	(3,764)	3,193
Total other comprehensive income for the year	–	–	–	–	6,957	–	–	6,957	(3,764)	3,193
Total comprehensive income/(loss)	–	–	–	–	6,957	–	307,748	314,705	(10,097)	304,608
Transactions with owners in their capacity as owners										
Release of deemed contribution from fellow subsidiaries	–	–	–	(36,746)	–	–	–	(36,746)	–	(36,746)
Disposal of discontinued operation	–	–	–	–	–	–	–	–	(2,472)	(2,472)
Transfer to statutory reserve	–	–	–	–	–	38,442	(38,442)	–	–	–
Total transactions with owners in their capacity as owners	–	–	–	(36,746)	–	38,442	(38,442)	(36,746)	(2,472)	(39,218)
Balance at 31 December 2017	250,936	85,582	796	–	(10,438)	45,820	460,548	833,244	(1,003)	832,241

The notes on pages 63 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Cash flows from operating activities			
Cash used in operations	28(a)	**(1,700,122)**	(185,330)
Interest paid		**(194,573)**	(21,932)
Income tax paid		**(24,146)**	(22,769)
PRC land appreciation tax paid		**(37,405)**	(20,547)
Net cash used in operating activities from continuing operations		**(1,956,246)**	(250,578)
Net cash generated from/(used in) operating activities from discontinued operation		**34,780**	(17,284)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(339,526)**	(83,476)
Purchases of intangible assets		**(283)**	(5,089)
Purchases of land use rights		**—**	(230,050)
Interest received		**20,609**	23,388
Proceeds from disposal of property, plant and equipment	28(b)	**—**	376
Deposit for acquisition of land use rights	8	**—**	(200,157)
Deposit for acquisition of property, plant and equipment	8	**—**	(43,501)
Net proceeds from disposal of subsidiaries		**(3,120)**	—
Restricted deposits		**(150,457)**	(16,575)
Sales proceeds from short-term investments		**7,463**	—
Net cash used in investing activities from continuing operations		**(465,314)**	(555,084)
Net cash used in investing activities from discontinued operation		**(1,951)**	(50)
Cash flows from financing activities			
Proceeds from interest-bearing borrowings	17(a)	**4,576,200**	1,184,172
Repayments of borrowings	17(a)	**(555,460)**	(49,972)
Proceeds from loans from fellow subsidiaries		**—**	320,338
Repayments of loans from fellow subsidiaries		**(362,293)**	—
Repayment of capital element of finance leases		**(4,900)**	—
Net cash generated from financing activities from continuing operations		**3,653,547**	1,454,538
Net cash generated from financing activities from discontinued operation		**—**	10,998
Net increase in cash and cash equivalents		**1,264,816**	642,540
Cash and cash equivalents at beginning of year		**1,033,585**	372,008
Effect of exchange difference on cash and cash equivalents		**3,282**	19,037
Cash and cash equivalents at end of year, representing bank balances and cash	12(a)	**2,301,683**	1,033,585

The notes on pages 63 to 125 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 "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing (collectively, the "Health Management Segment") in the People's Republic of China (the "PRC"). The Group also engaged in magazine publishing, distribution of magazines, digital business and provision of magazine content (collectively, the "Media Segment") in Hong Kong which was disposed in November 2017 and the details of the disposal are disclosed in Note 11 to the consolidated financial statements.

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 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wan Chai, 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 Renminbi ("RMB") thousands, unless otherwise stated.

Key events

On 7 September 2017, the Group won a bidding on the state-owned construction land use rights of 11 land plots in Xingyang, Zhengzhou City, Henan Province, the PRC, at a total consideration of RMB1,829,900,000. The land plots will be used for the construction of the health experience center, the five-star healthcare hotel and the headquarters for domestic and overseas large-to-medium scale medical enterprises.

On 22 December 2017, the Group entered into the land use rights bid confirmations for the state-owned construction land use rights of 5 land plots in Yangzhong, Zhengjiang City, Jiangsu Province, the PRC, at a consideration of RMB839,760,000. The land plots will be used for the construction of an international specialist hospital, an international health examination center and an intelligent elderly care home.

On 9 November 2017, Right Bliss Limited, a wholly-owned subsidiary of the Company, completed the disposal of 9,001 ordinary share, representing 90.01% of the issued share capital, of New Media Group Limited and the entire shareholder's loan amounted to approximately HK$56,000,000 (equivalent to approximately RMB47,283,000) due and payable by New Media Group Limited to Right Bliss Limited, at a consideration of HK$63,000,000 (equivalent to approximately RMB53,602,000) (the "Disposal"). New Media Group Limited and its subsidiaries (together, the "Disposal Group") were mainly engaged in the magazine publishing, distribution of magazines, digital business and provision of magazine content business (the "Media Segment Business"). The Media Segment Business represented a separate major business segment and the Disposal Group was presented as a discontinued operation. Upon completion of the Disposal, the Group ceased to have any equity interest in the New Media Group Limited. The details of the disposal are disclosed in Note 11 to the consolidated financial statements.

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 disclosure 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) Change in presentation currency

During the year ended 31 December 2017, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its consolidated financial statements following the disposal of Media Segment (the "Disposal"). After the Disposal, the remaining principal activities of the Group are mainly conducted in the PRC where the functional currency of those subsidiaries in the PRC are denominated in RMB and all of the Group's revenue will be denominated in RMB. Accordingly, the directors of the Company considered that the change would result in a more appropriate presentation of the Group's performance and financial position in these consolidated financial statements and provide more relevant financial information to the readers.

The change in presentation currency has been applied retrospectively. The comparative figures in these consolidated financial statements were then translated to RMB using the applicable closing rates for assets and liabilities in the consolidated balance sheet and applicable average rates for items in the consolidated statement of comprehensive income and the consolidated statement of cash flows. Share capital, share premium and reserves were translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

(ii) 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.

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(iii) New amendments to existing standards adopted by the Group

The following new amendments to existing standards are mandatory for the first time for the financial period beginning 1 January 2017. The adoption of these amended standards does not have any significant impact to the results or financial position of the Group.

Amendment to HKAS 7	Statement of Cash Flows
Amendment to HKAS 12	Income taxes
Amendments to HKFRS 12	Disclosure of Interest in Other Entities

(iv) New standards, amendments to existing standards and new interpretations have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 28	Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Amendments to HKAS 40	Transfers of Investment property	1 January 2018
Amendments to HKFRS 1	Deletion of Short-Term Exemptions for First-Time Adopters	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28	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
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) Int-23	Uncertainty over income tax treatments issued	1 January 2019

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(iv) New standards, amendments to existing standards and new interpretations have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted by the Group: (Continued)

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

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated except in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points, which will be recognised in the costs of hedging reserve.

HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(iv) New standards, amendments to existing standards and new interpretations have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted by the Group: (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected :

- Revenue from pre-sales of properties under development in the PRC is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

  When control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

  The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

  Revenue for certain pre-sale properties contracts will be changed and recognized earlier over the period of time, instead of at a single point in time under the current accounting policy.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transfer to the customer under the control transfer model.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which doesn't not represent fair value of good or service provided by the customer.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expense off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(iv) New standards, amendments to existing standards and new interpretations have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted by the Group: (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Date of adoption by Group

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group estimates the overall impact of the above is an increase of the Group's retained earnings on 1 January 2018, and a corresponding increase in current asset and deferred tax liability and a decrease in the current liability as of 1 January 2018.

At this stage, the Group is not able to estimate the impact of the new rules to the Group's financial statements. The Group will make more detailed assessments of the impact over the next few months.

HKFRS 16 Leases

The Group is a lessee of certain offices and buildings, 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 material impact on the Group.

(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.

2 Summary of Significant Accounting Policies (Continued)

(b) Consolidation (Continued)

(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.

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.

2 Summary of Significant Accounting Policies (Continued)

(b) Consolidation (Continued)

(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.

(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 Renminbi ("RMB"), which is the Group's presentation currency. The Company's functional currency is Hong Kong dollar ("HK$").

2 Summary of Significant Accounting Policies (Continued)

(e) Foreign currency translation (Continued)

(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-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.

(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 improvements	4 years
Machinery and equipment	3 to 10 years
Furniture, fixtures and office equipment	3 to 10 years
Land use rights	50 years

2 Summary of Significant Accounting Policies (Continued)

(f) Property, plant and equipment (Continued)

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.

(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.

2 Summary of Significant Accounting Policies (Continued)

(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) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(k) 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.

(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.

2 Summary of Significant Accounting Policies (Continued)

(k) Financial assets (Continued)

(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.

(l) 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.

The Group first assesses whether objective evidence of impairment exists.

2 Summary of Significant Accounting Policies (Continued)

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

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.

(m) 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.

(n) 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.

(o) 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)

(p) 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.

(q) Cash and cash equivalents

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

(r) 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.

(s) 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.

(t) 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)

(t) 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.

(u) 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.

(v) 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.

2 Summary of Significant Accounting Policies (Continued)

(w) 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.

(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.

2 Summary of Significant Accounting Policies (Continued)

(x) 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.

(y) 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.

(z) 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) 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 sheets under current liabilities.

(ii) 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.

2 Summary of Significant Accounting Policies (Continued)

(z) Revenue and income (Continued)

(iii) 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.

(iv) Advertising income

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

(v) 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.

(vi) Digital business income

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

(vii) Provision of magazine content

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

(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.

(aa) 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.

2 Summary of Significant Accounting Policies (Continued)

(ab) 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.

(ac) Financial guarantee

Financial guarantee are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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 deposits, trade and other payables, 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 the PRC and Hong Kong 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 2017, if USD had weakened/strengthened by 5% against RMB, with all other variables held constant, post-tax profit for the year ended 31 December 2017 would decrease/increase by approximately RMB6,682,000. As at 31 December 2016, if RMB had weakened/strengthened by 5% against HK$, with all other variables held constant, post-tax profit for the year ended 31 December 2016: decrease/increase by approximately RMB41,121,000.

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. Cash and cash equivalents and borrowings at variable rates expose the Group to cash flow interest rate risk.

As at 31 December 2017, if interest rate on cash and cash equivalents, borrowings had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2017 would increase/decrease by approximately RMB16,437,000 (2016: decrease/increase by approximately RMB4,306,000).

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.

For credit exposures to customers, credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 32. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group has concentration of credit risk as the Group's trade receivables as at 31 December 2016 of approximately RMB20,665,874 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.

(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.

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017				
Borrowings including accrued interests	**1,615,858**	**3,920,286**	**603,134**	**6,139,278**
Finance leases	**20,490**	**89,087**	**—**	**109,577**
Trade and other payables	**609,523**	**—**	**—**	**609,523**
Total	**2,245,871**	**4,009,373**	**603,134**	**6,858,378**
At 31 December 2016 (Restated)				
Borrowings including accrued interests	543,403	857,466	—	1,400,869
Loans from fellow subsidiaries including imputed interests	—	407,955	—	407,955
Trade and other payables	424,762	—	—	424,762
Total	968,165	1,265,421	—	2,233,586

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 the sum of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) and loan from fellow subsidiaries divided by total assets.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 **RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Borrowings	**5,259,400**	1,238,660
Finance leases	**95,875**	—
Loan from fellow subsidiaries	**—**	362,293
	5,355,275	1,600,953
Total assets	**7,656,327**	2,822,436
Gearing ratio	**70%**	57%

The increase in the gearing ratio as at 31 December 2017 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.

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 (including land use rights) and completed properties held for sale

Properties represent health and living project. The Group assesses the carrying amounts of properties under development (including land use rights) 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) 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.

(c) PRC land appreciation taxes

The Group is also 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:

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

Media: Magazine publishing, distribution of magazines, digital business and provision of magazine content in Hong Kong.

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. An analysis of the Group's revenue by type for the year is as follows:

	2017 **RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Health Management Segment:		
Sales of health and living projects	**1,313,376**	158,026
Income from medical cosmetology and health management	**15,098**	55,505
	1,328,474	213,531
Media Segment: (Discontinued operation)		
Advertising income	**74,712**	142,054
Circulation income	**24,797**	40,244
Digital business income	**85,269**	56,080
Provision of magazine content	**317**	779
	185,095	239,157

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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
		(Note 2(a)(i))		(Note 2(a)(i))
Continuing operations				
— PRC	**1,328,474**	213,531	**934,217**	715,933
Discontinued operation				
— Hong Kong	**180,359**	234,903	**—**	15,204
— PRC	**4,736**	4,254	**—**	—
	185,095	239,157	**—**	15,204

(c) Segment revenue and results

The segment information provided to the CODM for the years ended 31 December 2017 and 2016 is as follows:

	Continuing operations			Discontinued operation	Total
Year ended 31 December 2017	**Health Management**	**Unallocated**	**Sub-total**	**Media**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Segment revenue and revenue from external customers	**1,328,474**	**—**	**1,328,474**	**185,095**	**1,513,569**
Segment results	**658,871**	**—**	**658,871**	**14,105**	**672,976**
Corporate expenses	**—**	**(18,610)**	**(18,610)**	**—**	**(18,610)**
Finance income	**16,408**	**4,201**	**20,609**	**11**	**20,620**
Finance cost	**(3,517)**	**(2,619)**	**(6,136)**	**—**	**(6,136)**
Profit/(loss) before income tax	**671,762**	**(17,028)**	**654,734**	**14,116**	**668,850**
Income tax expense	**(349,777)**	**—**	**(349,777)**	**(1,702)**	**(351,479)**
Loss on disposal	**—**	**—**	**—**	**(15,956)**	**(15,956)**
Profit/(loss) for the year	**321,985**	**(17,028)**	**304,957**	**(3,542)**	**301,415**

5 Segment Information (Continued)

(c) Segment revenue and results (Continued)

Year ended 31 December 2017	Continuing operations Health Management RMB'000	Continuing operations Unallocated RMB'000	Continuing operations Sub-total RMB'000	Discontinued operation Media RMB'000	Total RMB'000
Other Segment items:					
Additions to property, plant and equipment	**478,692**	**–**	**478,692**	**2,026**	**480,718**
Depreciation	**(14,685)**	**–**	**(14,685)**	**(4,255)**	**(18,940)**
Amortisation	**(7,458)**	**–**	**(7,458)**	**–**	**(7,458)**
Interest income	**16,408**	**4,201**	**20,609**	**11**	**20,620**
Interest expense	**(3,517)**	**(2,619)**	**(6,136)**	**–**	**(6,136)**

Year ended 31 December 2016	Continuing operations Health Management RMB'000	Continuing operations Unallocated RMB'000	Continuing operations Sub-total RMB'000	Discontinued operation Media RMB'000	Total RMB'000
Segment revenue and revenue from external customers	213,531	–	213,531	239,157	452,688
Segment results	71,217	–	71,217	4,005	75,222
Corporate income	–	284	284	–	284
Finance income	1,053	22,335	23,388	16	23,404
Finance cost	(1,647)	–	(1,647)	(3,040)	(4,687)
Profit before income tax	70,623	22,619	93,242	981	94,223
Income tax expense	(43,722)	–	(43,722)	(313)	(44,035)
Profit for the year	26,901	22,619	49,520	668	50,188
Other segment items:					
Additions to property, plant and equipment	197,463	–	197,463	597	198,060
Additions to land use rights	230,050	–	230,050	–	230,050
Depreciation	(9,055)	–	(9,055)	(8,238)	(17,293)
Amortisation	(5,150)	–	(5,150)	–	(5,150)
Interest income	1,053	22,335	23,388	16	23,404
Interest expense	(1,647)	–	(1,647)	(3,040)	(4,687)

5 Segment Information (Continued)

(c) Segment revenue and results (Continued)

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

	Continuing operations			Discontinued operation	Total
	Health Management	Unallocated	Sub-total	Media	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017					
Segment assets	**7,560,816**	**—**	**7,560,816**	**—**	**7,560,816**
Corporate assets	**—**	**95,511**	**95,511**	**—**	**95,511**
Total assets	**7,560,816**	**95,511**	**7,656,327**	**—**	**7,656,327**
As at 31 December 2016 (Restated)					
Segment assets	2,216,603	—	2,216,603	123,776	2,340,379
Corporate assets	—	482,057	482,057	—	482,057
Total assets	2,216,603	482,057	2,698,660	123,776	2,822,436

6 Property, Plant and Equipment and Land Use Rights

(a) Movements of property, plant and equipment

	Leasehold improvements RMB'000 (Restated) (Note 2(a)(i))	Machinery and equipment RMB'000 (Restated) (Note 2(a)(i))	Furniture, fixtures and office equipment RMB'000 (Restated) (Note 2(a)(i))	Construction in progress RMB'000 (Restated) (Note 2(a)(i))	Total RMB'000 (Restated) (Note 2(a)(i))
As at 1 January 2016					
Cost	16,682	59,830	72,460	–	148,972
Accumulated depreciation	(6,730)	(13,627)	(54,505)	–	(74,862)
Net book amount	9,952	46,203	17,955	–	74,110
Year ended 31 December 2016					
Opening net book amount	9,952	46,203	17,955	–	74,110
Currency translation differences	561	(835)	891		617
Disposal of a subsidiary	(159)	(15)	(384)	–	(558)
Additions	8	391	5,083	192,984	198,466
Disposals	–	(145)	(599)	–	(744)
Depreciation	(1,647)	(8,316)	(7,330)	–	(17,293)
Closing net book amount	8,715	37,283	15,616	192,984	254,598
As at 31 December 2016					
Cost	17,475	58,467	76,369	192,984	345,295
Accumulated depreciation	(8,760)	(21,184)	(60,753)	–	(90,697)
Net book amount	8,715	37,283	15,616	192,984	254,598
Year ended 31 December 2017					
Opening net book amount	**8,715**	**37,283**	**15,616**	**192,984**	**254,598**
Currency translation differences	**(329)**	**(32)**	**(201)**	**–**	**(562)**
Additions	**1,016**	**5,125**	**8,567**	**466,010**	**480,718**
Disposals	**(3,471)**	**(23)**	**(10)**	**–**	**(3,504)**
Depreciation	**(1,124)**	**(11,785)**	**(6,031)**	**–**	**(18,940)**
Disposal of discontinued operation	**(4,643)**	**(385)**	**(3,257)**	**–**	**(8,285)**
Closing net book amount	**164**	**30,183**	**14,684**	**658,994**	**704,025**
As at 31 December 2017					
Cost	**219**	**51,018**	**21,406**	**658,994**	**731,637**
Accumulated depreciation	**(55)**	**(20,835)**	**(6,722)**	**–**	**(27,612)**
Net book amount	**164**	**30,183**	**14,684**	**658,994**	**704,025**

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:

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Continuing operations		
Cost of sales	**11,088**	5,001
Selling and marketing costs	**362**	338
Administrative expenses	**3,235**	3,716
	14,685	9,055
Discontinued operation (Note 11(a))	**4,255**	8,238
Total depreciation	**18,940**	17,293

As at 31 December 2017, the Group pledged construction in progress with a net book value of approximately RMB345,293,000 to secure the borrowings of RMB400,000,000.

(b) Movements of land use rights

Land use rights are related to properties outside Hong Kong, held on leases of over 50 years: (2016: 50 years)

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
At 1 January	**226,593**	—
Addition	**—**	230,051
Amortisation	**(4,670)**	(3,458)
At 31 December	**221,923**	226,593

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

6 Property, Plant and Equipment and Land Use Rights (Continued)

(c) Leased assets

Construction in progress includes the following amounts where the Group is a lessee under a finance lease (refer to Note 17(b) for further details):

	2017 RMB'000	2016 RMB'000
Leased equipment		
Cost	**100,878**	—
Accumulated depreciation	**—**	—
Net book amount	**100,878**	—

7 Goodwill

	RMB'000
At 1 January 2016 (Restated)	584
Exchange difference	38
At 31 December 2016 (Restated)	622
Disposal of discontinued operation	(591)
Exchange difference	(31)
At 31 December 2017	—

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.

7 Goodwill (Continued)

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.

	2016
Discount rate	8%
Constant growth rate	1%

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

During the year ended 31 December 2017, the goodwill was disposed of upon the completion of the Disposal.

8 Prepayments, Trade and Other Receivables

	2017 **RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Trade receivables	**213,845**	108,241
Less: allowance for doubtful debts	**—**	(614)
	213,845	107,627
Prepayments	**42,935**	254,361
Deposits	**214,187**	8,807
Other receivables from:		
— third parties	**29,755**	9,078
— related companies (Note 33(a)(ii))	**1,064**	59,279
	501,786	439,152
Less: non-current portion:		
— prepayments for land use rights	**—**	(200,157)
— prepayments for property, plant and equipment	**(5,108)**	(43,501)
	(5,108)	(243,658)
Current portion	**496,678**	195,494

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:

	2017	2016
	RMB'000	RMB'000
		(Restated)
		(Note 2(a)(i))
Age		
0–90 days	**199,422**	90,432
91–180 days	**301**	14,171
Over 180 days	**14,122**	3,638
	213,845	108,241

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB10,095,000 (2016: RMB27,483,000), 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

	2017	2016
	RMB'000	RMB'000
		(Restated)
		(Note 2(a)(i))
1 to 90 days	**6,601**	23,537
91–180 days	**3,202**	3,305
Over 180 days	**292**	641
	10,095	27,483

8 Prepayments, Trade and Other Receivables (Continued)

Movements in the allowance for doubtful debts

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Balance at beginning of year	**614**	258
Amounts written off as uncollectible	**—**	(137)
Charged to profit or loss	**—**	462
Currency translation differences	**—**	31
Disposal of discontinued operation	**(614)**	—
Balance at end of year	**—**	614

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of nil (2016: RMB614,000). 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:

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
RMB	**501,256**	357,072
HK$	**530**	82,081
	501,786	439,153

9 Intangible Assets

	Publishing library RMB'000 (Restated) (Note 2(a)(i))	Copyrights in photographs and articles RMB'000 (Restated) (Note 2(a)(i))	Software RMB'000 (Restated) (Note 2(a)(i))	Trademarks RMB'000 (Restated) (Note 2(a)(i))	Total RMB'000 (Restated) (Note 2(a)(i))
As at 1 January 2016					
Cost	29,156	5,564	2,210	86	37,016
Accumulated amortisation and impairment	(29,156)	(5,564)	(23)	(4)	(34,747)
Net book amount	—	—	2,187	82	2,269
Year ended 31 December 2016					
Opening net book amount at 1 January 2016	—	—	2,187	82	2,269
Additions	—	—	5,089	—	5,089
Amortisation	—	—	(1,683)	(9)	(1,692)
Closing net book amount	—	—	5,593	73	5,666
As at 31 December 2016					
Cost	29,156	5,564	7,299	86	42,105
Accumulated amortisation and impairment	(29,156)	(5,564)	(1,706)	(13)	(36,439)
Net book amount	—	—	5,593	73	5,666
Year ended 31 December 2017					
Opening net book amount at 1 January 2017	—	—	5,593	73	5,666
Additions	—	—	283	—	283
Amortisation	—	—	(2,779)	(9)	(2,788)
Closing net book amount	—	—	3,097	64	3,161
As at 31 December 2017					
Cost	—	—	7,582	86	7,668
Accumulated amortisation and impairment	—	—	(4,485)	(22)	(4,507)
Net book amount	—	—	3,097	64	3,161

10 Properties under Development and Completed Properties Held for Sale

(a) Properties under development

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Properties under development comprise:		
— Construction costs and capitalised expenditures	**420,815**	62,377
— Interests capitalised	**87,553**	13,370
— Land use rights	**3,021,309**	587,316
	3,529,677	663,063

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 40–70 years (2016: 40 years).

The capitalisation rate of borrowing rate for the year ended 31 December 2017 is 7.54% (2016: 6.0%).

As at 31 December 2017, the Group pledged properties under development with a net book value of approximately RMB3,255,501,000 to secure the borrowings of RMB2,900,000,000.

(b) Completed properties held for sale

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

11 Discontinued Operation

On 9 November 2017, the Company completed the disposal of its entire equity interest in New Media Group Limited and the entire shareholder's loan amounted to approximately HK$56,000,000 (equivalent to approximately RMB47,283,000) due and payable by New Media Group Limited to Right Bliss Limited, a wholly-owned subsidiary of the Company, at a cash consideration of HK$63,000,000 (equivalent to approximately RMB53,602,000). New Media Group Limited and its subsidiaries were mainly engaged in the magazine publishing, distribution of magazines, digital business and provision of magazine content business. The Media Segment Business represented a separate major business segment and the Disposal Group was presented as a discontinued operation. Upon completion of the Disposal, the Group ceased to have any equity interest in New Media Group Limited.

	2017 RMB'000	2016 RMB'000
Profit after tax from discontinued operation (Note (a))	**12,414**	668
Loss on disposal (Note (d))	**(15,956)**	—
(Loss)/profit from discontinued operation	**(3,542)**	668

11 Discontinued Operation (Continued)

(a) Analysis of the results of the discontinued operation is set out below:

The analysis of the profit or loss from the Media Segment Business presented as a discontinued operation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" is as follow:

	For the period from 1 January 2017 to 9 November 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	185,095	239,157
Other income and other gains, net	(2,211)	21,955
Expenses		
— Depreciation of property, plant and equipment	(4,255)	(8,238)
— Employee benefit expenses	(44,337)	(66,017)
— Operating lease rentals for rented premises and machines	(8,752)	(13,470)
— Cost of sales	(95,340)	(154,907)
— Other expenses	(16,095)	(14,475)
Operating profit from discontinued operation	14,105	4,005
Finance income/(costs), net	11	(3,024)
Profit before income tax from discontinued operation	14,116	981
Income tax expense	(1,702)	(313)
Profit after tax from discontinued operation	12,414	668
Profit after tax from discontinued operation attributable to:		
— Owners of the Company	11,174	601
— Non-controlling interest	1,240	67

(b) Net cash generated from/(used in) discontinued operation

	For the period from 1 January 2017 to 9 November 2017 RMB'000	Year ended 31 December 2016 RMB'000
Net cash generated from/(used in) operating activities	34,870	(17,284)
Net cash used in investing activities	(1,951)	(50)
Net cash generated from financing activities	—	10,998
Effects of foreign exchange rates	(1,973)	1,165
Net cash inflow/(outflow) for the period/year	30,946	(5,171)

11 Discontinued Operation (Continued)

(c) Proceeds from sale of property, plant and equipment comprise from discontinued operations:

	For the period from 1 January 2017 to 9 November 2017 RMB'000	Year ended 31 December 2016 RMB'000
Net book amount	**3,504**	381
Loss from disposal of property, plant and equipment	**(3,440)**	149
Proceeds from disposal of property, plant and equipment	**64**	530

(d) Analysis of loss on disposal is as follows:

	9 November 2017 RMB'000
Total consideration satisfied by:	
Cash consideration	**53,602**
Less: Net assets disposed of:	
Property, plant and equipment	**(8,285)**
Trade receivables	**(52,463)**
Other receivables, deposits and prepayments	**(15,446)**
Cash and cash equivalents	**(56,722)**
Trade payables	**6,800**
Amounts due to related companies	**73,659**
Others	**27,710**
	(24,747)
Net assets attributable to non-controlling interests	**2,472**
Share of net assets disposed of	**(22,275)**
Less: Shareholder's loan due from New Media Group Limited	**(47,283)**
Loss on disposal	**(15,596)**

11 Discontinued Operation (Continued)

(e) Analysis of net cash outflow arising from the date of disposal is as follow:

	9 November 2017 RMB'000
Cash consideration	53,602
Cash and cash equivalents disposed	(56,722)
	(3,120)

12 Cash and Bank Balances

(a) Cash and cash equivalents

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Cash at bank and on hand	1,960,047	736,694
Short-term bank deposits	341,636	296,891
Cash and cash equivalents	2,301,683	1,033,585
Denominated in:		
HK$	1,186	26,490
RMB	2,299,785	1,006,328
Other currencies	712	767
Cash and cash equivalents	2,301,683	1,033,585

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% (2016: 0.01% to 0.5%).

12 Cash and Bank Balances (Continued)

(b) Restricted deposits

As at 31 December 2017, restricted deposits of RMB217,193,000 (2016: RMB67,452,000) are held at banks as security for guarantee deposits for construction of projects .

(c) Banking facilities

During the year, uncommitted banking facility of RMB1,500,000,000 (2016: RMB500,000,000) was granted to the Group, of which RMB500,000,000 (2016: RMB500,000,000) was secured by deposits of the Company provided that the drawing shall not exceed 98% of the deposits.

As at 31 December 2017, the total uncommitted banking facility was utilised to the extent of RMB833,200,000 and the Group has available un-utilised banking facility of RMB666,800,000.

13 Share Capital

	Number of shares	Amount RMB'000 (Restated) (Note 2(a)(i))
Ordinary shares, issued and fully paid:		
At 1 January 2016, 31 December 2016 and 31 December 2017	8,640,000,000	250,936

14 Share Option Schemes

No option was granted by the Company under the Share Option Scheme since its adoption and up to 31 December 2017.

15 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 represent deemed capital contribution and deregistration of a subsidiary in 2006 and 2008, respectively.

(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 RMB. 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.

16 Trade and Other Payables

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Trade and other payables:		
Trade payables	**155,560**	351,331
Other payables to:		
— third parties	**348,779**	176,119
— related companies (Note 33(a)(ii))	**136,210**	1,161
	484,989	177,280
Total trade and other payables	**640,549**	528,611
Receipt in advance from customers:		
Receipt in advance from:		
— sale of health and living projects	**505,450**	119,861
— other customers	**2,092**	5,980
Total receipt in advance	**507,542**	125,841

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:

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Age		
0 – 90 days	**147,846**	351,179
91–180 days	**3,229**	97
Over 180 days	**4,485**	55
	155,560	351,331

16 Trade and Other Payables (Continued)

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

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
RMB	**506,179**	478,205
HK$	**4**	50,406
US$	**134,366**	—
	640,549	528,611

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

17 Borrowings

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Bank borrowings	**5,259,400**	1,238,660
Finance leases	**95,875**	—
Total borrowings	**5,355,275**	1,238,660

(a) Bank Borrowings

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Borrowings	**5,259,400**	1,238,660
Less: non-current borrowings — secured	**(3,720,000)**	(758,200)
Current borrowings — secured	**1,539,400**	480,460

17 Borrowings (Continued)

(a) Bank Borrowings (Continued)

At 31 December 2017 and 2016, the Group's borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Within 1 year	**1,539,400**	480,460
Between 1 and 2 years	**2,400,000**	758,200
Between 2 and 5 years	**920,000**	—
Over 5 years	**400,000**	—
	5,259,400	1,238,660

As at 31 December 2017, borrowings of approximately RMB5,259,400,000 are secured by share charge, representing 100% of issued share capital of 西安恒甯健康置業有限公司, 三亞恒合融醫院投資管理有限公司 and 鄭州恒澤通健康置業有限公司, the subsidiaries of the Group, and construction in progress and properties under development, respectively. As at 31 December 2016, borrowings of approximately RMB55,460,000 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 RMB850,000,000 are secured by the share charge, 100% of issued share capital of 三亞恒合融醫院投資管理有限公司, a subsidiary of the Group and properties under development, respectively.

For the year ended 31 December 2017, the interest rate of borrowings of RMB4,926,200,000 (2016: RMB55,460,000) was fixed to 8.68% (2016: 5%) per annum. The remaining borrowings are interest bearing loans at floating rate. Interest expense on borrowings for the year ended 31 December 2017 is RMB191,433,000 (2016: RMB23,493,000).

The movements in borrowings as below:

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
At 1 January	**1,238,660**	112,036
Proceeds from borrowings	**4,576,200**	1,184,172
Repayments of borrowings	**(555,460)**	(49,972)
Release of borrowings due to disposal of a subsidiary	**—**	(19,714)
Currency translation differences	**—**	12,138
At 31 December	**5,259,400**	1,238,660

17 Borrowings (Continued)

(a) Bank Borrowings (Continued)

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

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
HK$	–	55,460
RMB	**5,529,400**	1,183,200
	5,529,400	1,238,660

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	
	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Long-term bank loans	**3,720,000**	758,200	**3,226,331**	751,436

17 Borrowings (Continued)

(b) Finance leases

The Group leases various construction in progress with a carrying amount of RMB100,878,000 (2016: nil) under finance leases expiring with three years. Under the terms of the leases, the Group has the option to acquire the leased assets for 50% of their agreed fair value on expiry of the leases. This option lapses in the event the Group fails to maintain its credit rating at the level prevailing at inception of the lease.

	2017 **RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Commitments in relation to finance leases are payable as follows:		
Within one year	**20,490**	—
Later than one year but not later than five years	**89,087**	—
Minimum lease payments	**109,577**	—
Future finance charges	**(13,702)**	—
Total lease liabilities	**95,875**	—
The present value of finance lease liabilities is as follows:		
Within one year	**18,710**	—
Later than one year but not later than five years	**77,165**	—
	95,875	—

18 Deferred Income Tax Assets/(Liabilities)

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

	2017 **RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Deferred tax assets	**6,577**	3,744
Deferred tax liabilities	**—**	(126)
Deferred tax assets, net	**6,577**	3,618

18 Deferred Income Tax Assets/(Liabilities) (Continued)

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

	Accelerated tax depreciation	Tax losses	Disposal of a subsidiary	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016 (Restated)	(1,411)	2,998	312	1,899
Credited to profit or loss for the year (Note 24)	728	802	—	1,530
Currency translation differences	198	(79)	70	189
As at 31 December 2016 (Restated)	(485)	3,721	382	3,618
Credited to profit or loss for the year (Note 24)	—	2,856	—	2,856
Disposal of discontinued operation	485	—	(382)	103
As at 31 December 2017	—	6,577	—	6,577

At 31 December 2017, the Group had unused tax losses of approximately RMB81,394,000 (2016: RMB70,055,000) available for offset against future profits. As at 31 December 2017, a deferred tax asset had been recognised in respect of approximately RMB26,307,000 (2016: RMB17,235,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB55,087,000 (2016: RMB52,821,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2017 are losses of approximately RMB55,087,000 (2016: RMB15,004,000) 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 or at the end of the reporting period.

19 Operating Profit

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

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Continuing operations		
Employee benefit expenses (including directors' emoluments) (Note 20)	107,670	83,997
Auditor's remuneration	2,405	2,121
Depreciation of property, plant and equipment	14,685	9,055
Net exchange (gain)/loss	(4,674)	478
Cost of inventories	442,667	2,735
Operating lease rentals for rented premises and machineries	2,196	2,363
Amortisation of land use rights	4,670	3,458
Amortisation of intangible assets	1,692	2,788

20 Employee Benefit Expenses — Including Directors' Emoluments

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Continuing operations		
Wages and salaries	89,118	75,543
Pension cost — defined contribution plans	18,552	8,454
	107,670	83,997

21 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 2017 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	Salary	Estimated money value of other benefits	Employer's Contribution to a retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Tan Chaohui	175	—	—	9	184
Peng Sheng (Notes a)	12	—	—	—	12
Han Xiaoran	—	—	—	—	—
Chau Shing Yim, David	291	—	—	—	291
Guo Jianwen	300	—	—	—	300
Xie Wu	300	—	—	—	300
Total emoluments	1,078	—	—	9	1,087

Note:

(a) Resigned on 17 March 2017

After the resignation of Mr. Peng Sheng on 17 March 2017, no Chief Executive Officer was appointed to fill the vacancy of Chief Executive Officer. Thus, the remuneration of Chief Executive Officer is not disclosed.

21 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 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 RMB'000 (Restated) (Note 2(a)(i))	Salary RMB'000 (Restated) (Note 2(a)(i))	Estimated money value of other benefits RMB'000 (Restated) (Note 2(a)(i))	Employer's contribution to a retirement benefit scheme RMB'000 (Restated) (Note 2(a)(i))	Total RMB'000 (Restated) (Note 2(a)(i))
Tan Chaohui	181	—	—	9	190
Peng Sheng (Note a and c)	124	—	—	—	124
Han Xiaoran	90	—	—	—	90
Tong Ming (Note b)	41	—	—	—	41
Chau Shing Yim, David	301	—	—	—	301
Guo Jianwen	300	—	—	—	300
Xie Wu	300	—	—	—	300
Total emoluments	1,337	—	—	9	1,346

Notes:

(a) Appointed on 23 March 2016.

(b) Resigned on 23 March 2016.

(c) Resigned on 17 March 2017

(b) Directors' retirement benefits and termination benefits

Except for the details disclosed in note 21(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 2017 (2016: nil).

21 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)

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

During the year ended 31 December 2017, the Group has not paid any consideration to any third parties for making available directors' services to the Company (2016: 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 (2016: 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 (2016: 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 and resigned on 17 March 2017.

(f) Five highest paid individuals

During the year ended 31 December 2017, the five highest paid individual include none of the directors (2016: none), whose emoluments are reflected in the analysis presented in Note 21(a). The aggregate amounts of emoluments of the other five highest paid individuals for the year ended 31 December 2017 are set out below:

	2017 **RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Salaries and other benefits	**15,057**	9,201

21 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:

	2017	2016 (Restated) (Note 2(a)(i))
HK$1 — HK$1,000,000	—	—
HK$1,000,001 — HK$2,000,000	—	2
HK$2,000,001 — HK$3,000,000	3	3
HK$3,000,001 — HK$4,000,000	—	—
HK$4,000,001 — HK$5,000,000	1	—
HK$5,000,001 — HK$6,000,000	1	—

22 Other (Costs)/Income, Net

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Continuing operations		
Other income		
— Investment income	7,463	—
— Income recognised upon expiry of prepaid cards	2,507	35,514
— Others	1,405	—
	11,375	35,514
Other costs		
— Other tax expenses	(12,242)	(2,272)
— Other	(556)	—
	(12,798)	—
Other (costs)/income, net	(1,423)	33,242

23 Finance Income/(Costs)

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Continuing operations		
Finance income		
— Bank interest income	**20,609**	23,388
Finance costs		
— Interest expense on borrowings	**(191,433)**	(23,493)
— Interest expense on finance leases	**(3,140)**	—
	(194,573)	(23,493)
Interest capitalised	**188,437**	21,846
Finance costs	**(6,136)**	(1,647)
Finance income, net	**14,473**	21,741

24 Income Tax Expense

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

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Continuing operations		
Current tax:		
PRC corporate income tax	**125,118**	23,838
PRC land appreciate tax	**227,515**	18,354
Deferred taxation	**(2,856)**	1,530
Income tax expense	**349,777**	43,722

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017 (2016: 16.5%).

24 Income Tax Expense (Continued)

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the year ended 31 December 2017 (2016: 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, based on the existing legislation, interpretations and practices in respect thereof.

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

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:

	2017	2016
	RMB'000	RMB'000
		(Restated)
		(Note 2(a)(i))
Profit before income tax	**654,734**	93,242
Tax calculated at domestic tax rates applicable to profits in the respective countries	**165,131**	22,036
PRC land appreciation tax deductible for PRC corporate income tax expense	**(56,879)**	(4,589)
Expenses not deductible for taxation purposes	**3,193**	8,028
Utilisation of previously unrecognised tax losses	**—**	(2,559)
Temporary difference not recognised	**424**	651
Tax losses for which no deferred tax asset was recognised	**10,393**	1,801
Income tax expense	**122,262**	25,368
PRC land appreciation tax	**227,515**	18,354
	349,777	43,722

25 Subsidiaries

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	indirectly	Principal activities
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
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)	RMB5,000,000,000	–	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)	RMB53,000,000	–	96.25%	Provision of healthcare services
廣州恒大健康醫療投資有限公司 Guangzhou Evergrande Health Medical Investment Co. Ltd.	PRC (iii)	RMB15,000,000	–	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
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
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
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

25 Subsidiaries (Continued)

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
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
武漢恒暉健康諮詢服務有限公司 Wuhan Henghui Health Consulting Service Co. Ltd.	PRC (iii)	RMB1,000,000	–	100%	Provision of healthcare services
海南恒大國際醫療有限公司 Hainan Evergrande International Medical Co. Ltd.	PRC (ii)	RMB200,000,000	–	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
瀋陽市于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
三亞恒合融醫院投資管理有限公司	PRC (iii)	RMB100,000,000	–	100%	Develop and sales of living units
儋州恒海養老服務有限公司	PRC (iii)	RMB24,784,519	–	100%	Develop and sales of living units
鄭州恒澤通健康置業有限公司^	PRC (iii)	RMB10,000,000	–	100%	Develop and sales of living units

^ Subsidiary incorporated during the year ended 31 December 2017

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.

26 Dividends

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Final dividend paid of Nil cents (2016: Nil cents) per ordinary share	**–**	–

27 Earnings/(Losses) Per Share

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

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	**8,640,000,000**	8,640,000,000
Basic and diluted earnings/(losses) per share (RMB cents) (Note (a))		
— from continuing operations	**3.599**	0.506
— from discontinued operation	**(0.037)**	0.007
	3.562	0.513

Note:

(a) As there was no dilutive potential ordinary shares for the years ended 31 December 2017 and 2016, diluted earnings/(losses) per share equals basic earnings/(losses) per share.

28 Notes to the Consolidated Statement of Cash Flows

(a) Cash used in operations

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Profit before income tax	654,734	93,242
Adjustments for:		
Finance income	(20,609)	(23,388)
Finance costs	6,136	1,647
Depreciation of property, plant and equipment (Note 6(a))	14,685	9,055
Gain from disposal of property, plant and equipment	—	(13)
Amortisation of intangible assets (Note 9)	2,788	1,692
Amortisation of land use right (Note 6(b))	4,670	3,458
Loss on disposal of discontinued operation (Note 11)	3,542	—
Exchange (gain)/loss (Note 19)	(4,674)	478
Investment income (Note 22)	(7,463)	—
Operating profit before working capital changes	653,809	86,171
Changes in working capital:		
Increase in inventories, properties under development (including land use rights) and completed properties held for sale	(2,520,361)	(766,597)
Increase in trade and other receivables	(383,285)	(104,849)
Increase in trade and other payables and receipt in advance	549,715	599,945
Cash used in operations	(1,700,122)	(185,330)

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

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Net book amount	—	363
Gain from disposal of property, plant and equipment	—	13
Proceeds from disposal of property, plant and equipment	—	376

28 Notes to the Consolidated Statement of Cash Flows (Continued)

(c) Reconciliations of liabilities arising from financing activities

	Loans from fellow subsidiaries RMB'000	Finance leases due within 1 year RMB'000	Finance leases due after 1 year RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Total debt as at 1 January 2017 (Restated)	(362,293)	–	–	(480,460)	(758,200)	(1,600,953)
Purchase of fixed assets	–	(26,750)	(77,165)	–	–	(103,915)
Interest paid	–	2,379	–	–	–	2,379
Repayment of capital element of finance leases	–	4,900	–	–	–	4,900
Repayments of borrowings	–	–	–	555,460	–	555,460
Proceeds from interest-bearing borrowings	–	–	–	(1,614,400)	(2,961,800)	(4,576,200)
Repayment of loans from fellow subsidiaries	362,293	–	–	–	–	362,293
Non-cash transaction	–	761	–	–	–	761
Total debt as at 31 December 2017	–	(18,710)	(77,165)	(1,539,400)	(3,720,000)	(5,355,275)

29 Commitments

(a) Capital commitments

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

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Land use rights	–	533,300

29 Commitments (Continued)

(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:

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Within one year	**633**	18,124
In the second to fifth year inclusive	**—**	15,375
	633	33,499

30 Contingent Liabilities

As at 31 December 2017, the Group has no material contingent liabilities (2016: 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 was stated at discounted present value with an imputed interest rate of 6.18%. The loans were denominated in RMB.

The loans were fully repaid during the year ended 31 December 2017.

32 Financial Guarantee

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**140,410**	—

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

32 Financial Guarantee (Continued)

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

33 Related Party Transactions

(a) Related party transactions

The Group is controlled by China Evergrande Group, which owns 74.99% of the Company's shares. The remaining 25.01% of the shares are widely held. The ultimate parent of the Group is Xin Xin (BVI) Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Dr. Hui Ka Yan.

During the years ended 31 December 2017 and 2016, 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 China Evergrande Group:

	2017 **RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Operating expenses	**155**	1,974
Advertising expenses	**37**	—
Miscellaneous charges and fees	**1,234**	15

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

	2017 **RMB'000**	2016 RMB'000 (Restated) (Note 2(a)(i))
Receivables from fellow subsidiaries (Note 8)	**1,064**	59,279
Payables to fellow subsidiaries (Note 16)	**1,844**	1,161
Payables to an intermediate holding company (Note 16)	**134,366**	—
Loans from fellow subsidiaries (Note 31)	**—**	362,293

33 Related Party Transactions (Continued)

(a) Related party transactions (Continued)

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

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 (2016: nil).

The payables arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest (2016: nil).

Loans from fellow subsidiaries arise mainly from the loans to the Group. These loans are unsecured, interest-free. The Group repaid the amount in full during the year ended 31 December 2017.

(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 were as follows:

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
Short-term benefits	**1,078**	1,337
Contribution to a retirement benefit scheme	**9**	9
	1,087	1,346

34 Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated) (Note 2(a)(i))
ASSETS		
Non-current assets		
Investments in subsidiaries	—	6,897
	—	6,897
Current assets		
Other receivables	530	—
Amounts due from subsidiaries	273,946	175,978
Cash and cash equivalents	344,134	299,834
Restricted cash	—	51,637
	618,610	527,449
Total assets	618,610	534,346
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	250,936	250,936
Reserves (Note a)	233,277	283,410
Total equity	484,213	534,346
LIABILITIES		
Current liabilities		
Amounts due to fellow subsidiaries	31	—
Amount due to an intermediate holding company	134,366	—
Total liabilities	134,397	—
Total equity and liabilities	618,610	534,346

The balance sheet of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf.

Tan Chaohui
Director

Han Xiaoran
Director

34 Balance Sheet and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

	Merger reserve RMB'000 (Restated) (Note 2(a)(i))	Exchange reserve RMB'000 (Restated) (Note 2(a)(i))	Retained earnings RMB'000 (Restated) (Note 2(a)(i))	Total RMB'000 (Restated) (Note 2(a)(i))
At 1 January 2016	68,050	(4,892)	195,932	259,090
Comprehensive income				
Profit for the year	—	—	27,749	27,749
Other comprehensive loss				
Currency translation difference	—	(3,429)	—	(3,429)
Total other comprehensive loss for the year	—	(3,429)	—	(3,429)
Total comprehensive income/ (loss)	—	(3,429)	27,749	24,320
Transactions with owners in their capacity as owners				
Final dividend paid for 2015	—	—	—	—
At 31 December 2016	68,050	(8,321)	223,681	283,410
Comprehensive loss				
Loss for the year	—	—	(21,967)	(21,967)
Other comprehensive loss				
Currency translation difference	—	(28,166)	—	(28,166)
Total other comprehensive loss for the year	—	(28,166)	—	(28,166)
Total comprehensive loss	—	(28,166)	(21,967)	(50,133)
Transactions with owners in their capacity as owners				
Final dividend paid for 2016	—	—	—	—
At 31 December 2017	68,050	(36,487)	201,714	233,277

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 2017, the Company's reserves available for distribution was RMB201,714,000 (2016: RMB223,681,000) as calculated.

Five Years Financial Summary

Consolidated Statements of Comprehensive Income

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000 (Restated)	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$'000	For the year ended 30 June 2013 HK$'000
Revenue	**1,328,474**	213,531	528,132	638,260	455,624	495,197
Profit before income tax	**654,734**	93,242	109,926	92,951	12,914	27,433
Income tax (expenses)/credit	**(349,777)**	(43,722)	(51,373)	3,513	(1,895)	(5,158)
Profit for the year/period	**301,415**	50,188	58,553	96,464	11,019	22,275
Other comprehensive income, net of tax	**3,193**	7,510	(38,276)	(3,054)	—	—
Total comprehensive income for the year/period	**304,608**	57,698	20,277	93,410	11,019	22,275

Consolidated Assets, Equity and Liabilities

	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000 (Restated)	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
ASSETS						
Non-current assets	**940,794**	734,881	821,544	249,601	320,084	332,101
Current assets	**6,715,533**	2,087,555	2,333,739	610,841	192,154	182,497
Total assets	**7,656,327**	2,822,436	3,155,283	860,442	512,238	514,598
Total equity	**832,241**	566,851	633,700	579,813	456,060	450,657
LIABILITIES						
Non-current liabilities	**3,797,165**	1,120,619	1,252,773	126,071	2,575	3,138
Current liabilities	**3,026,921**	1,134,966	1,268,810	154,558	53,603	60,803
Total liabilities	**6,824,086**	2,255,585	2,521,583	280,629	56,178	63,941
Total equity and liabilities	**7,656,327**	2,822,436	3,155,283	860,442	512,238	514,598