北控醫療健康產業集團有限公司
Beijing Enterprises Medical And Health Industry Group Limited

(formerly known as Genvon Group Limited 正峰集團有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2389)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2016

The board ("Board") of directors (the "Directors") of Beijing Enterprises Medical And Health Industry Group Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016, together with comparative figures for the corresponding period in 2015. These interim results have been reviewed by Ernst & Young, the auditors of the Company, and the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	**Six-month period ended 30 June 2016 *HK$'000* (Unaudited)**	2015 *HK$'000* (Unaudited)
CONTINUING OPERATIONS			
Revenue	*4*	**43,409**	–
Cost of sales		**(30,933)**	–
Gross profit		**12,476**	–
Other income and gains	*4*	**84,536**	27,808
Selling and distribution expenses		**(12,783)**	–
Administrative expenses		**(90,404)**	(28,231)
Finance costs	*5*	**(2,340)**	(1,794)
Share of profits and losses of associates		**(5,623)**	–
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(14,138)**	(2,217)
Income tax credit	*7*	**1,884**	262
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(12,254)**	(1,955)

	NOTE	Six-month period ended 30 June **2016** **HK$'000** **(Unaudited)**	2015 HK$'000 (Unaudited)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	8	**–**	46,997
(LOSS)/PROFIT FOR THE PERIOD		**(12,254)**	45,042
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Translation of foreign operations		**(39,426)**	(434)
Reclassification adjustments for gain on disposal of subsidiaries included in profit or loss		**–**	(58,925)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(39,426)**	(59,359)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on land and buildings revaluation		**10,948**	–
Income tax effect		**(2,595)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**8,353**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(31,073)**	(59,359)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(43,327)**	(14,317)

	NOTE	Six-month period ended 30 June **2016** *HK$'000* **(Unaudited)**	2015 *HK$'000* (Unaudited)
(Loss)/profit attributable to:			
Owners of the parent		**(6,033)**	44,101
Non-controlling interests		**(6,221)**	941
		(12,254)	45,042
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(34,273)**	(14,471)
Non-controlling interests		**(9,054)**	154
		(43,327)	(14,317)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
– For (loss)/profit for the period		**HK(0.10) cents**	HK0.86 cents
– For loss from continuing operations		**HK(0.10) cents**	HK(0.03) cents
Diluted			
– For (loss)/profit for the period		**HK(0.10) cents**	HK0.85 cents
– For loss from continuing operations		**HK(0.10) cents**	HK(0.03) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016

	NOTES	**30 June 2016** *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**97,040**	97,290
Investment properties		**357,786**	338,744
Prepaid land lease payments		**1,384,498**	1,285,332
Goodwill		**280,720**	156,104
Other intangible asset		**30,980**	–
Investments in associates		**169,005**	111,948
Available-for-sale investments		**3,317**	21,288
Prepayments		**–**	141,771
Due from a related company		**–**	248,900
Total non-current assets		**2,323,346**	2,401,377
CURRENT ASSETS			
Inventories		**39,618**	–
Trade and bills receivables	*11*	**36,956**	–
Prepayments, deposits and other receivables		**226,700**	139,099
Due from related companies		**141,866**	8,611
Financial assets measured at fair value through profit or loss		**129,948**	47,996
Available-for-sale investments		**17,550**	–
Cash and cash equivalents		**479,130**	628,952
Total current assets		**1,071,768**	824,658
CURRENT LIABILITIES			
Trade payables	*12*	**41,266**	–
Other payables and accruals		**124,434**	88,854
Interest-bearing bank and other borrowings		**58,314**	55,768
Deferred revenue		**6,524**	–
Tax payable		**406**	270
Total current liabilities		**230,944**	144,892
NET CURRENT ASSETS		**840,824**	679,766
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,164,170**	3,081,143

	NOTE	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,164,170**	3,081,143
NON-CURRENT LIABILITIES			
Other payable		**26,480**	–
Interest-bearing bank borrowing		**63,180**	71,616
Deferred tax liabilities		**209,068**	212,764
Total non-current liabilities		**298,728**	284,380
Net assets		**2,865,442**	2,796,763
EQUITY			
Equity attributable to the owners of the parent			
Share capital	*13*	**1,251,552**	1,248,527
Treasury shares		**(3,631)**	–
Reserves		**1,465,799**	1,462,846
		2,713,720	2,711,373
Non-controlling interests		**151,722**	85,390
Total equity		**2,865,442**	2,796,763

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except in relation to the following revised Hong Kong Financial Reporting Standards ("HKFRSs") that affect the Group and are adopted for the first time for the current period's interim financial statements:

HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

The adoption of the above amendments HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group has one single operating and reportable segment from continuing operations, which is the provision of medical care, health care and geriatric care related services and products. All of the Group's operating results from the continuing operations are generated from this single segment, and accordingly, no segment information is presented. During the period, the Group's non-current assets were substantially located in Mainland China.

4. REVENUE, OTHER INCOME AND GAINS

Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the period.

An analysis of revenue from continuing operations is as follows:

	Six-month period ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
– Sales of goods	**42,030**	–
– Services income	**1,379**	–
	43,409	–

An analysis of other income and gains from continuing operations is as follows:

	Six-month period ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**3,873**	4,528
Other interest income	**6,532**	3,367
Rental income	**11,263**	–
Dividend income	**1,136**	–
Sundry income	**993**	747
	23,797	8,642
Gains/(losses)		
Foreign exchange differences, net	**3,190**	17,398
Fair value gains on financial assets measured at fair value through profit or loss	**51,937**	1,515
Fair value gains on financial liabilities, net	**5,952**	–
Fair value losses on investment properties, net	**(340)**	–
Gain on bargain purchase	**–**	253
	60,739	19,166
	84,536	27,808

5. **FINANCE COSTS**

The Group's finance costs represent interest on bank and other borrowings during the six months ended 30 June 2016 and 2015.

6. **LOSS BEFORE TAX**

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**29,799**	–
Cost of services provided	**1,134**	–
Depreciation	**3,308**	376
Minimum lease payments under operating leases	**2,308**	516
Amortisation of land lease payments	**18,755**	1,388
Equity-settled share-based payment expense for directors and employees*	**15,079**	5,824
Equity-settled share-based payment expense for consultancy services*	**14,834**	2,930
Foreign exchange differences, net	**(3,190)**	(17,398)

* These amounts were included in "administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

7. **INCOME TAX**

	Six-month period ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	**414**	–
Deferred	**(2,298)**	(262)
Total tax credit for the period	**(1,884)**	(262)

Hong Kong profits tax

No Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong during the period (six months ended 30 June 2015: Nil).

PRC corporate income tax

Under the PRC income tax laws, PRC enterprises are subject to corporate income tax at a rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate at 10%.

8. DISCONTINUED OPERATIONS

On 23 November 2014, the Company announced the decision of its board of directors to dispose of entire issued share capital of World Wisdom Industrial Limited ("World Wisdom"). World Wisdom and its subsidiaries (collectively, "World Wisdom Group") engage in the business of manufacturing and trading of power tools and property development. The disposal of World Wisdom Group was completed on 31 March 2015.

On 11 May 2015, the Company announced the decision of its board of directors to dispose of entire issued share capital of Rainy Company Inc. ("Rainy"). Rainy and its subsidiaries (collectively, "Rainy Group") engage in the property development. The disposal of Rainy Group was completed on 11 May 2015.

Upon the disposals of World Wisdom Group and Rainy Group, the Group has decided to cease its manufacturing and trading of power tools business and property development business because it plans to focus its resources on its medical and geriatric care related business. Accordingly, the manufacturing and trading of power tools business and the property development business of the Group were classified as discontinued operations and they are no longer included in the note for operating segment information.

The results of the discontinued operations for the period are presented below:

	Six-month period ended 30 June	
Manufacturing and trading of power tools business:	**2016**	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**–**	39,150
Expenses	**–**	(40,958)
Loss before tax from the discontinued operation	**–**	(1,808)
Income tax expense	**–**	–
Loss for the period from the discontinued operation	**–**	(1,808)
Property development business:		
Revenue	**–**	106,794
Expenses	**–**	(103,094)
Profit before tax from the discontinued operation	**–**	3,700
Income tax expense	**–**	(17,816)
Loss for the period from the discontinued operation	**–**	(14,116)
Gain on disposal of the discontinued operations	**–**	62,921
Profit for the period from the discontinued operations	**–**	46,997

The net cash flows incurred by the discontinued operations are as follows:

	Six-month period ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating activities	–	62,241
Investing activities	–	12,359
Financing activities	–	(77,319)
Net cash outflow	–	(2,719)

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Earnings per share as adjusted to reflect the share consolidation on 4 March 2015		
Basic, from the discontinued operations	–	HK0.89 cents
Diluted, from the discontinued operations	–	HK0.88 cents

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent from the discontinued operations	–	HK$45,597,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(note 10)*	–	5,135,110,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 10)*	–	5,168,911,000

9. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend to shareholders for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,257,480,000 (six months ended 30 June 2015: 5,135,110,000) in issue during the period, as adjusted to reflect the share consolidation on 4 March 2015.

The calculation of the diluted earnings/(loss) per share is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

(Loss)/earnings	**Six-month period ended 30 June**	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation:		
From continuing operations	**(6,033)**	(1,496)
From discontinued operations	**–**	45,597
	(6,033)	44,101

Shares	**Number of Shares Six-month period ended 30 June**	
	2016	2015
	'000 shares	*'000 shares*
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**6,257,480**	5,135,110
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	33,801
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**6,257,480**	5,168,911

* No adjustment has been made to the basic loss per share amounts for loss from continuing operations attributable to ordinary equity holders of the parent presented for the periods ended 30 June 2016 and 2015 in respect of a dilution because the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts and the basic loss per share amounts from continuing operations presented.

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**8,566**	–
Over 3 months	**28,390**	–
	36,956	–

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 month	**17,382**	–
Over 3 months	**23,884**	–
	41,266	–

13. SHARE CAPITAL

	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK$0.2 each (2015: 10,000,000,000 of HK$0.2 each)	**2,000,000**	2,000,000
Issued and fully paid:		
6,257,762,344 ordinary shares of HK$0.2 each (2015: 6,242,637,344 of HK$0.2 each)	**1,251,552**	1,248,527

A summary of movements in the Company's share capital is as follows:

(a) Acquisition of a subsidiary

On 4 January 2016, the Company allotted and issued an aggregate of 15,125,000 new ordinary shares of the Company as the consideration for the acquisition of Beijing Xibu Commerce & Trading Co., Ltd ("Beijing Xibu"). The aggregate fair value of the 15,125,000 ordinary shares, determined by reference to the closing quoted market price of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited at acquisition date, amounted to HK$9,680,000, of which HK$3,025,000 and HK$6,655,000 were credited to the share capital and share premium account of the Company, respectively.

14. SHARE OPTION SCHEME

(1) 2002 scheme

The Company operates a share option scheme effective from 26 April 2002 (the "2002 Scheme"). The 2002 Scheme expired in April 2012. The provisions of the 2002 Scheme shall remain in full force and holders of all options granted under it prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of it until expiry of the said options.

The following table summarises the movements of the Company's share options granted during the period/year under the 2002 Scheme:

	Number of share options outstanding	Weighted average exercise price HK$
At 1 January 2015	8,838,171	0.954
Exercised during the year	(4,000,000)	0.954
At 31 December 2015 and 30 June 2016	4,838,171	0.954

The share options outstanding as at 30 June 2016 were fully vested by 10 January 2010 and are exercisable until 9 January 2018.

(2) 2013 scheme

On 24 May 2013, the Company adopted a new share option scheme (the "2013 Scheme") to replace the 2002 Scheme. Upon termination of the 2002 Scheme, no share options can be granted under such scheme and holders of all share options granted under it prior to its termination shall be entitled to exercise the outstanding share options pursuant to the terms of it until expiry of such options. The eligible participants and the terms of the 2013 Scheme is the same as 2002 Scheme. 180,000,000 share options were granted during the period under the 2013 Scheme (six months ended 30 June 2015: 180,000,000 share options).

The following table summarises the movements of the Company's share options granted during the period/year under the 2013 Scheme:

	Number of share option outstanding *'000*	**Weighted average exercise price** *HK$*
At 1 January 2015	–	N/A
Granted during the year	230,000	0.63
At 31 December 2015	230,000	0.63
Granted during the period	180,000	0.53
Forfeited during the period	(4,000)	0.57
At 30 June 2016	406,000	0.59

The exercise prices and exercise periods of the share options outstanding as the end of the reporting periods are as follows:

At 31 December 2015

Number of options *'000*	Exercise price per share *HK$*	Exercise period per share
180,000	0.61	*note (a)*
50,000	0.71	*note (b)*
230,000		

At 30 June 2016

Number of options *'000*	Exercise price per share* *HK$*	Exercise period per share
178,000	**0.61**	*note (a)*
50,000	**0.71**	*note (b)*
178,000	**0.53**	*note (c)*
406,000		

Notes:

(a) First 30% of the options granted will be vested in one year from 2 April 2015, second 30% of the options granted will be vested in two years from 2 April 2015 and remaining 40% of the options granted will be vested in three years from 2 April 2015. Upon the lapse of the vesting period, the share options are exercisable until 1 April 2025.

(b) First 50% of the options granted will be vested in one year from 31 August 2015 and the remaining 50% of the options granted will be vested in two years from 31 August 2015. Upon the lapse of the vesting period, the share options are exercisable until 30 August 2025.

(c) First 30% of the options granted will be vested in one year from 28 January 2016, second 30% of the options granted will be vested in two years from 28 January 2016 and remaining 40% of the options granted will be vested in three years from 28 January 2016. Upon the lapse of the vesting period, the share options are exercisable until 27 January 2026.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the period under the 2013 Scheme was HK$48,173,000, of which the Group recognised a share option expense of HK$15,924,000 during the period ended 30 June 2016.

In respect of the share options granted during the year ended 31 December 2015, the Group recognized a share option expense of HK$13,989,000 during the period ended 30 June 2016 (six months ended 30 June 2015: HK$8,754,000).

The fair value of share options granted to employees during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of the services received as consideration for share options granted during the period was estimated by reference to the fair values of the share options as at the dates when the services are received, using the same binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Historical volatility (%)	52.0%-52.7%
Exercise multiple	2.0
Risk-free interest rate (%)	1.5%-2.1%
Weighted average share price (HK$ per share)	0.53-0.71

No other feature of the options granted was incorporated into the measure of the fair value.

At the end of the reporting period, the Company had 410,838,000 share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 410,838,000 additional ordinary shares of the Company and additional share capital of HK$82,167,000 and share premium of HK$160,868,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 410,838,000 share options outstanding under the share option schemes, which represented approximately 6.6% of the Company's shares in issue as at that date.

15. SHARE AWARD SCHEME

The share award scheme (the "Share Award Scheme") of the Company was adopted by the board (the "Board") of directors of the Company on 11 September 2015 (the "Adoption Date"). The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain participants and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be subject to the administration of the Board and the independent trustee (the "Trustee") in accordance with the scheme rules and the trust deed. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

The board of directors of the Company shall not make any further award of shares which will result in the total number of the shares awarded under the Share Award Scheme exceeding 10% of the total number of issued shares of the Company at the date of such award. The maximum number of awarded shares which may be awarded to a selected participant under the Scheme shall not exceed 1% of the total number of issued shares of the Company at the date of such award.

The maximum number of awarded shares which may be awarded to a selected participant who is an independent non-executive director shall not exceed 0.1% of the total number of issued shares of the Company at the date of such award and the aggregate value of which shall not exceed HK$5,000,000 (based on the closing price of the shares of the Company on the business day immediately preceding the date of award).

During the period, none of awarded shares was vested (for the period ended 30 June 2015: Nil).

The Group recognised a share award expense of HK$658,000 (for the period ended 30 June 2015: Nil) during the period.

Summary of particulars of the shares granted under the Share Award Scheme (the "Awarded Shares") during the period/year is as follows:

	Number of Awarded Shares *'000*	Average fair value *HK$* *(note)*
At 1 January 2015	–	N/A
Granted during the year	1,884	0.67
At 31 December 2015 and 30 June 2016	1,884	0.67

Note: The fair value of the awarded shares was determined based on the market closing price of the Company's shares at the grant date.

There were no movements in the number of shares held under the share award scheme during the period.

At the date of approval of these financial statements, 1,884,000 outstanding awarded shares were held by the Trustee of the Share Award Scheme for relevant grantees.

16. CONTINGENT LIABILITIES

On 26 May 2015, the Company received a writ issued by Lucky Creation Limited (the "Plaintiff") in the High Court (the "Action") against the Company and Mr. Wang Zheng Chun, an executive director of the Company. In the Action, the Plaintiff claims against the Company for specific performance of an alleged agreement to issue and allot 1,236,615,482 new shares at the price of HK$0.25 per share, loss and damages to be assessed for the alleged breaches, interest, costs of the Action and further and/or other relief. The Company filed its defence and amended defence on 20 July 2015 and 29 July 2016 respectively. The Action is still in its early stages. Due to the inherent uncertainties of litigation, the directors of the Company, based on the advice from the Group's legal counsel, believe that the Company has a valid defense against the allegation and, accordingly, has not provided for any claim arising from litigation, other than the related legal and other costs.

17. OPERATING LEASES ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Within one year	**14,160**	8,326
In the second to fifth years, inclusive	**41,229**	28,442
After five years	**131,269**	123,091
	186,658	159,859

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Within one year	**1,622**	1,031
In the second to fifth years, inclusive	**692**	216
	2,314	1,247

18. RELATED PARTY DISCLOSURES

Compensation of key management personnel of the Group:

	Six-month period ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Fees	**894**	755
Salaries, bonuses, allowances and benefits in kind	**2,320**	4,073
Equity-settled share option expense	**12,999**	5,396
	16,213	10,224

19. EVENT AFTER THE REPORTING PERIOD

On 4 July 2016, the Group entered into a disposal agreement, pursuant to which United Win International Corporation ("United Win"), a wholly owned subsidiary of the Company, agreed to sell and Mr. Shi Qing Song, an independent third party, agreed to purchase the entire issued share capital of Great Delight Group Limited, an investment holding company wholly owned by the Company through United Win, for a total consideration of HK$21,000,000. On 5 July 2016, all condition precedents under the disposal agreement have been fulfilled and the disposal was completed in accordance with the terms and conditions of the disposal agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of geriatric care, medical care and health care related services and products. During the period under review, the Group actively mapped out high quality geriatric care and medical care projects in various major cities in the PRC and expanded its market share. Thereby, we are currently one of the most influential companies of the relevant business segment in the PRC.

Geriatric Care Business – 'Golden Sun' building up elderly home without wall

As indicated in the information from the National Bureau of Statistics of the PRC, the current number of elderly population in the PRC exceeds 212 million and will reach 480 million in 2050. Such number of population will subsequently remain at approximately 400 million in long term, representing approximately one-third of the total population. From 2014 to 2050, the purchasing power of the elderly population in the PRC will increase from approximately RMB4 trillion to approximately RMB106 trillion, and its proportion to the GDP of the PRC will increase from 8% to 33%.

The Group applied the concept and technology of 'Internet+' in the provision of intelligent geriatric care services through 'Golden Sun', a geriatric care service brand of the Group, including provision of systematic geriatric care solutions to the cities, provision of integrated geriatric care services to the elderly and creation of more business opportunities for the development of the geriatric care industry. At present, the geriatric care sector of the Group covers six cities in the PRC, including Beijing, Shanghai, Fuzhou, Wuhu, Suining and Shijiazhuang, while corporations with various cities are under negotiation.

As of 30 June 2016, the number of elderly members of Golden Sun has reached 225,000, more than 8.6 million calls have been received by the geriatric care service hotline and 2.02 million times of services have been provided.

* *For identification purpose only*

Table 1: Operational Status

	Number of members	Number of service centre	Number of beds provided by institutions	Number of staff	Number of volunteers
Fuzhou District	219,990	262	514	497	3,714
Beijing district	5,536	10	0	37	199
Total	225,326	272	514	534	3,913

The Group has executed cooperation agreements with the local governments of Shanghai, Wuhu, Suining and Shijiazhuang, however, the projects are still under preparation as at 30 June 2016.

The Group has also purchased multiple quality lands in Beijing and Shanghai to construct self-operating high-end geriatric care and medical care centers. Among which, the inauguration ceremony of the Group's integrated high-end geriatric care services demonstration project, which locates on the land parcel of No. 533, Pujiang Town, Minhang District, Shanghai, was held on 24 June 2016, which indicated commencement of the development and construction of the project. The management expects the Pujiang Project will be completed by the end of 2017 and will be forthwith put into operation. Furthermore, the Group's project located in Chaoyang District, Beijing has entered into a stage of project design, and the development and construction of which are expected to commence by the end of 2016.

Medical Business – 'Top Doctor' being a comprehensive regional intelligent medical solutions provider

The Group's key focus on the development of medical service is to implement "family doctor contracted services platform and hierarchical diagnosis and treatment platform" through cooperation with local governments.

In 2015, 北京良醫聯盟科技有限公司 (Beijing Top-Doctors Technology Co., Ltd.*) under the Group was commissioned by Yiwu City, Zhejiang Province to develop the "family doctors contracted service platform and hierarchical diagnosis and treatment platform". Through this platform, patients can choose their desired doctors to be their family doctors. Contracted patients can receive various services ranging from door-to-door health check, home visiting, health warning, instructions for medical treatment, instructions for medicine usage, health management to convenient referral. Doctors can obtain medical records of patients from the platform, which helps facilitate follow-ups actions at any time, prescription of medicines and arrangement of hospital transfers.

As of 30 June 2016, 110 doctors in Yiwu City became contracted family doctors on the platform and 20,000 residents become contracted users. In respect of collaboration with cities, negotiation with various cities are now underway.

Projects in general health care industry

The Group provides elderly friendly furnitures to a number of hospitals and nursing homes mainly under the brands 'Vissam' and 'Xibu Woods'.

Vissam has commenced strategic cooperation with KI[(Note)], an American furniture brand, since 2014. Vissam is the exclusive distributor of KI in the Greater China region, covering Mainland China, Hong Kong, Macau and Taiwan. At the same time, Vissam also becomes the processing service provider of KI in the PRC, with some of its products reselling to the global market. To keep abreast of the Internet trend, Vissam establishes the IT development team and commences the operation of the full digital management platform, aiming to achieve full systematic coverage in all respects, from sales, operation, production to logistics of products. The O2O industrial platform of Vissam went online officially in January 2016, achieving mutual online and offline mobile connection, resulting in expansion of the establishment and development of the sales system.

Note: KI was established in 1941 with 75 years of history. KI has nine factories all over the world, with an annual sales amounting to RMB4 billion. The education system, training system, medical and geriatric care and auxiliary furniture system all rank the first in the world while the office system and partition wall system rank the eighth in the world. It ranks the sixth in the world in terms of system furnitures. www.ki.com.

FINANCIAL REVIEW

Operating income and gross profit from continuing operations

For the six months ended 30 June 2016, operating income of the Group from continuing operations was approximately HK$43,409,000 (2015: Nil), which was mainly generated from the manufacturing and sales of geriatric and medical furniture. The gross profit of the Group was approximately HK$12,476,000 (2015: Nil) and the gross profit margin was 28.7%(2015: not applicable).

Other income and gains from continuing operations

For the six months ended 30 June 2016, other income and gains generated from continuing operations was approximately HK$84,536,000, representing a substantial increase by approximately 3 times comparing with HK$27,808,000 over the same period in 2015. Other income and gains generated from continuing operations mainly included bank interest income of HK$3,873,000 (2015: HK$4,528,000), other interest income of HK$6,532,000 (2015: HK$3,367,000), the gain of fair value change of financial assets measured at fair value through profit or loss of HK$51,937,000 (2015: HK$1,515,000), the net foreign exchange gain of HK$3,190,000 (2015: HK$17,398,000) and the net gain of fair value change of financial liabilities of HK$5,952,000 (2015: Nil).

Selling and distribution expenses from continuing operations

For the six months ended 30 June 2016, the selling and distribution expenses of the Group from continuing operations was approximately HK$12,783,000 (2015: Nil), representing 29.4% of the total sales amounts. The selling and distribution expenses mainly comprise of transportation costs of HK$5,520,000, installation fee of HK$2,255,000 and remuneration of HK$1,411,000.

Administrative expenses from continuing operations

For the six months ended 30 June 2016, the administrative expenses from continuing operations were HK$90,404,000, representing an increase of 3.2 times as compared to HK$28,231,000 of the corresponding period in 2015. The administrative expenses mainly include share option expenses of HK$29,913,000 (corresponding period in 2015: HK$8,754,000), depreciation and amortization costs of HK$22,063,000 (corresponding period in 2015: HK$1,764,000) and staff costs (including director's emoluments but excluding staff's and director's share option expenses) of HK$21,645,000 (corresponding period in 2015: HK$7,866,000). The increase of the administrative expenses was mainly attributable of 1) the earliest date of commencement of operations of the domestic subsidiaries in 2015 was on March 2015, the administrative expenses as of June 2015 only cover approximately three months; 2) the share option expenses of HK$15,924,000 newly incurred for the granting of 180,000,000 share options pursuant to the 2013 Share Option Scheme at 28 January 2016;and 3) the Group had 465 staff as at 30 June 2016, representing an increase of 5.6 times of 83 staff of the corresponding period in 2015, which resulted in the increase of staff costs.

Finance cost from continuing operations

For the six months ended 30 June 2016, the finance cost of continuing operations was HK$2,340,000 (corresponding period in 2015: HK$1,794,000). The finance cost was mainly attributable to the interests of the bank loans. The weighted average principal of the bank loan amounts to RMB98,500,000 (approximately HK$115,245,000) and the weighted average annual interest rate was 5.81%.

Net assets

As at 30 June 2016, the net assets of the Group was approximately HK$2,865,442,000, representing an increase of approximately HK$68,679,000 as compared to the total net assets of HK$2,796,763,000 as at 31 December 2015.

* *For identification purpose only*

Liquidity and financial resources

As at 30 June 2016, the current ratio (current assets divided by current liabilities) of the Group was 4.64 (31 December 2015: 5.69). As at 30 June 2016, the Group's cash in hand was HK$479,130,000 (31 December 2015: HK$628,952,000). The Group's long-term and short-term loan was HK$121,494,000 in total (31 December 2015: HK$127,384,000). Total debt decreased by approximately HK$5,890,000 comparing to 31 December 2015. The Group's debt ratio was 4.48% (31 December 2015: 4.70%), calculated by total debt divided by owners' total equity.

The Group agreed that meticulous management on cash flow is the key to success. To ensure that there is sufficient capital to handle the Group's rapid growth, the Group remains good relationships with each of the banks from time to time, so that the Group gains easy access to applications for loans.

Capital Expenditure

For the six months ended 30 June 2016, the Group's capital expenditure was approximately HK$171,979,000 (corresponding period in 2015: HK$998,648,000), including the purchase of properties, plants and equipment, investment properties and the acquisition of the fixed assets purchased by the subsidiaries and prepaid land lease payments.

Capital Structure

The Group took full advantage of the financing platform as a listed company by striving for a constant optimization of the capital and financing structure, so as to obtain sufficient funds to finance the future projects of health and geriatric care, medical-related infrastructures and specialty care businesses. During the period, the Group's operations were mainly financed by internal resources.

PLEDGE OF ASSETS

As at 30 June 2016, the Group has pledged the property, plant and equipment and investment properties as the guarantee of the bank loans. The carrying amount of the collaterals was HK$66,488,000 (as at 31 December 2015: HK$65,576,000) and HK$297,180,000 (as at 31 December 2015: HK$303,175,000) respectively.

CONTINGENT LIABILITIES

On 26 May 2015, the Company received a writ issued by Lucky Creation Limited (the "Plaintiff") in the High Court (the "Action") against the Company and Mr. Wang Zheng Chun, an executive director of the Company. In the Action, the Plaintiff claims against the Company for specific performance of an alleged agreement to issue and allot 1,236,615,482 new shares at the price of HK$0.25 per share, loss and damages to be assessed for the alleged breaches, interest, costs of the Action and further and/or other relief. The Company filed its defence on 20 July 2015. The Action is still in its early stages. Due to the inherent uncertainties of litigation, the directors of the Company, based on the advice from the Group's legal counsel, believe that the Company has a valid defense against the allegation and, accordingly, has not provided for any claim arising from litigation, other than the related legal and other costs.

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange risks was primarily related to other receivables, bank balances, other payables and other borrowings denominated in US dollars and RMB. In respect of the Group's exposure to potential foreign exchange risks arising from the currency exchange rate fluctuations, it did not make any arrangement or use any financial instruments to hedge against potential foreign exchange risks. However, the management will continue to monitor foreign exchange risks and adopt hedging measures where necessary.

EMPLOYEE BENEFITS AND TRAINING

As at 30 June 2016, the Group had approximately 465 employees, of which, 60 employees were management staff. Total staff cost (including Directors' emoluments) for the six months ended 30 June 2016 amounted to approximately HK$38,194,000 (corresponding period in 2015: HK$16,516,000). The Group makes great efforts to enhance the quality of staff. During the period under review, the Group organized internal training courses for staff at all levels. Topics of the training courses included accounting and finance, risk management and PRC's tax laws.

FUTURE PROSPECT

Prospects

Looking forward, except the core businesses, the Group will launch certain beneficial attempts in respect of 'asset light model' and 'diversification'. The Group will explore asset light business model proactively and enhance operation management, in the view to expedite the nationwide business layout with limited resources. The Group will make diversified development in general health industry with the basis of geriatric care services, aiming to expand into business with large social demand and positive market prospect, such as geriatric medical services, financial services for the elderly and new geriatric care technology.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2016, except for the deviation from code provisions A.4.2 and A.6.7.

Code Provision A.4.2

Code provision A.4.2 of the CG Code stipulates that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Mr. Gary Zhao who was appointed as director of the Company to fill casual vacancies, did not retire and offer for election by shareholders at the first extraordinary general meeting of the Company after their appointment held on 15 March 2016. Nevertheless, Mr. Gary Zhao has retired and re-elected at the annual general meeting of the Company held on 20 May 2016 in accordance with Article 112 of the Articles of Association of the Company.

Article 112 of the Articles of Association of the Company provides that any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. To abide Article 112, the Company will arrange for the directors appointed by the Board to retire only at the next annual general meeting, but not at any extraordinary general meeting after their appointment.

Code Provision A.6.7

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Three independent non-executive directors and one non-executive director of the Company did not attend the extraordinary general meeting held at 15 March 2016, and three independent non-executive directors did not attend the annual general meeting held at 20 May 2016.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company confirms that, after specific enquiry with each director, all directors have confirmed compliance with the Model Code during the six months ended 30 June 2016.

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

The Company had bought back the Shares on the Stock Exchange during the six months ended 30 June 2016 with details as follows:

Trading Day	Number of Shares Purchased	Price per Share Highest Price Paid *HKD*	Price per Share Lowest Price Paid *HKD*	Total Paid *HKD*
28 June 2016	2,478,000	0.495	0.490	1,225,320.00
29 June 2016	798,000	0.500	0.495	395,700.00
30 June 2016	4,020,000	0.500	0.500	2,010,000.00
	7,296,000			

Subsequent to 30 June 2016, the Company repurchased an aggregate of 15,288,000 Shares on the market during the period from 4 July 2016 to 8 July 2016.

All of the shares bought back during the six months ended 30 June 2016 and subsequently in July 2016 were cancelled on 22 July 2016.

Same as disclosed, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2016.

AUDIT COMMITTEE

The Audit Committee was established on 11 April 2002 with written terms of reference. The Board establishes formal and transparent arrangements for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

The members of the Audit Committee comprise three members, Mr. Tse Man Kit, Keith (Chairman of the Committee), Mr. Gary Zhao and Mr. Wu Yong Xin, all of which are independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The Company's interim results for the six months ended 30 June 2016 have been reviewed by the external auditor, Ernst & Young and the Audit Committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this interim results announcement is published on the websites of the Company (http://www.bemh.com.hk) and the Stock Exchange (www.hkexnews.hk).

The interim report of the Company for the six months ended 30 June 2016 will be despatched to the shareholders of the Company and published on the said websites in due course.

By Order of the Board of
Beijing Enterprises Medical and Health Industry Group Limited
Zhu Shi Xing
Chairman

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises seven executive directors, namely Mr. Zhu Shi Xing, Mr. Liu Xue Heng, Mr. Gu Shan Chao, Mr. Hu Xiao Yong, Mr. Hu Shiang Chi, Mr. Wang Zheng Chun and Mr. Zhang Jing Ming; one non-executive director, namely Mr. Robert Winslow Koepp and four independent non-executive directors, namely Mr. Gary Zhao, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.