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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2389)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Beijing Enterprises Medical and Health Industry Group Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (collectively the "Group") prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2016, together with the comparative figures for the year 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
CONTINUING OPERATIONS			
Revenue	*5*	**163,856**	–
Cost of sales		**(117,261)**	–
Gross profit		**46,595**	–
Other income and gains	*5*	**98,052**	45,489
Selling and distribution expenses		**(24,995)**	–
Administrative expenses		**(189,405)**	(149,185)
Finance costs	*7*	**(4,632)**	(3,992)
Share of profits and losses of associates		**(11,770)**	(1,601)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(86,155)**	(109,289)
Income tax (expense)/credit	*8*	**(1,853)**	2,364
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(88,008)**	(106,925)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	*9*	**–**	46,997
LOSS FOR THE YEAR		**(88,008)**	(59,928)

	Note	**2016**	2015
		HK$'000	*HK$'000*
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(108,055)**	(76,195)
Reclassification adjustments for a foreign operation disposed of during the year		**1,058**	(58,925)
		(106,997)	(135,120)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		**12,141**	–
Income tax effect		**(3,035)**	–
		9,106	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(97,891)**	(135,120)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(185,899)**	(195,048)
Loss attributable to:			
Owners of the parent		**(68,015)**	(56,480)
Non-controlling interests		**(19,993)**	(3,448)
		(88,008)	(59,928)
Total comprehensive loss attributable to:			
Owners of the parent		**(156,738)**	(185,588)
Non-controlling interests		**(29,161)**	(9,460)
		(185,899)	(195,048)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
Basic and diluted			
– For loss for the year		**HK(1.09) cents**	HK(1.01) cents
– For loss from continuing operations		**HK(1.09) cents**	HK(1.83) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**235,815**	97,290
Investment properties		**356,498**	338,744
Prepaid land lease payments		**1,303,008**	1,285,332
Goodwill		**265,659**	156,104
Other intangible assets		**14,196**	–
Investments in associates		**149,191**	111,948
Available-for-sale investments		**11,295**	21,288
Prepayments		**–**	141,771
Due from a related company		**–**	248,900
Total non-current assets		**2,335,662**	2,401,377
CURRENT ASSETS			
Inventories		**7,981**	–
Trade receivables	*12*	**12,013**	–
Prepayments, deposits and other receivables		**240,255**	139,099
Due from related parties		**247,887**	8,611
Financial assets at fair value through profit or loss		**134,687**	47,996
Pledged deposits		**21,900**	–
Cash and cash equivalents		**298,204**	628,952
Total current assets		**962,927**	824,658
CURRENT LIABILITIES			
Trade payables	*13*	**10,007**	–
Other payables and accruals		**188,606**	88,854
Interest-bearing bank and other borrowings		**76,634**	55,768
Tax payable		**2,314**	270
Total current liabilities		**277,561**	144,892
NET CURRENT ASSETS		**685,366**	679,766
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,021,028**	3,081,143

	2016	2015
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**106,201**	71,616
Deferred tax liabilities	**201,284**	212,764
Other payables	**12,077**	–
Total non-current liabilities	**319,562**	284,380
Net assets	**2,701,466**	2,796,763
Equity		
Equity attributable to owners of the parent		
Share capital	**1,234,578**	1,248,527
Reserves	**1,329,827**	1,462,846
	2,564,405	2,711,373
Non-controlling interests	**137,061**	85,390
Total equity	**2,701,466**	2,796,763

NOTES

1. CORPORATE AND GROUP INFORMATION

Beijing Enterprises Medical and Health Industry Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 April 2002. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman, British West Indies.

During the year, the Company's subsidiaries were principally involved in the provision of medical care, health care and geriatric care related services and products in the People's Republic of China (the "PRC").

In the opinion of the directors, as at 31 December 2016, the major shareholder of the Company is Beijing Properties (Holdings) Limited ("BPHL"), which was incorporated in Bermuda, ultimately held by Beijing Enterprises Group Company Limited and the shares of which are listed on the Stock Exchange.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
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 new and revised standards has had no significant financial effect on these financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. OPERATING 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. During the year, the Group's non-current assets were substantially located in Mainland China.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**154,767**	–
Rendering of services	**9,089**	–
	163,856	–
Other income		
Bank interest income	**4,644**	15,042
Other interest income	**13,474**	11,187
Gross rental income	**16,122**	5,800
Dividend income	**1,853**	–
Sundry income	**2,983**	595
	39,076	32,624
Gains/(losses)		
Fair value gains on financial assets measured at fair value through profit or loss	**49,160**	4,906
Fair value gains on investment properties, net	**3,285**	841
Fair value gains on financial liabilities, net	**13,677**	–
(Loss)/gain on disposal of subsidiaries	**(8,225)**	6,876
Gain on bargain purchase	**–**	253
Loss on disposal of items of property, plant and equipment	**(1,847)**	(11)
Gain on remeasurement of the previously existing interest in an associate	**2,495**	–
Gain on deemed disposal of a partial interest in an associate	**431**	–
	58,976	12,865
	98,052	45,489

6. LOSS BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**110,947**	–
Cost of services provided	**6,314**	–
Depreciation	**7,795**	4,133
Amortisation of other intangible assets	**281**	–
Minimum lease payments under operating leases	**7,745**	2,059
Amortisation of land lease payments	**39,192**	16,016
Less: Amount capitalised	**(12,980)**	–
	26,212	16,016
Auditor's remuneration	**1,450**	1,400
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**33,868**	16,912
Equity-settled share-based payment expense	**3,684**	1,372
Pension scheme contributions (defined contribution scheme)	**3,791**	1,367
	41,343	19,651
Equity-settled share-based payment expense for consultancy services	**12,778**	23,534
Foreign exchange differences, net	**9,819**	22,035
Impairment of other receivables	**3,281**	–

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2016	2015
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**6,122**	4,632
Less: Interest capitalised	**(1,490)**	(640)
	4,632	3,992

8. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Current-PRC corporate income tax ("CIT")	**4,159**	1
Deferred	**(2,306)**	(2,365)
Total tax expense/(credit) for the year	**1,853**	(2,364)

Hong Kong profits tax

During the year ended 31 December 2016, no Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong during the year (2015: Nil).

CIT

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

The share of tax attributable to associates amounting to HK$325,000 (2015: HK$65,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

9. DISCONTINUED OPERATIONS

On 23 November 2014, the Company announced the decision of its board of directors to dispose of the entire issued share capital of World Wisdom Industrial Limited ("World Wisdom"). World Wisdom and its subsidiaries (collectively, "World Wisdom Group") engaged 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 the entire issued share capital of Rainy Company Inc. ("Rainy"). Rainy and its subsidiaries (collectively, "Rainy Group") engaged in property development business. The disposal of Rainy Group was completed on 11 May 2015.

Upon the disposal of World Wisdom Group and Rainy Group, the Group has decided to cease its manufacture and trading business of power tools and property development business because it plans to focus its resources on its medical and geriatric care business. Accordingly, the manufacturing and trading business of power tools and 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 years are presented below:

	2016	2015
	HK$'000	*HK$'000*
Manufacture and trading of power tools business:		
Revenue	–	39,150
Expenses	–	(40,958)
Loss before tax from the discontinued operation	–	(1,808)
Income tax expense	–	–
Loss for the year 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 year from the discontinued operation	–	(14,116)
Gain on disposal of the discontinued operations	–	62,921
Profit for the year from the discontinued operations	–	46,997

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

	2016	2015
	HK$'000	*HK$'000*
Operating activities	–	62,241
Investing activities	–	12,359
Financing activities	–	(77,319)
Net cash outflow	–	(2,719)

10. DIVIDEND

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2016 (2015: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$68,015,000 (2015: HK$56,480,000), and the weighted average number of ordinary shares of 6,237,710,008 (2015: 5,582,419,411) in issue during the year.

The calculation of the basic loss per share amount from continuing operations is based on the loss for the year from continuing operations attributable to ordinary equity holders of the parent of HK$68,015,000 (2015: HK$102,077,000), and the weighted average number of ordinary shares of 6,237,710,008 (2015: 5,582,419,411) in issue during the year.

No adjustment has been made to the basic loss per share amounts and the basic loss per share amounts from continuing operations presented for the years ended 31 December 2016 and 2015 in respect of a dilution as 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.

12. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**12,013**	–
Impairment	**–**	–
	12,013	–

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 3 months. For major customers, the terms may change 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 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 receivables balances. Trade receivables are non-interest-bearing.

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

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**10,492**	–
Over 3 months	**1,521**	–
	12,013	–

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**10,492**	–
Less than 1 month past due	**353**	–
1 to 3 months past due	**1,168**	–
	12,013	–

Receivables that were neither past due nor impaired relate to several major customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. 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:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**9,802**	–
Over 3 months	**205**	–
	10,007	–

The trade payables are non-interest-bearing and are normally settled on terms of 3 to 6 months.

14. ACQUISITION OF SUBSIDIARIES

(1) Acquisition of Beijing Spirit Commerce & Trading Limited (the "Beijing Spirit Acquisition")

On 4 January 2016, the Group acquired a 100% equity interest in Beijing Spirit Commerce & Trading Limited ("Beijing Spirit") from Mr. Guo Xiaofei ("Mr. Guo"), and independent third party. Beijing Spirit and its subsidiaries (together, "Beijing Spirit Group") are principally engaged in sales of furniture in the PRC. The Beijing Spirit Acquisition was made as part of the Group's strategy to expand medical and geriatric care related business. The purchase consideration for the Beijing Spirit Acquisition consists of (i) cash of RMB10,000,000 (equivalent to HK$11,936,000), which was paid at the acquisition date and (ii) 13,158,750, 13,158,750 and 17,545,000 consideration shares to be issued by the Company to Mr. Guo for each of the three financial years ending 31 December 2016, 31 December 2017 and 31 December 2018, respectively, subject to adjustments dependent on the performance of Beijing Spirit Group. This contingent consideration payable was estimated and recognised as a financial liability at fair value of HK$21,486,000 at the acquisition date.

The Group has elected to measure the non-controlling interest in Beijing Spirit Group at the non-controlling interest's proportionate share of Beijing Spirit's identifiable net assets.

The fair values of the identifiable assets and liabilities of Beijing Spirit Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	3,022
Inventories	6,829
Trade and bills receivables	17,059
Prepayments, deposits and other receivables	18,340
Cash and bank balances	1,316
Trade payables	(14,850)
Receipt in advance	(2,826)
Other payables and accruals	(2,177)
Total identifiable net assets at fair value	26,713
Non-controlling interests	(10,685)
Goodwill on acquisition	17,394
	33,422
Satisfied by:	
Cash	11,936
Contingent consideration shares	21,486
Total purchase consideration	33,422

The Group incurred transaction costs of HK$259,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the purchase agreement, contingent consideration is payable, dependent on the amount of net profit of Beijing Spirit Group for each of the three years ending 31 December 2016, 2017 and 2018. The initial amount recognised was HK$21,486,000, which was determined using the Monte Carlo Simulation model under the income approach and was within Level 3 fair value measurement.

As of 31 December 2016, the fair value of the contingent consideration liability was remeasured as HK$15,029,000. A gain of HK$6,457,000 resulted from the change in fair value of the contingent consideration liability was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

A significant increase (decrease) in the net profit of Beijing Spirit Group would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

An analysis of cash flow in respect of the Beijing Spirit Acquisition is as follows:

	HK$'000
Cash consideration	(11,936)
Cash and bank balances acquired	1,316
Net outflow of cash and cash equivalents included in cash flows from investing activities	(10,620)
Transaction costs of the acquisition included in cash flows from operating activities	(259)
	(10,879)

Since the acquisition, Beijing Spirit Group contributed HK$112,686,000 to the Group's revenue and profit of HK$7,273,000 to the consolidated results for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$163,856,000 and HK$88,008,000, respectively.

(2) Acquisition of Beijing Xibu Commerce & Trading Co., Ltd. (the "Beijing Xibu Acquisition")

On 4 January 2016, the Group acquired a 100% equity interest in Beijing Xibu Commerce & Trading Co., Ltd. ("Beijing Xibu") from Mr. Zhu Gang ("Mr. Zhu"), an independent third party. Beijing Xibu and its subsidiary (together, "Beijing Xibu Group") are principally engaged in the manufacture of furniture and the researching and developing for geriatric furniture. The Beijing Xibu Acquisition was made as part of the Group's strategy to expand medical and geriatric care related business. The purchase consideration for the Beijing Xibu Acquisition consists of (i) consideration shares of HK$9,680,000, which were issued and allotted at the acquisition date and (ii) 13,975,500, 13,975,500 and 18,634,000 consideration shares to be issued by the Company to Mr. Zhu for each of the three financial years ending 31 December 2016, 31 December 2017 and 31 December 2018, respectively, subject to adjustments dependent on the performance of Beijing Xibu Group. This contingent consideration payable was estimated and recognised as a financial liability at fair value of HK$20,894,000 at the acquisition date.

The Group has elected to measure the non-controlling interest in Beijing Xibu Group at the non-controlling interest's proportionate share of Beijing Xibu's identifiable net assets.

The fair values of the identifiable assets and liabilities of Beijing Xibu Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	298
Inventories	2,001
Trade receivables	7,232
Prepayments, deposits and other receivables	6,643
Cash and bank balances	66
Trade payables	(8,584)
Receipt in advance	(2,549)
Other payables and accruals	(6,752)
Tax payable	(95)
Total identifiable net liabilities at fair value	(1,740)
Non-controlling interests	696
Goodwill on acquisition	31,618
	30,574
Satisfied by:	
Consideration shares issued	9,680
Contingent consideration shares	20,894
Total purchase consideration	30,574

The Group incurred transaction costs of HK$259,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the purchase agreement, contingent consideration is payable, dependent on the amount of net profit of Beijing Xibu Group for each of the three years ending 31 December 2016, 2017 and 2018. The initial amount recognised was HK$20,894,000 which was determined using the Monte Carlo Simulation model under the income approach and was within Level 3 fair value measurement.

An analysis of cash flow in respect of the acquisition of Beijing Xibu Group is as follows:

	HK$'000
Net inflow of cash and cash equivalents included in cash flows from investing activities	66
Transaction costs of the acquisition included in cash flows from operating activities	(259)
	(193)

Since the acquisition and before disposal, Beijing Xibu Group contributed HK$43,468,000 to the Group's revenue and profit of HK$2,661,000 to the consolidated results for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$163,856,000 and HK$88,008,000, respectively.

On 18 November 2016, the Group and Mr. Zhu entered into the supplemental agreement, pursuant to which the parties agreed to terminate all outstanding rights and obligations under the purchase agreement with respect to, among others, the post-completion allotment and issue of the Beijing Xibu consideration shares, the profit guarantee of Beijing Xibu and the right of first refusal of Mr. Zhu with effect from the date of 18 November 2016.

As of 18 November 2016, the fair value of the contingent consideration liability was remeasured at HK$14,521,000. A gain of HK$6,373,000 resulted from the change in fair value of the contingent consideration liability was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

In connection with and as a result of the amendment proposed in the supplemental agreement, the Group's remaining interest in Beijing Xibu reduced to 24.5% and was recognised as an available-for-sale investment which was initially measured at fair value on the date of disposal.

(3) Acquisition of Fujian Fu Ling Golden Sun Health and Geriatric Company Limited (the "Golden Sun Acquisition")

On 31 January 2016, the Group acquired 51% equity interest in Fujian Fu Ling Golden Sun Health and Geriatric Company Limited ("Golden Sun") from Ms. Huang Xiaorong ("Ms. Huang"), an independent third party. Golden Sun and its subsidiaries (together, "Golden Sun Group"), run a management and service supporting business for the non-profit organisations. The Golden Sun Acquisition was made as part of the Group's strategy to expand medical and geriatric care related business. The purchase consideration for the Golden Sun Acquisition consists of (i) cash of RMB111,419,000 (equivalent to HK$132,511,000), which was paid at the 7 November 2015; (ii) consideration shares of HK$8,902,000, which were issued and allotted at the 30 November 2015; and (iii) 5,792,683, 9,214,570 and 13,956,162 consideration shares to be issued by the Company to Ms. Huang for each of the three financial years ending 31 December 2016, 31 December 2017 and 31 December 2018, respectively, subject to adjustments dependent on the performance of Golden Sun Group. This contingent consideration payable was estimated and recognised as a financial liability at fair value of HK$3,616,000 at the acquisition date.

The Group has elected to measure the non-controlling interest in Golden Sun Group at the non-controlling interest's proportionate share of Golden Sun Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of Golden Sun Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	177
Other intangible asset	7,811
Inventories	775
Due from a shareholder	28,541
Prepayments, deposits and other receivables	21,384
Cash and bank balances	95,626
Receipt in advance	(309)
Other payables and accruals	(32,171)
Tax payable	(1)
Total identifiable net assets at fair value	121,833
Non-controlling interests	(59,698)
Goodwill on acquisition	82,894
	145,029
Satisfied by:	
Cash	132,511
Consideration shares issued	8,902
Contingent consideration shares	3,616
Total purchase consideration	145,029

The Group incurred transaction costs of HK$921,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the purchase agreement, contingent consideration is payable, dependent on the amount of net profit of Golden Sun Group for each of the three years ending 31 December 2016, 2017 and 2018. The initial amount recognised was HK$3,616,000 which was determined using the Monte Carlo Simulation model under the income approach and was within Level 3 fair value measurement.

As of 31 December 2016, the fair value of the contingent consideration liability was remeasured at HK$2,590,000. A gain of HK$847,000 resulted from the change in fair value of the contingent consideration liability was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

A significant increase (decrease) in the net profit of Golden Sun Group would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

An analysis of the cash flows in respect of the acquisition of Golden Sun Group is as follows:

	HK$'000
Cash consideration	(132,511)
Cash and bank balances acquired	95,626
Net outflow of cash and cash equivalents included in cash flows from investing activities	(36,885)
Transaction costs of the acquisition included in cash flows from operating activities	(921)
	(37,806)

Since the acquisition, Golden Sun Group contributed HK$4,953,000 to the Group's revenue and caused a loss of HK$15,773,000 to the consolidated results for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$163,994,000 and HK$88,229,000, respectively.

(4) Acquisition of Beijing Top-Doctors Technology Company Limited (the "Top-Doctors Acquisition")

On 21 October 2015, the Group acquired a 35% equity interest in Beijing Top-Doctors Technology Company Limited ("Top-Doctors") through capital injection at cash consideration of HK$17,430,000 and Top-Doctors was accounted for as an associate of the Group. On 5 August 2016, the Group acquired additional 30% equity interest in Top-Doctors from certain existing shareholders through a series of share transfer agreements at cash consideration of HK$5,382,000. Top-Doctors became a non-wholly owned subsidiary of the Group. Top-Doctors was engaged in on-line medical and nursing service. The Top-Doctors Acquisition was made as part of the Group's strategy to expand its business related to geriatric care.

The Group held 35% equity interests in Top-Doctors before obtaining the control of it. The Group remeasured the fair value of the equity interest held at the date of acquisition at an amount of HK$17,823,000, and fair value gain of HK$2,495,000 was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2016.

The Group has elected to measure the non-controlling interest in Top-Doctors at the non-controlling interest's proportionate share of Top-Doctors' identifiable net assets.

The fair values of the identifiable assets and liabilities of Top-Doctors as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	1,210
Other intangible assets	6,871
Due from non-controlling shareholders	5,382
Prepayments, deposits and other receivables	76
Cash and bank balances	9,483
Trade payables	(54)
Other payables and accruals	(34)
Tax payables	(40)
Deferred tax liabilities	(1,451)
Total identifiable net assets at fair value	21,443
Non-controlling interests	(7,505)
Goodwill on acquisition	9,267
	23,205
Satisfied by:	
Cash	5,382
Fair value of equity interest previously held as investment in an associate	17,823
Total purchase consideration	23,205

The Group incurred transaction costs of HK$287,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the acquisition of Top-Doctors is as follows:

	HK$'000
Cash consideration	(5,382)
Cash and bank balances acquired	9,483
Net inflow of cash and cash equivalents included in cash flows from investing activities	4,101
Transaction costs of the acquisition included in cash flows from operating activities	(287)
	3,814

Since the acquisition, Top-Doctor contributed HK$679,000 to the Group's revenue and caused a loss of HK$1,116,000 to the consolidated results for the year ended 31 December 2016.

(5) Acquisition of Choice Development Inc. (the "Choice Acquisition")

On 9 May 2016, the Group acquired a 100% interest in Choice Development Inc. ("Choice") from an independent third party, at cash consideration of RMB128,500,000 (equivalent to approximately HK$153,207,000. Choice owns certain lands located in the PRC. The Choice Acquisition has been accounted for by the Group as an acquisition of assets as the entity acquired by the Group does not constitute a business. Cash consideration of RMB122,100,000 (equivalent to approximately HK$145,520,000) was paid by the Group during the year ended 31 December 2016 and the remaining consideration payable of RMB6,400,000 (equivalent to approximately HK$7,155,000) was included in the Group's other payables and accruals at 31 December 2016.

The fair values of the identifiable assets and liabilities of Choice as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	1,647
Prepaid land lease payments	151,560
Inventories	1,779
Trade receivables	3,382
Prepayments, deposits and other receivables	3,628
Cash and bank balances	6,606
Trade payables	(157)
Receipt in advance	(53)
Other payables and accruals	(14,044)
Tax payable	(1,141)
Total identifiable net assets at fair value	153,207
Satisfied by:	
Cash	153,207

The Group incurred transaction costs of HK$276,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

15. 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 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Within one year	**12,343**	8,326
In the second to fifth years, inclusive	**39,811**	28,442
After five years	**120,731**	123,091
	172,885	159,859

(b) As lessee

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

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**5,868**	1,031
In the second to third years, inclusive	**3,443**	216
	9,311	1,247

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisition of subsidiaries	**–**	117,928
Capital contribution payable to an associate	**–**	21,485
Land and buildings	**140,964**	11,404
	140,964	150,817

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

At the National Health and Well-being Convention held in 2016, the CPC Central Committee General Secretary, State President and Central Military Commission Chairman Xi Jinping had in his speech placed strong emphasis on people's health by advocating that it should be the first strategic priority of the nation. In the same year, the"Healthy China 2030" had been announced and implemented, which requires faster promotion of health across the nation.

The Group is principally engaged in geriatric care, medical care and health care related businesses, which is in line with the government's huge support on the development of health care industry. We strives to map out an overall plan that integrate both industrial and financial elements by applying financial capital as a driving force to complement the development of our fundamental health care business. During the year under review, the Group actively extended its footprint to various major cities in the PRC and expanded its market share. It has currently become one of the most influential enterprises in the domestic health care industry.

Geriatric Care Business

As indicated in the information from the National Bureau of Statistics of the PRC, the current number of population at the age of 60 and above in the PRC reaches approximately 230 million, representing 16.7% of the total population. It is expected that such number will subsequently remain at approximately 400 million for a 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%.

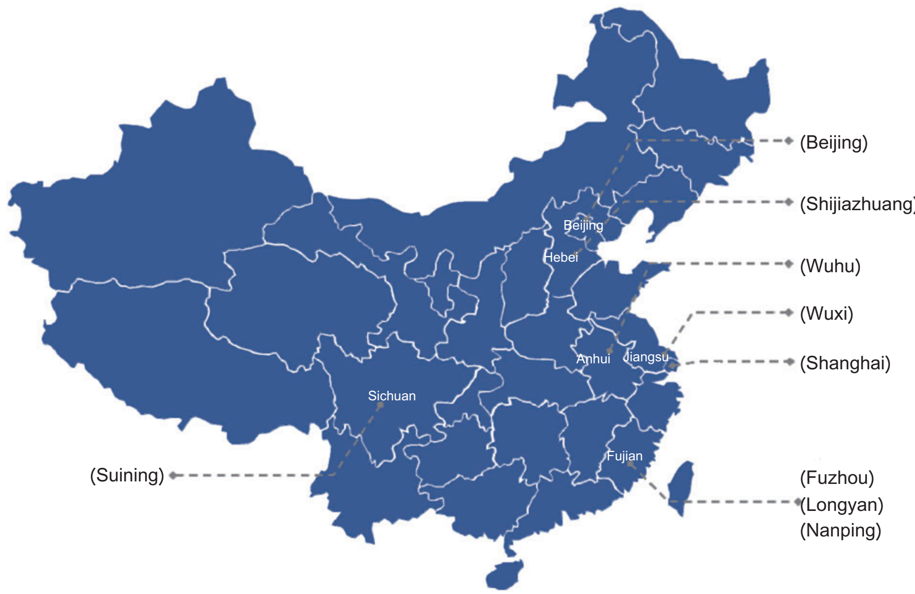
Coping with the nation's policies regarding the reformation of the geriatric care industry, the Group focuses on the socialization of geriatric care services as advocated by the PRC by setting up an intelligent, ecologically chained system incorporating information platform, home care, community care and institutional medical support. The system delivers systematic and intelligent geriatric care solutions to cities (government) for the provision of one-stop services to the elderly.

The Group has built up a prestigious geriatric care brand, the "Golden Sun" through gradual reorganizations of its subsidiaries including Fujian Fu Ling Golden Sun Health and Geriatric Company Limited, 北京中民萬家養老服務公司 and 江蘇無錫宏泰養老服務公司.

* *For identification purpose only*

Currently, the geriatric care operations of the Group spans across numerous cities, namely Beijing, Fuzhou, Shanghai, Longyan, Nanping, Shijiazhuang, Wuhu, Wuxi, Suining, etc.

Strategic Development of the Geriatric Care Business



During 2016, the PRC government devoted much effort to promote market orientation of the geriatric care industry. A series of policies had been implemented for the open tender of the community services of home and geriatric care, which include direct purchase of services by the government, government subsidies and purchase of services by welfare organizations. Leveraging on the "Golden Sun" brand image and professional services, the Group seized the opportunities and successfully won new bids of government orders and other subsidies of approximately RMB12 million in 2017.

As of 31 December 2016, the number of elderly members of the Group reached 581,500, representing a year-on-year surge of 158%, the number of community service centers was 367, up 35% over last year, and the number of beds provided by institutions was 1,028, representing an year-on-year increase of 98%.

Table 1: Operational Status

	2016			2015		
	Number of Elderly Members	**Number of Community Service Centers**	**Number of Beds provided by Institutions**	Number of Elderly Members	Number of Community Service Centers	Number of Beds provided by Institutions
– Beijing	**131,098**	**51**	**53**	5,566	9	0
– Fujian	**450,321**	**316**	**690**	219,990	263	520
– Wuxi#	**–**	**–**	**285**	–	–	–
– Other regions	**–**	**–**	**135**	–	–	–
Total	**581,419**	**367**	**1,028**	225,526	272	520
Rate of Increase	**158%**	**35%**	**98%**			

This project is owned by an associate with 40% of equity interest

Medical Care Business

The PRC government has promulgated policies of "Guiding Opinions on Propelling the Building of a Hierarchical Diagnosis and Treatment System" (《關於推薦分級診療制度建設的指導意見》) and "Guiding Opinions on Propelling the Family Doctors Contracted Service"(《關於推薦家庭醫生簽約服務的指導意見》). These policies aim to expand the coverage of the family doctors contracted service to more than 30% of the country and more than 60% of the target group by 2017 and strive to reach a complete coverage by 2020, and eventually establish a long-term and stable contracted service relationship between the family doctors and residents and achieve a preliminary complete coverage of Family Doctors Contracted Service System. The policies also clearly point out to leverage the strength of information technology and proactively utilize the mobile internet and wearable devices to enhance the service efficiency.

During 2016, the Group has been grasping the direction of China's reform in medical care sector, and has focused on building platforms for hierarchical diagnosis and family doctors in cities and developing a commercial model for social medical care with unique differentiation in an innovative way.

The Group has successfully cooperated with the Yiwu City, Zhejiang Province in development and operation of a platform for hierarchical diagnosis and family doctors service information, which developed as the first service charging platform connecting with the municipal medical insurance system and become an innovative "internet +medical" product. As of 31 December 2016, the platform has covered 14 community healthcare centers, 182 healthcare service stations and some third-tier hospitals in the city, formulating a three-level linkage mechanism. On the platform, there are over 400 contracted family doctors and 87,000 contracted service residents. Leveraging on the successful experiences gained from Yiwu City, the Group has replicated this model and expanded it to other cities and kicked off the development of city hierarchical diagnosis platform in Beijing, Shanxi and Guangdong.

Being the first step of delivery the overall medical care service in a city, the family doctor service platform is of huge commercial potential as it keeps abreast of the health condition and diagnosis and treatment updates of all residents in the city, which facilitate the precise promotion and distribution of the services. "Top Doctor" family doctor service platform has been working with renowned suppliers of medicine, equipment and medical service standards, and proactively seeking collaboration with medical insurers and wearable devices manufacturers, all of these indicating the platform is gradually achieving its commercial value.

Moreover in 2016, in order to align with our expansion of industrial footprint in medical care, geriatric care and health care, the Group has acquired a leading company engaged in manufacturing and sale of the medical and geriatric furniture, which is well known for the superior design and high applicability of its products and has secured orders from over 30 hospitals and geriatric care institutions in China. By the end of 2016, the total revenue of it was RMB96,280,000, representing a year-on-year growth of 115%.

New Industrial Park

As the reform of the national land policy proceeds, the property market in China has been transformed from a unitary residential and commercial model to an industrialized property model. The Group purchased high quality lands in first-tier cities such as Beijing and Shanghai based on the policies and directions on land planning adjustment of central and local governments. Leveraging on the transformation and upgrading, it introduced advanced industrial construction philosophy to fully satisfy the needs of the government and market users. Focus has been placed on the developing new industrial parks such as healthcare industrial park as well as science and technology industrial park. Currently, the Group owns four land projects in Beijing and Shanghai, with a total site area of 235,000 square meters. The implementation plans of the projects have obtained governmental supports from where the projects locate. The positioning of the projects are in line with market demands, thus the commercial value increased considerably.

Table 3: Operational status

As of 31 December 2016, the status of the projects under development of the Group is as follows:

Location	Project Name	Gross area	Percentage	Status
Beijing	Chaoyang Port Project	161,498 ㎡	82.24%	Will be developed in three phases, the first phase will commence in 2017
Beijing	Changping Port Project	13,490 ㎡	70%	Properties are on lease
Shanghai	Sanlu Road Project	20,480 ㎡	100%	Completed the structural construction in December 2016 and product promotion is expected to commence in 2017
Shanghai	Chunshen Road Project	39,448 ㎡	100%	Preliminary construction-related planning procedures are in place

The Group will continue to seek and identify appropriate land projects through Beijing Enterprises Group Company Limited or in the market for developing its geriatric care, medical care and general health businesses. By means of extensive negotiation with local governments and grasping golden opportunities arising from the industrial transformation conducting by the local governments, it would thereby gradually creating the Group's unique series of products under the investment of industrial park.

Finance Business

The Group has prioritized to develop the financial business as one of its core businesses, aiming to accelerate its "Industry + Finance" two-wheeled drive strategy and achieve market expansion with industrial and financial integration through developing financial funds and investment platform business.

In February 2017, the Group, Guangzhou Aerotropolis Investment and Construction Co. Ltd (a state-owned company) and Guangzheng Lingxiu Investment Company Limited* (廣證領秀投資有限公司) (a listed company) jointly contributed to establish Guangzhou Aviation Industrial Fund Management Limited ("Industrial Fund"), the registered capital of which is RMB100,000,000, and the Group contributed RMB44,000,000, representing 44% of the equity interest.

The amount of the Industrial Fund is no less than RMB50,000,000,000 and the Group, being the second largest single shareholder of the Fund Management Company, is responsible for the overall daily management and operation.

The Guangzhou Airport Economic Zone is a national airport economic demonstration area, the establishment of which was approved by the National Development and Reform Commission and Civil Aviation Administration of China pursuant to the Reply on Supporting the Construction of Guangzhou Airport Economic Demonstration Zone (《關於支持廣州臨空經濟示範區建設的覆函》), covering a total area of 135.5 square kilometers. It is planned to become the national airport economic demonstration area, international aviation industrial city and international shipping hub, and will focus on the development positioning of being one of the global consolidated aviation hub and logistics and distribution centre of Asia. The Airport Economic Area is an international aviation hub relying on Baiyun International Airport and serving itself as a core medium. It is an important airport economic centre and airport economic demonstration area in China, and vital motivation and a new growth driver for the future development of Guangzhou. The key development industries of Airport Economic Zone include cross-border e-commerce, aviation headquarters, aviation logistics, trade exhibition, aviation maintenance and manufacturing, financial leasing and so on.

FUTURE PROSPECT

By keeping in line with the government approach and policies regarding health care industry, the Group will adhere to its "Industry + Finance" two-wheeled drive strategy, seize market opportunities and expedite market expansion, in order to achieve sustainable and rapid business development.

In respect of the geriatric care business, the Group will continue to promote quality geriatric care operation and services with key focus on six major regions including Southern China, Shandong Peninsula, Beijing-Tianjin-Hebei, Jiangsu-Zhejiang-Shanghai, Central China and Southwest region, targeting at becoming the city pension operator with the most elderly served and the most members in the PRC, so as to ensure the first-brand position in the operation of pension service in the PRC. In 2017, the number of elderly members will reach 790,000, and there will be 461 community service centers for geriatric care and 1,500 beds to be provided by geriatric care institutions.

The development priority of the medical care sector will be rapid promotion of the information platform of family doctor services in cities. It is planned to expand its reach to more cities and gradually promote the platform to users from corporates and communities as well as medical practitioners from different medical institutions, so as to accelerate the increase of usage by residents and doctors. In addition, the Group will actively introduce relevant business partners and adopt innovative operation model. In 2017, there will be over 1,000 family doctors to be contracted and residents contracted to receive the services will be 200,000.

Regarding the new industrial park, apart from achieving good performance in the existing projects, the Group will continue to explore the opportunities in first-tier cities such as Beijing, Shanghai and Guangzhou, negotiate with the local governments, grasp the golden opportunities arising from the industrial transformation conducting by the local governments, thereby gradually creating the Group's unique series of products under the investment of industrial park.

The finance business sector of the Group will place its emphasis on the operation of funds for the aviation industry of Guangzhou and will actively explore new financial segment. The Group plans to establish a strong self-operating financial service system and facilitate the business development strategies through acquisitions and by using its own financial platform.

MAJOR ACQUISITIONS AND DISPOSALS

Acquisitions

The Group has completed several acquisition transactions during the year and details of the acquisitions were disclosed in Note 14. ACQUISITION OF SUBSIDIARIES.

Disposal

Sun Vision Consultants Limited

On 21 November 2016, United Win and Super Peace Holdings Limited ("Super Peace"), an independent third party to the Group, entered into a share transfer agreement, pursuant to which United Win agreed to sell and Super Peace agreed to purchase all the issued share capital of Sun Vision Consultants Limited ("Sun Vision"), a wholly-owned subsidiary of the Group, for a total consideration of RMB110,000,000 (approximately HK$122,969,000). Sun Vision holds 55% equity interest of Choice Development Inc.. At the date of the share transfer agreement, Choice Development Inc. and its subsidiaries own a land in Shanghai, the PRC, to be used for re-development of medical care and geriatric care facilities.

On 12 December 2016, pursuant to the share transfer agreement, the entire issued share capital of Sun Vision was transferred to Super Peace. As at 31 December 2016, the disposal was not completed and the consideration deposits received of RMB33,000,000 (approximately HK$36,891,000) were included in the Group's other payables and accruals in the consolidated statement of financial position.

FINANCIAL REVIEW

Continuing Operations

Revenue from continuing operations

After the business restructuring in year 2015, The Group start to earn revenue from continuing operation in 2016, revenue of HK$154,767,000 and HK$9,089,000 was generated from the sales of goods and rendering of services respectively.

Cost of sales, gross profit and gross profit margin from continuing operations

For the year ended 31 December 2016, cost of sales generated from continuing operations was HK$117,261,000 (2015: Nil). The cost of sales mainly consists of the cost of the medical and geriatric related furniture and fixture. Gross profit for the year ended 31 December 2016 was HK$46,595,000 (2015: Nil), which represented a gross profit margin of approximately 28%.

Other income and gains generated from continuing operations

For the year ended 31 December 2016, other income and gains generated from continuing operations was approximately HK$98,052,000, representing a substantial increase by 1.16 times comparing with HK$45,489,000 over the year ended 31 December 2015. Other income and gains generated from continuing operations mainly included bank interest income of HK$4,644,000, other interest income of HK$13,474,000 and the gain of fair value change of financial assets measured at fair value through profit or loss of HK$49,160,000.

Selling and distribution expenses from continuing operations

For the year ended 31 December 2016, the selling and distribution expenses generated from continuing operations was HK$24,995,000 (2015: Nil). The selling and distribution expenses mainly consist of (i) staff cost for our sales representative; (ii) promotion fee; and (iii) office expenses of the sales department, as a result of the acquisition of the manufacturing and sales of the furniture business at the beginning of the year.

Administrative expenses generated from continuing operations

For the year ended 31 December 2016, administrative expenses generated from continuing operations was HK$189,405,000, representing a increase by 27% comparing with the expenses of HK$149,185,000 over the year ended 31 December 2015. The increase was mainly due to the increase of staff costs, depreciation and amortisation, rental expenses and general office expenses in aggregate of HK$45,299,000 as a result of the completion for the acquisition of subsidiaries during the year.

Finance cost from continuing operations

For the year ended 31 December 2016, the finance cost of continuing operations was HK$4,632,000 (2015: HK$3,992,000). The finance cost was mainly attributable to the interests of the bank loans and other borrowings of HK$6,122,000, of which HK$1,490,000 was capitalised to the cost of a construction project in Beijing. The effective annual interest rate ranged from 2.40% to 5.60%.

Net assets

As at 31 December 2016, the net assets of the Group was approximately HK$2,701,466,000, whereas the net assets as at 31 December 2015 was approximately HK$2,796,763,000, representing a decrease of approximately HK$95,297,000. The decrease of net assets is mainly attributable to the loss of approximately HK$88,008,000 incurred during the year.

Liquidity and financial resources

As at 31 December 2016, the Group's cash in hand was HK$298,204,000 (2015: HK$628,952,000). The Group's long-term and short-term loan was HK$182,835,000 in total (2015: 127,384,000). Total debt increased by HK$55,451,000 mainly due to the drown dawn of working capital loan of HK$53,000,000 during the year 2016.

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.

Relationships with Employees, Suppliers and Customers

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understands that employees are its valuable assets, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2016, the Group provided generous social security benefits to its employees to motivate them while heightening their sense of belonging. The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group places emphasis on supplier selection and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of its brand and products, the Group abides by the principles of honesty and trustworthiness and commits itself to consistently provide quality products to establish a reliable service environment for its customers. For the year ended 31 December 2016, there was no significant and material dispute between the Group and its suppliers and/or customers.

Capital Expenditure

For the year ended 31 December 2016, the Group's capital expenditure was approximately HK$346,714,000 (2015: HK$1,906,998,000), consisting of addition of property, plants and equipment, investment properties, prepaid land lease payments and other intangible assets, including assets from acquisition of subsidiaries.

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 medical and geriatric care businesses. During the year, the Group's operations were mainly financed by internal resources.

PLEDGE OF ASSETS

As at 31 December 2016, the Group has pledge the following assets as security for bank loans:

(i) the investment properties situated in the PRC with an aggregate carrying amount of HK$320,047,000 (2015: HK$303,175,000);

(ii) the land use right with an aggregate carrying value of HK$282,215,000 (2015: Nil);

(iii) the Group's receivable from a related company amounting to HK$111,875,000 (2015: Nil);

(iv) the pledge of certain of the Group's time deposits amounting to HK$21,900,000 (2015: Nil).

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. 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 Canadian dollar, USD 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

The Group regards high-quality employees as its most important resource. As at 31 December 2016, the Group had approximately 879 employees (2015: 129 employees), of which, 49 employees were management staff. The average age of the employees was 37. The increase in the number of staff was mainly due to the acquisition of subsidiaries during the year.

The Group's overall remuneration system is adhered to the principle of market orientation, offering competitive salary to retain and attract high caliber persons. The salaries of the Group's senior management are determined with reference to market level as well as the Group's overall operating results. The remuneration of directors and supervisors not employed by the Group were determined by the shareholder's general meeting.

The staff costs (including remunerations of the Directors) generated from continuing operation were approximately HK$76,399,000 for the year ended 31 December 2016 (2015: HK$46,530,000). Employee remuneration is determined with reference to individual performance, work experience, qualification and current industry practice. Apart from basic remuneration and statutory pension benefit scheme, employee benefits also include discretionary bonus and share options.

The Group places emphasis on the recruitment, motivation and retention of suitable talents. Directors and some of the senior and middle management executives enjoy share options under the share option scheme adopted by the Company on 24 May 2013, which are to motivate staff, to encourage them to work hard to enhance the value and foster better long-term development of the Group. The Company has also adopted a restricted share award scheme to grant restricted shares to eligible employees.

The Group makes great efforts to enhance the quality of staff. During the year, the Group organized internal training courses for staff at all levels. Topics of the training courses included moral, ethic, languages, technical and management skill trainings.

INVESTOR RELATIONS

The Group strives to offer investors access to updated and accurate information on the Group's latest major development. The Group believes that effective communication is built on a two-way basis, and therefore welcomes feedbacks from investors to the Group. To facilitate an easy access to information on the Company's latest major development, a number of measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website at www.bemh.com.hk, under the column of the "Investor Relations".

COMPLIANCE WITH CORPORATE GOVERNANCE CODE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Corporate governance requirements keep changing, therefore the Board periodically reviews the corporate governance practices of the Company to meet the rising expectations of the shareholders of the Company and comply with the increasingly stringent regulatory requirements. During the year ended 31 December 2016, the Company has complied with the code provisions as set out in the Corporate Government Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), 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 MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry, the Company confirmed that all the Directors have fully complied with the Model Code throughout the year ended 31 December 2016.

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

The Company had bought back the Shares on the Stock Exchange during the year ended 31 December 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
04 July 2016	6,642,000	0.520	0.500	3,407,460.00
05 July 2016	2,460,000	0.530	0.520	1,289,820.00
06 July 2016	2,970,000	0.530	0.520	1,554,960.00
08 July 2016	3,216,000	0.540	0.520	1,722,660.00
19 September 2016	7,686,000	0.435	0.420	3,264,240.00
21 September 2016	2,808,000	0.450	0.450	1,263,600.00
22 September 2016	8,130,000	0.455	0.450	3,696,840.00
23 September 2016	7,788,000	0.460	0.450	3,536,850.00
26 September 2016	9,246,000	0.470	0.450	4,319,280.00
27 September 2016	18,096,000	0.470	0.445	8,272,980.00
28 September 2016	6,114,000	0.480	0.450	2,819,640.00
30 September 2016	2,418,000	0.450	0.435	1,075,890.00
	84,870,000			

All of the shares bought back during the year ended 31 December 2016 were cancelled in July 2016 and November 2016 respectively.

Save 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 year ended 31 December 2016.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

AUDIT COMMITTEE

The Board has established an audit committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors of the Company, namely Mr. Tse Man Kit, Keith, Mr. Gary Zhao and Mr. Wu Yong Xin.

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

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2016 will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchange and Clearing Limited and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

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

Hong Kong, 29 March 2017

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. Zhang Jing Ming and Mr. Wang Zheng Chun; 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. Zhang Yun Zhou and Mr. Wu Yong Xin.