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 INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2017

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-month period ended 30 June 2017, together with comparative figures for the corresponding period in 2016. These interim results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2017

		Six-month period ended 30 June	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**50,044**	43,409
Cost of sales		**(33,120)**	(30,933)
Gross profit		**16,924**	12,476
Other income and gains, net	*4*	**13,630**	84,536
Selling and distribution expenses		**(9,555)**	(12,783)
Administrative expenses		**(79,886)**	(90,404)
Finance costs	*5*	**(2,218)**	(2,340)
Share of profits and losses of associates		**(4,413)**	(5,623)
LOSS BEFORE TAX	*6*	**(65,518)**	(14,138)
Income tax (expense)/credit	*7*	**(109)**	1,884
LOSS FOR THE PERIOD		**(65,627)**	(12,254)

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Translation of foreign operations	**50,022**	(39,426)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**50,022**	(39,426)
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 INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**50,022**	(31,073)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(15,605)**	(43,327)

	NOTE	Six-month period ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Loss attributable to:			
Owners of the parent		**(56,358)**	(6,033)
Non-controlling interests		**(9,269)**	(6,221)
		(65,627)	(12,254)
Total comprehensive loss attributable to:			
Owners of the parent		**(10,393)**	(34,273)
Non-controlling interests		**(5,212)**	(9,054)
		(15,605)	(43,327)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**HK(0.91) cents**	HK(0.10) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**152,895**	235,815
Investment properties		**378,730**	356,498
Prepaid land lease payments		**641,972**	1,303,008
Goodwill		**212,874**	265,659
Other intangible asset		**16,328**	14,196
Investments in associates		**195,516**	149,191
Available-for-sale investments		**11,392**	11,295
Total non-current assets		**1,609,707**	2,335,662
CURRENT ASSETS			
Inventories		**20,382**	7,981
Trade receivables	*10*	**30,483**	12,013
Prepayments, deposits and other receivables		**264,201**	240,255
Due from related parties	*17*	**118,100**	247,887
Financial assets at fair value through profit or loss		**126,117**	134,687
Pledged deposits		**–**	21,900
Cash and cash equivalents		**244,251**	298,204
		803,534	962,927
Assets of a disposal group classified as held for sale	*18*	**919,910**	–
Total current assets		**1,723,444**	962,927
CURRENT LIABILITIES			
Trade payables	*11*	**9,747**	10,007
Other payables and accruals		**159,818**	188,606
Interest-bearing bank and other borrowings		**71,275**	76,634
Tax payable		**1,229**	2,314
		242,069	277,561
Liabilities directly associated with the assets classified as held for sale	*18*	**65,283**	–
Total current liabilities		**307,352**	277,561

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION(CONTINUED)

At 30 June 2017

	NOTE	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
NET CURRENT ASSETS		**1,416,092**	685,366
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,025,799**	3,021,028
NON-CURRENT LIABILITIES			
Other payables		**9,121**	12,077
Interest-bearing bank borrowings		**172,831**	106,201
Deferred tax liabilities		**136,220**	201,284
Total non-current liabilities		**318,172**	319,562
NET ASSETS		**2,707,627**	2,701,466
EQUITY			
Equity attributable to the owners of the parent			
Share capital	*12*	**1,237,790**	1,234,578
Reserves		**1,337,417**	1,329,827
		2,575,207	2,564,405
Non-controlling interests		**132,420**	137,061
TOTAL EQUITY		**2,707,627**	2,701,466

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six-month period ended 30 June 2017 has 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 information does 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 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2016, except for:

(1) the adoption of below new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not effective.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs

The adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial information.

(2) the adoption of following accounting policy:

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one single operating and reportable segment, which is the provision of medical care, health care and geriatric care related services and products. All of the Group's operating results 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, NET

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 the Group's revenue, other income and gains, net are as follows:

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**44,791**	42,030
Rendering of services	**5,253**	1,379
	50,044	43,409
Other income		
Bank interest income	**1,870**	3,873
Other interest income	**7,684**	6,532
Gross rental income	**7,302**	11,263
Dividend income	**–**	1,136
Sundry income	**153**	993
	17,009	23,797
Gains/(losses)		
Foreign exchange differences, net	**3,391**	3,190
Fair value gains on financial assets measured at fair value through profit or loss	**1,611**	51,937
Fair value (losses)/gains on financial liabilities, net	**(8,494)**	5,952
Fair value gains/(losses) on investment properties, net	**113**	(340)
	(3,379)	60,739
	13,630	84,536

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**5,317**	4,637
Less: Interest capitalised	**(3,099)**	(2,297)
	2,218	2,340

6. LOSS BEFORE TAX

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

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**30,628**	29,799
Cost of services provided	**2,492**	1,134
Depreciation	**5,093**	3,308
Minimum lease payments under operating leases	**3,198**	2,308
Amortisation of land lease payments	**19,908**	18,755
Less: Amount capitalised	**(11,506)**	–
	8,402	18,755
Equity-settled share-based payment expense for directors and employees*	**8,863**	15,079
Equity-settled share-based payment expense for consultancy services*	**2,857**	14,834

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

7. INCOME TAX EXPENSE/(CREDIT)

	Six-month period ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	**1,169**	414
Deferred	**(1,060)**	(2,298)
Total tax expense/(credit) for the period	**109**	(1,884)

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-month period ended 30 June 2016: 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 certain PRC subsidiaries which are entitled to a preferential tax rate at 10%.

The share of tax attributable to an associate amounting to HK$150,000 (the six-month period ended 30 June 2016: HK$348,000) is included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss and other comprehensive income.

8. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend to shareholders for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK$56,358,000 (six-month period ended 30 June 2016: HK$6,033,000), and the weighted average number of ordinary shares of 6,178,660,000 (six-month period ended 30 June 2016: 6,257,480,000) in issue during the period.

The calculation of the diluted loss per share is based on the 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 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.

No adjustment has been made to the basic loss per share amounts for loss attributable to ordinary equity holders of the parent presented for the six-month period ended 30 June 2017 and 2016 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.

10. TRADE RECEIVABLES

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**30,483**	12,013
Impairment	**–**	–
	30,483	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, is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**21,654**	10,492
Over 3 months	**8,829**	1,521
	30,483	12,013

11. 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 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 month	**5,730**	9,802
Over 3 months	**4,017**	205
	9,747	10,007

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

12. SHARE CAPITAL

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK$0.2 each (2016: 10,000,000,000 of HK$0.2 each)	**2,000,000**	2,000,000
Issued and fully paid:		
6,188,952,277 ordinary shares of HK$0.2 each (2016: 6,172,892,344 of HK$0.2 each)	**1,237,790**	1,234,578

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

Issue of consideration shares

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

On 28 April 2017, the Company allotted and issued an aggregate of 2,901,183 new ordinary shares of the Company at HK$0.59 per share as the second instalment of the share consideration for the acquisition of Golden Sun. The aggregate fair value of the 2,901,183 ordinary shares, determined by reference to the closing quoted market price of the Company's shares on the Stock Exchange of Hong Kong Limited ("HKEX") at issuance date, amounted to HK$1,712,000, of which HK$580,000 and HK$1,132,000 were credited to the share capital and share premium account of the Company, respectively.

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

On 26 April 2017, the Company allotted and issued an aggregate of 13,158,750 new ordinary shares of the Company at HK$0.59 per share as the first instalment of the share consideration for the acquisition of Beijing Spirit. The aggregate fair value of the 13,158,750 ordinary shares, determined by reference to the closing quoted market price of the Company's shares on HKEX at issuance date, amounted to HK$7,763,000, of which HK$2,632,000 and HK$5,131,000 were credited to the share capital and share premium account of the Company, respectively.

13. 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 share options were outstanding under the 2002 Scheme under the period:

	Number of share options outstanding	**Weighted average exercise price**
	'000	*HK$*
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	4,838	0.954

The share options outstanding as at 30 June 2017 were fully vested on 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. No share options were granted during the period under the 2013 Scheme (six-month period ended 30 June 2016: 180,000,000 share options).

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

	2017		2016	
	Number of share option outstanding	**Weighted average exercise price**	Number of share option outstanding	Weighted average exercise price
	'000	***HK$***	*'000*	*HK$*
At 1 January	**353,000**	**0.57**	230,000	0.63
Granted during the period	**–**	**–**	180,000	0.53
Forfeited during the period	**–**	**–**	(4,000)	0.57
At 30 June	**353,000**	**0.57**	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 30 June 2017

Number of options	**Exercise price per share***	**Exercise period per share**
'000	***HK$***	
176,500	**0.61**	*note (a)*
176,500	**0.53**	*note (c)*
353,000		

At 30 June 2016

Number of options	Exercise price per share*	Exercise period per share
'000	*HK$*	
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.

In respect of the share options granted, the Group recognised a share option expense of HK$11,720,000 during the period ended 30 June 2017 (six-month period ended 30 June 2016: HK$29,913,000).

At the end of the reporting period, the Company had 357,838,000 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 357,838,000 additional ordinary shares of the Company and additional share capital of HK$71,568,000 and share premium of HK$134,257,000 (before issue expenses).

At the date of approval of these financial information, the Company had 357,838,000 share options outstanding under the share option schemes, which represented approximately 5.8% of the Company's shares in issue as at that date.

14. 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 claimed 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. On 20 April 2016, the Company received a settlement offer from the Plaintiff but the Board rejected such offer as it is extortionate, preposterous and not in the interests of the Company and its Shareholders as a whole. The Action is still pending. Due to the inherent uncertainties of litigation, the Directors, based on the advice from the Group's legal counsel, believe that the Company has a valid defence against the allegation and, accordingly, has not provided for any claim arising from litigation, other than the related legal and other costs.

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 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Within one year	**15,643**	12,343
In the second to fifth years, inclusive	**43,327**	39,811
After five years	**119,239**	120,731
	178,209	172,885

(b) As lessee

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

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Within one year	**4,659**	5,868
In the second to third years, inclusive	**1,070**	3,443
	5,729	9,311

16. COMMITMENTS

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

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Contracted, but not provided for:		
Land and buildings	**182,080**	140,964
Capital contribution payable to an available-for-sale investment	**23,044**	–
	205,124	140,964

17. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial information, the Group had the following transactions with related parties during the period:

	Notes	Six-month period ended 30 June **2017** *HK$'000*	2016 *HK$'000*
Interest income from a director	*(i)*	**3,038**	–
Interest income from a company of which a director of the Company is a controlling shareholder	*(ii)*	**687**	3,214

(i) On 28 October 2016, the Group entered into a loan facility agreement with Mr. Wang Zheng Chun, a director of the Company, pursuant to which, the Group provided a loan of HK$135,000,000 for a term of twelve months, bearing interest at 4.5% per annum. On 30 June 2017, HK$20,950,000 was repaid, and the remaining principal of HK$114,050,000 and the relevant interest receivable of HK$4,050,000 was included in due from related parties in the condensed consolidated statement of financial position.

(ii) On 31 March 2015, the Group disposed of World Wisdom Industrial Limited to Jingjun Global Limited ("Jingjun"), a company wholly owned by Mr. Wang Zheng Chun, an executive director of the Company, for a total consideration of HK$668,900,000 bearing interest at a rate of 3% per annum. The remaining consideration receivable of HK$108,900,000 as at 31 December 2016 and its relevant interest receivable was fully received on 15 March 2017, 21 March 2017, 22 March 2017, 29 March 2017 and 30 June 2017, respectively. During the period, the Group earned interest income of HK$687,000 on the consideration receivable from Jingjun (six-month period ended 30 June 2016: HK$3,214,000).

(b) Compensation of key management personnel of the Group:

	Six-month period ended 30 June **2017** *HK$'000* **(Unaudited)**	2016 *HK$'000* (Unaudited)
Fees	**970**	894
Salaries, bonuses, allowances and benefits in kind	**2,475**	2,320
Equity-settled share option expense	**7,632**	12,999
	11,077	16,213

18. A DISPOSAL GROUP

On 13 April 2017, the Group entered into a sale and purchase agreement (the "Disposal Agreement") with 北京融輝酒店管理有限公司 (Beijing Ronghui Hotel Management Limited*), a wholly owned subsidiary of 金輝集團股份有限公司 (Radiance Group Co., Limited*)("Radiance Group"), to sell equity interest of 北京北建陸港國際物流有限公司 (Beijing Beijian Inland Port International Logistics Co., Ltd.*, the "Disposal Company", "Beijian Lugang"), an indirect non-wholly owned subsidiary of the Company, for a consideration of RMB796,109,000 (equivalent to approximately HK$917,282,000) (the "Disposal"). The Disposal is subject to shareholders' approval in the extraordinary general meeting of the Company.

As at the end of the reporting period, the Disposal was in progress. The Disposal Company was classified as a disposal group held for sale.

The major classes of assets and liabilities of Beijian Lugang classified as held for sale as at 30 June 2017 are as follows:

	30 June 2017 ***HK$'000***
Assets	
Property, plant and equipment	**137,753**
Prepaid land lease payment	**680,726**
Goodwill	**52,785**
Prepayments, deposits and other receivables#	**44,882**
Cash and cash equivalents	**3,764**
Assets classified as held for sale	**919,910**
Liabilities	
Other payables and accruals#	**4,878**
Deferred tax liabilities	**(70,161)**
Liabilities directly associated with the assets classified as held for sale	**(65,283)**
Net assets directly associated with the disposal group	**854,627**

* *For identification purpose only*

Intergroup balance was eliminated and thus not included in assets/liabilities classified as classified as held for sale.

19. EVENT AFTER THE REPORTING PERIOD

(1) The Diposal Agreement dated 13 April 2017 in respect of the Disposal as mentioned in note 18 to the financial information and the transaction contemplated thereunder have been approved by shareholders of the Company by way of poll at the extraordinary general meeting on 7 July 2017.

The total consideration of the Disposal was fully received on 11 July 2017, 12 July 2017 and 20 July 2017, in aggregate.

(2) On 17 July 2017, the Group entered into a loan facility agreement with Jinfu N.A. Real Estate Investment Limited (the "Borrower", "Jinfu"), a company owned as to 25% by each of Mr. Zhu Shi Xing, Mr. Gu Shan Chao and Mr. Liu Xue Heng, executive directors of the Company, pursuant to which, the Group provided a loan of CAD13,400,000 (equivalent to HK$82,730,000) for a term of three years, bearing interest at 10% per annum.

(3) On 25 July 2017, the Group entered into a subscription agreement with Beijing Sports and Entertainment Industry Group Ltd. ("Beijing Sports") to further acquire 122,000,000 shares of Beijing Sports, an associate of the Company, at a cash consideration of HK$229,360,000. This transaction has not been completed at the date of approval of these financial information.

(4) On 27 July 2017 and 28 July 2017, the Group purchased 15,594,000 in aggregate, of its shares on the Stock Exchange at a total consideration of HK$7,760,000, in aggregate, which were not cancelled yet.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overviews

The Group is principally engaged in the provision of medical care, health care and geriatric care related services and products, including geriatric care, medical care, health industrial parks, sports and financial business (collectively referred to as "**Health Industry Segment**").

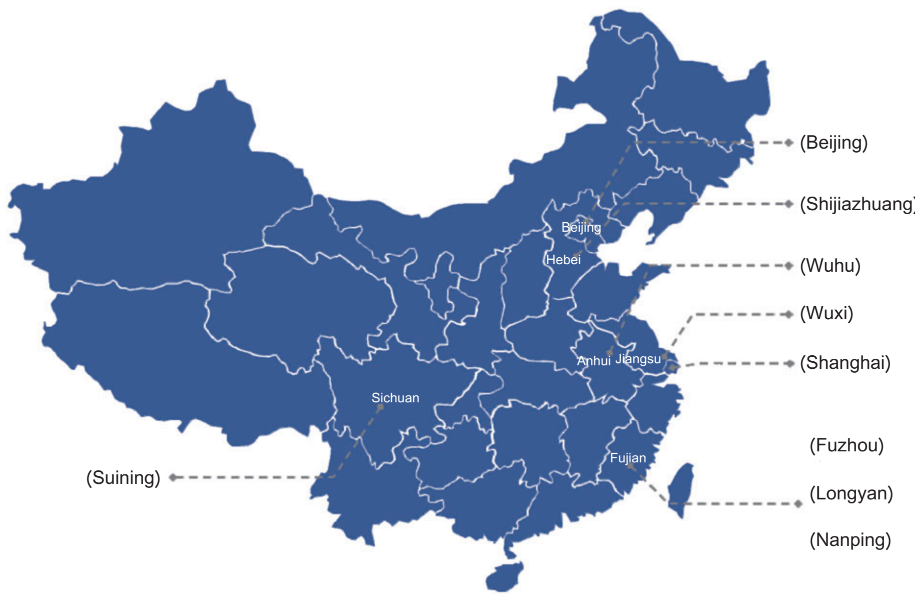
Adhering to its two-wheeled drive strategy that pursues major business development with support of financial business, the Group has been riding on the central government's favorable policies of encouraging the development of health care industry, and fully utilized the resources across major cities in a swift manner, thereby constantly expanding our footholds in the market and enhancing our brand awareness, making us become one of the most influential enterprises in China's 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 PRC's GDP will increase from 8% to 33%.

The Group has been proactively coping with the policies and suggestions implemented by the government regarding the reformation and development of the geriatric care industry, focused on the socialization of geriatric care services as advocated and set up an intelligent, ecologically chained system incorporating information platform, home care, community care and institutional medical support through its geriatric care brand, "Golden Sun". The system delivers systematic and intelligent geriatric care solutions to cities for the provision of one-stop services to the elderly. Currently, the geriatric care operations of the Group span across numerous cities, namely Beijing, Fuzhou, Shanghai, Longyan, Nanping, Shijiazhuang, Wuhu, Wuxi and Suining, etc., while cooperation with several other cities are under negotiation.

Strategic Development of the Geriatric Care Business



The geriatric care business of the Group are mainly operated by 15 private non-enterprise entities (the entities excluded from the Group's financial consolidation) established by the Golden Sun. The private non-enterprise entities aim to explore resources on geriatric care services invested by the government, and provide primary home-basic geriatric care, community care and institutional geriatric care services. Golden Sun and its commercial subsidiaries are engaged in the sale of geriatric care related products, analysis of client information and seeking business opportunities arising from big data. Following the implementation of a series of policies by the PRC government in 2016, open tenders of the community services of home and geriatric care, including direct purchase of services by the government, government subsidies and purchase of services by welfare organizations, etc., have been conducted in 2017. Leveraging on the brand image and professional services of the "Golden Sun", the Group has seized the opportunities and won the bids of government orders with an accumulated purchase amount of RMB50 million as of 30 June 2017, among which, 3 projects are geriatric care institutions to be established by the government and operated by private enterprises, aiming to provide a total of 553 beds for geriatric care.

The brand "Golden Sun" has gained attention from the leaders of the nation. In June 2017, Mr. Huang Shuxian, the Minister of the Ministry of Civil Affairs of PRC, visited "Golden Sun" and provided us with guidance, in which he fully recognised the achievement "Golden Sun" has made in establishing the nationwide home and community geriatric care network.

As of 30 June 2017, the number of elderly members of the Group has reached 642.4 thousand, up 10% over last year; the number of community service centers has reached 374, up 2% over last year; and the number of beds provided by institutions has reached 1,468, up 43% over last year.

Table 1: Operational Status

	As of 30 June 2017			As of 31 December 2016			As of 31 December 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	Number of Elderly Members	Number of Community Service Centers	Number of Beds provided by Institutions
– Beijing	**187,986**	**55**	**52**	131,098	51	53	5,566	9	–
– Fujian	**447,409**	**318**	**999**	443,296	315	555	219,990	263	520
– Wuxi	**–**	**–**	**285**	–	–	285	–	–	–
– Other regions	**7,025**	**1**	**132**	7,025	1	135	–	–	–
Total	**642,420**	**374**	**1,468**	581,419	367	1,028	225,556	272	520
Rate of Increase	**10%**	**2%**	**43%**	158%	35%	98%			

Medical Care Business

The Outline of "Healthy China 2030" Plan (《"健康中國2030"規劃綱要》) promulgated by the Chinese government has been fully implemented in 2017. During the first half of 2017, riding on the state's supportive policies, the Group has made solid progress in its community medical care and family doctors service business and achieved preliminary results in the footprint establishment of upstream medical and geriatric care industry.

With over a year's development, a structure of "upholding hospital operation as the core, underpinned by the family doctors service platform and sale of the medical and geriatric furniture as complement" has been roughly formed in the Group's medical care sector. Moreover, the Group has utilized Internet medical care as a breaking point, by leveraging the O2O model, established a layout of "quality medical resources + community-level diagnosis access + direct customer service", providing a solid basis for us to develop the sales of health care products such as medical and geriatric furniture and built up an industrial chain system, in a bid to increase overall revenue. As the medical care sector is a resource-intensive industry, for this regard, the Group has cooperated with specialists of top hospitals in respect of hospital management sector. As to the establishment of the family doctor service platform, we have set up an excellent IT team with quality products won national awards; and as to medical and geriatric furniture sector, we enjoyed the exclusive dealership right of KI *(note)* (an internationally renowned brand of medical and geriatric furniture) in Asia-pacific region.

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. It ranks the sixth in the world in terms of furniture brands. www.ki.com.

Table 2: Business Model

Hospital Operation	Family Doctor Service Platform	Medical and Geriatric Furniture
(1) Investment in hospitals; (2) Charge of operation and management fee from public hospitals; and (3) Obtain control over part of supply chain system in hospitals.	(1) Charge of urban construction and maintenance fee; (2) Business development on the healthcare-related big data; and (3) Diversion of the patients into Group's hospital system.	Overall design and sale of medical and geriatric furniture.

The Group has conducted an in-depth cooperation with the Yiwu City in Zhejiang Province in development and operation of a platform for hierarchical diagnosis and family doctor service information, which developed as the first service charging platform connecting with the municipal medical insurance system and become an innovative "internet +medical" product in nationwide. As of 30 June 2017, 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 1,330 contracted family doctors and 108,000 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 and implementation of city hierarchical diagnosis platform and family doctor contracted service in Beijing, Shanxi and Guangdong and extended its footprints in an attempt of providing services that integrating medical and geriatric care with family doctors management.

In March 2017, by virtue of its professionalism and innovation advantages, the project "Internet General Doctors Contracting Platform of Yiwu City" ("義烏市互聯網全科醫生簽約平台") outperforming hundreds of projects and won the second award in the final of the "National Competition of Information-based Application Innovation Regarding Community-Level Medical Care in 2017" ("2017全國基層衛生資訊化應用創新大賽") which was held under the guidance of the Department of Primary Health of the National Health and Family Planning Commission and jointly organized by "Health News" ("健康報") and China Association of Health Promotion and Education.

Being the first step of delivering 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 facilitates the precise promotion and distribution of the services. "Top Doctor" family doctor service platform has been working with renowned domestic medical groups, suppliers of medicine, equipment and community-level medical service, and proactively seeking collaboration with medical insurers and manufacturers and corporations of wearable devices, health management service, gene detection and geriatric care service, all of these indicating the platform is gradually achieving its commercial value.

In addition, the Group's subsidiary engaging in geriatric furniture business has maintained sustainable growth. During the first half of 2017, it has secured several high-end medical care projects, such as projects of Shanghai Jiahui International Hospital (上海嘉會國際醫院) and Yinchuan Binhe New District Healthcare City (銀川濱河新區醫療城). More than 60 supply contracts with hospitals and geriatric care institutions were signed and implemented. As of 30 June 2017, the total revenue was HK$44,728,000, representing a year-on-year growth of 6.23%.

Healthcare Industrial Park Business

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 corporate headquarter as well as healthcare industrial park.

In May 2015, the Group completed the acquisition of Chaoyang Port Project in Beijing. After two years, following the completion of plan adjustment in the certain lands of the project and government approval, i.e., planning permit for construction works, being obtained, the gross floor area of the project is increased, thereby significantly improving the project value. On 13 April 2017, the Group entered into a sale and purchase agreement with Radiance Group, to sell part of its interests in the project, indicating it has fully capitalized the value of this project and secured a gain before tax amounted to RMB500,000,000.

Currently, the Group owns four projects in Beijing and Shanghai, with a total site area of approximately 230,000 square meters. The implementation plans of the projects have obtained supports from governments of the region where the projects locate. The positioning of the projects is in line with market demands, which it is expected to have considerable potential in commercial value enhancement.

Table 3: Operational Status

As of 30 June 2017, the status of the projects under development of the Group is as follows:

Location	Project Name	Gross Area	Percentage	Status
Beijing	Chaoyang Port Project	161,498m^2	82.24%	It is being developed in three phases, the first phase(Gross area: 73,891.29m^2) has been sold by equity transfer at a consideration of RMB796,109,000. The second and third phases are under planning and design adjustment.
Beijing	Changping Port Project	13,490m^2	70%	Properties are on lease.
Shanghai	Sanlu Road Project	20,480m^2	100%	It is expected to complete and commence product promotion in the beginning of 2018.
Shanghai	Chunshen Road Project	39,448m^2	100%	Pre-construction planning procedures are in place.

The Group will continue to seek and identify appropriate projects for developing geriatric care, medical care and general health industries through Beijing Enterprises Group Company Limited ("**BE Group**") or in the market. 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.

Sports Business

In November 2016, the General Administration of Sport of China published "National Facilities Construction Plan in Ski Site" (全國冰雪場地設施建設規劃), setting out that, in order to achieve the goal of promoting and encouraging 300 million people to participate in winter sports, it is expected to have, no less than 650 skating centers in place, among which, no less than 500 will be newly built from 2016 to 2022. Recently, Beijing Government has also published "Opinion on the Implementing of Rapid Enhancement of Winter Sports" (關於加快發展冰雪運動的實施意見) and 7 other supporting plans. Yan Naxin, the director of the Winter Sports Management Center in Beijing Municipal Bureau of Sports, proposed a goal for Beijing to achieve, i.e. the scale of winter sports industry is to reach RMB40 billion in value and total number of participants of winter sports is to reach 8 million. Moreover, it is expected to build at least one skate center with 1,800 m^2 area for each of the 16 districts, in a bid to reshape Beijing as a winter entertainment destination.

Since the beginning of 2016, the Group has invested in a total 231,000,000 shares of Beijing Sports and Entertainment Industry Group Limited ("**Beijing Sports**", a Hong Kong Main Board listed company, Stock code: 1803) with an average cost of HK$0.64 per share. Beijing Sports is mainly engaged in the investment in sports and entertainment related industries. During the period, Beijing Sports successfully completed the acquisition of MetaSpace (Beijing) Air Dome Corp.* and is in process of acquiring Zhonghu Haizhou (Shenzhen) Business Equipment Co., Limited, laying a foundation for Beijing Sports to become a leader in air dome buildings and ice and snow making industries.

The 2022 Olympics Winter Game will be jointly held by Beijing and Zhangjiakou, in which, the Beijing Enterprises Group Real-Estate Co., a wholly-owned subsidiary of BE Group is the host of two competition zones, reflecting the significant influence of BE Group is exerting in the sports industry. Supported by BE Group, Beijing Sports will be on its full swing in such sectors as the construction and operation of air dome venues and the winter entertainment.

* *For identification purpose only*

As of today, there are only few theme parks operating winter sports, such as Disneyland and Chimelong. The winter theme park project operated by Beijing Sports will fill in the blank of winter sports project-related theme parks and indoor games in China. Leveraging on the air dome cooling and ice making techniques, it is expected to operate a winter theme park project with low costs. It is estimated that the air dome venues and winter projects will achieve a gross profit margin of 30%. Besides, the "Construction + Operation" model of Beijing Sports will further enhance its profits margin and profitability.

During the first half of 2017, several projects of Beijing Sports have been kicked off and it is expected that a construction peak will occur in 2017 and 2018. According to the construction cycle and operation plan of Beijing Sports, profit is expected to achieve in one to two years. Having considering the preliminary expenditure for establishing a well-rounded operation team and for construction of projects in 2017, we expect the future profits will be gradually released in the coming years of 2018 and 2019. Riding on the opportunities arising from the Olympics Winter Game and the guideline of the national policies, the local demands for construction the indoor venues will also hit the peak, which will in turn facilitate the development of winter entertainment industry and further benefit Beijing Sports.

As disclosed in the announcement of the Company dated on 25 July 2017, the Group will subscribe for 122,000,000 new shares of Beijing Sports at the subscription price of HK$1.88 per share (the "**Subscription**"), to increase its investment in Beijing Sports. Based on the closing price of HK$2.27 per share as quoted on the Stock Exchange of Hong Kong on 30 June 2017, the Group's current investment in 231,000,000 shares of Beijing Sports has contributed approximately HK$376,530,000 of unrealized profit. The gain from sports business will be significantly higher if the Subscription is approved.

Financial 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.

Through 北控金富(上海)投資管理有限公司("**北控金富**"), a subsidiary of the Group, the Group established a financial investment platform to engage in businesses such as fund management, asset management, equity management, industrial management and financial leasing. On 12 May 2017, 北控金富 completed its private fund manager filing.

The cooperative project established by Chinese government and private capital ("**PPP project**") has been strongly promoted as a new-born partnership since 2013. The PPP project in China is on full swing, covering 19 sectors including municipal projects, environmental protection, geriatric care, education and medical care. The implementation of PPP projects has been expediting since then. Riding on the government's favorable policies of supporting PPP project,北控金富, together with Guangzhou Aerotropolis Investment and Construction Co. Ltd and Guangzheng Lingxiu Investment Company Limited, jointly contributed to the establishment of Guangzhou Aviation Industrial Fund Management Limited, planning to set up industrial funds amounted to no less than RMB50 billion to fully support the development of the Guangzhou Airport Economic Zone.

FINANCIAL REVIEW

Revenue and gross profit

For the six-month period ended 30 June 2017, revenue of the Group was approximately HK$50,044,000 (corresponding period in 2016: HK$43,409,000), representing an increase of 15.3% as compared to the same period in 2016, which was mainly generated from the manufacturing and sales of geriatric and medical furniture. The gross profit of the Group was approximately HK$16,924,000 (corresponding period in 2016: HK$12,476,000) and the gross profit margin was 33.8% (corresponding period in 2016: 28.7%). The increase of revenue was mainly attributable to: a subsidiary of the Group, which engaged in manufacturing and sale of the medical and geriatric furniture, secured certain high-end medical care projects and entered into and performed over 60 supply contracts with hospitals and geriatric care institutions in the first half of 2017, thereby increasing the revenue from sales of goods. Furthermore, the geriatric care business of the Group has expanded to Beijing, Fuzhou, Shanghai, Longyan, Nanping, Shijiazhuang, Wuhu, Wuxi and Suining from Fuzhou under the geriatric care services brand name "Golden Sun" of the Group. Up to 30 June 2017, the number of elderly member of the Group reached 642,400, which led to the increase of revenue from the geriatric care services.

Other income and gains

For the six-month period ended 30 June 2017, other income and gains was approximately HK$13,630,000, representing a decrease of 83.9% comparing with HK$84,536,000 over the same period in 2016. The decrease of other income and gains was mainly due to the gain of fair value change of financial assets measured at fair value through profit or loss declined by HK$50,326,000, representing a decrease of 96.9% compared with the corresponding period in 2016. In the first half of 2016, the gain of fair value change of financial assets measured at fair value through profit or loss was mainly arising from the increase in share price of the share investment in a company initially listed in HKEX, which was subscribed by the Group at the end of 2015. During the end of 2016 to 30 June 2017, there was no substantial change on the share price of the investment, such that no significant gain of fair value change of financial assets measured at fair value through profit or loss was recorded in the first half of 2017.

Selling and distribution expenses

For the six-month period ended 30 June 2017, the selling and distribution expenses of the Group was approximately HK$9,555,000 (corresponding period in 2016: HK$12,783,000), representing 19.1% (corresponding period in 2016: 29.4%) of the total sales amounts. The selling and distribution expenses mainly comprise of remuneration of HK$5,733,000, transportation costs of HK$1,404,000 and promotion fee of HK$1,405,000.

Administrative expenses

For the six-month period ended 30 June 2017, the administrative expenses were HK$79,886,000, representing a decrease of 11.6% as compared to HK$90,404,000 of the corresponding period in 2016. The administrative expenses mainly include share option expenses of HK$11,720,000 (corresponding period in 2016: HK$29,913,000), depreciation and amortization costs of HK$13,773,000 (corresponding period in 2016: HK$22,114,000) and staff costs (including director's emoluments but excluding staff's and director's share option expenses) of HK$28,122,000 (corresponding period in 2016: HK$21,645,000). The decrease of administrative expenses was mainly attributable to the share option expenses declined by HK$18,193,000 during six-month period ended 30 June 2017, representing a decrease of 60.8% compared to the same period in 2016. The decrease of share option expenses was due to the recognition of one-off consultancy share option expenses of HK$5,888,000 during six-month period ended 30 June 2016 and the forfeiture of 50,000,000 shares of option granted to a consultant who terminated its service in July 2016. The terminated share options of approximately HK$4,998,000 were recognized during six-month period ended 30 June 2016.

Other than the share option expenses, the administrative expenses for the six-month period ended 30 June 2017 increased by 12.7% to HK$ 68,166,000, compared with HK$ 60,491,000 from the corresponding period in 2016. Excluding the share option expenses, the increase of administrative expenses was mainly due to the rise of general administrative expenses such as staff costs and rental expenses arising from the increased number of subsidiaries and headcount as a result of the Group's business expansion.

Finance cost

For the six-month period ended 30 June 2017, the finance cost was HK$2,218,000 (corresponding period in 2016: HK$2,340,000), and the interest capitalised was HK$3,099,000 (corresponding period in 2016: HK$2,297,000). The finance cost was mainly attributable to the interests of the bank loans, and the increase of finance cost was mainly due to the increase in loans. The weighted average principal of the bank loan amounts to RMB208,306,000 (approximately HK$240,012,000) and the weighted average annual interest rate was 4.93%.

Net assets

As at 30 June 2017, the net assets of the Group was approximately HK$2,707,627,000, representing an increase of approximately HK$6,161,000 as compared to the total net assets of HK$2,701,466,000 as at 31 December 2016.

Liquidity and financial resources

As at 30 June 2017, the Group's cash in hand was HK$244,251,000 (31 December 2016: HK$298,204,000). The Group's long-term and short-term loan was HK$244,106,000 in total (31 December 2016: HK$182,835,000). Total debt increased by approximately HK$61,271,000, mainly due to the drawn down of land development project loan of RMB70,000,000 for the six-month period ended 30 June 2017 (approximately HK$80,654,000) and working capital loan of RMB30,000,000 (approximately HK$34,566,000), whereas the repayment of total working capital loan was approximately HK$61,481,000 for the six-month period ended 30 June 2017.

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-month period ended 30 June 2017, the Group's capital expenditure was approximately HK$75,884,000 (corresponding period in 2016: HK$171,979,000), 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. During the period, the Group's operations were mainly financed by internal resources and bank loans.

PLEDGE OF ASSETS

As at 30 June 2017, the Group has pledged the following assets as the security for bank loans:

(i) the property, plant and equipment situated in the PRC with an aggregate carrying amount of HK$62,239,000 (31 December 2016: HK$Nil);

(ii) the investment properties situated in the PRC with an aggregate carrying amount of HK$338,518,000 (31 December 2016: HK$320,047,000);

(iii) the land use right with an aggregate carrying value of HK$245,709,000 (31 December 2016: HK$282,215,000);

(iv) mortgages over the Group's receivable from a related company was released during the period, as the relevant bank loan was repaid on 30 March 2017 (31 December 2016: HK$111,875,000);

(v) mortgages over the pledge of certain of the Group's time deposits was released during the period, as the relevant bank loan was repaid on 4 January 2017 and 30 March 2017, respectively (31 December 2016: HK$21,900,000).

CONTINGENT LIABILITIES

Save as disclosed in note 14 to condensed consolidated interim financial information in this announcement, as at 30 June 2017, the Group has no other significant contingent liabilities.

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 CAD, 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 2017, the Group had approximately 1,057 (corresponding period in 2016: 465) employees. Total staff cost (including Directors' emoluments) for the six-month period ended 30 June 2017 amounted to approximately HK$42,718,000 (corresponding period in 2016: HK$38,194,000). 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

By keeping in line with the State's policy direction on health care industry, the Group will adhere to its two-wheel development strategy of "Industry + Finance", grasp market opportunities as well as expedite its market expansion so as to achieve a sustainable and rapid business development of the Group. While developing its core business including medical care, geriatric care, healthcare industrial park and sports and entertainment, the Group will actively participate in exploring other sectors in the great health industry, including (among others) medical devices and equipment business, bio-medical, precision medical and hospital hosting services. Through integrating top talents, techniques, services, products and resources as well as acquisition and reorganization, the Group is endeavour to promote its development in great health industry in China.

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-month period ended 30 June 2017, 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. Hu Yebi, Mr. Qian Xu and Mr. Siu Kin Wai who were appointed as directors 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 7 July 2017.

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. Four independent non-executive directors of the Company did not attend the annual general meeting held at 19 May 2017, and all independent non-executive directors did not attend the extraordinary general meeting held at 7 July 2017.

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-month period ended 30 June 2017.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six-month period ended 30 June 2017.

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-month period ended 30 June 2017 have been reviewed by 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-month period ended 30 June 2017 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, 29 August 2017

As at the date of this announcement, the Board comprises ten 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, Mr. Zhang Jing Ming, Mr. Hu Yebi, Mr. Qian Xu and Mr. Siu Kin Wai; and five independent non-executive directors, namely, Mr. Robert Winslow Koepp, Mr. Gary Zhao, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.