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 2017

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 2017, together with the comparative figures for the year 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	5	**130,625**	163,856
Cost of sales		**(83,058)**	(121,133)
Gross profit		**47,567**	42,723
Other income and gains, net	5	**629,054**	98,052
Selling and distribution expenses		**(39,627)**	(21,123)
Administrative expenses		**(181,868)**	(189,405)
Finance costs	7	**(4,363)**	(4,632)
Share of profits and losses of associates		**(5,302)**	(11,770)
PROFIT/(LOSS) BEFORE TAX	6	**445,461**	(86,155)
Income tax expense	8	**(165,298)**	(1,853)
PROFIT/(LOSS) FOR THE YEAR		**280,163**	(88,008)

	Note	**2017**	2016
		HK$'000	*HK$'000*
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**134,959**	(108,055)
Reclassification adjustments for gains included in profit or loss			
— Gain on disposal		**30,595**	1,058
Share of other comprehensive loss of associates		**(735)**	—
		164,819	(106,997)
Other comprehensive income/(loss) 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 INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**164,819**	(97,891)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**444,982**	(185,899)
Profit/(loss) attributable to:			
Owners of the parent		**213,675**	(68,015)
Non-controlling interests		**66,488**	(19,993)
		280,163	(88,008)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**364,024**	(156,738)
Non-controlling interests		**80,958**	(29,161)
		444,982	(185,899)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted			
— For profit/(loss) for the year		**HK3.47 cents**	HK(1.09) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**86,687**	235,815
Investment properties		**381,625**	356,498
Prepaid land lease payments		**553,656**	1,303,008
Goodwill		**212,874**	265,659
Other intangible assets		**14,920**	14,196
Investments in associates		**461,263**	149,191
Available-for-sale investments		**46,151**	11,295
Prepayments		**272,657**	—
Total non-current assets		**2,029,833**	2,335,662
CURRENT ASSETS			
Inventories		**28,889**	7,981
Property under development		**268,253**	—
Trade receivables	11	**28,325**	12,013
Prepayments, deposits and other receivables		**809,788**	240,255
Due from related parties		**149,832**	247,887
Financial assets at fair value through profit or loss		**104,607**	134,687
Pledged deposits		**—**	21,900
Cash and cash equivalents		**471,436**	298,204
Total current assets		**1,861,130**	962,927
CURRENT LIABILITIES			
Trade payables	12	**16,878**	10,007
Other payables and accruals		**178,737**	188,606
Due to a related party		**36,558**	—
Interest-bearing bank and other borrowings		**81,541**	76,634
Tax payable		**98,997**	2,314
Total current liabilities		**412,711**	277,561
NET CURRENT ASSETS		**1,448,419**	685,366
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,478,252**	3,021,028

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**161,503**	106,201
Deferred tax liabilities	**137,196**	201,284
Other payables	**9,540**	12,077
Total non-current liabilities	**308,239**	319,562
Net assets	**3,170,013**	2,701,466
Equity		
Equity attributable to owners of the parent		
Share capital	**1,209,648**	1,234,578
Reserves	**1,678,545**	1,329,827
	2,888,193	2,564,405
Non-controlling interests	**281,820**	137,061
Total equity	**3,170,013**	2,701,466

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 address of the Company is 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 2017, 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

These 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 contingent consideration payable, 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 2017. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above revised HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the consolidated financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

Revenue of approximately HK$45,975,000 (2016: HK$46,043,000) was derived from sales of goods to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. 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 year.

An analysis of revenue, other income and gains, net are as follows:

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Revenue			
Sales of goods		**115,843**	154,767
Rendering of services		**14,782**	9,089
		130,625	163,856
Other income			
Bank interest income		**6,159**	4,644
Other interest income		**33,363**	13,474
Gross rental income		**15,682**	16,122
Dividend income		**1,435**	1,853
Sundry income		**1,897**	2,983
		58,536	39,076
Gains/(losses)			
Fair value gains on financial assets at fair value through profit or loss		**1,169**	49,160
Fair value (losses)/gains on investment properties, net		**(11,792)**	3,285
Fair value (losses)/gains on financial liabilities, net		**(3,747)**	13,677
Gains/(losses) on disposal of subsidiaries	14	**576,121**	(8,225)
Loss on disposal of items of property, plant and equipment		**(67)**	(1,847)
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
Foreign exchange differences, net		**8,834**	—
		570,518	58,976
		629,054	98,052

6. PROFIT/(LOSS) BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**76,306**	114,819
Cost of services provided	**6,752**	6,314
Depreciation	**10,305**	7,795
Amortisation of other intangible assets	**902**	281
Minimum lease payments under operating leases	**8,225**	7,745
Amortisation of prepaid land lease payments	**29,710**	39,192
Less: Amount capitalised	**(12,594)**	(12,980)
	17,116	26,212
Auditor's remuneration	**1,500**	1,450
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**59,873**	33,868
Equity-settled share-based payment expense	**2,259**	3,684
Pension scheme contributions (defined contribution scheme)	**4,911**	3,791
	67,043	41,343
Equity-settled share-based payment expense for consultancy services	**2,089**	12,778
Foreign exchange differences, net	**(8,834)**	9,819
Impairment of other receivables	**—**	3,281

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**11,408**	6,122
Less: Interest capitalised	**(7,045)**	(1,490)
	4,363	4,632

8. INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Current-PRC corporate income tax ("**CIT**")	**170,463**	4,159
Deferred	**(5,165)**	(2,306)
Total tax charge for the year	**165,298**	1,853

Hong Kong profits tax

During the year ended 31 December 2017, no Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong during the year (2016: 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$2,089,000 (2016: HK$325,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

9. DIVIDEND

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2017 (2016: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$213,675,000 (2016: loss of HK$68,015,000), and the weighted average number of ordinary shares of 6,156,890,538 (2016: 6,237,710,008) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

11. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**28,325**	12,013
Impairment	**—**	—
	28,325	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 ageing 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:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**15,793**	10,492
Over 3 months	**12,532**	1,521
	28,325	12,013

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**15,793**	10,492
Less than 1 month past due	**1,566**	353
1 to 3 months past due	**10,966**	1,168
	28,325	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.

12. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**12,603**	9,802
Over 3 months	**4,275**	205
	16,878	10,007

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

13. 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, damages in addition to or in lieu of specific performance, loss and damages to be assessed for the alleged breaches, interest, costs of the Action and further and/or other relief. The Plaintiff did not appear at the case management conference held on 15 March 2018, therefore, the Court has provisionally struck out the Plaintiff's claims. The Company understands that the Plaintiff may before the expiry of three months from the date of the case management conference, apply to the Court for restoration of its claims. The Directors recognise the inherent uncertainties of litigation. Having considered the advice from the Group's legal counsel, the Directors believe that the Company has a valid defence against the allegations of the Plaintiff and, accordingly, the Company has not made provision for the claims under the Action, other than the related legal and other costs.

14. DISPOSAL OF SUBSIDIARIES

Disposal of 北京北建陸港國際物流有限公司 (Beijing Beijian Inland Port International Logistics Co., Ltd.*, "Beijian Lugang")

On 13 April 2017, the Group entered into a sale and purchase 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*), to sell equity interest of 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 was completed on 20 July 2017, and a gain on disposal of HKD576,121,000 was recorded.

Disposal of Beijing Xibu Commerce & Trading Co., Ltd. ("Beijing Xibu")

On 20 August 2015, United Win International Corporation ("**United Win**"), a wholly owned subsidiary of the Company, and Mr. Zhu Gang ("**Mr. Zhu**") entered into a sale and purchase agreement (the "**Beijing Xibu Agreement**") pursuant to which United Win conditionally agreed to acquire and Mr. Zhu conditionally agreed to sell the entire issued share capital of Beijing Xibu at a total consideration of RMB40,800,000 which was to be satisfied entirely by the issue of 61,710,000 Shares (the "**Beijing Xibu Consideration Shares**") by the Company (the "**Beijing Xibu Acquisition**") subject to the result of the profit guarantee. Completion of the Beijing Xibu Acquisition took place on 4 January 2016.

On 18 November 2016, a Supplemental Beijing Xibu Agreement was entered into by United Win and Mr. Zhu to terminate all outstanding rights and obligations under the Beijing Xibu Agreement with respect to, among others, the post-completion allotment and issue of the Beijing Xibu Consideration Shares, the profit guarantee and the right of first refusal of Mr. Zhu with effect from the date of signing of the Supplemental Beijing Xibu Agreement. In consideration of the release of the Company's obligation to allot and issue the Beijing Xibu Consideration Shares, United Win agreed to transfer back to Mr. Zhu an aggregate of 755,000 shares in Beijing Xibu, representing 75.5% of the total issued share capital of Beijing Xibu (the "**Transfer**").

Upon completion of the Transfer, Beijing Xibu was being held as to 24.5% by United Win and the remaining 75.5% by Mr. Zhu, as such, Beijing Xibu was ceased to be a subsidiary of the Group and its financial results was not consolidated with those of the Group.

* *For identification purpose only*

	2017	2016
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**137,753**	543
Prepaid land lease payment	**702,304**	—
Goodwill	**52,785**	31,618
Available-for-sale investments	**—**	17,550
Inventories	**—**	18,837
Cash and bank balances	**3,765**	2,292
Trade receivables	**—**	26,707
Prepayments and other receivables	**23,304**	10,379
Trade payables	**—**	(11,164)
Other payables and accruals	**(539,184)**	(12,662)
Receipt in advance	**—**	(28,814)
Interest-bearing bank and other borrowings	**—**	(3,604)
Tax payables	**—**	(476)
Deferred tax liabilities	**(70,161)**	—
Non-controlling interests	**—**	(369)
	310,566	50,837
Exchange fluctuation reserve	**30,595**	1,058
	341,161	51,895
Gain/(loss) on disposal of subsidiaries	**576,121**	(8,225)
	917,282	43,670
Satisfied by:		
Cash	**917,282**	21,000
Waiver of contingent consideration payable	**—**	14,544
Remaining interest recognised as an available-for-sale investment	**—**	8,126
	917,282	43,670

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017	2016
	HK$'000	*HK$'000*
Cash consideration	**917,282**	21,000
Cash and bank balances disposed of	**(3,765)**	(2,292)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**913,517**	18,708

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

	2017	2016
	HK$'000	*HK$'000*
Within one year	**17,772**	12,343
In the second to fifth years, inclusive	**50,279**	39,811
After five years	**124,955**	120,731
	193,006	172,885

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

	2017	2016
	HK$'000	*HK$'000*
Within one year	**4,808**	5,868
In the second to third years, inclusive	**924**	3,443
	5,732	9,311

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:

	2017	2016
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land and buildings	**425,685**	140,964

17. RELATED PARTY TRANSACTIONS

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

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Interest income from a director	(i)	**5,304**	1,012
Handling income from a director	(i)	—	1,200
Interest income from a company of which a director of the Company is a controlling shareholder	(ii)	**687**	4,847
Interest income from a company of which is jointly controlled by the directors of the Company	(iii)	**3,868**	—

(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. A handling fee of HK$1,200,000 was charged and deducted upon the first drawing of loan facility. On 30 June 2017 and 1 November 2017, HK$20,950,000 and HK$52,050,000 of loan facility, respectively were received and HK$5,725,000 of related interest receivable was received. The Group provided a loan extension of the remaining principal of HK$62,000,000 for a term of twelve months, bearing interest at 6.0% per annum. The remaining principal HK$62,000,000 and the relevant interest receivable of HK$591,000 as at 31 December 2017 were included in the amounts due from related parties in the consolidated statement of financial position.

(ii) On 31 March 2015, the Group disposed of World Wisdom Industrial Limited ("**World Wisdom**") to Jingjun Global Limited ("**Jingjun Global**"), a company wholly owned by Mr. Wang Zheng Chun, an executive director of the Company, for a total consideration of HK$668,900,000. The remaining consideration receivable of HK$108,900,000 as at 31 December 2016 and its relevant interest receivable were fully received on 15 March 2017, 21 March 2017, 22 March 2017, 29 March 2017 and 30 June 2017, respectively. During the year, the Group earned an interest income of HK$687,000 on the consideration receivable from Jingjun Global (2016: HK$4,847,000).

(iii) On 17 July 2017, the Group entered into a loan facility agreement with Jinfu N.A. Real Estate Investment Limited ("**Jinfu N.A.**"), a company partly invested by Mr. Zhu Shi Xing, Mr. Gu Shan Chao and Mr. Liu Xue Heng, being the executive directors of the Company, pursuant to which, the Group provided a loan of Canadian dollar ("**CAD**") 13,400,000 (equivalent to approximately HK$84,019,000), which is due at 20 July 2020 bearing interest at 10% per annum. On 20 July 2017, the Group entered into a loan facility supplementary agreement with Jinfu N.A. and its subsidiary, 1121695 B.C. Ltd., pursuant to which, the borrower of the loan was changed from Jinfu N.A. to 1121695 B.C. Ltd.. During the year, the Group earned an interest income of CAD622,000 (equivalent to approximately HK$3,868,000) on the loan to 1121695 B.C. Ltd..

(b) Outstanding balances with related parties:

The Group had an outstanding balance due to a related company of HK$36,558,000 (2016: Nil) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

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

	2017	2016
	HK$'000	*HK$'000*
Fees	**2,320**	1,788
Other emoluments:		
Salaries, allowances and benefits in kind	**5,899**	3,924
Performance related bonuses	**8,970**	4,527
Equity-settled share option expense	**13,410**	24,600
Pension scheme contributions	**322**	217
	28,601	33,268
	30,921	35,056

18. EVENTS AFTER THE REPORTINGS PERIOD

On 30 January 2018, the Group entered into a working capital loan agreement ("**Agreement**") with the Beijing branch of Bank of Jinzhou. Pursuant to the Agreement, Bank of Jinzhou agreed to provide the Group with a two-year working capital loan of RMB100,000,000 at a fixed interest rate of 6.65% per annum.

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in five major business segments, namely geriatric care, medical care, general health industrial parks, sports and financial business. While leveraging on its own business as the basis for development, and driven by financial capital and underpinned by premium resources, each of the business segments seeks to achieve synergy with one another and offer mutual support in line with the nation's policy development trends, and is dedicated to building a first-rate integrated investment group in the healthcare industry.

The general health industry has been supported by the national policy environment

Since 2015, there have been frequent developments in the general health industry, be they at the national, social capital or enterprise level. In particular, at the national level, several dozens of policies such as the National Planning Guideline for the Healthcare Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020)》), the Guideline for the 13th Five-year Plan for Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》), the "Outline of Healthy China 2030 Plan" (《「健康中國2030」規劃綱要》), the State Council's Notice on the Issuance of the Development Plan for the Nation's Strategic Emerging Industries under the 13th Five-year Plan (《國務院關於印發「十三五」國家戰略性新興產業發展規劃的通知》), the Notice on the Enhancement of the Licensing Work for Medical and Geriatric Care Integrated Service Providers (《關於做好醫養結合服務機構許可工作的通知》), the Guiding Opinions for Promoting the Sound Development of the Pharmaceutical Industry (《關於促進醫藥產業健康發展的指導意見》), the Dedicated Plan for Technological Innovation of the Health Industry under the 13th Five-year Plan (《「十三五」健康產業科技創新專項規劃》), and the Action Plan for the Development of the Smart Healthcare and Geriatric Care Industries (2017-2020) (《智慧健康養老產業發展行動計劃(2017-2020年)》) have been introduced since 2015, featuring detailed plans and opinions delivered from the perspectives of, among others, industry objectives, key missions, various sub-industries, and technological breakthroughs, and presenting various supporting policies in relation to finances and taxation, capital and manpower. In particular, the publication of the "Outline of Healthy China 2030 Plan" demonstrates the fact that "Healthy China" was forged as an official component of the national strategies, as well as the nation's resolve to optimise the supply and distribution of its medical care resources and to fully promote its diagnostic and treatment hierarchy and the integration of medical care with geriatric care. All this has resulted in, following the Internet, a new drive to the Chinese economy.

In the Government's Work Report, the Premier of the State Council specifically included "promotion of health across the nation" as one of the priorities for 2017. "Healthy China" — this key strategic plan that serves to protect people's lives — has again received wide attention from people from all walks of life. The "Healthy China 2020" strategy was specifically put forward in 2012, and by 2020 the country's leading health indicators will have reached levels that are essentially comparable to those of medium-ranked developing countries, where the average life expectancy would have risen from 73 years in 2005 to 77 years in 2020, with the aggregate health expenditure growing to 6.5%-7% of the country's GDP — an increase of 2 percentage points. Going forward, the government's medical care and healthcare spending will be continuously augmented.

The development of China's general health industry is being fostered by a favourable policy environment. According to the estimates given in the Research Report on the Market Operations and Development Trends of China's General Health Industry (2016-2021) (《2016-2021年中國大健康產業市場運行暨產業發展趨勢研究報告》), the size of China's health industry would be RMB4.9 trillion for 2017 and would reach RMB12.9 trillion for 2021, representing a compound annual growth rate of approximately 27% over the next five years (2017-2021). According to the relevant national plans, the market size for the general health industry as bolstered by "Healthy China" is likely to reach RMB10 trillion by 2020 and exceed RMB16 trillion by 2030, which will be three times the size of the current market. This would translate into a sizeable business opportunity for enterprises engaged in the general health industry.

Geriatric Care Business

According to the latest elderly population census data released by the National Bureau of Statistics on 18 January 2018, the elderly population aged 60 or above in the PRC was 240 million as at the end of 2017, representing 17.3% of the total population. It is expected that such number will subsequently remain at approximately 400 million for an extended period of time. From 2014 to 2050, the purchasing power of the elderly population will increase from approximately RMB4 trillion to approximately RMB106 trillion, and its proportion to the country's GDP will increase from 8% to 33%. Remaining in its early stage of development, the geriatric care services system is characterised by a serious lack of products and facilities offering dedicated services to the elderly population, deficient service items and offerings, as well as a complete absence of quality assurance for the service personnel. There exists a significant supply gap in the geriatric care services market.

In line with the national policies for the reform and development of the geriatric care industry, the Group has focused on the socialisation of geriatric care services as advocated by the country, and set up an intelligent, ecologically chained, urban geriatric care system incorporating information platform, home care, neighbourhood care and institutional medical support. The system delivers systematic and smart geriatric care solutions to cities for the provision of one-stop services to the elderly.

The Group has established its geriatric care brand "Golden Sun" and "Hongtai", which has strong competitive advantages in the national geriatric care industry. Currently, the geriatric care operations of the Group span across such cities as Beijing, Shanghai, Fuzhou, Dali, Longyan, Nanping, Shijiazhuang, Wuhu and Wuxi.

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 Golden Sun. The private non-enterprise entities aim to explore resources on geriatric care services invested by the government, and provide primary home-based geriatric care, community care and institutional geriatric care services. Golden Sun and its commercial subsidiaries are engaged in the provision of geriatric care value-added services, sale of geriatric care-related products, provision of information platform services, analysis of client information, and exploration of business opportunities arising from big data, by means of applications that have been researched and developed on their own including *Golden Sun Home-Based Services V1.01* (金太陽家服通V1.01), *Information Platform V1.0* (信息平台V1.0), *Filial Piety V1.0* (孝情通V1.0) and *Geriatric Care Institution Software V1.0* (養老機構軟件V1.0). Following the implementation of a series of policies by the PRC government in 2016, open tenders of the community services of home-based geriatric care, including direct purchase of services by the government, government subsidies and purchase of services by welfare organisations, etc., were conducted in 2017. Leveraging on the influential power and professional, all-round geriatric care services of "Golden Sun" brand, the Group has seized the opportunities and obtained an accumulated government purchase amount of RMB53 million as of 31 December 2017, among which 3 projects are community care centres to be established by the government and operated by private enterprises, aiming to provide a total of 547 beds for geriatric care, and 8 projects are community care centres to be established by the government and operated by private enterprises, aiming to provide a total of 151 beds for geriatric care.

The Group's geriatric care brand "Golden Sun" has gained continuous attention from the leaders of the nation. In early 2017, the Fujian Province Fuling Golden Sun Geriatric Care Fund (福建省福齡金太陽養老基金) initiated by Golden Sun was formally launched in Fuzhou for supporting the development of geriatric care undertakings. In June 2017, Mr. Huang Shuxian, the Minister of the Ministry of Civil Affairs of the PRC, visited "Golden Sun" and provided us with guidance. He praised the avant-garde notions, models and professionalism demonstrated by its geriatric care services, and fully recognised the achievement "Golden Sun" has made in establishing the nationwide geriatric care industry network. In the fourth quarter of year 2017, Golden Sun was given the "National Civilised Award for Respect to the Elderly" (「全國敬老文明號」榮譽) by the National Elderly Work Committee (全國老齡工作委員會), designated as a Smart Healthcare and Geriatric Care Distinguished Enterprise (智慧健康養老示範企業) by the Ministry of Industry and Information Technology of the PRC, and ranked as a "5A social organisation" (5A級社會組織) by the Ministry of Civil Affairs of the PRC.

As of 31 December 2017, the number of elderly members of the Group reached 770,000, representing an increase of 33%; the number of its community service centres reached 439 (including 41 community care centres, providing a total of 291 beds), representing an increase of 20%; and the number of its beds associated with geriatric care reached 1,750 (including geriatric care institutions and community care centres [note]), representing an increase of 50%.

Note: Community care centres refer to small-scale community geriatric care institutions that offer such services as day care, short-term care, and home care to the elderly.

Table 1: Operational Status

	2017			2016		
	Number of Elderly Members	**Number of Community Service Centres**	**Number of Beds provided by Institutions**	Number of Elderly Members	Number of Community Service Centres	Number of Beds provided by Institutions
— Beijing	**219,764**	**90**	**99**	131,098	51	53
— Fujian	**540,598**	**345**	**1,092**	450,321	316	690
— Wuxi#	**—**	**—**	**385**	—	—	285
Other Regions	**12,503**	**4**	**174**	—	—	135
Total	**772,865**	**439**	**1,750**	581,419	367	1,163
Rate of Increase	**33%**	**20%**	**50%**			

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

Medical Care Business

In 2017, the Chinese government proactively supported the development of the medical care industry with the implementation of various policies, including the Administrative Measures for the Registration of Medical Practitioners (《醫師執業註冊管理辦法》) promulgated by the National Health and Family Planning Commission in March 2017 which has allowed current doctors to step up their practice and establish and operate clinics, ensuring a sufficient supply of talents for the "clinic boom". In May 2017, the General Office of the State Council issued the Opinions on Supporting the Provision of Multi-layered and Diverse Medical Care Services by Social Forces (《關於支持社會力量提供多層次多樣化醫療服務的意見》), further delineating the relevant objectives and requesting that by 2020, the medical care operational capabilities of social forces be significantly enhanced, their medical technologies, service quality and brand recognition be considerably elevated, and such relevant support as professional talent, health insurance and pharmaceutical technologies be further bolstered, thereby achieving an all-round optimisation of the backdrop for industry development. A batch of socially-run medical care institutions with relatively strong service competitiveness will be created to form certain unique, influential cluster zones for the healthcare services industry, offering services that will essentially meet the domestic demand and gradually giving rise to a new setting characterised by multi-layered and diverse medical care services.

The Group responded proactively to the country's relevant policies, and a structure of "upholding hospital operation as the core, underpinned by the family doctor service platform and sale of medical and geriatric products as complement" has been roughly formed in its medical care sector. Moreover, the Group has utilised 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 sale of medical and geriatric products and build up an industrial chain system. As the medical care sector is a resource-intensive industry, in this regard, the Group has cooperated with specialists of top hospitals in respect of the hospital management sector. As to the establishment of the family doctor service platform, we have set up an excellent IT team with quality products that have won national awards; and as to the medical and geriatric product sector, we enjoyed the exclusive dealership right of KI (an internationally renowned brand of medical and geriatric furniture) in the Asia-Pacific region.

Table 2: Business Model

	Hospital	Family Doctor Service Platform	Sale of Medical and Geriatric Products
Business Model	(1) Investment in hospitals; (2) Charge of operation and management fee from public hospitals; (3) 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; (3) Diversion of the patients into the Group's hospital system.	Overall design and sale of medical, geriatric and healthcare products.

Hospitals

In December 2017, the Group entered into an agreement with Anhui Province Xuancheng City Central Hospital, pursuant to which the two parties would jointly invest in and operate a cardiovascular disease hospital in Xuancheng City of Anhui Province, with the aim of introducing globally advanced medical technologies and services into Anhui. Following its discussions with the Xuancheng Municipal Government and the Xuancheng City Central Hospital, the Group decided to erect the new hospital at the same site as the original Xuancheng City Central Hospital, whereby a third-tier specialist hospital chiefly targeted at patients of cardiovascular diseases would be constructed by means of renovation and upgrade transformations carried out at the original site. The development of such a project would eventually be expanded to cover the entire province. Preliminarily, the Cardiovascular Disease Hospital is planned to offer 350 beds, 4 operating theatres and 6 intensive care units and to focus on the treatment of diseases relating to the departments of cardiology, oncology and rehabilitation.

In December 2017, as the successful tenderer, the Group acquired the land use rights in respect of four land parcels in Haidong New District of Dali City (大理市海東新區), including an area of over 30,000 square metres to be used for medical, healthcare and charitable purposes. In future, the said area will see the construction of a high-end boutique hospital offering no less than 200 beds, which will be transformed into the best high-end rehabilitation-oriented hospital in connection with the specialist department of oncology and cardiovascular diseases in Dali and its peripheral area. Besides, high-end medical facilities will be introduced into and specialist talents will be nurtured for the said hospital, coupled with the construction of a hospital system incorporating both the medical and geriatric care components. This would result in the creation of a specialist, boutique, integrated medical and geriatric care sphere on the basis of physical products under the project. It is expected that the design planning will be launched in 2018, the construction will be commenced in 2019, and the hospital will be put into operation in 2020.

Family Doctor Service Platform

The Group has been engaged in profound cooperation with Yiwu City, Zhejiang Province in developing and operating a platform for hierarchical diagnosis and family doctors service information, which has developed as the first service charging platform connecting with the municipal medical insurance system and has become an innovative "Internet + medical" product nationalwide. As of 31 December 2017, the platform has covered all the 14 healthcare service centres, 182 healthcare service stations and some third-tier hospitals in the city, creating a three-level linkage mechanism. On the platform, there are over 1,230 contracted family doctors and 200,000 contracted service residents. Leveraging on the successful experiences gained from Yiwu City, the Group kicked off the development and implementation of city hierarchical diagnosis platform and family doctor contracted services in places such as Beijing, having made endeavours in the covered cities in connection with family doctor management services that incorporate both the medical and geriatric care components.

In March 2017, by virtue of its notable 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") outperformed more than 100 projects to secure a second-class award of the "National Competition of Information-based Application Innovation Regarding Community-Level Medical Care in 2017" ("2017全國基層衛生信息化應用創新大賽"), which was held under the guidance of the National Health and Family Planning Commission and organised by the country's "Health News" ("健康報").

Being the first step of delivering the overall medical care services in a city, the family doctor service platform is, by way of both online and offline interactive explorations and the diversion of health demands, 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 precise health management. "Top Doctor" family doctor service platform has been working with renowned domestic offline clinics, renowned medical groups, and providers of software and hardware used in medical care and of community-level medical services, and proactively seeking collaboration with third-party commercial medical insurers and enterprises concerned with healthcare wearables, health management services, gene detection and geriatric care services, which indicates the gradual achievement of the platform's commercial value.

Sale of Medical and Geriatric Products

The Group's subsidiary engaging in medical and geriatric product business has maintained sustainable growth. During the year, it secured several high-end medical care projects from our customers, such as projects of Shanghai Jiahui International Hospital (上海嘉會國際醫院), Yinchuan Binhe New District Healthcare City (銀川濱河新區醫療城), Zhuoyue Mouth Cavity (茁悦口腔) and Lanhai Medical Care (覽海醫療), occupying a gross floor area of 2.51 million square metres and involving more than 20,000 service beds. Supply contracts with a total of 30 hospitals and medical and geriatric care institutions were signed and implemented during the year. As of 31 December 2017, the total revenue was RMB100,445,000 and the profit was RMB9,375,000, representing growths of 3% and 38%, respectively as compared to corresponding period of 2016. The business model for the subsidiary engaging in medical and geriatric product business has gradually developed from one of mere sales to an integrated model consisting of overall design, production, sales, and the supply of raw materials. In 2017, such subsidiary was recognised as a High-New Technology Enterprise (高新技術企業) by the Beijing Municipal Government, and was given a series of titles including "China's Top 10 Brand in Hospital Furniture" (中國醫院家具十大品牌) and "China's Top 10 Brand in Geriatric Care Furniture" (中國養老家具十大品牌).

General Health 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 industrialised property model. The Group purchased high-quality land mainly in first-tier cities such as Beijing and Shanghai based on the policies and directions on land planning adjustments 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 developing new types of operations such as corporate headquarters and healthcare industrial parks.

In May 2015, the Group completed the acquisition of Chaoyang Port Project in Beijing. After around two years, upon completion of the planning adjustments to and government approval process for No. 1 land parcel under the project, the realisation of an increase in the gross floor area under the project, as well as the procurement of the planning permit for construction works, the project value has been significantly enhanced. On 13 April 2017, the Group entered into a sale and purchase agreement with Beijing Ronghui Hotel Management Limited, leading to full capitalisation of the value of such project and realising profit before tax of approximately HK$576 million.

In December 2017, as the successful tenderer, the Group acquired the land use rights in respect of four land parcels in Haidong New District of Dali City, including 1 parcel to be used for medical, healthcare and charitable purposes, 1 parcel for commercial purposes, and 2 parcels for residential purposes. Such land plot represents Beijing Enterprises Medical and Health's flagship project for its positioning in the general health industry, and will be built into an integrated "international medical and geriatric care centre" with "medical and geriatric care, leisure, tourism and vacation" offerings by virtue of Dali's geographical and climatic advantages as well as the Group's resource advantages. Occupying a gross floor area of approximately 380,000 square metres, the project will be developed in two phases. A high-end, boutique, rehabilitative hospital offering no less than 200 beds and a high-end, rehabilitative and geriatric apartment block will be erected in Phase 1, while complementary general health services will be available in Phase 2. This would create integrated, rehabilitative vacation apartments that feature both medical and geriatric care, as well as an integrated health-promoting guesthouse that focuses on both rehabilitation and physical therapy.

Currently, the Group owns five land projects in Beijing, Shanghai and Dali, with a total site area of approximately 436,200 square metres and an expected planned gross floor area of approximately 710,000 square metres. The implementation plans of the projects have obtained support from the governments of the regions where the projects are located. As the positioning of the projects is in line with market demands, they are expected to have considerable potential in terms of commercial value enhancement.

Table 3: Operational status

As of 31 December 2017, the status of the projects under development of the Group is as follows:

Location	Project Name	Gross Area	Percentage	Planning Vision of the Project	Status
Beijing	Chaoyang Port Project	87,607m^2	82.24%	General health industrial park	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 million. Pre-construction planning procedures are in place for the second and third phases.
Beijing	Changping Project	13,490m^2	70%	Office and commercial complex	Properties are on lease.
Shanghai	Sanlu Road Project	20,480m^2	100%	Office and commercial complex	It is expected to complete construction and commence product promotion in the beginning of 2018.
Shanghai	Chunshen Road Project	39,448m^2	100%	Office and commercial complex	Pre-construction planning procedures are in place.
Dali	Haidong New District Project	275,181m^2	60%	General health industrial park complex, residential, commercial	Pre-construction planning procedures are in place.

The Group will continue to seek and identify appropriate land projects for developing general health business through Beijing Enterprises Group Company Limited ("**BE Group**") or on the market. Through extensive negotiation with the local governments and grasping golden opportunities arising from the industrial transformation pursued by these governments, the Group would gradually develop and create a unique series of products related to its industrial park investments.

Sports Business

Since 2016, through Beijing Sports and Entertainment Industry Group Limited ("**Beijing Sports**", a Hong Kong Main Board listed company, stock code: 1803), the Group has been engaged in sports-related businesses in China, orienting itself to the construction of stadiums as well as the construction and operation of winter theme parks. During the year, Beijing Sports successfully completed the acquisition of MetaSpace (Beijing) Air Dome Corp.*

The 2022 Winter Olympic Games will be jointly held by Beijing and Zhangjiakou, where Beijing Enterprises Group Real-Estate Co., a wholly-owned subsidiary of BE Group, will be the host of two competition zones, reflecting the significant influence exerted by BE Group on 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 winter entertainment. As of today, winter sports are offered in few large-scale theme parks in China, such as Disneyland and Chimelong. The winter theme park project constructed and operated by Beijing Sports will be able to close the "blue-ocean gap" with regard to the theme parks and indoor games in China featuring winter sports. Leveraging on the air dome cooling and ice making techniques, it is expected to operate a large-scale winter theme park project at a low cost. The air dome stadium and winter sports facility businesses operated by Beijing Sports will enjoy sizeable opportunities.

In mid-2017, at the Shanghai International Sporting Goods Expo (上海國際體博會), Beijing Sports formally launched its "Plan for 1,000 Stadiums" (千館計劃) with the objective of constructing 1,000 new stadiums — with air dome-based architecture as the major carrier — across the nation within the next 5 years. During 2017, several projects of Beijing Sports were kicked off, and it is expected that a construction peak will occur in 2018 and 2019. Having considered the preliminary expenditure for establishing a well-rounded operation team and for construction of projects in 2017, we expect that Beijing Sports' future profits will be gradually released in 2018-2019. Riding on the opportunities arising from the Winter Olympic Games and under the guidance of the national policies, the local demands for constructing indoor venues will also peak, which will in turn facilitate the development of the winter entertainment industry. It can be reasonably expected that Beijing Sports will be among the largest beneficiaries in this connection.

On 30 November 2017, the Group completed its subscription for 122,000,000 new shares of Beijing Sports, in order to increase its investment in Beijing Sports. Currently, the Group's shareholding percentage in Beijing Sports has been increased to 27.22%. The Group's historical acquisition cost in relation to its investment in Beijing Sports is approximately HK$388 million. Based on the price of HK$2.84 per share for the shares of Beijing Sports as at 31 December 2017, the market value of the equity interests held by the Group in Beijing Sports was approximately HK$1 billion.

* *For identification purpose only*

Financial Business

Through BE Fortune (Shanghai) Investment Management Co., Ltd. (北控金富(上海)投資管理有限公司, "**BE Fortune**"), one of the Group's subsidiaries, the Group established an investment and financing platform in China to engage in businesses such as fund management, asset management, equity investment and financial leasing. The Group aimed to accelerate its "Industry + Finance" dual-drive strategy and achieve market expansion with industrial and financial integration through developing its industrial fund and investment platform business.

In February 2017, BE Fortune and Guangzhou Aerotropolis Investment and Construction Group jointly contributed to the founding and establishment of "Guangzhou Aviation Industrial Fund Management Limited" (廣州航空產業基金管理有限公司), which has founded and established "Guangzhou Aerotropolis Infrastructure Investment Fund" (廣州空港基礎設施投資基金) and "Guangzhou Aviation Industry Investment Fund" (廣州航空產業投資基金), respectively. Such investment funds serve to offer equity financing support to those projects within the infrastructure or industry category in the Guangzhou Aerotropolis Economic Zone. In June 2017, BE Fortune, Jingdezhen City State Holding Group (景德鎮國控集團) and Jingdezhen Ceramic Culture Tourism Group (景德鎮陶文旅集團) jointly contributed to the founding and establishment of "Jingdezhen Development Fund Management Co., Ltd." (景德鎮發展基金管理有限公司), which intended to offer equity financing support to the key infrastructure and industry projects in that city through founding and establishing Jingdezhen Development Fund (景德鎮發展基金). In November 2017, BE Fortune entered into an agreement of intent for cooperation with Pingxiang Municipal Finance Bureau (萍鄉市財政局), pursuant to which "Pingxiang Municipal Innovative Industry Equity Investment Fund" (萍鄉市創新產業股權投資基金) was intended to be founded for offering equity financing support to the emerging industry projects in that city. Besides, BE Fortune has founded industrial funds that are aimed at investing in high-quality assets of the Group and of BE Group. Such funds have gone through the respective fund filing procedures, and will enter the investment and operation stage shortly.

As of 31 December 2017, 5 private equity funds had been created within the financial segment, with an estimated aggregate target fund size of approximately RMB4,200 million.

FUTURE PROSPECT

Considering "Healthy China" as its mission, the Group will continue to capitalise and fully utilise the ideal external environment for the geriatric care, medical and health industries in China. With the general health industry as our development focus, we will pursue active explorations in the general health sector and speed up our business deployment in the market.

Existing Business Development

Aging population in China is increasingly serious nowadays. General health industry is sunrise industry with broad development prospect. However, the development of such business relies largely on the availability of adequate financial resources at the initial stage to expand business scale and customer base. The Group is actively looking for partners that can produce synergies to participate in geriatric care and medical businesses. It strives to be bigger and stronger, expand the market share, establish a leading brand so as to produce source of income from the third-party product sale and create long-term stable return through the integration of resources.

In addition, according to 9073 geriatric care plan in China, about 90% of the elderly in China spend their lives at home, and it is estimated that potential customers for elderly-friendly products are more than 200 million people. Therefore, elderly-friendly products will become "Blue Ocean" market of the general health industry. The medical and geriatric product company of the Group has maintained its leading position in the elderly-friendly furniture market and its business has grown rapidly. The Group is studying the feasibility of the spin-off and separate listing of its medical and geriatric product company and expects to raise funds in the capital market so as to increase its investment in the medical and geriatric product industry.

New Business Development

A survey found that 70% to 80% of urban people is stressful and the demand for relieving stress and disease prevention is strong. The Group is exploring the feasibility of developing the middle-to-high end customised health management business. It seeks to create a series of healthy lifestyles that manage diet, exercise, pressure and sleep and provide professional guidance through cooperation with professional institutions at home and abroad, ranging from health maintenance, risk prediction, subhealth recovery to disease prevention, with the aim of reducing the opportunity for the illness and promoting health for the customers. The Group acquired the land at Dali which will be developed into a small community of rich people. With the congenital advantage, such project will facilitate the Group's innovative health management business by providing massive customers, thereby creating a sustainable and stable source of income.

Going forward, with the objective of evolving into a top-brand enterprise, and pursuing the mission of "Healthy China Pioneered by Beijing Enterprises", the Group will implement its "Way Back into Health" concept. Leveraging years of experience and resources accumulated in health sector such as medical services, geriatric care services, family doctors and sports, the Group endeavours to formulate a health service system and establish a health service platform in China to create a health service ecological chain. It is committed to changing the health of 300 million subhealth people in China and achieving a sustainable, rapid development of its businesses, forging our "Healthy Future" with single-minded devotion.

MATERIAL INVESTMENTS

On 25 July 2017, the Group and Beijing Sports entered into a subscription agreement to which, the Group agreed to subscribe for, and Beijing Sports has agreed to allot and issue to the Group, 122,000,000 new shares of Beijing Sports at a price of HK$1.88 per Beijing Sports Share, with a total consideration of HK$229,360,000.

On 30 November 2017, the Group completed its subscription for 122,000,000 new shares of Beijing Sports, in order to increase its investment in Beijing Sports. The Group's shareholding percentage in Beijing Sports has been increased from 19.77% as at 31 December 2016 to 27.22% as at 31 December 2017.

MAJOR ACQUISITIONS AND DISPOSALS

On 13 April 2017, the Group entered into a sale and purchase agreement with Beijing Ronghui Hotel Management Limited, a wholly owned subsidiary of Radiance Group Co., Limited, to sell equity interest of 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) and the disposal was completed on 20 July 2017. Details of the disposal were disclosed in Note 14. DISPOSAL OF SUBSIDIARIES.

The Group did not have any major acquisitions for the year ended 31 December 2017.

FINANCIAL REVIEW

Revenue and gross profit

As of 31 December 2017, revenue of the Group was approximately HK$130,625,000 (2016: HK$163,856,000), representing a decrease of 20.3% as compared to that of 2016. Revenue of the Group was mainly generated from the manufacturing and sale of geriatric and medical furniture. The decrease in revenue was mainly due to the disposal of a subsidiary, which is engaged in manufacturing and sale of geriatric and medical furniture and its subsidiaries (the "**Disposal Group**"), of the Group in November 2016. Revenue of the Disposal Group in 2016 was approximately HK$43,468,000. Excluding the effect of the disposal of the Disposal Group, revenue of the Group increased by HK$10,237,000 in 2017, representing an increase of 8.5% as compared to the corresponding period of 2016.

The increase in 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 30 supply contracts with hospitals and geriatric care institutions in 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 Dali from Fuzhou under the geriatric care services brand name "Golden Sun" of the Group. As of 31 December 2017, the number of elderly member of the Group reached 770,000, which led to the increase of revenue from the geriatric care services.

The gross profit of the Group was approximately HK$47,567,000 (2016: HK$42,723,000) and the gross profit margin was 36.4% (2016: 26.1%). The increase in gross profit margin is mainly due to the gradual development of the business model of the Group's medical and geriatric product company from one of mere sales to an integrated model consisting of overall design, production, sales, and the supply of raw materials, and the maximisation of all segment's profit.

Other income and gains, net

As of 31 December 2017, other income and gains was approximately HK$629,054,000, representing a significant increase of 5.4 times as compared with HK$98,052,000 in 2016.

Other income and gains was mainly the profit before tax of HK$576,121,000 generated from the partial disposal of the Chaoyang Port Project in Beijing. Excluding the income from the disposal of the land parcel No. 1 for the Chaoyang Port Project in Beijing, other income and gains was approximately RMB52,933,000, representing a decrease of 46% as compared to that of 2016.

The decrease of remaining other income and gains was mainly due to the drop of the gain of fair value change of financial assets measured at fair value through profit or loss of HK$47,991,000, representing a decrease of 97.6% as compared to that of 2016. In 2016, the gain of fair value change of financial assets measured at fair value through profit or loss was mainly due to the increase in share price of the investment in a company initially listed in Hong Kong Stock Exchange, which was subscribed by the Group at the end of 2015. During the period from 1 January 2017 to 31 December 2017, there was no substantial change on the share price of the investment, therefore no significant gain of fair value change of financial assets measured at fair value through profit or loss was recorded in 2017.

Selling and distribution expenses

As of 31 December 2017, the selling and distribution expenses of the Group was approximately HK$39,627,000 (2016: HK$21,123,000), representing 30.3% (2016: 12.9%) of the total sales amount. The selling and distribution expenses mainly comprise of remuneration of HK$13,883,000, transportation costs of HK$9,383,000, promotion fee of HK$2,992,000 and commission of HK$8,600,000 for the partial disposal of the Chaoyang Port Project in Beijing.

Administrative expenses

As of 31 December 2017, the administrative expenses were HK$181,868,000, representing a decrease of 4% as compared to HK$189,405,000 in 2016. The administrative expenses mainly include share option expenses of HK$17,758,000 (2016: HK$41,121,000), depreciation and amortization costs of HK$27,409,000 (2016: HK$32,645,000) and staff costs (including director's emolument but excluding staff's and director's share option expenses) of HK$75,848,000 (2016: HK$48,335,000). The decrease of administrative expenses was mainly attributable to the drop of the share option expenses of HK$23,363,000 as of 31 December 2017, representing a decrease of 56.8% as compared to that of 2016. The decrease of share option expenses was due to the recognition of one-off consultancy share option expenses of HK$5,888,000 in 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 recognised during the year of 2016. Other than the share option expenses, the administrative expenses as of 31 December 2017 increased by 10.7% to HK$164,110,000 as compared with HK$148,284,000 in 2016. Excluding the share option expenses, the increase in administrative expenses was mainly due to the rise of general administrative expenses such as staff costs and rental expenses arising from the increase in the number of subsidiaries and headcount as a result of the Group's business expansion.

Finance cost

As of 31 December 2017, the finance cost was HK$4,363,000 (2016: HK$4,632,000), and the interest capitalised was HK$7,045,000 (2016: HK$1,490,000). The finance cost was mainly attributable to the interests of the bank loans, and the increase in finance cost was mainly due to the increase in loans. The weighted average principal of the bank loan amounted to RMB189,925,000 (approximately HK$227,210,000) and the weighted average annual interest rate was 4.95%.

Net assets

As at 31 December 2017, the net assets of the Group was approximately HK$3,170,013,000, representing an increase of approximately HK$468,547,000 as compared to the total net assets of approximately HK$2,701,466,000 in 2016. The increase in net assets was mainly due to the generation of profit of approximately HK$280,163,000 during the year.

Liquidity and financial resources

As at 31 December 2017, the Group's cash in hand was HK$471,436,000 (2016: HK$298,204,000). The Group's long-term and short-term loan was HK$243,044,000 in total (2016: HK$182,835,000). Total debt increased by approximately HK$60,209,000, mainly due to the drawdown of land development project loan of RMB70,000,000 in 2017 (approximately HK$80,731,000) and working capital loan of RMB30,000,000 (approximately HK$34,599,000), while the repayment of total working capital loan was approximately HK$72,030,000 for the year ended 31 December 2017.

The Group agreed that meticulous management on cash flow is the key to success. To ensure that there is sufficient capital to satisfy the need of 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 application for loans.

Capital expenditure

As of 31 December 2017, the Group's capital expenditure was approximately HK$162,352,000 (2016: HK$346,714,000), including the purchase of properties, plants and equipment, investment properties, prepaid land lease payment and 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 optimisation 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 31 December 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$62,940,000 (2016: HK$ Nil);

(ii) the investment properties situated in the PRC with an aggregate carrying amount of HK$328,987,000 (2016: HK$320,047,000);

(iii) the land use right and the land use right transferring to the property under development with an aggregate carrying value of HK$258,627,000 (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 (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 (2016: HK$21,900,000).

Contingent liabilities

Save as disclosed in note 13 to the consolidated financial information in this announcement, as at 31 December 2017, the Group had 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.

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 2017, the Group provided generous social security benefits to its employees to motivate their proactivity at work 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 2017, there was no significant and material dispute between the Group and its suppliers and/or customers.

Employee benefits and training

As at 31 December 2017, the Group had approximately 1,081 (2016: 879) employees. Total staff cost (including Directors' emoluments) as of 31 December 2017 amounted to approximately HK$97,964,000 (2016: HK$76,399,000). The Group made great efforts to enhance the quality of staff. During the year under review, the Group organised internal training courses for staff at all levels. Topics of the training courses included accounting and finance, risk management and PRC's tax laws.

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.

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 2017, 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. Qian Xu, Mr. Siu Kin Wai and Mr. Hu Yebi who were appointed as director of the Company to fill casual vacancies on 22 May 2017, 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. Due to other business commitments, three independent non-executive directors and one non-executive director of the Company were unable to attend the annual general meeting held at 19 May 2017, and five independent non-executive directors were unable to attend the extraordinary general meeting held at 7 July 2017.

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 2017.

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 2017 with details as follows:

		Price per Share		
Trading Day	**Number of Shares Purchased**	**Highest Price Paid**	**Lowest Price Paid**	**Total Paid**
		HKD	*HKD*	*HKD*
27 July 2017	9,318,000	0.500	0.475	4,624,956
28 July 2017	6,276,000	0.500	0.495	3,134,640
30 August 2017	3,624,000	0.490	0.480	1,755,720
31 August 2017	12,390,000	0.500	0.495	6,179,070
1 September 2017	10,056,000	0.500	0.490	4,986,240
4 September 2017	15,612,000	0.510	0.485	7,836,600
5 September 2017	9,132,000	0.510	0.500	4,629,660
6 September 2017	10,272,000	0.520	0.510	5,340,000
7 September 2017	64,032,000	0.530	0.500	33,311,880
	140,712,000			71,798,766

All of the shares bought back during the year ended 31 December 2017 were cancelled on 23 October 2017.

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 2017.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil). The Board believes in balancing returns to shareholders with investment to support future growth and has decided that it would be in the Group's best interests to reserve sufficient financial resources for future business developments. The Board recognises the importance of dividends to shareholders and will keep the matter under close review.

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 2017.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Company's auditors, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2017 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.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements that are forward-looking or which use similar forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

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

Hong Kong, 28 March 2018

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. Qian Xu, Mr. Hu Yebi, Mr. Siu Kin Wai, Mr. Hu Xiao Yong, Mr. Hu Shiang Chi, Mr. Wang Zheng Chun and Mr. Zhang Jing Ming and five Independent Non-Executive Directors, namely Mr. Robert Winslow Koepp, Mr. Gary Zhou, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.