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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 2018

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 2018, together with the comparative figures for the year 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*5*	**178,885**	130,625
Cost of sales		**(121,639)**	(83,058)
Gross profit		**57,246**	47,567
Other income and gains, net	*5*	**367,138**	629,054
Selling and distribution expenses		**(43,571)**	(39,627)
Administrative expenses		**(191,557)**	(181,868)
Other expenses		**(68,046)**	–
Finance costs	*7*	**(12,850)**	(4,363)
Share of profit and losses of:			
a joint venture		**91**	–
associates		**(17,294)**	(5,302)
PROFIT BEFORE TAX	*6*	**91,157**	445,461
Income tax expense	*8*	**(60,244)**	(165,298)
PROFIT FOR THE YEAR		**30,913**	280,163

	Note	2018 HK$'000	2017 HK$'000
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(89,514)**	134,959
Reclassification adjustments for foreign operations disposed of during the year		**2,084**	30,595
Share of other comprehensive loss of an associate		**(1,551)**	(735)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(88,981)**	164,819
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income ("FVOCI"):			
Changes in fair value		**(26,429)**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(26,429)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(115,410)**	164,819
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(84,497)**	444,982
Profit/(loss) attributable to:			
Owners of the parent		**43,450**	213,675
Non-controlling interests		**(12,537)**	66,488
		30,913	280,163
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(54,498)**	364,024
Non-controlling interests		**(29,999)**	80,958
		(84,497)	444,982
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**HK0.72 cents**	HK3.47 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**78,500**	86,687
Investment properties		**471,239**	381,625
Prepaid land lease payments		**511,233**	553,656
Property under development		**391,184**	–
Goodwill		**183,949**	212,874
Other intangible assets		**7,929**	14,920
Investment in a joint venture		**9,374**	–
Investments in associates		**500,897**	461,263
Equity investments designated at FVOCI		**225,494**	–
Available-for-sale investments		**–**	46,151
Prepayments		**36,155**	272,657
Total non-current assets		**2,415,954**	2,029,833
CURRENT ASSETS			
Inventories		**29,190**	28,889
Property under development		**–**	268,253
Trade receivables	*11*	**37,565**	28,325
Prepayments, other receivables and other assets		**340,393**	809,788
Due from related parties		**88,435**	149,832
Financial assets at fair value through profit or loss ("FVPL")		**65,308**	104,607
Restricted bank balances		**11,755**	—
Cash and cash equivalents		**764,118**	471,436
Total current assets		**1,336,764**	1,861,130
CURRENT LIABILITIES			
Trade payables	*12*	**19,338**	16,878
Other payables and accruals		**196,369**	178,737
Due to a related party		**28,998**	36,558
Interest-bearing bank and other borrowings		**69,595**	81,541
Tax payable		**36,337**	98,997
Total current liabilities		**350,637**	412,711
NET CURRENT ASSETS		**986,127**	1,448,419
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,402,081**	3,478,252

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**117,553**	161,503
Deferred tax liabilities	**147,436**	137,196
Other liabilities	**4,047**	9,540
Total non-current liabilities	**269,036**	308,239
Net assets	**3,133,045**	3,170,013
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,212,280**	1,209,648
Reserves	**1,635,687**	1,678,545
	2,847,967	2,888,193
Non-controlling interests	**285,078**	281,820
TOTAL EQUITY	**3,133,045**	3,170,013

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 2018, 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 FVPL, equity investments designated at FVOCI and contingent consideration payables, which have been measured at fair value. These 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfer of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than further explained below, other amendments and interpretations as above apply for the first time in 2018, do not have any material impact on these financial statements of the Group. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not effective.

The Group applies, for the first time, HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*. As required by HKAS 34, the nature and effect of these changes are disclosed below.

3.1 HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 prospectively, and has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				**HKFRS 9 measurement**	
	Notes	**Category**	**Amount**	**Re-classification**	**ECL**	**Amount**	**Category**
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Financial assets							
Equity investments designated at FVOCI		N/A	–	79,886	–	79,886	FVOCI (equity)
From: Available-for-sale investments	*(i)*		–	8,126	–		
From: Financial assets at FVPL	*(iii)*			71,760	–		
Available-for-sale investments		AFS[1]	46,151	(46,151)	–	–	N/A
To: Equity investments designated at FVOCI	*(i)*			(8,126)	–		
To: Financial assets at FVPL	*(ii)*			(38,025)	–		
Trade receivables	*(iv)*	L&R[2]	28,325	–	(115)	28,210	AC[3]
Due from related parties		L&R	149,832	–	–	149,832	AC
Financial assets included in prepayments, other receivables and other assets		L&R	766,863	–	–	766,863	AC
Financial assets at FVPL		FVPL	104,607	(33,735)	–	70,872	FVPL (mandatory)
From: Available-for-sale investments	*(ii)*			38,025	–		
To: Equity investments designated at FVOCI	*(iii)*			(71,760)	–		
Cash and cash equivalents			471,436	–	–	471,436	AC
			1,567,214	–	(115)	1,567,099	

	HKAS 39 measurement		HKFRS 9 measurement	
	Category	Amount	Amount	Category
		HK$'000	*HK$'000*	
Financial liabilities				
Trade payables	AC	16,878	16,878	AC
Contract liability included in other payables and accruals	AC	–	26,085	AC
Other financial liabilities included in other payables and accruals	AC	118,230	92,145	AC
Interest-bearing bank and other borrowings	AC	243,044	243,044	AC
Due to a related party	AC	36,558	36,558	AC
		414,710	414,710	
Other liabilities				
Deferred tax liabilities		137,196	137,196	

[1] AFS: Available-for-sale investments

[2] L&R: Loans and receivables

[3] AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previously equity investments classified as available-for-sale investments as equity investments at FVOCI.

(ii) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets at FVPL as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(iii) The Group has elected the option to irrevocably designate certain of its previously equity investments classified as financial assets at FVPL as equity investments at FVOCI.

(iv) The gross carrying amounts of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

(b) Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	–	115	115

(c) Impact on reserves and accumulated losses

The impact of transition to HKFRS 9 on reserves and accumulated losses is as follows:

	Reserves and accumulated losses
	HK$'000
Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	–
Reclassification of financial assets from financial assets at FVPL to equity investments designated at FVOCI	51,967
Balance as at 1 January 2018 under HKFRS 9	51,967
Capital reserve	
Balance as at 31 December 2017 under HKAS 39	3,212
Share of effect of adoption of HKFRS 9 of an associate	545
Balance as at 1 January 2018 under HKFRS 9	3,757
Accumulated losses	
Balance as at 31 December 2017 under HKAS 39	(196,468)
Recognition of expected credit losses for trade receivables under HKFRS 9	(115)
Reclassification of financial assets at FVPL to equity investments designated at FVOCI	(51,967)
Share of effect of adoption of HKFRS 9 of an associate	(545)
Balance as at 1 January 2018 under HKFRS 9	(249,095)

3.2 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment of HK$1,017,000 to the opening balance of accumulated losses as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in financial position as at 31 December 2018 and profit or loss for the year ended 31 December 2018 are described below:

(i) Sale of furniture with installation services

The Group provides installation services for the sale of furniture. Before the adoption of HKFRS 15, installation services were bundled together with the sale of furniture and revenue from the sale of furniture was recognised after the installation services had been completed.

Under HKFRS 15, the Group has assessed that the installation services bundled together with the sale of furniture are not distinct and are not considered as separate performance obligations, because customers only accept goods at the point when goods are delivered and installation is completed.

Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognised was affected, as noted below.

As at 31 December 2018, the Group considered that the application of the constraint on variable consideration did not result in changes of the amount of revenue recognition under HKFRS 15, as it estimated that deposit as quality guarantee would be fully received at the end of the guarantee period.

Warranty obligations

The Group generally provides for warranties for general repairs of 3 to 5 years based on statutory requirement and product feature, and does not provide extended warranties in its contracts with customers. As such, most existing warranties are assurance-type warranties under HKFRS 15, which the Group accounts for under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its practice prior to the adoption of HKFRS 15. However, in certain non-standard contracts, the Group provides extended warranties, which were accounted for under HKAS 37 prior to the adoption of HKFRS 15. Under HKFRS 15, such warranties are accounted for as service-type warranties and, therefore, are accounted for as separate performance obligations to which the Group allocates a portion of the transaction price. Revenue are subsequently recognised over time based on the time elapsed. Accordingly, upon adoption of HKFRS 15, contract liabilities included in other payables and accruals were increased by HK$227,000 as at 1 January 2018, which resulted in an increase in accumulated losses of HK$227,000.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in contract liabilities of HK$1,353,000, an increase in accumulated loss of HK$812,000 and a decrease in non-controlling interest of HK$541,000, respectively. Revenue for the year ended 31 December 2018 were also decreased by HK$1,126,000.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$26,085,000 from receipt in advance included in other payables to contract liabilities included in other payables as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK$37,612,000 was reclassified from receipt in advance included in other payables to contract liabilities included in other payables in relation to the consideration received from customers in advance for the sale of furniture and the provision of services.

(iii) Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as tax, non-controlling interests, share of loss of associates and investment in associates were adjusted as necessary. Accumulated losses were adjusted accordingly.

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 all located in Mainland China.

Revenue of approximately HK$47,779,000 (2017: HK$45,975,000) 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:

		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue			
Revenue from contracts with customers		**178,885**	–
Sales of goods		**–**	115,843
Rendering of services		**–**	14,782
		178,885	130,625
Other income			
Bank interest income		**8,718**	6,159
Other interest income		**33,143**	33,363
Gross rental income		**22,539**	15,682
Dividend income		**574**	1,435
Sundry income		**1,328**	1,897
		66,302	58,536
Gains/(losses)			
Fair value (losses)/gains on financial assets at FVPL		**(2,575)**	1,169
Fair value gains/(losses) on investment properties, net		**76,991**	(11,792)
Fair value gains/(losses) on financial liabilities, net		**2,631**	(3,747)
Gains on disposal of subsidiaries	*13*	**223,899**	576,121
Loss on disposal of items of property, plant and equipment		**(110)**	(67)
Foreign exchange differences, net		**–**	8,834
		300,836	570,518
		367,138	629,054

6. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**112,136**	76,306
Cost of services provided	**9,503**	6,752
Depreciation	**11,902**	10,305
Amortisation of other intangible asset	**1,009**	902
Amortisation of prepaid land lease payments	**17,596**	29,710
Less: Amount capitalised	**–**	(12,594)
	17,596	17,116
Impairment of goodwill	**28,925**	–
Impairment of intangible asset	**5,540**	–
Minimum lease payments under operating leases	**8,394**	8,225
Auditor's remuneration	**1,600**	1,500
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**72,520**	59,873
Equity-settled share-based payment expense	**974**	2,259
Pension scheme contributions (defined contribution scheme)	**6,079**	4,911
	79,573	67,043
Equity-settled share-based payment expense for consultancy services	**624**	2,089
Foreign exchange differences, net	**14,238**	(8,834)
Impairment of financial assets:		
Impairment of trade receivables (note 11)	**110**	–
Impairment of financial assets included in prepayments, other receivables and other assets	**15,710**	–
	15,820	–

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**16,315**	11,408
Less: Interest capitalised	**(3,465)**	(7,045)
	12,850	4,363

8. INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Current-PRC corporate income tax	**41,656**	170,463
Charge for the year underprovision in prior years	**475**	–
Current-Canada withholding tax on interest income	**866**	–
Deferred	**17,247**	(5,165)
Total tax charge for the year	**60,244**	165,298

Hong Kong profits tax

During the year ended 31 December 2018, no Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong during the year (2017: Nil).

PRC corporate income tax

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

Canada withholding tax on interest income

The Group is subject to Canada withholding tax of 5% on the gross interest income arising from its loan where Canada is the place provided to the borrowers.

9. DIVIDEND

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2018 (2017: Nil).

10. EARNINGS 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 approximately HK$43,450,000 (2017: HK$213,675,000), and the weighted average number of ordinary shares of 6,057,253,119 (2017: 6,156,890,538) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

11. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**37,781**	28,325
Impairment	**(216)**	—
	37,565	28,325

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 receivable 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 loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**12,849**	15,793
Over 3 months	**24,716**	12,532
	37,565	28,325

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**–**	–
Effect of adoption of HKFRS 9	**115**	–
At beginning of year (restated)	**115**	–
Impairment losses (note 6)	**110**	–
Exchange realignment	**(9)**	–
At end of year	**216**	–

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0.34%	0.38%	0.40%	1.06%	0.57%
Gross carrying amount (HK$'000)	12,893	2,858	10,971	11,059	37,781
Expected credit losses (HK$'000)	44	11	44	117	216

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017, was a provision for individually impaired trade receivables of Nil with a carrying amount before provision of HK$28,325,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

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

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 had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were 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:

	2018 ***HK$'000***	2017 *HK$'000*
Within 3 months	**10,974**	12,603
Over 3 months	**8,364**	4,275
	19,338	16,878

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

13. DISPOSAL OF SUBSIDIARIES

	Note	2018 *HK$'000*	2017 *HK$'000*
Net assets disposed of:			
Property, plant and equipment		**7,539**	137,753
Prepaid land lease payment		**–**	702,304
Property under development		**323,296**	–
Goodwill		**–**	52,785
Investment in associates		**60,630**	–
Equity investments designated at FVOCI		**2,273**	–
Inventories		**187**	–
Cash and bank balances		**2,127**	3,765
Financial assets at FVPL		**4,170**	–
Trade receivables		**110**	–
Prepayments and other receivables		**13,548**	23,304
Trade payables		**(928)**	–
Other payables and accruals		**(130,632)**	(539,184)
Interest-bearing bank borrowings		**(125,585)**	–
Deferred tax liabilities		**–**	(70,161)
Non-controlling interests		**7,391**	–
		164,126	310,566
Exchange fluctuation reserve		**2,084**	30,595
Capital reserve		**1,117**	–
Recognition of non-controlling interests		**1,147**	–
		168,474	341,161
Gain on disposal of subsidiaries	*5*	**223,899**	576,121
		392,373	917,282
Satisfied by:			
Cash		**308,208**	917,282
Fair value of interests retained by the Group		**84,165**	–
		392,373	917,282

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

	2018	2017
	HK$'000	*HK$'000*
Cash consideration	**308,208**	917,282
Cash and bank balances disposed of	**(2,127)**	(3,765)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**306,081**	913,517

14. 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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**22,556**	17,772
In the second to fifth years, inclusive	**91,398**	50,279
After five years	**105,638**	124,955
	219,592	193,006

(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 2018, the Group had total future minimum lease payments under non- cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**5,431**	4,808
In the second to third years, inclusive	**1,139**	924
	6,570	5,732

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land and buildings	**63,266**	425,685

16. 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:

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Interest income from a director	*(i)*	**3,140**	5,304
Interest income from a company of which a director of the Company is a controlling shareholder		**–**	687
Interest income from a company of which is jointly controlled by the directors of the Company	*(ii)*	**8,166**	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 of HK$62,000,000 and the relevant interest receivable of HK$591,000 as at 31 December 2017 were collected during the year ended 31 December 2018.

(ii) 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, the executive directors of the Company, pursuant to which, the Group provided to Jinfu N.A. a loan of 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 CAD$1,359,000 (equivalent to approximately HK$8,166,000) on the loan to 1121695 B.C. Ltd. The remaining principal of HK$77,049,000 and the relevant interest receivable of HK$11,386,000 as at 31 December 2018 were guaranteed by Mr. Yu Lu Ning, a third party, Mr. Zhu Shi Xing, Mr. Gu Shan Chao and Mr. Liu Xue Heng.

(b) Outstanding balances with related parties:

(i) The Group had an outstanding balance due to a related company of HK$28,998,000 (2017: HK$36,558,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Detail of the Group's loan due from a related party is included in note 16(a)(ii) above.

17. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2018	2017
	HK$'000	*HK$'000*
Guarantees given to a bank in connection with bank loan granted to an associate	**123,260**	–

As at 31 December 2018, the banking loan guaranteed by the Group to an associate were utilised to the extent of approximately HK$123,260,000 (2017: Nil).

18. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2018 which may materially affect the Group's operating and financial performance as at the date of the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Geriatric Care Business

The Group has set up an intelligent, ecologically chained geriatric care system incorporating information platform, home care, community care and institutional medical support through its geriatric care brands "Golden Sun" and "Hongtai". The system delivers systematic and intelligent geriatric care solutions to cities for the provision of one-stop services to the elderly. The Group has seized the opportunities by leveraging on the brand image and professional services of the "Golden Sun" and "Hongtai" brand. As of 31 December 2018, the number of elderly members of the Group was over 559,000; the number of community service centres was 352; the number of care centres was 16; the number of geriatric care institutions was 9; and the number of beds provided by geriatic care institutions was approximately 2,098. The occupancy rate of geriatric care institutions has been rising. In particular, the occupancy rate of Gulou Senior Apartment (鼓樓老年公寓), Hongru Senior Apartment (鴻儒老年公寓) and Guangyi Geriatric Care Apartment (廣益養老公寓) reached 100%, while the average occupancy rate of bed spaces of elderly care centres reached over 80%. Meanwhile, the Group has achieved innovative breakthroughs in business models, and started to provide commercial services such as catering service, elderly travel, products purchasing, home modification for the elderly and project consultation in its elderly care centres and most of its community service centres, which resulted in a continuous increase in revenue from the geriatric care business.

In 2018, the State Council of the PRC abolished the permission to establish geriatric care institutions, which indicates that the Chinese government is deliberately guiding the geriatric care industry towards marketization. With the gradual coequality between for-profit institutions and privately run non-enterprise institutions, the number of for-profit institutions will gradually increase. The competent authorities are establishing exit mechanisms and the market-oriented reforms are being progressively implemented.

Although the permission of establishment has been abolished, the market has gradually returned to rationality under economic downturn. The severe economic situation led to shortage of money in all walks of life, and investors became more cautious and proceeded mergers and acquisitions in a more prudent way, thus large-scale financing realization has become extremely difficult. The first round of investment and mergers and acquisitions in the industry expansion has basically ended.

As the geriatric care business of "Golden Sun" under the Group has been focusing partially on high-potential but low-income home-based geriatric care sector, and has deployed to build a big data platform solely for geriatric care by increasing the number of the home-based elderly, and then to conduct the sales of elderly-friendly products. Under the structural problems such as the absence of large-scale capital inputs by investors, the capitals purchased by the government not being timely in place and low fees for home-based geriatric care services, the financial performance of the Group's geriatric care business has not been realized as planned and the short-term commercial valuation has declined. Therefore, the Group prudently impaired HK$19,658,000 of the goodwill of the geriatric care business segment for the current year.

Notwithstanding, as indicated by relevant statistics, during 2000 to 2018, the number of elderly population aged 60 or above in China increased from 126 million to 249 million, and the proportion of total population increased from 10.2% to 17.9%. It is estimated that by 2026, the proportion of population aged over 65 will exceed 14% and China will formally become an ageing society. Due to the rapid growth of the elderly population and the increasing pressure caused by aging population, the Group expects that institutional geriatric care and geriatric health services will become a "sunrise" industry which can still achieve continuous growth while in economic downturn. During the year, the Group adjusted its proportion of the geriatric care business based on its extensive experience in the industry. It captured the momentum of the state-supported general geriatric care institutions business, and the opportunity arising from the favourable policy that the country will add one million beds for the general geriatric care institutions in the next three years, so as to focus on building an operation system of geriatric care industry with a leading scale, differentiated development and clear profit model in China. For the next year, the Group expects to be able to expand our market share rapidly and achieve stable profitability in the geriatric care business segment.

Medical and Health Care Industry

Leveraging on years of experience and resources accumulated in the health sector such as medical services, geriatric care services, family doctors and sports, the Group endeavours to develop a health service system in China and gradually form a landscape of which the health tourism destinations and the urban health services complex as the carrier, the health promotion hospitals as the support, family doctors and the health management services platform as the linkage and the sales of medical and geriatric products as the complement, so as to establish an ecological chain for health services which is committed to changing the health conditions of sub-health people in China as well as providing high-quality and one-stop health services of resort type and urban life type, respectively, for the mainstream people in China's well-off society. Therefore, the Group's business can achieve a sustainable, rapid development of its businesses.

In 2018, the Group has contacted 171 health management resources related companies, visited about 136 health management institutions and contracted with 10 institutions. The Group has formulated sports health experience planning scheme, the draft of the operational and strategic planning of Dali project and the draft of trial operation of projects, as well as preparing two projects for Shanghai Sports Health Experience Centre and the health complex of Shanghai Chunshen Road project, so as to actively explore the healthy ecosystem and build up a self-owned health management system.

Hospitals

Dali Hospital (大理醫院)

The Group successfully bid a land with an area of more than 50,000 square meters in Haidong New District of Dali City for medical charity purpose, which will be established as a mid- to high-end boutique hospital with chronic disease control, health management and rehabilitation as its main services, targeting at chronic diseases such as cardiovascular and oncology. The Group has commenced multisector services like sports medicine, functional medicine, nutritional diet, psychological counseling and Chinese medicine conditioning through means of procuring advanced facilities and equipment for health management, introducing domestic and foreign authoritative experts and developing specialist personnel nurturing, so as to provide professional health care support to the Group's Dali health tourism destination project.

In 2018, the Group has completed the overall positioning of Dali project and determined the direction, scale and design ideas of the hospital. We have communicated with the Dali Prefecture Health Commission for several times and obtained the approval of the hospital positioning. The Group have completed the qualification application and the basic audit, while we have also established a partner project database. On one hand, we have gradually identified our partners, while we have also established preliminary cooperation intentions with local universities and hospitals on the other hand, so as to build up a talent base and service personnel nurturing.

During the year, the Group actively visited the health management hospitals in the United States and referenced them to make alternatives for the hospitals to design units. The Group introduced Dali project to relevant national-level research institutions and experts to lay the foundation for cooperation and scientific research. In the meantime, we are well-prepared for medical-level health management operation of similar projects.

Xuancheng Hospital (宣城醫院)

The Group has signed an investment agreement with the Government of Xuanzhou District of Xuancheng City, Anhui Province, pursuant to which, the Group will invest in and operate a third-tier specialist hospital in Xuancheng City, Anhui Province, in order to provide treatments for major chronic diseases such as cardiovascular and oncology through preventive control, professional treatment, health management and post-rehabilitation, improve the overall health conditions of residents and serve the medical and health care business of local and the southern area of Anhui Province. This hospital is initially planned to offer 350 beds, 4 operating theatres and 6 intensive care units, focusing on the treatment of diseases such as cardiology, oncology and rehabilitation. The project is now undergoing decoration and staffing.

Family Doctor Service Platform

Since 2015, the Group has been committed to exploring and promoting the family doctor business. Under the guidance of the national policy in relation to family doctors, the Group has worked with the government to target family doctors and residents as the customer group, family doctors and residents are connected and construction costs are charged by building up the platform; through operating the platform, we will receive operation and maintenance costs. As of 31 December 2018, the family doctor service platform has covered all 14 healthcare service centres in Yiwu city, 205 healthcare service stations and some third-tier hospitals in the city, creating a three-level linkage mechanism. On the platform, there are over 1,500 contracted family doctors and 283,000 contracted service residents. The Company has also developed several health related software products through cooperation with various health products and services enterprises.

Since the family doctor business mainly collects and maintains data principally from public hospitals, the commercial transformation of the online and offline services of family doctors calls for the support from policies like national medical insurance and the project needs more long-term and continuous cultivation, the existing capital of the project company was difficult to maintain accordingly. Therefore, the Group and other shareholders of the project company decided to suspend the family doctors business in the next year. Hence, the Group made full impairment provision for the goodwill and intangible assets of the family doctor platform during the year.

In line with the strategic directions of the intelligent geriatric and intelligent health management of the Group, the project company will actively explore business transformation in 2019 and plans to expand the preventive health management business leveraging on existing business resources and data advantages.

Sale of Medical and Geriatric Products

Beijing Vissam Prosperity Furniture Limited* (北京偉森盛業傢俱有限公司) ("**Vissam Prosperity**"), a company under the Group engaging in medical and geriatric product business, has maintained strong growth momentum. During the year, our new customers are mainly China's top 500 enterprises, including Greenland Group, Taikang Life Insurance, Vanke Group, China Everbright Group, China Construction Bank, Ocean Group and Sunshine Life Insurance, etc. Supply contracts with a total of 87 medical and geriatric care institutions were signed and implemented during the year. The business model for the subsidiary engaging in medical and geriatric product business has gradually developed from one of merely sales to an integrated model consisting of overall design, production, sales, and the supply of raw materials. In 2018, Vissam Prosperity was awarded a series of green brand titles including the Top Ten Hospital Furniture Brand in China (全國十大醫院用家具), Geriatric Care Furniture (養老專用家具), School Furniture (學校家具) and Office Furniture (辦公家具) and acquired a number of software copyright certificates.

During the year, the Group entered into an agreement to contribute RMB10,000,000 to Huarui Furniture Limited (華睿家居有限公司) in exchange of 50% of its equity interest in order to develop the B2C business of medical and geriatric products, aiming to cover the residential home care geriatric market and improve the layout of the medical and geriatric home business.

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 lands mainly in cities such as Beijing, Shanghai and Dali 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.

Currently, the Group owns or involves in seven development projects in Beijing, Shanghai, Dali and Canada, with a total site area of approximately 428,700 square meters. The implementation plans of the projects have obtained support from the governments 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. As of 31 December 2018, the progress of the projects under development of the Group is as follows:

Location	**Project Name**	**Land 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 (Land area: 73,891.29 m^2) has been sold by equity transfer at a total consideration of RMB1.23 billion. 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	20%	Headquarter of the healthcare business, office and commercial complex	Properties have been completed, and 80% equity transfer was completed during the year. Currently, they are recruiting tenants.
Shanghai	Chunshen Road Project	39,448m^2	100%	Office and commercial complex	The procedures for changing the nature of the land are in progress.
Dali	Haidong New District Project	275,181m^2	60%	General health industrial park complex, including residential, commercial, and medical purpose	Pre-construction planning procedures are in place.
Canada	Ovation Project	2,425m^2	N/A#	Residential Project	Pre-sale are in place.
Canada	Mount Royal Project	10,590m^2	N/A#	Residential Project	Pre-construction planning procedures are in place.

The project is invested in the form of debenture.

The Group will continue to identify lands which are appropriate developing geriatric care, medical and 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 company listed on Hong Kong Main Board, 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. MetaSpace (Beijing) Air Dome Corp* ("**MetaSpace**"), the subsidiary of Beijing Sports, is the leading integrated service provider of construction operation and management of air dome facilities in the PRC. These air-supported domes are widely adapted for use in multi-functional facilities such as sports and recreational facilities, logistic and warehousing centres, industrial storage facilities as well as commercial exhibition space. Up to the end of 2018, MetaSpace has already constructed over 200 air dome facilities throughout the PRC, its major customers including sports & event organizers, government departments, real estate developers and warehouse operators. Currently, MetaSpace has obtained over 100 intellectual property rights (including invention patents, patented air flight and insulation system, software, copyrights & trademarks, etc.) covering all key technologies in the construction and installation of air dome structure.

The Group's historical acquisition cost in relation to its investment in Beijing Sports is approximately HK$388 million. Based on the share price of HK$2.8 per share for the shares of Beijing Sports as at 31 December 2018, the market value of the equity interests held by the Group in Beijing Sports was approximately HK$988 million.

Health Industry Investment Business

Beijing Enterprises Medical and Health focuses on the opportunities in the medical and health care market. It participates in the investments of the medical and health care industry-related enterprises in the form of creating private funds. The key investment areas include biotechnology, pharmaceuticals, medical services and medical tourism.

In 2018, the Group mainly focused on fund investment business in the field of the general health, including the only enterprise specialized in the exploitation of circulating tumor cells detection technology system and a series products in China, the international bio-pharmaceutical enterprises with CDMO as their main business, and personalized tumor immune cells therapy platform mainly targets at major diseases, etc.. The valuation after investments was constantly increasing, which has made a breakthrough in the investments of the Group's health care industry investment sector in the field of the general health.

* *For identification only*

FUTURE PROSPECT

Considering "Healthy China" as its mission, Beijing Enterprises Medical and Health Industry Group will continue to capitalise and fully utilise the ideal external environment for the geriatric care, medical and health care industries in China. With the general health industry as our development focus, we will pursue active explorations in the general health sector, seek high-quality partners, integrate social resources and speed up our business deployment in the market.

Looking forward, the Group will continue with its multi-services and diversification. Upholding its core visions of precise positioning, healthy growth in the institutional geriatric care sector and daycare centres, the Group's intelligent geriatric care business will focus on the development of a general and economical geriatric care institutions to enable an affordable and comfortable living conditions for hundreds of millions of elderly in China. With regard to the medical care and health care business, we will further implement a healthy operating model so as to achieve constant growth of this core business. As for the health industrial park business, the planning, positioning and pre-construction developing procedures for the Shanghai Chunshen Road project will be underway to build a health care and commercial complex based on the core concept of health. In respect of the health industry and investment sector, we will continue to pay attention to exploration and investments in high quality projects in the field of general health, while making full utilization of our fund platform to realize expansion and innovation in the financial sector.

With respect to the new business, the Group plans to vigorously develop the combined service platform of intelligent medical and geriatric care in cities, bring together the outstanding enterprises and experts as well as think-tanks in the health industry, and jointly develop based on the self-built "healthcare ecological system" of the Group. Currently, Beijing Enterprises Medical and Health Industry Group has established cooperative relationships with Xiehe Hospital, Beijing 301 Hospital and Chinese Academy of Sciences. Meanwhile, the Group actively integrated the domestic and overseas high-quality health care resources and rapidly occupied resources of each major cities, so as to continuously enlarge its market shares, to establish the leading position of the brands, and to steadily create long-term returns for shareholders.

MATERIAL INVESTMENTS

There were no new material investments other than the daily business of the Group for the year ended 31 December 2018.

MAJOR ACQUISITIONS AND DISPOSALS

On 26 September 2018, the Group entered into a sale and purchase agreement with CLH 115 (HK) Limited, to transfer 80% of the equity interest of Shanghai Junbo Textile Co., Ltd., for a consideration of RMB237,726,000 (equivalent to approximately HK$268,102,000) and the disposal was completed on 21 November 2018. Details of the disposal were disclosed in Note 13 "Disposal of Subsidiaries".

The Group did not have any major acquisitions for the year ended 31 December 2018.

FINANCIAL REVIEW

Revenue and gross profit

As of 31 December 2018, revenue of the Group was approximately HK$178,885,000 (2017: HK$130,625,000), representing an increase of 36.9% as compared to that of 2017, which was mainly generated from the manufacturing and sale of geriatric and medical furniture.

The gross profit of the Group was approximately HK$57,246,000 (2017: HK$47,567,000) and the gross profit margin was 32% (2017: 36.4%).

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, has maintained strong growth momentum. Our new customers are mainly China's top 500 enterprises, including Greenland Group, Taikang Life Insurance, Vanke Group, China Everbright Group, China Construction Bank, Ocean Group and Sunshine Life Insurance, etc. Supply contracts with a total of 87 medical and geriatric care institutions were signed and implemented during the year.

In addition, the Group has delivered systematic and intelligent geriatric care solutions to cities for the provision of one-stop services to the elderly through its geriatric care brands "Golden Sun" and "Hongtai". As of 31 December 2018, leveraging on the brand image and professional services of the "Golden Sun" and "Hongtai" brand, the number of elderly members of the Group was over 559,000; the number of community service centres was 352; the number of care centres was 16; the number of geriatric care institutions was 9; and the number of beds provided by geriatric care institutions was approximately 2,098. The occupancy rate of geriatric care institutions has been rising. In particular, the occupancy rate of Gulou Senior Apartment (鼓樓老年公寓), Hongru Senior Apartment (鴻儒老年公寓) and Guangyi Geriatric Care Apartment (廣益養老公寓) reached 100%, while the average occupancy rate of bed spaces of elderly care centres reached over 80%, which led to the increase in revenue from the geriatric care services.

Other income and gains, net

As of 31 December 2018, other income and gains was approximately HK$367,138,000, representing a decrease of 41.6% as compared with HK$629,054,000 in 2017.

Other income and gains was mainly the gains of HK$223,899,000 generated from the disposal of subsidiaries, representing a decrease of 61.1% as compared to HK$576,121,000 in 2017. Excluding the gain from the disposal of subsidiaries, other gains was approximately HK$143,239,000, representing an increase of 170.6% as compared to HK$52,933,000 in 2017, which was mainly attributable to the investment properties located in Shanghai and Beijing due to the growth of property market in mainland with the increasing fair value of approximately HK$76,991,000 in 2018 (2017: fair value loss of HK$11,792,000).

Remaining other income and gains was mainly interest income of HK$41,861,000 (2017: HK$39,522,000) generated from the loans we lent as a strategic plan for idle funds and the rental income of HK$22,539,000 (2017: HK$15,682,000).

Selling and distribution expenses

As of 31 December 2018, the selling and distribution expenses of the Group was approximately HK$43,571,000 (2017: HK$39,627,000), representing 24.4% (2017: 30.3%) of the total sales amount. The selling and distribution expenses mainly comprise of remuneration of HK$10,809,000 (2017: HK$13,883,000), transportation costs of HK$11,891,000 (2017: HK$11,741,000), promotion fee of HK$3,121,000 (2017: HK$2,992,000) and intermediary expense of HK$15,368,000 (2017: HK$8,600,000) for the disposal of the subsidiary project.

Administrative expenses

As of 31 December 2018, the administrative expenses were HK$191,557,000, representing an increase of 5.3% of the expenses as compared to HK$181,868,000 in 2017. The administrative expenses mainly include staff costs (excluding Directors' remuneration) of HK$60,978,000 (2017: HK$44,927,000), professional advisory fees of HK$20,350,000 (2017: HK$16,395,000), depreciation and amortization costs of HK$25,578,000 (2017: HK$27,409,000) and share option expenses of HK$5,689,000 (2017: HK$17,758,000).

The increase of administrative expenses was mainly due to the rise of related expenses such as general professional fees, entertainment expenses, office expenses and travelling expenses arising from the frequent seeking of potential partners during the year as a result of the Group's business expansion.

Other expenses

Other expenses were mainly attributable to the one-off impairment of asset and exchange loss without cash outflow, which includes impairment loss of financial assets of approximately HK$15,820,000 (2017: Nil), foreign exchange losses of approximately HK$14,238,000 (2017: exchange gains of HK$8,834,000 were recognised in other income and gains) and impairment of goodwill and intangible assets of approximately HK$34,465,000 (2017: Nil).

Finance cost

As of 31 December 2018, the finance cost was HK$12,850,000 (2017: HK$4,363,000), and the interest capitalised was HK$3,465,000 (2017: HK$7,045,000). 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 weighted average principal of loans. The weighted average principal of the bank loan amounted to RMB230,329,000 (equivalent to approximately HK$273,078,000) and the weighted average annual interest rate was 5.97%.

Net assets

As at 31 December 2018, the net assets of the Group was approximately HK$3,133,045,000, representing a decrease of approximately HK$36,968,000 as compared to the total net assets of approximately HK$3,170,013,000 in 2017. Excluding the generation of profit of approximately HK$30,913,000 during the year, the net assets decreased by HK$67,881,000 as compared to 2017, which was mainly due to the weakened exchange rate of RMB against Hong Kong dollar of approximately 4.6% during 2018, the recognised exchange losses of HK$89,514,000 in other comprehensive income of the Group and capital contribution from non-controlling shareholders of HK$24,719,000 as of 31 December 2018.

Liquidity and financial resources

As at 31 December 2018, the Group's cash in hand was HK$764,118,000 (2017: HK$471,436,000); restricted bank balances was HK$11,755,000 (2017: Nil). The Group's long-term and short-term loan was HK$187,148,000 in total (2017: HK$243,044,000). Total debt decreased by approximately HK$55,896,000, mainly due to the reduction of the bank loans for the disposal of an subsidiary during the year ended 31 December 2018 (2017: HK$143,558,000), the additional loan of approximately HK$116,982,000, net of the repayment of total working capital loan was approximately HK$39,581,000 for the year ended 31 December 2018.

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 2018, the Group's capital expenditure was approximately HK$49,674,000 (2017: HK$162,352,000), including the purchase of properties, plants and equipment, investment properties and other intangible assets.

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 2018, the Group has pledged the following assets:

(i) A building of the Group with a carrying amount of HK$57,394,000 (2017: HK$62,940,000) as at 31 December 2018 was pledged to secure banking facilities granted to the Group;

(ii) The Group's investment properties with carrying amount of HK$367,838,000 (2017: HK$328,987,000) as at 31 December 2018 were pledged to secure banking facilities granted to the Group and investment properties with an aggregate carrying amount of HK$39,375,000 (2017: Nil) were pledged to secure banking facilities granted to an associate of the Group;

(iii) The Group's land use right with an aggregate carrying amount of HK$239,545,000 (2017: HK$153,477,000) as at 31 December 2018 was pledged to secure banking facilities granted to the Group and the land use right with an aggregate carrying amount of HK$80,916,000 (2017: Nil) was pledged to secure banking facilities granted to an associate of the Group;

(iv) The Group's time deposits with an aggregate carrying amount of HK$5,706,000 (2017: Nil) as at 31 December 2018 was pledged to secure banking facilities granted to the Group; and

(v) As at 31 December 2018, none of the property under development (2017: HK$105,150,000) was pledged to secure banking facilities granted to the Group.

Contingent liabilities

Save as disclosed in note 17 to the consolidated financial information in this announcement, as at 31 December 2018, the Group had no significant contingent liabilities.

Foreign exchange risk

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

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 2018, 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 providing quality products to establish a reliable service environment for its customers. For the year ended 31 December 2018, there was no significant and material dispute between the Group and its suppliers and/or customers.

Employee benefits and training

As at 31 December 2018, the Group had approximately 1,044 (2017: 1,081) employees. Total staff cost (excluding Directors' remuneration) as of 31 December 2018 amounted to approximately HK$79,573,000 (2017: HK$67,043,000). 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 2018, the Company has complied with the code provisions as set out in the Corporate Governance 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.6.7.

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, two independent non-executive directors of the Company were unable to attend the annual general meeting held on 25 May 2018.

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 2018.

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 year ended 31 December 2018.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil). The Board believes in balancing returns to shareholders with investment to support future growth and decides that it would be in the Group's best interests to reserve sufficient financial resources for future business developments.

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 2018.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 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, 29 March 2019

As at the date of this announcement, the Board comprises seven Executive Directors, namely Mr. Zhu Shi Xing, Mr. Liu Xue Heng, Mr. Gu Shan Chao, Mr. Siu Kin Wai, 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 Zhao, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.