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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 INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2019

The board (“Board”) of directors (the “Directors”) of Beijing Enterprises Medical and Health Industry Group Limited (the “Company”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019, together with comparative figures for the corresponding period in 2018. These interim condensed consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	69,955	83,682
Cost of sales		(43,692)	(54,352)
Gross profit		26,263	29,330
Other income and gains, net	5	27,006	118,336
Selling and distribution expenses		(11,164)	(16,255)
Administrative expenses		(76,116)	(97,714)
Other expenses		(19,799)	(16,398)
Finance costs	6	(5,261)	(4,658)
Share of profits and losses of:			
a joint venture		(1,729)	–
associates		(11,298)	(7,382)
(LOSS)/PROFIT BEFORE TAX	7	(72,098)	5,259
Income tax credit/(expense)	8	280	(20,538)
LOSS FOR THE PERIOD		(71,818)	(15,279)

For the six months ended 30 June	
2019	2018
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

OTHER COMPREHENSIVE LOSS

Other comprehensive loss that may be reclassified
to profit or loss in subsequent periods:

Exchange differences:

Translation of foreign operations	(6,803)	(17,649)
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Reclassification adjustments for a foreign operation disposed of during the period	–	781
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Share of other comprehensive income/(loss) of an associate	1,057	(1,312)
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Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax	(5,746)	(18,180)
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Other comprehensive loss that will not to be reclassified
to profit or loss in subsequent periods:

Net loss on equity instruments at fair value through other comprehensive income (“FVOCI”)	(12,158)	(15,876)
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Net other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods, net of tax	(12,158)	(15,876)
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OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX

	(17,904)	(34,056)
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TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(89,722)	(49,335)
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For the six months ended 30 June		
	2019	2018
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss attributable to:		
Owners of the parent	(60,570)	(8,898)
Non-controlling interests	(11,248)	(6,381)
	<u>(71,818)</u>	<u>(15,279)</u>
Total comprehensive loss attributable to:		
Owners of the parent	(77,071)	(39,552)
Non-controlling interests	(12,651)	(9,783)
	<u>(89,722)</u>	<u>(49,335)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
	<i>10</i>	
Basic and diluted	<u>HK(1.00) cents</u>	<u>HK(0.15) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

		30 June 2019	31 December 2018
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		82,928	78,500
Investment properties		462,089	471,239
Right-of-use assets	2	480,497	–
Prepaid land lease payments		–	511,233
Property under development		426,783	391,184
Goodwill		183,949	183,949
Other intangible assets		7,828	7,929
Investments in a joint venture		7,640	9,374
Investments in associates		490,737	500,897
Equity investments designated at FVOCI		213,077	225,494
Deferred tax assets		5,256	–
Prepayments, deposits and other receivables		114,369	36,155
Total non-current assets		2,475,153	2,415,954
CURRENT ASSETS			
Inventories		27,673	29,190
Trade receivables	11	50,334	37,565
Prepayments, deposits and other receivables		343,236	340,393
Due from related parties	16	95,574	88,435
Financial assets at fair value through profit or loss ("FVPL")		92,399	65,308
Restricted bank balances		–	11,755
Cash and cash equivalents		471,294	764,118
Total current assets		1,080,510	1,336,764
CURRENT LIABILITIES			
Trade payables	12	15,248	19,338
Other payables and accruals		188,230	196,369
Interest-bearing bank and other borrowings		134,589	69,595
Lease liabilities	2	6,954	–
Due to a related party		–	28,998
Tax payable		1,029	36,337
Total current liabilities		346,050	350,637

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION(CONTINUED)
30 June 2019

		30 June 2019	31 December 2018
	<i>NOTES</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NET CURRENT ASSETS		734,460	986,127
TOTAL ASSETS LESS CURRENT LIABILITIES		3,209,613	3,402,081
NON-CURRENT LIABILITIES			
Other payables		4,253	4,047
Interest-bearing bank borrowings		–	117,553
Lease liabilities	2	7,916	–
Deferred tax liabilities		149,801	147,436
Total non-current liabilities		161,970	269,036
NET ASSETS		3,047,643	3,133,045
EQUITY			
Equity attributable to the owners of the parent			
Share capital	13	1,215,789	1,212,280
Reserves		1,559,427	1,635,687
		2,775,216	2,847,967
Non-controlling interests		272,427	285,078
TOTAL EQUITY		3,047,643	3,133,045

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office buildings and lands. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) HK\$'000 (Unaudited)
Assets	
Increase in right-of-use assets	532,020
Decrease in prepaid land lease payments	(511,233)
Decrease in prepayments, other receivable and other assets	(17,227)
Increase in non-current assets and total assets	<u>3,560</u>
Liabilities	
Increase in lease liabilities – current portion	2,459
Increase in lease liabilities – non-current portion	1,101
Increase in total liabilities	<u>3,560</u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK\$'000 (Unaudited)
Operating lease commitment as at 31 December 2018	6,570
Weighted average incremental borrowing rate as at 1 January 2019	6.00%
Discounted operating lease commitment as at 1 January 2019	6,308
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	2,748
Lease liabilities as at 1 January 2019	<u>3,560</u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			
	Office	Land		Lease
	buildings	use right	Sub-total	liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2019	3,849	528,171	532,020	3,560
Additions	14,259	–	14,259	14,259
Depreciation	(2,976)	(8,263)	(11,239)	–
Transfer to property under development	–	(53,364)	(53,364)	–
Interest expense	–	–	–	395
Payments	–	–	–	(3,108)
Exchange realignment	(232)	(947)	(1,179)	(236)
As at 30 June 2019	14,900	465,597	480,497	14,870

The Group recognised rental expenses from short-term leases of HK2,485,000 for the six months ended 30 June 2019.

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group’s interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Set out below is the disaggregation of the Group’s revenue from contracts with customers:

	For the six months ended 30 June	
	2019	2018
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Type of goods or service		
Sales of furniture and woods	61,221	75,623
Rendering of services	7,347	7,399
Others	1,387	660
Total revenue from contracts with customers	69,955	83,682
Geographical markets		
Mainland China	69,955	83,682
Timing of revenue recognition		
Goods transferred at a point in time	62,608	76,283
Services transferred over time	7,347	7,399
Total revenue from contracts with customers	69,955	83,682

5. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net are as follows:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	5,748	1,806
Other interest income	10,647	24,644
Gross rental income	13,408	11,656
Dividend income	718	287
Sundry income	1,075	358
	<u>31,596</u>	<u>38,751</u>
Gains/(losses)		
Foreign exchange differences, net	8,917	–
Fair value losses on financial assets at FVPL, net	(6,558)	(7,303)
Fair value losses on financial liabilities, net	(210)	(716)
Gains/(Losses) on disposal of property, plant and equipment, net	96	(34)
Gains on disposal of subsidiaries	63	15,320
Gains on disposal of financial assets at FVPL	–	277
Fair value (losses)/gains on investment properties, net	(6,898)	72,041
	<u>(4,590)</u>	<u>79,585</u>
	<u>27,006</u>	<u>118,336</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	395	–
Interest on bank and other borrowings	4,866	8,234
Less: interest capitalised	–	(3,576)
	<u>5,261</u>	<u>4,658</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	38,064	50,724
Cost of services provided	5,628	3,628
Depreciation	4,633	5,241
Amortisation of other intangible assets	72	481
Depreciation of right-of-use assets	11,239	–
Less: capitalised amount	397	–
	10,842	–
Amortisation of land use right	–	9,139
Minimum lease payments under operating leases	2,485	4,774
Equity-settled share-based payment expense for directors and employees	257	3,604
Equity-settled share-based payment expense for consultancy services	40	1,278
Foreign exchange differences, net	8,917	(7,627)
Impairment of trade receivables	67	119
Impairment of other receivables	–	16,279
Write-off of other receivables	658	–
Impairment of property under development	19,074	–

8. INCOME TAX

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	1,611	3,626
Current – Canada withholding tax on interest income	457	431
Deferred	(2,348)	16,481
Total tax (credit)/charge for the period	(280)	20,538

Hong Kong profits tax

No Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong during the period (six months ended 30 June 2018: Nil).

PRC corporate income tax

Under the PRC income tax laws, PRC enterprises are subject to corporate income tax at a rate of 25% except for certain PRC subsidiaries which are entitled to a preferential tax rate at 10% and 15%.

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.

The share of tax credit attributable to an associate of HK\$496,000 (six months ended 30 June 2018: tax charge of HK\$282,000) is included in “Share of profits and losses of associates” in the condensed consolidated statement of profit or loss and other comprehensive income.

9. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend to shareholders for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$60,570,000 (six months ended 30 June 2018: HK\$8,898,000), and the weighted average number of ordinary shares of 6,062,368,000 (six months ended 30 June 2018: 6,052,992,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts for loss attributable to ordinary equity holders of the parent presented for the six months ended 30 June 2019 and 2018 in respect of dilution as the impact of the share options and share awards outstanding had an anti-dilutive effect on the basic loss per share amounts.

11. TRADE RECEIVABLES

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:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 3 months	26,331	12,849
Over 3 months	24,003	24,716
	50,334	37,565

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:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 3 months	9,194	10,974
Over 3 months	6,054	8,364
	15,248	19,338

13. SHARE CAPITAL

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.2 each (2018: 10,000,000,000 of HK\$0.2 each)	2,000,000	2,000,000
Issued and fully paid: 6,078,944,027 ordinary shares of HK\$0.2 each (2018: 6,061,399,027 of HK\$0.2 each)	1,215,789	1,212,280

During the six months ended 30 June 2019, the movement in the Company's share capital is due to the issue of consideration shares in connection with acquisition of Beijing Spirit Commerce & Trading Limited ("Beijing Spirit"). On 21 June 2019, the Company allotted and issued an aggregate of 17,545,000 new ordinary shares of the Company at HK\$0.243 per share as the third instalment of the share consideration for the acquisition of Beijing Spirit. The aggregate fair value of the 17,545,000 ordinary shares, determined by reference to the closing quoted market price of the Company's shares on Stock Exchange at issuance date, amounted to HK\$4,263,000, of which HK\$3,509,000 and HK\$754,000 were credited to the share capital and share premium account of the Company, respectively.

14. SHARE-BASED COMPENSATION SCHEMES

2002 Scheme

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

The following share options were outstanding under the 2002 Scheme during the period:

	2019		2018	
	Number of share option outstanding ‘000	Weighted average exercise price HK\$	Number of share option outstanding ‘000	Weighted average exercise price HK\$
At 1 January	–	–	4,838	0.954
Lapsed during the period	–	–	(4,838)	0.954
At 30 June	–	–	–	–

2013 Scheme

On 24 May 2013, the Company adopted a new share option scheme (the “2013 Scheme”) to replace the 2002 Scheme. The eligible participants and the terms of the 2013 Scheme is the same as 2002 Scheme. No share options were granted during the period under the 2013 Scheme (six months ended 30 June 2018: Nil).

The following share options were outstanding under the 2013 Scheme during the period:

	Number of share option outstanding ‘000	Weighted average exercise price HK\$
At 1 January 2019 and 30 June 2019	338,000	0.57
	Number of share option outstanding ‘000	Weighted average exercise price HK\$
At 1 January 2018	353,000	0.57
Forfeited during the year	(15,000)	0.58
At 31 December 2018	338,000	0.57

The exercise prices and exercise periods of the share options outstanding at 30 June 2019 and 2018 are as follows:

2019 Number of options ‘000	2018 Number of options ‘000	Exercise price per share* HK\$	Exercise period per share
166,500	176,500	0.61	note (a)
171,500	176,500	0.53	note (b)
338,000	353,000		

Notes:

- (a) First 30% of the options granted were vested from 2 April 2016, second 30% of the options granted were vested from 2 April 2017 and remaining 40% of the options granted were vested from 2 April 2018. Upon the lapse of the vesting period, the share options are exercisable until 1 April 2025.
- (b) First 30% of the options granted were vested from 28 January 2017, second 30% of the options granted were vested from 28 January 2018 and remaining 40% of the options granted were vested from 28 January 2019. Upon the lapse of the vesting period, the share options are exercisable until 27 January 2026.
- * The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

In respect of the share options granted, the Group recognised a share option expense of approximately HK\$297,000 during the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$4,882,000).

At the end of the reporting period, the Company had 338,000,000 share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 338,000,000 additional ordinary shares of the Company, which represented approximately 5.6% of the Company's shares in issue as at that date, and additional share capital of HK\$67,600,000 and share premium of HK\$124,860,000 (before issue expenses).

15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Contracted, but not provided for:		
Land and buildings	<u>85,450</u>	<u>63,266</u>

16. RELATED PARTY DISCLOSURES

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

		For the six months ended 30 June 2019 HK\$'000	2018 HK\$'000
	<i>Notes</i>		
Interest income from a director	(i)	–	1,845
Interest income from a company jointly controlled by certain directors of the Company	(ii)	<u>3,757</u>	<u>4,092</u>

- (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. On 7 November 2018, the remaining principal of HK\$62,000,000 and related interest receivable of HK\$3,720,000 were received, respectively, resulting no interest income was accrued during the period (six months ended 30 June 2018: HK\$1,845,000).
- (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 CAD13,400,000 (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 period, the Group earned an interest income of CAD637,000 (equivalent to approximately HK\$3,757,000) on the loan to 1121695 B.C. Ltd. The remaining principal of HK\$79,955,000 and the relevant interest receivable of HK\$15,619,000 as at 30 June 2019 were jointly and severally guaranteed by Mr. Yu Lu Ning, a third party, Mr. Zhu Shi Xing, Mr. Gu Shan Chao and Mr. Liu Xue Heng.

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

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fees	1,080	1,350
Salaries, bonuses, allowances and benefits in kind	2,936	2,381
Equity-settled share option expense	195	3,045
	4,211	6,776

17. EVENTS AFTER THE REPORTING PERIOD

The Company holds 353,000,000 ordinary shares of Beijing Sports and Entrainment Industry Group Limited (“Beijing Sports”) and accounted for as an investment in an associate with carrying amount of HK\$354,353,000 as at 30 June 2019. On 8 July 2019, the closing market price of Beijing Sports decreased significantly and the trading price of Beijing Sports become volatile afterward. The Company is in the process of assessing the investment in Beijing Sports and may make impairment provisions in accordance with the HKFRSs. The Company is still in the process of conducting the assessment but the specific amount of provisions is yet to be finalized.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Following years of exploration and development since its business transformation in 2014, the Group has completed its diversified business deployment in the general health sector, covering areas from sports and healthcare of the youth, medical needs of the middle-aged to geriatric care services for the elderly, complemented by peripheral products and venues.

Geriatric Care Business

In the first half of 2019, the Chinese government launched a series of policies to vigorously promote the development of the geriatric care industry. In April 2019, the General Office of the State Council issued the “Opinions on Promoting the Development of Geriatric Care [2019] No. 5” (《推進養老服務發展的意見[2019]5號》), which clearly propose policy support initiatives to, among others, improve the effectiveness and efficiency of approvals for geriatric care institutions, reduce the tax burden for geriatric care services, enhance the effectiveness of the government’s efforts, support geriatric care institutions to expand their scale and develop into chain operations, actively promote the integration of medical and geriatric care, and broaden the investment and financing channels for geriatric care services. It is estimated that there will be an addition of one million beds for the geriatric care institutions as a whole in the next three to five years. Meanwhile, the long-term healthcare insurance system has been officially implemented in several provinces and cities such as Shanghai and Jiangsu, which will significantly enhance the profitability of geriatric care services.

Closely aligned with the national development direction of the geriatric care industry, the Group devoted great efforts in developing the intelligent, ecologically chained geriatric care system that mainly focuses on geriatric care institutions and the integration of medical and geriatric care, and incorporates an intelligent geriatric care platform, home care and community care, under the geriatric care services brand names “Golden Sun” and “Hongtai” of the Group. The system delivers one-stop geriatric care services to cities and contributes to the continued increase of the profitability of the geriatric care industry.

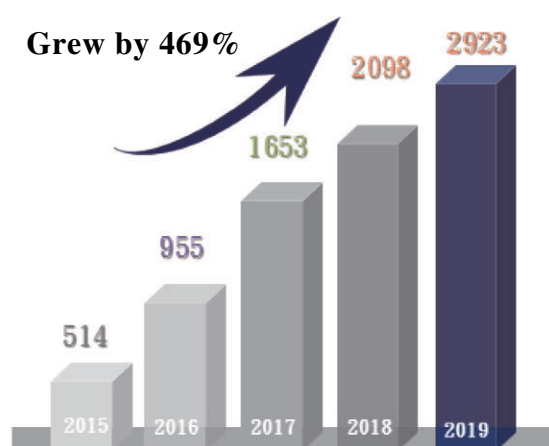
As of 30 June 2019, the number of elderly members served by the Group reached 560,000; the number of community service centers was 352; the number of geriatric care institutions was 11; and the number of beds for the geriatric care services was 2,923. The occupancy rate of geriatric care institutions remained stable at a high level. In particular, the occupancy rate of well-established institutions, such as Gulou Senior Apartment (鼓樓老年公寓), Hongru Senior Apartment (鴻儒老年樂園) and Guangyi Geriatric Care Apartment (廣益養老公寓), reached 100%, while the average occupancy rate of new geriatric care institutions reached over 50%. The average occupancy rate of bed spaces of elderly care centers was over 85%.

In the first half of 2019, the Group added 825 beds for geriatric care institutions (in Jiangsu), representing a growth of 39.32% as compared to that of the beginning of the year. Meanwhile, the Group has newly established or upgraded three nursing homes that incorporate medical and geriatric care, and planned to closely cooperate with insurance companies with respect to the long-term healthcare insurance system, which in turn will continuously improve our profitability.

Number of geriatric care institutions: 11



Number of beds for geriatric care services: 2,923



For home and community care business, the Group focused on promoting its cooperation with enterprise entities by developing the peer-to-peer “RMB365 per year +N” geriatric care service, and has contracted with a total of 9 organizations for the implementation of direct settlement of service fees with the units. This significantly shortened the settlement cycle and effectively improved our profitability.

In terms of home and community geriatric care, government purchases were the major source of income. During the period, the accumulated government purchase amount reached RMB77.83 million.

Table 1: Operating Conditions

	As of 30 June 2019				As of 31 December 2018			
	Number of elderly members	Number of community service centers	Number of geriatric care institutions	Number of beds for geriatric care services	Number of elderly members	Number of community service centers	Number of geriatric care institutions	Number of beds for geriatric care services
Hongtai	-	-	5	1,370	-	-	3	545
Golden Sun	560,243	352	6	1,553	559,320	352	6	1,553
Total	560,243	352	11	2,923	559,320	352	9	2,098
Growth rate	0.17%	0.00%	22.22%	39.32%				

Sale of Medical and Geriatric Products

Beijing Vissam Prosperity Furniture Limited* (北京偉森盛業家具有限公司) (“Vissam Prosperity”), a company under the Group engaging in medical and geriatric product business, has become a leading furniture company specialized in areas such as geriatric care, medical and education, which provides top geriatric care institutions, hospitals and schools in the country with environmentally friendly, green and specialized furniture that meets ergonomic principles.

In the first half of 2019, Vissam Prosperity maintained a stable performance for its business. Key projects delivered include: the “Taikang Community (泰康之家)” series of geriatric care projects under Taikang Insurance, the International Department project of Peking Union Medical College Hospital, the geriatric care project of Greenland group in Shanghai and the geriatric care project of Wuxi Zhonghai.

During the period, newly contracted key projects included the medical project of Shanghai Concord Medical Imaging, the Shanghai Jiahui Hospital project, the Taikang Rehabilitation Hospital project, the Run Jia Geriatric Care Project (潤家養老項目) of Shenyang China Resources, the geriatric care service center project of Guizhou China Railway International Eco City, the geriatric care project of Jinan Zhonghai International, the school project of Hainan Ecological Wisdom New City, and the international campus project of South China University of Technology.

Vissam Prosperity continued to enhance the technological content of its products. In the first half of 2019, it successfully passed the annual review for high and new technology enterprises, and applied for two invention patents and obtained five software copyrights.

* For identification purposes only

Health Industrial Park Business

The Group purchased high-quality lands 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, market and 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 projects in Beijing, Shanghai, Dali and Canada, with a total site area of 449,200 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 30 June 2019, the progress of the projects under development of the Group is as follows:

Location	Project Name	Land Area (m ²)	Equity Percentage	Future Planning of the Project	Project Status
Beijing	Chaoyang Port Project	87,607	82.24%	Conform to the international development trend, meet Beijing's urban planning to set up the secondary distribution center, and build a "green, innovative and intelligent integrated cluster in Beijing Central Business District"	Pending approval by the Beijing Municipal Commission of Planning and Natural Resources
Beijing	Changping Project	13,490	70%	Office and commercial complex	Properties are on lease
Shanghai	Sanlu Road Project	20,480	20%	Office and commercial complex	Properties are recruiting tenants

Location	Project Name	Land Area (m ²)	Equity Percentage	Future Planning of the Project	Project Status
Shanghai	Hongmei Road Project	39,448	100%	This project, located in the Zhongxin Industrial Park, Minxing, Shanghai, is in line with the policy of transforming industrial lands in Shanghai into commercial ones. It aims to build a new landmark for the district to serve residents by satisfying their needs for quality lifestyle, become a place to gather the community, and develop a commercial complex that incorporates “health, green, community and family” elements	Completed the analysis of peripheral markets and positioning of the project Introduced a world-known store as one of the major stores Determined the major consumer base of the project in the future by combining big data and qualitative and quantitative research and completing the analysis of consumers Pre-construction planning procedures is in progress
Dali	Haidong New District Project	275,181	60%	General health industrial park complex including lands for residential, commercial and medical purposes	As the Yunnan provincial government suspended its approval process for the development and construction in Haidong New District, this project has been terminated. The Group is currently negotiating with the local government with respect to the refund of land grant premium and compensation matters
Canada	Ovation	2,425	N/A [#]	Artistic health apartments	The pre-sale of this project started in 2018, and over half of the saleable units were sold at present
Canada	Royal Tower	10,588	N/A [#]	Urban health apartments	Pre-construction planning procedures are under the process of approval. The Group plans to build a commercial and residential project consisting of 900 units

[#] The projects are invested in the form of loan

Sports and Entertainment Business

Through Beijing Sports and Entertainment Industry Group Limited (“Beijing Sports”, a company listed on Hong Kong Main Board, stock code: 1803), an associate of the Company, the Group has been engaged in the construction and operation of stadiums in China. 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. As of 30 June 2019, Beijing Sports recorded a loss attributable to owners of the parent of approximately HK\$32,634,000, representing a year-on-year increase of 50.2%. Although Beijing Sports has implemented strict cost control in the first half of the year, resulting in a significant decrease in administrative expenses of 24.1%, there was still an increase in loss, which was mainly due to the year-on-year decrease in operating revenue of Beijing Sports of 47.1% to approximately HK\$36,068,000, and the impairment of certain assets of approximately HK\$23,085,000 for the period. The decrease in operating revenue was mainly attributable to the postponed construction plan of stadiums of some customers of MetaSpace due to the increased downward pressure of China’s economy, which resulted in a decrease in number of completed and delivered projects for the first half of the year.

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 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.

With the increasingly clear policy of the geriatric care industry in China and the gradual enhancement of market orientation, general geriatric care institutions and the integrated service of medical and geriatric care will become the main development focus for the geriatric care industry in China in the future. The Group plans to capture opportunities brought by the policy and the market, step up the development of bed number of geriatric care institutions and the integrated business of medical and geriatric care with higher profitability and strive to achieve the target of over 10,000 beds of geriatric care institutions within 3 years.

In respect of the medical care and health care business, the Group will further implement a healthy management operating model while exploring the development opportunity of the biopharmaceutical industry so as to achieve the stable development of core business.

As for the health industrial park business, the Group will fully implement pre-construction developing procedures for the Shanghai Hongmei Road project and strive to reach a consensus on competitive outstanding land grant premium with the local government, developing a place to gather the community who has requirements for its quality lifestyle and a commercial complex. In addition, the Group will continue to identify land projects which are appropriate for developing geriatric care, medical and general health business. Through extensive negotiation with the local governments and grasping golden opportunities arising from the industrial transformation pursued by these governments, the Group will gradually develop and create a unique series of products related to its industrial park investments.

With respect to the business of sale of medical and geriatric products, the Group will accelerate its business growth through mergers and acquisitions of its peers.

With regard to sports and entertainment business, through the continued negotiation with Chinese Athletic Association, the Group will adopt a corporate operation for the field and track sports events based on the strategic cooperation agreement signed on 8 November 2018 by both parties and strive to create a comprehensive industry chain by building up different segments such as athletic event organization, athletes training, sports agency, sports finance, big data's application in sports, etc..

Financial Review

Operating revenue

In the first half of 2019, operating revenue of the Group was approximately HK\$69,995,000, representing a decrease of 16.4% as compared to the corresponding period last year, which was mainly due to the decrease in revenue from the sale of geriatric and medical furniture and timber of approximately HK\$14,402,000.

During the period, in view of the impact of Sino-U.S. trade war, the Group suspended the operation of the timber import and export trading business which commenced in the prior year and has a low gross profit margin, while revenue from such business amounted to approximately HK\$6,285,000 for the corresponding period last year. Furthermore, as a large proportion of the winning bids in the first half of the year were obtained in the second quarter, the number of projects completed in the first half of the year decreased, resulting in a decrease in recognized revenue of approximately HK\$8,117,000. As of 30 June 2019, the amount of projects signed by the Group was RMB105,027,000, representing a growth of 34% as compared to approximately RMB78,372,000 for the corresponding period last year.

Cost of sales

Cost of sales was approximately HK\$43,692,000, representing a year-on-year decrease of 19.6%. Cost of sales mainly includes cost of purchases, installation fees and wage expenses.

Gross profit margin

During the period, the overall gross profit margin of the Group was 37.5%, representing a year-on-year increase of 2.5 percentage points as compared to 35.0% for the corresponding period last year, which was mainly due to the termination of the timber import and export trading business with low gross profit margin during the period.

Other income and gains, net

Other income and gains, net mainly included interest income of approximately HK\$16,395,000 and rental income of approximately HK\$13,408,000. The year-on-year decrease in other income and gains, net of approximately HK\$91,330,000 was mainly attributable to the fair value gain of the Group's investment properties in Shanghai and Beijing of approximately HK\$72,041,000 in total for the corresponding period last year, while there was a slight decrease in the fair value of those properties of approximately HK\$6,898,000 for the period. Meanwhile, the Group recognized a one-off gain on disposal of a subsidiary of approximately HK\$15,320,000 for the corresponding period last year.

Selling and distribution expenses

For the first half of 2019, the selling and distribution expenses of the Group decreased by 31.3% to approximately HK\$11,164,000, which was mainly attributable to the completion of disposal of a subsidiary during the corresponding period last year, and the subsidiary recorded selling and distribution expenses of approximately HK\$3,771,000 for the corresponding period last year.

Administrative expenses

For the first half of 2019, the administrative expenses of the Group were approximately HK\$76,116,000, representing a decrease of 22.1% as compared to the corresponding period last year. The administrative expenses mainly included staff costs of approximately HK\$31,400,000, depreciation and amortization costs of approximately HK\$15,547,000, business entertainment expenses of approximately HK\$5,353,000, travelling expenses of approximately HK\$4,178,000 and rental costs of approximately HK\$2,485,000.

The decrease in administrative expenses was mainly attributable to the decrease in professional service fee of approximately HK\$7,522,000 and the foreign exchange gains of approximately HK\$8,917,000 recorded and included in other income and gains, net for the period, while there was foreign exchange losses of approximately HK\$7,627,000 included in administrative expenses for the corresponding period last year.

Other expenses

Other expenses were mainly the impairment of the upfront costs of the Dali project. The Yunnan provincial government decided to suspend the development and construction in Haidong New District of Dali City, and the property project of the Group in Dali was therefore forced to be halted. Accordingly, there was a provision for impairment of the upfront costs of the project of approximately HK\$19,074,000 for the current period.

Finance cost

For the first half of 2019, the total finance cost of the Group was approximately HK\$5,261,000, representing a decrease of 36.1% as compared to the corresponding period last year, which was mainly attributable to the lower average balance of borrowings.

Share of profits and losses of a joint venture

Share of profits and losses of a joint venture was mainly the share of 50% of loss attributable to shareholders of Dongguan Huarui Home Furnishing Co., Ltd. (東莞市華睿家居有限公司) (“Huarui Home Furnishing”) of approximately HK\$1,729,000. Huarui Home Furnishing focuses on the home furniture market. During the period, it focused on expanding its market share, but its sales revenue was not as expected due to unfavorable business environment.

Share of profits and losses of associates

Share of profits and losses of associates mainly included the share of 27% of loss attributable to shareholders of Beijing Sports and Entertainment Industry Group Limited of approximately HK\$8,794,000.

Cash and bank borrowings

As at 30 June 2019, cash and bank deposits held by the Group amounted to approximately HK\$471,294,000, representing a decrease of approximately HK\$292,824,000 as compared to that of the end of 2018.

As at 30 June 2019, bank borrowings of the Group amounted to approximately HK\$129,590,000, representing a decrease of approximately HK\$52,446,000 as compared to that of the end of 2018. The decrease in bank borrowings was mainly attributable to the timely repayment made by the Group in accordance with the borrowing contracts.

Liquidity

As at 30 June 2019, the net current assets of the Group amounted to HK\$734,460,000 and the current ratio was 3.1 times. The Group maintains sufficient bank credit facilities to meet working capital needs and has sufficient cash resources to finance its capital expenditure in the foreseeable future.

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.

As at 30 June 2019, the issued share capital of the Company was 6,078,944,027 shares. Equity attributable to shareholders of the Company amounted to approximately HK\$2,775,216,000 and total equity was approximately HK\$3,047,643,000 (31 December 2018: approximately HK\$3,133,045,000). The gearing ratio, being bank and other borrowings divided by total assets, remained at a low level of approximately 3.8% (31 December 2018: approximately 5.0%).

Capital Expenditure

For the six months ended 30 June 2019, the Group's capital expenditure was approximately HK\$20,642,000 (corresponding period in 2018: HK\$10,432,000), including capital investments for the purchase of properties, plants and equipment and investment properties.

PLEDGE OF ASSETS

As at 30 June 2019, the Group has pledged the following assets as the security for bank loans:

- (i) mortgages over the investment properties situated in the PRC, which had an aggregate carrying amount at the end of the reporting period of HK\$358,872,000 (31 December 2018: HK\$367,838,000);
- (ii) mortgages over the right-of-use assets, which had an aggregate carrying amount at the end of reporting period of HK\$217,094,000 (31 December 2018: the same land use right of HK\$239,545,000);
- (iii) the pledge of certain of the Group's time deposits amounting to HK\$5,706,000 as at 31 December 2018; and
- (iv) mortgages over the properties situated in the PRC, which had an aggregate carrying amount at the end of the reporting period of HK\$55,089,000 (31 December 2018: HK\$57,394,000).

In addition, as at 30 June 2019, the Group's bank loans of HK\$20,462,000 were guaranteed by certain third parties (31 December 2018: HK\$30,815,000).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group has no significant contingent liabilities.

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange risks was primarily related to other receivables, bank balances, amounts due from related parties, other payables and bank 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had approximately 926 (corresponding period in 2018: 906) employees. Total staff cost (including Directors' emoluments) for the six months ended 30 June 2019 amounted to approximately HK\$35,735,000 (corresponding period in 2018: approximately HK\$41,652,000).

The Group's remuneration policy is that all employees are rewarded on the basis of market levels. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff's mandatory provident fund and social insurance in the PRC. To motivate and reward staff, the Group has a discretionary performance bonus scheme and a year-end award scheme to drive their performance and growth. The Company has also established a share option scheme and an employee option scheme to recognize the performance of its employees.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisitions and disposal of subsidiaries or associates for the reporting period.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. The Group will only consider any potential investments which are in the interests of the Company and the shareholders as a whole. No agreement for material investment has been conducted as at the date of this announcement.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2019.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company confirms that, after specific enquiry with each director, all directors have confirmed compliance with the Model Code during the six months ended 30 June 2019.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2019.

AUDIT COMMITTEE

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

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

The Company's interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2019 will be despatched to the shareholders of the Company and published on the said websites in due course.

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

Hong Kong, 29 August 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. Hu Shiang Chi, Mr. Wang Zheng Chun, Mr. Zhang Jing Ming and Mr. Siu Kin Wai 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.