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 2019

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 2019, together with the comparative figures for the year 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
REVENUE	*5*	**200,755**	178,885
Cost of sales		**(137,368)**	(121,639)
Gross profit		**63,387**	57,246
Other income and gains, net	*5*	**64,547**	367,138
Selling and distribution expenses		**(25,393)**	(43,571)
Administrative expenses		**(147,816)**	(191,557)
Impairment losses of financial assets		**(63,284)**	(15,820)
Other expenses and losses		**(343,430)**	(52,226)
Finance costs	*7*	**(10,213)**	(12,850)
Share of profits and losses of:			
joint ventures		**(5,843)**	91
associates		**(12,073)**	(17,294)
(LOSS)/PROFIT BEFORE TAX	*6*	**(480,118)**	91,157
Income tax credit/(expense)	*8*	**4,036**	(60,244)
(LOSS)/PROFIT FOR THE YEAR		**(476,082)**	30,913

	Note	2019 HK$'000	2018 HK$'000
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(40,703)**	(89,514)
Reclassification adjustments for foreign operations disposed of during the year		**(4,943)**	2,084
		(45,646)	(87,430)
Share of other comprehensive income/(loss) of associates		**936**	(1,551)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(44,710)**	(88,981)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of equity investments designated at fair value through other comprehensive income		**(31,285)**	(26,429)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(31,285)**	(26,429)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(75,995)**	(115,410)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(552,077)**	(84,497)
(Loss)/profit attributable to:			
Owners of the parent		**(422,394)**	43,450
Non-controlling interests		**(53,688)**	(12,537)
		(476,082)	30,913
Total comprehensive loss attributable to:			
Owners of the parent		**(487,399)**	(54,498)
Non-controlling interests		**(64,678)**	(29,999)
		(552,077)	(84,497)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**HK(6.96) cents**	HK0.72 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**107,740**	78,500
Investment properties		**101,362**	471,239
Right-of-use assets	*14(b)*	**462,024**	–
Prepaid land lease payments		**–**	511,233
Property under development		**426,488**	391,184
Goodwill		**79,979**	183,949
Other intangible assets		**–**	7,929
Investment in joint ventures		**9,464**	9,374
Investments in associates		**222,209**	500,897
Equity investments designated at fair value through other comprehensive income		**213,108**	225,494
Prepayments and other receivables		**224,258**	36,155
Deferred tax assets		**986**	–
Total non-current assets		**1,847,618**	2,415,954
CURRENT ASSETS			
Inventories		**33,866**	29,190
Trade receivables	*11*	**41,427**	37,565
Prepayments, other receivables and other assets		**150,869**	340,393
Due from related parties		**99,549**	88,435
Financial assets at fair value through profit or loss		**65,934**	65,308
Restricted bank balances		**–**	11,755
Cash and cash equivalents		**442,371**	764,118
		834,016	1,336,764
Assets and disposal group classified as held for sale	*17*	**382,934**	–
Total current assets		**1,216,950**	1,336,764
CURRENT LIABILITIES			
Trade payables	*12*	**35,369**	19,338
Other payables and accruals		**114,563**	196,369
Interest-bearing bank and other borrowings		**109,843**	69,595
Lease liabilities	*14(c)*	**6,224**	–
Due to a related party	*16(b)*	**–**	28,998
Tax payable		**1,757**	36,337
		267,756	350,637
Liabilities directly associated with the assets classified as held for sale	*17*	**126,168**	–
Total current liabilities		**393,924**	350,637
NET CURRENT ASSETS		**823,026**	986,127
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,670,644**	3,402,081

	Note	2019	2018
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**–**	117,553
Lease liabilities	*14(c)*	**5,887**	–
Deferred tax liabilities		**82,517**	147,436
Other liabilities		**7,124**	4,047
Total non-current liabilities		**95,528**	269,036
Net assets		**2,575,116**	3,133,045
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,215,789**	1,212,280
Reserves		**1,150,242**	1,635,687
		2,366,031	2,847,967
Non-controlling interests		**209,085**	285,078
TOTAL EQUITY		**2,575,116**	3,133,045

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 and its subsidiaries (collectively referred to as the "**Group**") were 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, 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 consolidated 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 ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit on loss ("**FVPL**"), equity investments designated at fair value through other comprehensive income ("**FVOCI**") and contingent consideration payables included in other payables and accruals, which have been measured at fair value. These consolidated 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 for the year ended 31 December 2019. 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 loss is reclassified to profit or loss or accumulated losses, 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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.

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 land use rights and buildings. 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 leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commenting from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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. The right-of-use assets 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 applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application when applying HKFRS 16 at 1 January 2019.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	547,896
Decrease in prepaid land lease payments	(511,233)
Decrease in prepayments, other receivables and other assets	(17,130)
Increase in total assets	19,533
Liabilities	
Increase in lease liabilities	19,533
Increase in total liabilities	19,533

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

	HK$'000
Operating lease commitments as at 31 December 2018	26,703
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(2,877)
	23,826
Weighted average incremental borrowing rate as at 1 January 2019	4.41%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	19,533

(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 financial position or performance of the Group.

(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. Based on the Group's assessment, the interpretation did not have significant impact on the financial position or performance of the Group.

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, 100% (2018: 100%) of the Group's revenue was generated from customers in Mainland China and over 90% (2018: over 80%) of the Group's non-current assets, excluding financial instruments and deferred tax assets, were located in Mainland China.

Revenue of approximately HK$41,035,000 (2018: HK$47,779,000) 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

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**200,755**	178,885

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December

	2019	2018
	Total	Total
	HK$'000	*HK$'000*
Type of goods or services		
Sale of goods	**186,401**	163,001
Rendering of services	**14,354**	15,884
Total revenue from contracts with customers	**200,755**	178,885

During the year, the Group recognised revenue of HK$33,835,000 (2018: Nil) and HK$478,000 (2018: Nil) that were included in the contract liabilities in respect of the sale of goods and rendering services, respectively, of the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon the completion of installation of goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where a partial payment in advance is normally required.

Rendering of services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of the service period.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019	2018
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**38,528**	37,612
After one year	**2,129**	1,353
	40,657	38,965

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to warranty services included in sale contracts, of which the performance obligations are to be satisfied within four to sixteen years. All the other amount of transaction prices allocated to the remaining performance obligations are expected to be recoginsed as revenue within one year.

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**8,776**	8,718
Other interest income	**22,412**	33,143
Gross rental income of operating leases from investment property	**24,370**	22,539
Dividend income	**1,076**	574
Government subsidies	**574**	840
Sundry income	**2,539**	488
	59,747	66,302
Gains		
Gain/(loss) on disposal of property, plant and equipment	**234**	(110)
Fair value losses on financial assets at FVPL	**(9,631)**	(2,575)
Fair value (losses)/gains on investment properties, net	**(41,747)**	76,991
Fair value (losses)/gains on financial liabilities, net	**(210)**	2,631
Gain on disposal of subsidiaries	**48,876**	223,899
Gain on bargain purchase	**1,314**	–
Foreign exchange differences, net	**5,964**	–
	4,800	300,836
	64,547	367,138

6. (LOSS)/PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**127,550**	112,136
Cost of services provided	**9,818**	9,503
Depreciation of property, plant and equipment	**10,953**	11,902
Depreciation of right-of-use assets		
(2018: amortisation of prepaid land lease payments)	**23,886**	17,596
Less: amount capitalised	**(1,558)**	–
	22,328	17,596
Amortisation of other intangible assets	**139**	1,009
Impairment of goodwill (i)	**63,236**	28,925
Impairment of other intangible assets (i)	**7,332**	5,540
Impairment of property under development (i)	**18,087**	–
Impairment of an investment in an associate (i)	**254,775**	–
Minimum lease payments under operating leases	**–**	8,394
Lease payments not included in the measurement of lease liabilities	**4,638**	–
Auditor's remuneration	**1,650**	1,600
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**56,114**	72,520
Equity-settled share-based payment expense	**63**	974
Pension scheme contributions (defined contribution scheme) (ii)	**6,108**	6,079
	62,285	79,573
Equity-settled share-based payment expense for consultancy services	**36**	624
Foreign exchange differences, net	**(5,964)**	14,238
Impairment of financial assets:		
Impairment of trade receivables (iii) *(note 11)*	**6,623**	110
Impairment of financial assets included in prepayments, other receivables and other assets (iii)	**56,661**	15,710
	63,284	15,820
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**1,680**	1,311

(i) These items are included in "Other expenses and losses" in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

(ii) At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2018: Nil).

(iii) These items are included in "Impairment losses of financial assets" in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**8,968**	16,315
Interest on lease liabilities	**1,245**	–
	10,213	16,315
Less: Interest capitalised	**–**	(3,465)
	10,213	12,850

8. INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Current-PRC corporate income tax		
Charge for the year	**3,366**	41,656
(Overprovision)/underprovision in prior years	**(1,132)**	475
Current-Canada withholding tax on interest income	**925**	866
Deferred	**(7,195)**	17,247
Total tax (credit)/charge for the year	**(4,036)**	60,244

Hong Kong profits tax

During the year ended 31 December 2019, no Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong during the year (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 two PRC subsidiaries which are entitled to preferential tax rates 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 loans provided to the borrowers in Canada.

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the year (2018: Nil).

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

The calculation of the basic loss per share (2018: earnings per share) amount is based on the loss for the year attributable to ordinary equity holders of the parent of approximately HK$422,394,000 (2018: profit of HK$43,450,000), and the weighted average number of ordinary shares of 6,070,724,315 (2018: 6,057,253,119) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

11. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**48,136**	37,781
Impairment	**(6,709)**	(216)
	41,427	37,565

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 30 to 90 days. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 6 months	**36,494**	25,906
7 to 12 months	**3,746**	6,809
13 to 18 months	**780**	4,850
19 to 24 months	**407**	–
	41,427	37,565

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

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**216**	115
Impairment losses *(note 6)*	**6,623**	110
Exchange realignment	**(130)**	(9)
At end of year	**6,709**	216

The increase (2018: increase) in the impairment loss allowance was due to the following significant changes in the gross carrying amount:

(i) Increase in the impairment loss allowance of HK$4,374,000 (2018: HK$110,000) as a result of a net increase in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables; and

(ii) Increase in the impairment loss allowance of HK$2,249,000 (2018: Nil) as a result of an increase in trade receivables for which the aging is over two years.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the aging of groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). 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 the historical credit loss experience after taking into consideration of forward-looking information. Generally, trade receivables are written off if past due for more than two years 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 2019

	Ageing					
	Less than 6 months	**7 to 12 months**	**13 to 18 months**	**19 to 24 months**	**Over 24 months**	**Total**
Expected credit loss rate	2.46%	21.83%	52.76%	80.00%	100.00%	13.94%
Gross carrying amount (HK$'000)	37,414	4,792	1,651	2,035	2,244	48,136
Expected credit losses (HK$'000)	920	1,046	871	1,628	2,244	6,709

As at 31 December 2018

	Ageing			
	Less than 6 months	6 to 12 months	13 to 18 months	Total
Expected credit loss rate	0.54%	0.42%	0.94%	0.57%
Gross carrying amount (HK$'000)	26,047	6,838	4,896	37,781
Expected credit losses (HK$'000)	141	29	46	216

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:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**25,773**	10,974
Over 3 months	**9,596**	8,364
	35,369	19,338

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

13. DISPOSAL OF SUBSIDIARIES

	Note	2019 HK$'000	2018 HK$'000
Net assets disposed of:			
Property, plant and equipment		**3,225**	7,539
Right-of-use assets		**14,205**	–
Property under development		**–**	323,296
Other intangible assets		**287**	–
Investments in associates		**–**	60,630
Equity investments designated at fair value through other comprehensive income		**–**	2,273
Inventories		**503**	187
Trade receivables		**1,360**	110
Prepayments, other receivables and other assets		**22,524**	13,548
Cash and cash equivalents		**16,711**	2,127
Financial assets at fair value through profit or loss		**–**	4,170
Trade payables		**(1,211)**	(928)
Other payables and accruals		**(25,348)**	(130,632)
Lease liabilities		**(13,333)**	–
Interest-bearing and other bank borrowings		**–**	(125,585)
Non-controlling interests		**(15,722)**	7,391
		3,201	164,126
Exchange fluctuation reserve		**(4,943)**	2,084
Capital reserve		**–**	1,117
Recognition of non-controlling interests		**–**	1,147
		(1,742)	168,474
Gain on disposal of subsidiaries	*5*	**48,876**	223,899
		47,134	392,373
Satisfied by:			
Cash		**3,657**	308,208
Other receivables		**33,490**	–
Investments in associates		**9,987**	84,165
		47,134	392,373

14. LEASES

The Group as a lessee

The Group has lease contracts for various land use rights and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 47 to 51 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 month and 4 years.

(a) Prepaid land lease payments (before 1 January 2019)

	HK$'000
Carrying amount at 1 January 2018	571,410
Recognised in profit or loss during the year	(17,596)
Exchange realignment	(25,643)
Carrying amount at 31 December 2018	528,171
Analysed into:	
Current portion	16,938
Non-current portion	511,233
	528,171

(b) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments *HK$'000*	Buildings *HK$'000*	Total *HK$'000*
As at 1 January 2019	528,171	19,725	547,896
Additions	–	15,466	15,466
Transfer to property under development	(52,410)	–	(52,410)
Disposal of a subsidiary	–	(14,205)	(14,205)
Depreciation charge	(15,574)	(8,312)	(23,886)
Exchange realignment	(10,297)	(540)	(10,837)
As at 31 December 2019	449,890	12,134	462,024

At 31 December 2019, the Group's right-of-use assets with an aggregate carrying amount of HK$209,735,000 (2018: land use rights of HK$239,545,000) were pledged as securities for the Group's bank loans.

(c) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 ***HK$'000***
Carrying amount at 1 January	**19,533**
New leases	**15,466**
Accretion of interest recognised during the year	**1,245**
Payments	**(10,217)**
Disposal of a subsidiary	**(13,333)**
Exchange realignment	**(583)**
Carrying amount at 31 December	**12,111**
Analysed into:	
Current portion	**6,224**
Non-current portion	**5,887**
	12,111

(d) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2019
	HK$'000
Depreciation charge of right-of-use assets	**23,886**
Less: amount capitalised	**(1,558)**
	22,328
Interest on lease liabilities	**1,245**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in selling and administrative expenses)	**4,638**
Total amount recognised in profit or loss	**28,211**

The Group as a lessor

The Group leases its investment properties consisting of several commercial properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments. Rental income recognised by the Group during the year was HK$24,370,000 (2018: HK$22,539,000), detail of which are included in note 5.

At the end of the separating period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**3,220**	22,556
After one year but within two years	**3,358**	24,896
After two years but within three years	**3,502**	22,788
After three years but within four years	**3,652**	22,494
After four years but within five years	**3,492**	21,220
After five years	**–**	105,638
	17,224	219,592

15. COMMITMENTS

(a) Capital commitments

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land and buildings	**51,293**	961
Property under development	**20,050**	62,305
	71,343	63,266

(b) Operating lease commitments

The Group leases certain buildings 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
	HK$'000
Within one year	10,407
In the second to fifth years, inclusive	16,296
	26,703

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:

		2019	2018
	Notes	***HK$'000***	*HK$'000*
Interest income from a director	*(i)*	**–**	3,140
Interest income from a company of which is jointly controlled by the directors of the Company	*(ii)*	**7,829**	8,166

(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, and interest-bearing at 4.5% per annum. A handling fee of HK$1,200,000 was charged and deducted upon the first drawing of the loan facility. On 30 June 2017 and 1 November 2017, HK$20,950,000 and HK$52,050,000 of the loan facility, respectively, were drawn, and HK$5,725,000 of related interest was received. The Group provided a loan extension of the remaining principal of HK$62,000,000 for a term of twelve months, and interest-bearing at 6.0% per annum. On 7 November 2018, the remaining principal of HK$62,000,000 was fully received.

(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, who are executive directors of the Company, pursuant to which, the Group agreed to provide Jinfu N.A. a loan of CAD13,400,000 (equivalent to approximately HK$84,019,000), which is interest-bearing at 10% per annum and repayable on demand. 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 recognised an interest income of CAD1,313,000 (equivalent to approximately HK$7,829,000) on the loan to 1121695 B.C. Ltd. At 31 December 2019, the remaining principal of CAD13,400,000 (equivalent to approximately HK$79,911,000) (2018: CAD13,400,000, equivalent to approximately HK$77,049,000) and the relevant interest receivable of CAD3,293,000 (equivalent to approximately HK$19,638,000) (2018: CAD1,980,000, equivalent to approximately HK$11,386,000), aggregating to CAD16,693,000 (equivalent to approximately HK$99,549,000) (2018: aggregating to CAD15,380,000, equivalent to approximately HK$88,435,000) 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) At 31 December 2018, the Group had an outstanding balance of HK$28,998,000 due to a subsidiary of the Company's major shareholder. This balance was unsecured, interest-free and has fully repaid by the Group during the year.

17. ASSET AND DISPOSAL GROUP HELD FOR SALE AND ASSOCIATED LIABILITIES

(i) On 26 December 2019, Shenzhen Dragon Ground Information Development Company Limited* (深圳龍地祥信息發展有限公司 or "**Shenzhen Dragon**"), an indirect wholly-owned subsidiary of the Company, and Beijing Haidian District Huiyuan Agriculture Industry and Commerce Company Limited* (北京市海淀區匯苑農工商公司 or "**Beijing Huiyuan**") entered into an equity transfer agreement, pursuant to which Beijing Huiyuan conditionally agreed to purchase and Shenzhen Dragon conditionally agree to sell its entire 70% equity interest in Beijing Dragon Ground Arts & Crafts Limited* (北京龍地工藝美術品有限責任公司 or "**Dragon Ground**"), an indirect non-wholly owned subsidiary of the Group, for a consideration of RMB77,000,000 (equivalent to approximately HK$85,955,000). The Group has decided to dispose of its entire interest in Dragon Ground because it represented an opportunity for the Group to indirectly realise a property held by Dragon Ground at a reasonable price and enabled the Group to reallocate its resources into future investment opportunities and purse other growth opportunities. The transaction was completed on 10 January 2020 and accordingly, Dragon Ground was classified as a disposal group held for sale as at 31 December 2019.

The major classes of assets and liabilities of Dragon Ground classified as held for sale as at 31 December are as follows:

	2019
	HK$'000
Assets	
Property, plant and equipment	**165**
Investment properties	**318,696**
Goodwill	**40,734**
Prepayments, other receivables and other assets	**3,336**
Cash and cash equivalents	**2,648**
Assets classified as held for sale	**365,579**
Liabilities	
Other payables and accruals#	**(60,496)**
Tax payable	**(5)**
Interest-bearing bank and other borrowings	**(10,047)**
Deferred tax liabilities	**(55,620)**
Liabilities directly associated with the assets classified as held for sale	**(126,168)**
Net assets directly associated with the disposal group	**239,441**

Intragroup balance of HK$123,670,000 was eliminated and thus not included in assets/liabilities classified as held for sale.

(ii) On 12 December 2019, Shanghai Chongyuan Investment Management Company Limited* (上海翀遠投資管理有限公司 or "**Shanghai Chongyuan**") a wholly-owned subsidiary of the Company, and Shanghai Nuoyi Investment Consulting Co., Ltd. * (上海諾毅投資咨詢有限公司 or "**Shanghai Nuoyi**") entered into an equity transfer agreement, pursuant to which Shanghai Nuoyi conditionally agreed to purchase and Shanghai Chongyuan conditionally agree to sell its entire 40% equity interest in BE Fortune (Shanghai) Investment Management Limited* (北控金富(上海)投資管理有限公司 or "**BE Fortune**"), an associate of the Group, with a carrying amount of RMB15,546,000 (equivalent to approximately HK$17,355,000) for a consideration of RMB16,000,000 (equivalent to approximately HK$17,861,000). The transaction was completed on 15 January 2020 and accordingly, the Group's 40% equity interest in BE Fortune was classified as an asset held for sale as at 31 December 2019.

At 31 December 2019, the Group's investment properties included in the disposal group with an aggregate carrying amount of HK$318,696,000 (2018: investment properties of HK$367,838,000) were pledged as securities for the Group's bank loans included in the disposal group.

18. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (2018: HK$123,260,000).

19. EVENTS AFTER THE REPORTING PERIOD

At present, the impact of the Novel Coronavirus ("**COVID-19**") outbreak to the macro-economic conditions as a whole are still uncertain, thus the financial impact on the Group could not be estimated as at the date of this announcement. However, it is noted that production works of geriatric and medical furniture in outsourced factories in China could only maintain limited production or are forced to suspend in the first quarter of Year 2020 due to the outbreak of COVID-19. Certain outsourced factories currently start to resume normal operation. Pending on the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic and operating conditions arising thereof may have impact on the Group's year 2020 financial result. The Group will pay close attention to the development of the COVID-19 and perform further assessment on its impact and take relevant measures if necessary.

On 18 January 2020, the Company and Shanghai Qumun Furniture Co. Ltd. ("**Shanghai Qumun**") entered into a cooperation agreement pursuant to which the Group agreed to enter into a long-term partnership with Shanghai New Qumun Furniture Co. Ltd. ("**New Qumun**"), a non-wholly-owned subsidiary of Shanghai Qumun, for the purpose of utilising their respective experience and resources in the furniture industry to establish a brand new healthcare furniture enterprise specialised in the areas such as medical and geriatric care, covering scientific research, design, production, sale and data management, with the concept of "healthy lifestyle" and support of "technological innovation". The details of the arrangement are still under negotiation as of the date of approval of these financial statements.

On 4 March 2020, the Group subscribed structured deposits with an aggregate amount of RMB186 million (equivalent to approximately HK$208 million) issued by Shanghai Pudong Development Bank. The structured deposits are principal-guaranteed with variable return linked to 1-month USD LIBOR, and will become mature on 4 April 2020.

Except for the impact of the COVID-19 outbreak, cooperation with New Qumun and the structured deposits described above, as well as the disposal of Dragon Ground and BE Fortune stated in note 17, there are no significant events subsequent to 31 December 2019 which may materially affect the Group's operating and financial performance as of the date of approval of these consolidated financial statements.

20. COMPARATIVE AMOUNTS

As further explained in note 3, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not stated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Geriatric care business

In 2019, Chinese government implemented a series of favorable policies, such as "Opinions on Promoting the Development of Geriatric Care" (《推進養老服務發展的意見》) and "National Mid-to-long-term Planning on Aging Population" (《國家積極應對人口老齡化中長期規劃》), which has explicitly stated that China is becoming an aging society with the number of elderly population is growing rapidly. It has also proposed policy support initiatives to, among others, encourage the development of "silver-haired economy" to stimulate domestic demand, improve the effectiveness and efficiency of approvals for geriatric care institutions, reduce the tax burden for geriatric care services, support of the marketisation of geriatric care institutions, expand their scale of operation and develop into chain operations, focus on the development of integration between 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 over ten million bed spaces for the geriatric care institutions as a whole in China in the future. 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 endeavor to develop under the geriatric care services brand names "Golden Sun" and "Hongtai", 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,. The system delivers one-stop geriatric care services to cities and contributes to the continued increase of the profitability of the geriatric care industry. Currently, the Group has developed its geriatric care industry in several cities, including Fuzhou, Shanghai, Nanping, Shijiazhuang, Wuhu, Wuxi, Changzhou.

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" residential service, and has contracted with more than 10 organizations in total for the implementation of direct settlement of service fees with the units. This significantly shortened the settlement cycle and effectively improved our profitability.

As of 31 December 2019, the number of elderly members served by the Group reached 560,000; the number of community service centers reached 351; and the number of bed spaces in the geriatric care institutions reached 3,673. 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 Centre (廣益養老中心), remained at over 95% for a long period of time, while the average occupancy rate of new geriatric care institutions reached over 60%. The average occupancy rate of bed spaces of elderly care centers reached over 85%.

In 2019, the Group added 1,575 bed paces for geriatric care institutions (in Jiangsu Province, Jiangxi Province, Ningxia Autonomous Region), representing a growth of approximately 75% as compared to that of last year. Meanwhile, the Group has newly established or upgraded three nursing homes that incorporate medical and geriatric care (with medical licenses and settlement permit for medical insurance), and planned to closely cooperate with insurance companies with respect to the long-term healthcare insurance system, which in turn will improve our profitability.

The geriatric care business of "Golden Sun" under the Group has been focusing 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. The Group's geriatric care services are mainly operated by providing loan to a number of private non-enterprise entities (collectively referred to as "private non-enterprise entities", the entities excluded from the Group's financial consolidation), which were founded by Golden Sun. Under structural problems such as the absence of large-scale capital inputs by investors and low fees for home-based geriatric care services, the financial performance of the Group's home-based geriatric care services has not been satisfactory and realized as planned to make a profit. Therefore, the Group prudently impaired HK$56,661,000 and HK$70,568,000 of other receivables, goodwill and other intangible assets of the geriatric care business segment for the current year, respectively.

In order to recover part of the investment cost, the Group and Ms. Huang Xiaorong (黄小蓉), the chairwoman of the board of Golden Sun, entered into the equity transfer agreement in 16 December 2019, in relation to the sale of 20% equity interest in Fujian Fu Ling Golden Sun Health and Geriatric Company Limited* (福建省福齡金太陽健康養老股份有限公司) ("**Golden Sun**") to Ms. Huang Xiaorong.

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.

During the year, Vissam Prosperity maintained a rapid growth for its business. Key projects delivered include: the Taikang Rehabilitation Hospital project, the Run Jia Geriatric Care Project (潤家養老專案) 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, the geriatric care project of Zhonghai and the decoration works and furniture project of Beijing Badachu. During the year, newly contracted key projects included the Baihe Baile Chaohu international healthcare general hospital of China Railway No. 4 Engineering, the elderly-friendly furniture project of Shanghai Greenland, the upgrade and reconstruction project for the second academic building of Tsinghua University and the academic building of Shanghai Jiao Tong University. It has also entered into long term strategic cooperation agreement with Taikang Insurance Group, Tianan Life, Beijing Lebai Education and Chengdu Jinwanhui Education.

As of 31 December 2019, the contracted sales amount of Vissam Prosperity was approximately RMB201,779,000, representing a year-on-year growth of 20% as compared to that of 2018. It recorded sales revenue of RMB162,648,000 in 2019, representing a year-on-year growth of 15% as compared to that of 2018.

In January 2020, the Group and Shanghai Qumun Furniture Co. Ltd. entered into a cooperation agreement to establish a brand-new healthcare furniture flagship enterprise specialised in the areas of professional medical and geriatric care furniture, covering scientific research, design, production, sales and data management. The Group expected that the cooperation would rapidly expand the Group's professional medical and geriatric care furniture business, striving to become a leading enterprise in professional medical and geriatric care furniture industry.

Healthcare industrial park business

The Group purchased high-quality lands mainly in first-tier cities such as Beijing, Shanghai based on the policies and directions on land planning adjustments of central and local governments. Leveraging on the transformation and upgrading, it introduced advanced industrial construction philosophy to fully satisfy the needs of the government and market users and the focus has been placed on developing new modes of business operations such as corporate headquarters and healthcare industrial parks.

As of 31 December 2019, the Group is involved in 7 projects in Beijing, Shanghai, Dali and Canada, with a total site area of 449,200 square meters. The implementation plans of each of the projects have obtained support from the governments where the projects are located. As the positioning of the projects are in line with market demand, they are expected to have considerable potential in commercial value enhancement.

On 26 December 2019, the Group sold the Changping, Beijing Project at a total cash receivable of RMB185,184,000.

As of 31 December 2019, the progress of the Group's projects under development is as follows:

Location	Project Name	Land Area *(m^2)*	Shareholding Percentage	Future Planning of the Project	Project Status
Beijing	Chaoyang Port Project	87,607	82.24%	Conform to the global development trend, meet Beijing's urban planning to set up a secondary distribution center and build a "green, innovative and intelligent integrated cluster in Beijing Central Business District"	– The consolidated planning for Chaoyang was submitted and pending approval from the Chaoyang District Beijing Municipal Commission of Planning and Natural Resources
Beijing	Changping Project	13,490	70%	Office and commercial complex	– The project is sold in January 2020.
Shanghai	Sanlu Road Project	20,480	20%	Office and commercial complex	– Properties are recruiting tenants.

Location	Project Name	Land Area *(m^2)*	Shareholding Percentage	Future Planning of the Project	Project Status
Shanghai	Hongmei Road Project	39,448	100%	This project is located at the Zhongxin Industrial Park in Minxing, Shanghai and is in line with the policy of transforming industrial lands in Shanghai into commercial lands. It aims to build a new landmark for the district to serve residents by satisfying their needs for quality lifestyle, become a place for community gathering, and develop a "healthy and green commercial complex for the community and family"	– The analysis of peripheral markets and positioning of the project and the overall planning and design were completed. – A globally renowned store was introduced as one of the flagship stores. – The major consumer base of the project in the future was determined by combining big data and qualitative and quantitative research and completing the analysis of consumers. – The Plan for planning and design was submitted to the government and pre-construction planning procedures are in progress.
Dali	Haidong New District Project	275,181	60%	Greater 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 temporarily terminated. The Group is currently negotiating with the local government for the refund of land grant premium and compensation matters.
Canada	Ovation	2,425	N/A[1]	Artistic health apartments	– The pre-sale of this project began in April 2019, and over half of the saleable units were sold currently. The project began construction at the beginning of 2020.
Canada	Royal Tower	10,588	N/A[1]	Urban health apartments	– Pre-construction planning procedures are under process for approval. The Group plans to build a commercial and residential project with 900 units. It is expected that the permit will be obtained by the end of 2020.

Note (1): Involvement in the Project by debt investment

SPORTS AND ENTERTAINMENT BUSINESS

Beijing Sports and Entertainment Industry Group Limited ("**Beijing Sports**", a company listed on Hong Kong Main Board, stock code:1803 and an associate of the Company) engages in sports related business and positioned at the construction and operation of stadiums and the construction and operation of winter theme parks. MetaSpace (Beijing) Air Dome Corp. ("**MetaSpace**"), the subsidiary of Beijing Sports, is a leading integrated service provider for the construction and management of air dome facilities in the PRC. These air domes are widely adapted in multi-functional facilities such as sports and recreational facilities, logistic and warehousing centers, industrial storage facilities as well as commercial exhibition spaces. Due to difference in structure from the traditional ones, the construction and operation of air dome structure are low in cost with high efficiency and require short period of time for construction, which enable easy relocation and expansion in open areas.

As at the end of 2019, MetaSpace had constructed over 200 air dome facilities throughout the PRC. Currently, the major customers of MetaSpace include sports & event organizers, government departments, real estate developers and warehouse operators. Beijing Sports will continue to invest in the research and development for the design technology for the planning and construction of high-performance air dome facilities and commit to synergise the advantages in areas such as aerodynamics, new materials, ergonomics and energy saving and environmental protection and leave room for multi-functional facilities so as to cater for and meet the needs of customers from different industries and departments. MetaSpace has obtained more than 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.

For the year ended 31 December 2019, the revenue of MetaSpace generated from construction services of air dome facilities was approximately HK$155 million, of which approximately 63% was used in sports facilities, approximately 22% was used in warehouse facilities and 5% was used in agricultural facilities, while the remaining approximately 10% was used for other functional purposes.

At the end of 2018, the strategic cooperation agreement and between the Group and the Chinese Athletic Association was signed, and an agreement of intent was reached. During the year, both parties proactively planned for commercializing the operation of the track and field industry and to remodel the commercial value system of the track and field industry basing on marathon and promote favorable interactions between mass sports, competitive sports and the sports industry in order to drive a prosperous development for public sports, create a unicorn for the Chinese sports industry and play the positive role as industry leader.

FUTURE PROSPECTS

Beijing Enterprises Medical and Health Industry Group will take "Healthy China" as our mission and continue to grasp and fully utilize the favorable external environment of China's geriatric, medical and health industry and consider the greater health industry as the development direction, actively explore in the field and seek premium cooperative partners and consolidate social resources in order to speed up deployment in the market.

As the policy for geriatric industry in the PRC become more concrete, together with the gradual enhancement of marketisation of the industry, the general geriatric care institutions and the integration of medical care services will become the major development direction for the geriatric industry in the PRC in the future. The Group plans to grasp the opportunity created by policy and market, and strive to increase the number of bed spaces for geriatric care institutions to over 10,000 in three years and endeavor to build an operation mode with more innovative ideas, personalized services and highly efficient profitability.

As for the sales of medical and geriatric products, we seek to speed up growth in business through the merging with industry peers, expansion of production capabilities, distribution network as well as the brand effect.

As for the healthcare industrial park business, we will use all effort to push forward the pre-construction developing procedures and negotiate with the local government for a land premium adjustment amount at a competitive level, so as to build a commercial complex with space for social gathering that suits people's demand for living quality.

As for the sports and entertainment business sector, we will continue to negotiate with the Chinese Athletic Association based on the strategic co-operation agreement signed in November 2018 by both parties and adopt a corporate operation mode for the track and field industry. By creating different product sectors such as the organization and operation of sport events, training, sports agency, sports finance and application of big data in sports, we strive to build a comprehensive industry chain.

The outbreak of novel coronavirus pandemic in early 2020 has spread across the world. Given the increasingly difficult environment for businesses, the outbreak may lead to a global economic downturn and depression. Our business mainly focuses on providing geriatric and medical industry related products and services to meet the rigid demand within the industry, which, however, may encounter fluctuation as a result of the pandemic and the economic growth in China, and the influence depends on the time required to get the pandemic under control. In the light of current challenges, the management will closely monitor the development and formulate relevant strategies when necessary.

MATERIAL INVESTMENTS

There were no new material investments other than the daily business of the Group for the year ended 31 December 2019.

MAJOR ACQUISITIONS AND DISPOSALS

On 16 December 2019, the Group entered into an equity sale and purchase agreement with Ms Huang Xiaorong, to transfer 20% of the equity interest of Fujian Fu Ling Golden Sun Health and Geriatric Company Limited for a consideration of RMB40,000,000 (equivalent to approximately HK$44,653,000) and the disposal was completed on 17 December 2019. Details of the disposal were disclosed in Note 13 "Disposal of Subsidiaries".

On 26 December 2019, the Group entered into an equity sales and purchase agreement with Beijing Haidian District Huiyuan Agriculture Industry and Commerce Company Limited* (北京市海澱區匯苑農工商公司) and transferred 70 % of the equity interests in Beijing Dragon Ground Arts & Crafts Limited* (北京龍地工藝美術品有限責任公司) at the consideration of RMB77,000,000 (equivalent to approximately HK$85,955,000) and the disposal was completed in early 2020. Details of the disposal are disclosed in the Note 17 "Asset and disposal group held for sale and associated liabilities".

The Group did not have any major acquisitions for the year ended 31 December 2019.

FINANCIAL REVIEW

Revenue and gross profit

As of 31 December 2019, revenue of the Group was approximately HK$200,755,000 (2018: HK$178,885,000), representing an increase of 12.2% as compared to that of 2018, which was mainly due to growth in revenue generated from the sale of geriatric and medical furniture by 15%.

The subsidiary of the Group, which engaged in sale of the medical and geriatric furniture, experiencing rapid growth in 2019. Key projects delivered include: the Taikang Rehabilitation Hospital project, the Run Jia Geriatric Care Project 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, the geriatric care project of Zhonghai and the decoration works and furniture project of Beijing Badachu. During the year, newly contracted key projects included the Baihe Baile Chaohu international healthcare general hospital of China Railway No. 4 Engineering, the elderly-friendly furniture project of Shanghai Greenland, the upgrade and reconstruction project for the second academic building of Tsinghua University and the academic building of Shanghai Jiao Tong University. It has also entered into long term strategic cooperation agreement with Taikang Insurance Group, Tianan Life, Beijing Lebai Education and Chengdu Jinwanhui Education.

The gross profit of the Group was approximately HK$63,387,000 (2018: HK$57,246,000) and the gross profit margin was 31.6% (2018: 32%).

Other income and gains, net

As of 31 December 2019, other income and gains was approximately HK$64,547,000, representing a decrease of 82.4% as compared with HK$367,138,000 in 2018.

Other income and gains was mainly the gains of HK$48,876,000 generated from the disposal of subsidiaries, representing a decrease of 78.2% as compared to HK$223,899,000 in 2018. Excluding the gain from the disposal of subsidiaries, other gains was approximately HK$15,671,000, representing a decrease of 89.1% as compared to HK$143,239,000 in 2018, which was mainly attributable to the investment properties located in Shanghai and Beijing with the decreasing fair value of approximately HK$41,747,000 in 2019 (2018: fair value gain of HK$76,991,000).

Remaining other income and gains was mainly interest income of HK$31,188,000 (2018: HK$41,861,000) generated from the loans we lent as a strategic plan for idle funds and the rental income of HK$24,370,000 (2018: HK$22,539,000).

Selling and distribution expenses

As of 31 December 2019, the selling and distribution expenses of the Group was approximately HK$25,393,000 (2018: HK$43,571,000), representing 12.6% (2018: 24.4%) of the total sales amount. The selling and distribution expenses mainly comprise of remuneration of HK$5,651,000 (2018: HK$10,809,000), transportation costs of HK$12,134,000 (2018: HK$9,386,000), promotion fee of HK$2,521,000 (2018: HK$3,121,000) and no intermediary expense (2018: HK$15,368,000) for the disposal of the subsidiary project.

Administrative expenses

As of 31 December 2019, the administrative expenses were HK$147,816,000, representing a decrease of 22.8% of the expenses as compared to HK$191,557,000 in 2018. The administrative expenses mainly include staff costs (excluding Directors' remuneration) of HK$52,577,000 (2018: HK$60,641,000), professional advisory fees of HK$10,102,000 (2018: HK$20,350,000), depreciation and amortization costs of HK$31,915,000 (2018: HK$25,578,000) and share option expenses of HK$297,000 (2018: HK$5,689,000), business entertainment expenses of HK$7,476,000 (2018: HK$9,806,000), travelling expenses of HK$5,849,000 (2018: HK$8,974,000) and lease expenses of HK$4,357,000 (2018: HK$8,155,000).

The decrease in administrative expenses was mainly due to the implementation of cost-control measures. During the year, the Group reviewed the necessity of various administrative expenses and cut down unnecessary expenses, which effectively reduced most of the administrative expenses including travelling expenses, office expenses and business entertainment expenses, by 32% compared to last year.

Net impairment of financial and contract assets and other expenses

Net impairment of financial and contract assets and 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$63,284,000 (2018: HK$15,820,000), impairment of goodwill and intangible assets of approximately HK$70,568,000 (2018: HK$34,465,000) and impairment of investment in associates of approximately HK$254,775,000 (2018: Nil).

Finance cost

As of 31 December 2019, the finance cost of non-lease liability interest was HK$8,968,000 (2018: HK$12,850,000), and there was no interest capitalised (2018: HK$3,465,000). The finance cost of non-lease liability interest was mainly attributable to the interests of the bank loans, and the decrease in finance cost of non-loease interest was mainly due to the decrease in weighted average principal of loans. The weighted avera ge principal of the bank loan amounted to RMB118,033,000 (equivalent to approximately HK$131,763,000) and the weighted average annual interest rate was approximately 6.32%.

Net assets

As at 31 December 2019, the net assets of the Group was approximately HK$2,575,116,000, representing a decrease of approximately HK$557,929,000 as compared to the total net assets of approximately HK$3,133,045,000 in 2018. Excluding the generation of loss of approximately HK$476,082,000 during the year, the net assets decreased by HK$81,847,000 as compared to 2018, which was mainly due to the weakened exchange rate of RMB against Hong Kong dollar of approximately 2.2% during 2019, the recognised exchange losses of HK$40,703,000 in other comprehensive income of the Group and equity investments designated at FVOCI were recognised as fair value loss of approximately HK$31,285,000 as of 31 December 2019.

Liquidity and financial resources

As at 31 December 2019, the Group's cash in hand was HK$442,371,000 (2018: HK$764,118,000); the Group had no restricted bank balances (2018: HK$11,755,000). The Group's long-term and short-term loan was HK$109,843,000 in total (2018: HK$187,148,000). Total debt decreased by approximately HK$77,305,000, mainly due net of the repayment of total working capital of approximating HK$64,291,000 for the year ended 31 December 2019.

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 2019, the Group's capital expenditure was approximately HK$56,091,000 (2018: HK$49,674,000), including the purchase of properties, plants and equipment, property under development and investment properties.

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 year, the Group's operations were mainly financed by internal resources and bank loans.

Pledge of assets

The Group's bank loans at 31 December 2019 are secured by mortgages over a land use right included in right-of-use assets with a carrying amount at the end of the reporting period of HK$209,735,000 (31 December 2018: HK$239,545,000).

In addition, certain of the Group's bank loans at 31 December 2018 were secured by:

(i) mortgages over certain of the Group's investment properties situated in the PRC with an aggregate carrying amount at 31 December 2018 of HK$367,838,000;

(ii) a mortgage over a building of the Group situated in the PRC with a carrying amount at 31 December 2018 of HK$57,394,000; and

(iii) the pledge of certain of the Group's time deposits amounting to HK$5,706,000.

Contingent liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

Litigations

As stated in the announcement dated 11 March 2019, the Yunnan provincial government has announced the temporary suspension of the development and construction in Haidong New District for the purpose of protecting the ecological environment of Erhai Lake in Dali City. On 12 October 2019, Dali Guangchen Real Estate Development Co., Ltd.* (大理廣晨基業房地產開發有限公司), a non-wholly owned subsidiary of the Company ("**Guangchen**") initiated an administrative proceedings to the local court against the relevant authority of the Dali municipal government in respect of the suspension on development and construction. After the bill of indictment and associated evidence have been delivered to relevant governmental authority by the local court, the relevant governmental authority immediately contacted and commenced negotiation with Guangchen. Guangchen has submitted opinions for settlement and withdrawal twice based on the negotiation, but both party were yet able to enter into a settlement agreement. On March 2020, our Group received the administrative judgement dated 3 March 2020 from the Intermediate People's Court of Dali Bai Autonomous Prefecture, Yunan Province, which ruled that the indictment made by Guangchen did not meet the conditions as acceptable administrative case, such that the prosecution by Guangchen was dismissed.

In February 2020, Dali Haidong Development and Management Commission published the adjusted opinions for the controlling and detailed planning of the land involved, where the usage of 4 parcels of land owned by Guangchen were adjusted from residence and commercial service to healthcare. In view of the current evidence, the Group adjusted its tactics for the proceedings in time and sought reliefs by cancellation of Land Transfer Contracts, refund of the land-transferring fees and compensation for loss, and submitted filing materials to the court and is now awaiting the court's filing review. The Group expects the local court will give the judgement of the first-instance within six months from the date of filing.

Foreign exchange risk

The Group's exposure to foreign exchange risks was primarily related to other receivables and amounts due from related parties denominated in CAD. 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 2019, 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 2019, there was no significant and material dispute between the Group and its suppliers and/or customers.

Employee benefits and training

As at 31 December 2019, the Group had approximately 240 (2018: 1,044) employees. Total staff cost (excluding Directors' remuneration) as of 31 December 2019 amounted to approximately HK$58,228,000 (2018: HK$79,573,000). 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 2019, 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, three independent non-executive directors of the Company were unable to attend the annual general meeting held on 24 May 2019.

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 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 year ended 31 December 2019.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: 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 2019.

The independent auditors reviewed the initial result announcement

The financial figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2019 have been agreed by the Group’s auditor, Ernst & Young. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 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.

* *For identification purpose only*

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

Hong Kong, 31 March 2020

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.