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北控醫療健康產業集團有限公司
Beijing Enterprises Medical And Health Industry Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2389)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, together with the comparative figures for the year 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	5	149,887	200,755
Cost of sales		(117,095)	(137,368)
Gross profit		32,792	63,387
Other income and gains, net	5	55,991	64,547
Selling and distribution expenses		(20,026)	(25,393)
Administrative expenses		(111,770)	(147,816)
Impairment losses on financial assets, net		(33,960)	(63,284)
Other expenses and losses		(78,519)	(343,430)
Finance costs	7	(1,938)	(10,213)
Share of profits and losses of:			
Joint ventures		(12,758)	(5,843)
Associates		(30,522)	(12,073)
LOSS BEFORE TAX	6	(200,710)	(480,118)
Income tax credit	8	721	4,036
LOSS FOR THE YEAR		(199,989)	(476,082)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Debt investment at fair value through other comprehensive income:		
Change in fair value	2,336	–
Reclassification adjustments for impairment losses included in profit or loss	601	–
Exchange differences:		
Exchange differences on translation of foreign operations	107,982	(40,703)
Reclassification adjustments for foreign operations disposed of during the year	8,548	(4,943)
Share of other comprehensive loss of a joint venture	(399)	–
Share of other comprehensive income of associates	<u>2,634</u>	<u>936</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	121,702	(44,710)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	<u>(4,246)</u>	<u>(31,285)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(4,246)</u>	<u>(31,285)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>117,456</u>	<u>(75,995)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(82,533)</u>	<u>(552,077)</u>

	2020	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:		
Owners of the parent	(185,324)	(422,394)
Non-controlling interests	(14,665)	(53,688)
	<u>(199,989)</u>	<u>(476,082)</u>
 Total comprehensive loss attributable to:		
Owners of the parent	(87,314)	(487,399)
Non-controlling interests	4,781	(64,678)
	<u>(82,533)</u>	<u>(552,077)</u>
 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
	<i>10</i>	
Basic and diluted	<u>HK(3.05) cents</u>	<u>HK(6.96) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		112,862	107,740
Investment properties		105,038	101,362
Right-of-use assets	14(a)	469,821	462,024
Properties under development		453,954	426,488
Goodwill		79,979	79,979
Other intangible assets		–	–
Investments in joint ventures		98,318	9,464
Investments in associates		178,902	222,209
Equity investments designated at fair value through other comprehensive income		303,986	213,108
Debt investment at fair value through other comprehensive income		42,375	–
Financial assets at fair value through profit or loss		3,317	–
Prepayments and other receivables		218,937	224,258
Deferred tax assets		1,744	986
Total non-current assets		<u>2,069,233</u>	<u>1,847,618</u>
CURRENT ASSETS			
Inventories		51,810	33,866
Trade and bills receivables	11	34,544	41,427
Prepayments, other receivables and other assets		148,394	150,869
Due from a related party		–	99,549
Financial assets at fair value through profit or loss		24,995	65,934
Restricted bank balances		2,217	–
Cash and cash equivalents		477,420	442,371
Assets and disposal group classified as held for sale	17	<u>739,380</u>	<u>834,016</u>
		–	382,934
Total current assets		<u>739,380</u>	<u>1,216,950</u>
CURRENT LIABILITIES			
Trade payables	12	34,324	35,369
Other payables and accruals		145,132	114,563
Interest-bearing bank and other borrowings		34,930	109,843
Lease liabilities	14(b)	5,062	6,224
Tax payable		1,297	1,757
Liabilities directly associated with the assets classified as held for sale	17	<u>220,745</u>	<u>267,756</u>
		–	126,168
Total current liabilities		<u>220,745</u>	<u>393,924</u>
NET CURRENT ASSETS		<u>518,635</u>	<u>823,026</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,587,868</u>	<u>2,670,644</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities	<i>14(b)</i>	1,650	5,887
Deferred tax liabilities		86,779	82,517
Other payables		8,399	7,124
		<hr/>	<hr/>
Total non-current liabilities		96,828	95,528
		<hr/>	<hr/>
Net assets		2,491,040	2,575,116
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,215,789	1,215,789
Reserves		1,066,049	1,150,242
		<hr/>	<hr/>
		2,281,838	2,366,031
		<hr/>	<hr/>
Non-controlling interests		209,202	209,085
		<hr/>	<hr/>
TOTAL EQUITY		2,491,040	2,575,116
		<hr/>	<hr/>

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 Cricket Square, Hutchins Drive, P.O. Box 2681, KY1-1111, Grand Cayman, Cayman Islands.

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”), debt investment at FVOCI and bills receivable 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 2020. 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 *Conceptual Framework For Financial Reporting 2018* and the following revised HKFRSs for the first time in the current year:

Amendments to HKFRS 3	<i>Definition of a business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest rate benchmark reform</i>
Amendment to HKFRS 16	<i>Covid-19-related rent concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of material</i>

The application of *the Conceptual Framework For Financial Reporting 2018* and the revised standards has had no material impact on the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{3,6}
Amendments to HKAS 1	<i>Classification of liabilities as Current or Non-current</i> ^{3,5}
Amendments to HKAS 16	<i>Property, plant and equipment: Proceeds before Intended Use</i> ²
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ²
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ No mandatory effective date yet determined but available for adoption.

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion.

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

The Directors do not anticipate that the application of new and revised HKFRSs and Interpretations will have material impact on the consolidated financial statements 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, 98% (2019: 100%) of the Group's revenue was generated from customers in Mainland China and over 80% (2019: over 90%) of the Group's non-current assets, excluding financial instruments and deferred tax assets, were located in Mainland China.

Revenue of approximately HK\$23,437,000 (2019: HK\$41,035,000) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers	<u>149,887</u>	<u>200,755</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December

	2020 Total <i>HK\$'000</i>	2019 Total <i>HK\$'000</i>
Type of goods or services		
Sale of goods	143,274	186,401
Rendering of services	<u>6,613</u>	<u>14,354</u>
Total revenue from contracts with customers	<u>149,887</u>	<u>200,755</u>
Geographical markets		
Mainland China	147,550	200,755
Middle East	<u>2,337</u>	<u>–</u>
Total revenue from contracts with customers	<u>149,887</u>	<u>200,755</u>

During the year, the Group recognised revenue of HK\$28,554,000 (2019: HK\$33,835,000) and nil (2019: HK\$478,000) that were included in the contract liabilities in respect of the sale of goods and rendering of 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	92,985	38,528
After one year	22,570	2,129
	<u>115,555</u>	<u>40,657</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to sale of goods and warranty services included in sale contracts, of which the performance obligations are to be satisfied within two to fifteen years. All the other amount of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income			
Bank interest income		12,069	8,776
Other interest income		19,313	22,412
Investment income and return from a debt investment at fair value through other comprehensive income		3,900	–
Investment income and return from equity investment at fair value through other comprehensive income		2,493	–
Gross rental income from investment property operating leases		3,779	24,370
Dividend income		–	1,076
Government subsidies		831	574
Covid-19-related rent concessions from lessors	<i>14(c)</i>	126	–
Sundry income		380	2,539
		<u>42,891</u>	<u>59,747</u>
Gains			
Gain on disposal of property, plant and equipment		8,604	234
Fair value losses on investment properties, net		(2,695)	(41,747)
Fair value losses on financial assets at fair value through profit or loss		1,894	(9,631)
Fair value losses on financial liabilities, net		–	(210)
Gain on disposal of subsidiaries		–	48,876
Gain on disposal of an associate		3,504	–
Gain on bargain purchase		1,463	1,314
Foreign exchange differences, net		330	5,964
		<u>13,100</u>	<u>4,800</u>
		<u>55,991</u>	<u>64,547</u>

6. LOSS BEFORE TAX

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

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold		112,848	127,550
Cost of services provided		4,247	9,818
Depreciation of property, plant and equipment		10,685	10,953
Depreciation of right-of-use assets	<i>14(a)</i>	21,239	23,886
Less: amount capitalised		<u>–</u>	<u>(1,558)</u>
		21,239	22,328
Amortisation of other intangible assets		–	139
Impairment of goodwill*		–	63,236
Impairment of other intangible assets*		–	7,332
Impairment of a property under development*		–	18,087
Impairment of an investment in an associate*		22,253	254,775
Impairment of an investment in a joint venture*		5,440	–
Lease payments not included in the measurement of lease liabilities		3,213	4,638
Auditor's remuneration		1,650	1,650
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		37,664	56,114
Equity-settled share-based payment expense		–	63
Pension scheme contributions (defined contribution scheme)**		765	6,108
		<u>38,429</u>	<u>62,285</u>
Equity-settled share-based payment expense for consultancy services		–	36
Loss on disposal of a subsidiary	<i>13</i>	27,337	–
Provision for compensation payment in relation to disposal of a subsidiary		21,265	–
Impairment of financial assets:			
Impairment of trade receivables, net***		(185)	6,623
Impairment of financial assets included in prepayments, other receivables and other assets***		33,544	56,661
Impairment of a debt investment at fair value through other comprehensive income***		601	–
		<u>33,960</u>	<u>63,284</u>
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		<u>–</u>	<u>1,680</u>

* 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.

** At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2019: nil).

*** These items are included in “Impairment losses of financial assets, net” in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank and other borrowings		1,492	8,968
Interest on lease liabilities	<i>14(b)</i>	446	1,245
		<u>1,938</u>	<u>10,213</u>

8. INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current-PRC corporate income tax		
Charge for the year	1,133	3,366
Overprovision in prior years	(203)	(1,132)
Current-Canada withholding tax on interest income	–	925
Deferred	<u>(1,651)</u>	<u>(7,195)</u>
Total tax credit for the year	<u>(721)</u>	<u>(4,036)</u>

Hong Kong profits tax

During the year ended 31 December 2020, no Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong during the year (2019: 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 a PRC subsidiary which is entitled to a preferential tax rates of 5%.

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 in 2019.

9. DIVIDEND

The directors do not recommend the payment of any dividend for the year (2019: nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of approximately HK\$185,324,000 (2019: HK\$422,394,000), and the weighted average number of ordinary shares of 6,078,944,027 (2019: 6,070,724,315) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

11. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	40,421	48,136
Impairment	(6,946)	(6,709)
	<hr/>	<hr/>
	33,475	41,427
Bills receivable	1,069	–
	<hr/>	<hr/>
	34,544	41,427
	<hr/>	<hr/>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 6 months	26,593	36,494
7 to 12 months	3,126	3,746
13 to 18 months	3,025	780
19 to 24 months	731	407
	<u>33,475</u>	<u>41,427</u>

At 31 December 2020, the Group's bills receivable would mature within twelve (2019: nil) months.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of year	6,709	216
Impairment losses, net (<i>note 6</i>)	(185)	6,623
Exchange realignment	422	(130)
	<u>6,946</u>	<u>6,709</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	18,377	25,773
Over 3 months	15,947	9,596
	<u>34,324</u>	<u>35,369</u>

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

13. DISPOSAL OF SUBSIDIARIES

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net assets disposed of:			
Property, plant and equipment		165	3,225
Investment properties		318,696	–
Right-of-use assets	<i>14(a)</i>	–	14,205
Goodwill		40,734	–
Other intangible assets		–	287
Inventories		–	503
Trade receivables		–	1,360
Prepayments, other receivables and other assets		3,336	22,524
Cash and cash equivalents		2,648	16,711
Trade payables		–	(1,211)
Other payables and accruals		(60,496)[#]	(25,348)
Interest-bearing bank and other borrowings		(10,047)	–
Lease liabilities	<i>14(b)</i>	–	(13,333)
Tax payable		(5)	–
Deferred tax liabilities		(55,620)	–
Non-controlling interests		(23,275)	(15,722)
		216,136	3,201
Exchange fluctuation reserve		8,548	(4,943)
		224,684	(1,742)
(Loss)/gain on disposal of subsidiaries	<i>5, 6</i>	(27,337)	48,876
		197,347	47,134
Satisfied by:			
Cash		197,347[#]	3,657
Other receivables		–	33,490
Investments in associates		–	9,987
		197,347	47,134

[#] Intragroup payable of HK\$123,670,000 was eliminated and thus not included in the balance of other payables and accruals of the disposed subsidiary. Such intragroup payable was settled and paid to the Group by the buyer as part of the disposal transaction and thus included in the cash consideration of HK\$197,347,000.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash consideration	197,347	3,657
Cash and cash equivalents disposed of	<u>–</u>	<u>(16,711)</u>
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	<u>197,347</u>	<u>(13,054)</u>

The above assets (including cash and cash equivalents) and liabilities of the disposed subsidiary were aggregated and included in assets and disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale, respectively, in the consolidated statement of financial position prior to the completion of the disposal transaction. Accordingly, the cash and cash equivalents of the disposed subsidiary of HK\$2,648,000 were not included in the calculation of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries.

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 3 months and 3 years.

(a) Right-of-use assets

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

	Leasehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2019	528,171	19,725	547,896
Additions	–	15,466	15,466
Transfer to properties under development	(52,410)	–	(52,410)
Disposal of subsidiaries (<i>note 13</i>)	–	(14,205)	(14,205)
Depreciation charge (<i>note 6</i>)	(15,574)	(8,312)	(23,886)
Exchange realignment	<u>(10,297)</u>	<u>(540)</u>	<u>(10,837)</u>
As at 31 December 2019 and 1 January 2020	449,890	12,134	462,024
Additions	–	3,856	3,856
Depreciation charge (<i>note 6</i>)	(14,767)	(6,472)	(21,239)
Termination of leases	–	(3,250)	(3,250)
Exchange realignment	<u>28,118</u>	<u>312</u>	<u>28,430</u>
As at 31 December 2020	<u>463,241</u>	<u>6,580</u>	<u>469,821</u>

At 31 December 2020, the Group's right-of-use assets with an aggregate carrying amount of nil (2019: HK\$209,735,000) were pledged as security for the Group's bank loans.

(b) Lease liabilities

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount at 1 January	12,111	19,533
New leases	3,856	15,466
Accretion of interest recognised during the year (<i>note 7</i>)	446	1,245
Covid-19-related rent concessions from lessors	(126)	–
Payments	(6,871)	(10,217)
Disposal of a subsidiary (<i>note 13</i>)	–	(13,333)
Termination of leases	(3,023)	–
Exchange realignment	319	(583)
	<hr/>	<hr/>
Carrying amount at 31 December	6,712	12,111
	<hr/>	<hr/>
Analysed into:		
Current portion	5,062	6,224
Non-current portion	1,650	5,887
	<hr/>	<hr/>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation charge of right-of-use assets (<i>note 6</i>)	21,239	23,886
Less: Amount capitalised	–	(1,558)
	<hr/>	<hr/>
	21,239	22,328
Interest on lease liabilities	446	1,245
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December (included in selling and administrative expenses)	3,062	4,638
Expense relating to leases of low-valued assets (included in administrative expenses)	151	–
Covid-19-related rent concessions from lessors	(126)	–
	<hr/>	<hr/>
Total amount recognised in profit or loss	24,772	28,111
	<hr/>	<hr/>

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\$3,779,000 (2019: HK\$24,370,000), detail of which are included in note 5 to the consolidated financial statements.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	3,574	3,220
After one year but within two years	3,727	3,358
After two years but within three years	3,887	3,502
After three years but within four years	3,717	3,652
After four years but within five years	–	3,492
	<u>14,905</u>	<u>17,224</u>

15. COMMITMENTS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted, but not provided for:		
Land and buildings	55,215	52,161
Properties under development	22,588	20,184
	<u>77,803</u>	<u>72,345</u>

16. RELATED PARTY TRANSACTIONS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from a company which is jointly controlled by the directors of the Company	4,060	7,829

Note:

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 Canadian dollar (“CAD”) 13,400,000, which is interest-bearing at 10% per annum and repayable at three years after the withdrawn of the loan, or repayable on demand by the borrower. On 20 July 2017, the Group entered into a loan facility supplementary agreement with Jinfu N.A. and its then subsidiary, 1121695 BC Ltd (“BC Ltd”), pursuant to which, the borrower of the loan was changed from Jinfu N.A. to BC Ltd.

During the year, the Group recognised an interest income of CAD727,000 (equivalent to approximately HK\$4,060,000) on the loan to BC Ltd from 1 January 2020 to 20 July 2020, the maturity date of the aforesaid loan facility agreement. At 20 July 2020, the principal of CAD13,400,000 (equivalent to approximately HK\$79,312,000) and the relevant interest receivable of CAD4,020,000 (equivalent to approximately HK\$23,793,000), aggregating to CAD17,420,000 (equivalent to approximately HK\$103,105,000), were capitalised into the shares issued to the Company based on the Listco Loan Capitalisation Agreement entered into between the Company and BC Ltd, signed on 9 July 2020.

The shares represents 47.47% of the enlarged issued shares of the BC Ltd, which has become a joint venture of the Group.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	197	200
Salaries, allowances and benefits in kind	1,227	1,227
Equity-settled share option expense	<u>–</u>	<u>11</u>
Total compensation paid to key management personnel	<u>1,424</u>	<u>1,438</u>

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 pursue 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.

* *For identification purpose only*

The major classes of assets and liabilities of Dragon Ground classified as held for sale as at 31 December 2019 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
	<hr/>
Assets classified as held for sale	365,579
	<hr/>
Liabilities	
Other payables and accruals [#]	(60,496)
Interest-bearing bank and other borrowings	(10,047)
Tax payable	(5)
Deferred tax liabilities	(55,620)
	<hr/>
Liabilities directly associated with the assets classified as held for sale	(126,168)
	<hr/>
Net assets directly associated with the disposal group	239,411
	<hr/>

[#] 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.* (上海諾毅投資諮詢有限公司 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.

* *For identification purpose only*

At 31 December 2019, the Group’s investment properties included in the disposal group with a carrying amount of HK\$318,696,000 were pledged as security 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 (2019: nil).

19. EVENTS AFTER THE REPORTING PERIOD

On 6 January 2021, the Group subscribed structured deposits with an aggregate amount of RMB100 million (equivalent to approximately HK\$120 million) issued by Shanghai Pudong Development Bank. The structured deposits were principal-guaranteed with variable return linked to EUR/USD rate and became mature on 7 February 2021.

On 8 February 2021, the Group subscribed structured deposits with an aggregate amount of RMB100 million (equivalent to approximately HK\$120 million) issued by Shanghai Pudong Development Bank. The structured deposits are principal-guaranteed with variable return linked to EUR/USD rate and became mature on 10 March 2021.

On 5 March 2021, the Group agreed to make a payment of approximately RMB18,934,000 (equivalent to approximately HK\$21,265,000) to the buyer of Beijing Beijian Inland Port International Logistics Co., Ltd. as a compensation for the expropriation of forest lands requested by Beijing Gardening and Greening Bureau (Chaoyang District).

On 26 March 2021, the Group subscribed structured deposits with an aggregate amount of RMB75 million (equivalent to approximately HK\$89.25 million) issued by Bank of Beijing Co., Ltd. The structured deposits are principal-guaranteed with variable return linked to 3-month USD LIBOR rate and will become mature on 29 June 2021.

Save as disclosed above, there are no significant events subsequent to 31 December 2020 which may materially affect the Group’s operating and financial performance as of the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Geriatric Care Business

During the outbreak of Covid-19, the Group's geriatric care institutions business demonstrated strong rigid demand and continued to maintain stable results and dynamic development.

During the year, the occupancy rate of bed spaces of the Group's geriatric care institutions was stable. The rigid market demand for bed space of geriatric care institutions became increasingly evident, and the business generated sustainable and stable cash flow. In addition, the policy support for bed space of geriatric care institutions in the PRC has been increasing, and the pace of promoting market-oriented reform has been accelerating.

As of the end of 2020, the Group managed 5 geriatric care institutions with a total of 1,035 beds, including 479 beds for medical care services in 3 medical institutions. The average occupancy rate reached over 63% and the operating cash flow was stable. The annual revenue from beds for geriatric care services (in the Yangtze River Delta region) in 2020 amounted to RMB25.64 million*.

* *This revenue included the revenue from the private non-profit companies which were founded by the Group's subsidiaries.*

Brief Description of Geriatric Care Project

1. Wuxi Liangxi District Guangyi Geriatric Care Center and Fuma Nursing Home

First established in July 1983, included in Projects Benefiting the People in 2009 and the total investment made by the local government for reconstruction amounted to over RMB40 million. The residential institution has a built-up area of about 20 acres and total gross floor area of about 10,000 sq.m.. The residential institution has double qualification of geriatric care center and nursing home. It was honored with provincial and municipal demonstrative geriatric care institutions and advanced unit consecutively for many years.

- Opening Date: 2015
- Number of beds: 285, of which 179 beds are for medical care service.
- Occupancy rate: 100%

2. Wuxi Liangxi District Wuhe Geriatric Care Center and Yikang Nursing Home

Established in 2012, the project is situated at Block C, 20 Antou Qiao, Wuxi. It has a gross floor area of approximately 3,500 sq.m. and has double qualification of geriatric care center and nursing home. The center has set up function rooms such as chess room, reading room, studio, rehabilitation room.

- Opening Date: December 2018
- Number of beds: 160, of which 100 beds are for medical care service.
- Occupancy rate: 80%

3. Changzhou Xinbei District Xuejia Aixin Nursing Home

The institution is situated at the centre of Xuejiazhen, Xinbei District, Changzhou with a gross floor area of approximately 12,500 sq.m.. It has a green area of approximately 6,200 sq.m.. There are two buildings, the southern block has 3 floors and the northern block has 4 floors. The residential institution has double qualification of geriatric care center and nursing home.

- Opening Date: June 2020
- Number of beds: 375, of which 200 beds are for medical care service
- Occupancy rate: 24% (Newly opened)

4. *Wuxi Liangxi District Huifeng Yikangyuan*

The institution was built in April 2005. The Group took over in 2017 and carried out renovation and alteration. The gross floor area was 2,400 sq.m.. Green coverage reached 60%. The residential institution has set up function rooms such as chess room, reading room, studio and gym room. The outdoor garden provides sufficient space for the elders.

- Opening Date: December 2017
- Number of beds: 100
- Occupancy rate: 50%

5. *Wuhu Jinghu District Elderly Care Centre*

The institution is situated at 3-1 land parcel, Century City, Jinghu District, Wuhu city. It was converted from Jinghu District Old-age University with a gross area of 3,300 sq.m.. The residential institution provides services such as long term and short term foster care, day care and respite care. Meanwhile, it provides home health care social services to the nearby areas.

- Opening Date: August 2018
- Number of beds: 115
- Occupancy rate: 85%

Health Industrial Park Business

The Group acquired land parcels of high-quality 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, the Group introduced advanced industrial construction philosophy to fully satisfy the needs of the government and market users with the focus being placed on new modes of business operations such as setting up corporate headquarters and healthcare industrial parks.

As of 31 December 2020, the Group participated in six projects in total in Beijing, Shanghai, Dali and Canada with a total site area of over 400,000 sq.m. The implementation plans of each of the projects have gained support from the local governments where the projects are located. As the projects are positioned in line with the market demand, it is expected that the projects will have considerable potential for appreciation in commercial value.

As of 31 December 2020, the progress of the Group’s projects under development 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 preparation of the documents for approval such as “Project Planning and Operation Plan” was completed and the documents have been submitted to the Chaoyang District Commission of Planning and Natural Resources for approval, which is being processed. Found quality partners for the project, including investors, operators, tenants and designers.
Beijing	Changping Project	13,490	70%	Office and commercial complex	The project is sold out in general during the year.
Shanghai	Sanlu Road Project	20,480	20%	Office and commercial complex	Properties are recruiting tenants.
Shanghai	Hongmei Road Project	39,448	100%	This project is located at the Zhongxin Industrial Park in Minhang, 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”	Market analysis, customer base study, positioning of the project and the overall planning and design were completed, and the flagship stores were decided. Land transformation procedures for transforming industrial lands into commercial lands were completed, preconstruction developing procedures are in progress Partners are being sought for joint development at this stage

Location	Project Name	Land Area (m²)	Shareholding Percentage	Future Planning of the Project	Project Status
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 is temporarily withheld. The Group is discussing with the local government on the follow-up arrangements.
Canada	Ovation	2,425	N/A ⁽¹⁾	Artistic health apartments	The pre-sale of this project began in April 2019, and approximately 60% of the saleable units were sold currently.
Canada	Royal Tower	10,588	47.47%	Urban health apartments	We are preparing the application of replanning the nature of project land development

Note⁽¹⁾ : This project are engaged in the form of debt investment.

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.

Due to the outbreak of the Covid-19, the delivery and acceptance work of certain projects of Vissam Prosperity could not be carried out as scheduled during the year, which also affected the award of large tenders, the contract signing of successful bids and the collection of receivables. There was also an increase in the cost of logistics and installation, which affected the profit of this business segment. As of 31 December 2020, the contracted sales amount of Vissam Prosperity was approximately RMB166,241,600, representing a year-on-year decrease of 17.6% as compared to that of 2019. It recorded sales revenue of RMB126,739,000 in 2020, representing a year-on-year decrease of 22.1% as compared to that in 2019.

However, despite the impact of the epidemic, Vissam Prosperity continued to actively engage in market activities such as market expansion, quality certification and brand management, laying the foundation for long-term development. During this year, Vissam Prosperity successfully obtained 3 patents and 5 software copyrights, 7 certificates of honor for brands and 1 certificate of honor for trademark. Vissam Prosperity is developing online video operation methods, including experimenting with various themes and styles of promotions on online platforms such as TikTok, WeChat public account and Weibo, in order to accumulate practical experience for the later stage and determine the routes for online promotion.

FUTURE PROSPECT

The management expects that the epidemic will gradually be under control and economic activities are expected to resume progressively, but the business environment still faces a lot of uncertainties in the short term. Under this complex and volatile environment, we will continue to focus on our high-end product strategy, drive innovation and expand market share.

As for the geriatric service, we will continue to accelerate the enhancement of geriatric institutions' occupancy rate, management quality and cost effectiveness. We will increase the beds which integrated medical and geriatric care and enhance the profitability of projects. As for the health industrial park, we will continue to advance the government approval procedure for each health industrial park project, in order to obtain approval in the next year and increase the project value. As for the business of medical and geriatric products, 2021 will be the year for the market to recover. We will strive to develop products independently and establish our own brands, increase the investment in research and development and in personnel, with a target to differentiate ourselves from our peers.

In respect of the Group’s overall strategy, we will exercise stringent cost control and optimize cost efficiency by putting resources to good use. We will manage our own capital prudently and enhance our financial position by increasing free cash income through appropriate investments in wealth management products, equity and bonds.

MATERIAL INVESTMENTS

On 9 July 2020, the Group and BC Ltd entered into a loan capitalisation agreement, pursuant to which the loan in the outstanding principal amount and the interests accrued thereon in the aggregate amount of CAD17,420,000 shall be capitalised into shares of BC Ltd at the issue price of CAD2.09 per capitalisation share. The capitalisation shares of the Group represents 47.7% of the total issued shares of BC Ltd as enlarged. The loan capitalisation was completed on 28 August 2020 and BC Ltd has become a joint venture of the Group. Details of the which were disclosed in note 16 “Related Party Transactions”.

There were no new material investments other than the daily business of the Group and the aforesaid loan capitalisation transaction for the year ended 31 December 2020.

MAJOR ACQUISITIONS AND DISPOSALS

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 (including the consideration of RMB11,000,000 received by the Group on behalf of Shenzhen Xinrunxiang Information Development Co., Ltd.* (深圳新潤祥信息發展有限公司) (the “Second Vendor”) pursuant to the shareholder agreement entered into with the Second Vendor, and the actual proceeds from the disposal was RMB66,000,000). The disposal was completed in early 2020. Details of the disposal are disclosed in the note 13 “Disposal of Subsidiaries”.

The Group did not have any major acquisitions for the year ended 31 December 2020.

* *For identification purpose only*

FINANCIAL REVIEW

Operating revenue

As of 31 December 2020, the revenue of the Group was approximately HK\$149,887,000 (2019: HK\$200,755,000), representing a decrease of 25.3% as compared to 2019, which was mainly due to the fact that the sale of the Group's geriatric and medical furniture slowed down and the customers deferred the tender of projects as a result of the Covid-19 outbreak, resulting in the decrease in the revenue from sale of geriatric and medical applicable furniture to approximately HK\$43,475,000.

Moreover, the Group completed the disposal of 20% equity interest of Golden Sun and reclassification of Golden Sun as the Group's associate in 2019, resulting in a decrease of revenue from geriatric care services from approximately HK\$14,354,000 for 2019 to approximately HK\$5,690,000 for 2020.

Cost of sales

Cost of sales was approximately HK\$117,095,000, representing a year-on-year decrease of 15%. Cost of sales mainly includes cost of purchases, freight, installation fees and wage expenses.

Gross profit margin

During the year, the overall gross profit margin of the Group was 21.9%, representing year-on-year decrease of 9.7% as compared to 31.6% for the corresponding period last year, which was mainly due to the fact that the Group adjusted its sale strategy as "Selling at Low Margins" and signed certain contracts with low gross margin in order to maintain its sales volume as a result of the Covid-19 outbreak.

Other income and gains, net

As of 31 December 2020, other income and gains was approximately HK\$55,991,000, representing a decrease of 13.3% as compared to HK\$64,547,000 in 2019.

Other income and gains mainly included bank and other interest income of approximately HK\$31,382,000 (2019: HK\$31,188,000), investment income and return of approximately HK\$6,393,000 (2019: nil), and rental income of approximately HK\$3,779,000 (2019: HK\$24,370,000) as well as the gain of approximately HK\$48,876,000 arising from the disposal of subsidiaries in 2019, while the loss of approximately HK\$27,337,000 arising from the disposal of subsidiaries in 2020 was included in other expenses and losses.

The decrease in rental income for 2020 of 84.5% was mainly due to the completion of the disposal of a subsidiary by the Group at the beginning of 2020. For details, please refer to the section headed “Major Acquisitions and Disposals”.

Selling and distribution expenses

As of 31 December 2020, the selling and distribution expenses of the Group were approximately HK\$20,026,000 (2019: HK\$25,393,000), representing 13.4% of the total sales amount (2019: 12.6%).

The selling and distribution expenses mainly comprise of remuneration of HK\$5,721,000 (2019: HK\$5,651,000), transportation costs of HK\$389,000 (2019: HK\$12,134,000), promotion fee of HK\$821,000 (2019: HK\$2,521,000) and intermediary expense of HK\$9,939,000 (2019: nil) for the disposal of the subsidiary project.

Administrative expenses

As of 31 December 2020, the administrative expenses were HK\$111,770,000, representing a decrease of 24.4% in expenses as compared to HK\$147,816,000 in 2019. The administrative expenses mainly include staff costs (excluding Directors’ remuneration) of HK\$35,986,000 (2019: HK\$52,577,000), professional advisory fees of HK\$10,410,000 (2019: HK\$10,102,000), depreciation and amortization costs of HK\$32,624,000 (2019: HK\$31,915,000), office expenses of HK\$5,967,000 (2019: HK\$9,186,000), business entertainment expenses of HK\$4,636,000 (2019: HK\$7,476,000), travelling expenses of HK\$2,018,000 (2019: HK\$5,849,000) and lease expenses of HK\$3,042,000 (2019: HK\$4,357,000).

The decrease in administrative expenses was mainly due to the implementation of cost-control measures during the year. During the year, the Group reviewed the necessity of various administrative expenses, reduced the number and benefits of staff and cut down unnecessary expenses, which effectively and significantly reduced most of the administrative expenses including staff costs, travelling expenses, office expenses and business entertainment expenses as compared to last year.

Impairment losses of financial assets

Impairment losses of financial assets were mainly attributable to the provision for impairment of the Group’s receivables and other receivables. Part of the other receivables failed to be repaid on schedule during the year as a result of the Covid-19 outbreak during the year. The Group had made a provision for impairment on the affected balance, taking into consideration the repayment ability of defaulters.

Other expenses and losses

Other expenses and losses were mainly attributable to the one-off impairment of asset without cash outflow, which includes the loss of approximately HK\$27,337,000 arising from the disposal of subsidiaries (2019: gain of approximately HK\$48,876,000, which included in other income and gains, net), impairment of investment in associates and joint ventures of approximately HK\$27,693,000 (2019: HK\$254,775,000), impairment of goodwill and intangible assets of HK\$ nil (2019: HK\$70,568,000) and provision for compensation payment in relation to a disposal transaction in previous years of approximately HK\$21,265,000 (2019: nil).

Finance cost

As of 31 December 2020, the total finance cost of the Group was approximately HK\$1,938,000 (2019: HK\$10,213,000), representing a decrease of 81.0% as compared to the corresponding period last year, which was mainly attributable to the Group's net repayment of interest-bearing bank and other loan of approximately HK\$111,187,000 during the year, resulting in a substantial drop in the weighted average balance of borrowings.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures were mainly the share of 50% of loss attributable to shareholders of Dongguan Huarui Home Furnishing Co., Ltd. and Beijing Enterprises Fuyu Information Technology (Shanghai) Co., Ltd. of approximately HK\$1,176,000 and HK\$2,339,000, respectively, as well as the share of 47.47% of loss attributable to shareholders of BC Ltd of approximately HK\$9,243,000.

Share of profits and losses of associates

Share of profits and losses of associates mainly included the share of 27.11% of loss attributable to shareholders of Beijing Sports and Entertainment Industry Group Limited of approximately HK\$3,846,000, and the share 20% of loss attributable to shareholders of Shanghai Junbo Textiles Limited of approximately HK\$19,728,000, and the share of 31% of loss attributable to shareholders of Fujian Fuling Golden Sun Health and Geriatric Company Limited of approximately HK\$6,183,000.

Net assets

As at 31 December 2020, the net assets of the Group was approximately HK\$2,491,040,000, representing a decrease of approximately HK\$84,076,000 as compared to the total net assets of approximately HK\$2,575,116,000 in 2019. Excluding the generation of loss of approximately HK\$199,989,000 during the year, the net assets increased by HK\$115,913,000 as compared to 2019, which was mainly due to the appreciated exchange rate of RMB against Hong Kong dollar of approximately 6% during 2020, the Group recognised exchange gains of HK\$105,958,000 in other comprehensive income.

Liquidity and financial resources

As at 31 December 2020, the Group's cash in hand was HK\$477,420,000 (2019: HK\$442,371,000) and restricted bank balances was HK\$2,217,000 (2019: nil). The Group's long-term and short-term loan was HK\$34,930,000 in total (2019: HK\$109,843,000). Total debt decreased by approximately HK\$74,913,000, mainly due to the net of the repayment of total working capital loan of approximately HK\$111,187,000 during the year.

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 2020, the Group's capital expenditure was approximately HK\$9,709,000 (2019: HK\$56,091,000), including the purchase of properties, plants and equipment.

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 2020 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\$52,495,000 (31 December 2019: HK\$209,735,000).

Contingent liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

Foreign exchange risk

The Group's exposure to foreign exchange risks was primarily related to other receivables and investments in joint ventures denominated in CAD, and debt and equity investment at fair value through other comprehensive income denominated in US dollars. 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 2020, 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 2020, there was no significant and material dispute between the Group and its suppliers and/or customers.

Employee benefits and training

As at 31 December 2020, the Group had approximately 248 (2019: 240) employees and total staff cost (excluding Directors' remuneration) as of 31 December 2020 amounted to approximately HK\$41,707,000 (2019: HK\$58,228,000). 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 2020, 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. Two independent non-executive directors of the Company namely, Mr. Robert Winslow Koepp and Mr. Wu Yong Xin, were unable to attend the annual general meeting held on 19 June 2020 due to their other business commitments. Two independent non-executive directors of the Company namely, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou, were unable to attend the extraordinary general meeting held on 25 August 2020.

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 2020.

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 2020.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: 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 2020.

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 2020 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 2020 will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchange and Clearing Limited and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

FORWARD-LOOKING STATEMENTS

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

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

Hong Kong, 30 March 2021

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 Koepf, Mr. Gary Zhao, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.