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北京健康(控股)有限公司
Beijing Health (Holdings) Limited

(Formerly known as Beijing Enterprises Medical and Health Industry Group Limited 北控醫療健康產業集團有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2389)

**ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE PERIOD ENDED 30 JUNE 2021**

The board of directors (the “Board”) of Beijing Health (Holdings) Limited (the “Company”) presents the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020. The interim condensed consolidated financial information has not been audited, but have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

		For the six months ended 30 June	
	<i>NOTES</i>	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	79,619	65,355
Cost of sales		(57,065)	(51,502)
Gross profit		22,554	13,853
Other income and gains, net	5	41,456	37,382
Selling and distribution expenses		(5,691)	(15,849)
Administrative expenses		(63,293)	(54,368)
Impairment losses on financial assets		(1,106)	(2,582)
Other expenses and losses		(5,356)	(47,486)
Finance costs	6	(949)	(1,240)
Share of profits and losses of:			
Joint ventures		(1,689)	(1,176)
Associates		(3,961)	(8,366)
LOSS BEFORE TAX	7	(18,035)	(79,832)
Income tax credit/(expense)	8	6,590	(2,384)
LOSS FOR THE PERIOD		(11,445)	(82,216)

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(11,445)</u>	<u>(82,216)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	(1,009)	1,100
Reclassification adjustments for impairment losses included in profit or loss	–	1,755
Exchange differences:		
Exchange difference on translation of foreign operations	19,534	(30,791)
Reclassification adjustments for a foreign operation disposed of during the period	–	8,548
Share of other comprehensive loss of a joint venture	(253)	–
Share of other comprehensive (loss)/income of associates	<u>(382)</u>	<u>708</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>17,890</u>	<u>(18,680)</u>
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity instruments designated at fair value through other comprehensive income	<u>(24,054)</u>	<u>(27,973)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>(6,164)</u>	<u>(46,653)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(17,609)</u></u>	<u><u>(128,869)</u></u>

	For the six months ended 30 June	
	2021	2020
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to:		
Owners of the parent	(12,318)	(75,699)
Non-controlling interests	873	(6,517)
	<u>(11,445)</u>	<u>(82,216)</u>
 Total comprehensive loss attributable to:		
Owners of the parent	(12,541)	(107,393)
Non-controlling interests	(5,068)	(21,476)
	<u>(17,609)</u>	<u>(128,869)</u>
 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	 <i>10</i>	
Basic and diluted	<u>HK(0.20) cents</u>	<u>HK(1.25) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	30 June 2021	31 December 2020
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	110,767	112,862
Investment properties	105,276	105,038
Right-of-use assets	473,150	469,821
Property under development	459,137	453,954
Goodwill	79,979	79,979
Investments in joint ventures	99,549	98,318
Investments in associates	186,467	178,902
Equity investments designated at fair value through other comprehensive income	281,251	303,986
Debt investments at fair value through other comprehensive income	41,365	42,375
Financial assets at fair value through profit or loss	3,782	3,317
Prepayments and other receivables	199,341	218,937
Deferred tax assets	1,780	1,744
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Total non-current assets	2,041,844	2,069,233
CURRENT ASSETS		
Inventories	54,622	51,810
Trade and bills receivables	34,639	34,544
Prepayments, other receivables and other assets	176,863	148,394
Financial assets at fair value through profit or loss	23,653	24,995
Restricted bank balances	9,620	2,217
Cash and cash equivalents	436,231	477,420
	<hr/>	<hr/>
Total current assets	735,628	739,380
CURRENT LIABILITIES		
Trade payables	23,195	34,324
Other payables and accruals	129,863	145,132
Interest-bearing bank and other borrowings	41,338	34,930
Lease liabilities	5,682	5,062
Tax payable	190	1,297
	<hr/>	<hr/>
Total current liabilities	200,268	220,745

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION(CONTINUED)

30 June 2021

		30 June 2021	31 December 2020
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NET CURRENT ASSETS		535,360	518,635
TOTAL ASSETS LESS CURRENT LIABILITIES		2,577,204	2,587,868
NON-CURRENT LIABILITIES			
Lease liabilities		7,900	1,650
Deferred tax liabilities		86,583	86,779
Other payables		8,095	8,399
Total non-current liabilities		102,578	96,828
NET ASSETS		2,474,626	2,491,040
EQUITY			
Equity attributable to the owners of the parent			
Share capital	13	1,215,789	1,215,789
Reserves		1,054,703	1,066,049
Non-controlling interests		2,270,492	2,281,838
		204,134	209,202
TOTAL EQUITY		2,474,626	2,491,040

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June
2021 (early adopted)*

The adoption of the above revised HKFRSs had no significant effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

The Group has not early adopted any standard or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one single operating and reportable segment, which is the provision of medical care, health care and geriatric care related services and products. All of the Group’s operating results are generated from this single segment. During the period, 100% (six months ended 30 June 2020: 98%) of the Group’s revenue was generated from customers in Mainland China, and over 78% (as at 31 December 2020: 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\$11,017,000 (six months ended 30 June 2020: HK\$8,050,000) 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.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers	<u>79,619</u>	<u>65,355</u>

Disaggregated revenue information for revenue from contracts with customers:

Type of goods or service	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Sale of goods	75,662	64,137
Rendering of services	<u>3,957</u>	<u>1,218</u>
Total revenue from contracts with customers	<u>79,619</u>	<u>65,355</u>

The Group's revenue arising from sale of goods is recognised when transferred at a point in time, while revenue arising from rendering of services is recognised when transferred over time.

Geographical markets	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Mainland China	79,619	63,786
Middle East	<u>-</u>	<u>1,569</u>
Total revenue from contracts with customers	<u>79,619</u>	<u>65,355</u>

5. OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income		
Bank interest income	2,469	6,556
Other interest and investment income	14,237	13,673
Gross rental income from investment property under operating lease	4,593	3,557
Dividend income	1,246	–
Sundry income	789	716
	<u>23,334</u>	<u>24,502</u>
Gains, net		
Loss on disposal of property, plant and equipment	–	(2)
Fair value losses on investment properties, net	(959)	(1,215)
Fair value (losses)/gains on financial assets at fair value through profit or loss, net	(3,022)	10,606
Gain on disposal of an associate	–	3,491
Foreign exchange differences, net	8,576	–
Reversal of impairment loss on investment in an associate	13,527	–
	<u>18,122</u>	<u>12,880</u>
Other income and gains, net	<u>41,456</u>	<u>37,382</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank and other borrowings	645	848
Interest on lease liabilities	304	392
	<u>949</u>	<u>1,240</u>

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	54,715	50,013
Cost of services provided	2,350	1,489
Depreciation of property, plant and equipment	5,610	5,866
Depreciation of right-of-use assets	11,768	11,070
Less: Amount capitalised	<u>–</u>	<u>(1,146)</u>
	11,768	9,924
Foreign exchange differences, net	(8,576)	20,149 [#]
Impairment of financial assets:		
Impairment of trade receivables	1,106	827
Impairment of debt investments at fair value through other comprehensive income	–	1,755
Loss on disposal of a subsidiary [#]	–	27,337
Deemed partial disposal of an associate [#]	5,291	–

[#] These items are included in “Other expenses and losses” on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax		
Charge for the period	287	10
Overprovision in prior periods	(5,677)	–
Deferred	<u>(1,200)</u>	<u>2,374</u>
Total tax (credit)/charge for the period	(6,590)	2,384

Hong Kong profits tax

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2020: Nil).

PRC corporate income tax

PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on prevailing legislation, interpretations and practices in respect thereof.

9. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend to shareholders for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the unaudited loss for the period attributable to ordinary equity holders of the parent of HK\$12,318,000 (six months ended 30 June 2020: HK\$75,699,000), and the weighted average number of ordinary shares of 6,078,944,027 (six months ended 30 June 2020: 6,078,944,027) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2021 and 30 June 2020 in respect of a dilution as the share options outstanding had no diluting effect on the basic loss per share amounts presented.

11. TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables:		
Within 6 months	19,008	26,593
7 to 12 months	10,311	3,126
13 to 18 months	3,002	3,025
19 to 24 months	2,318	731
	34,639	33,475
Bills receivables	–	1,069
	34,639	34,544

12. TRADE PAYABLES

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	14,603	18,377
Over 3 months	8,592	15,947
	23,195	34,324

The trade payable are non-interest-bearing and are normally settled on terms of three to six months.

13. SHARE CAPITAL

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Authorised: 10,000,000,000 (2020: 10,000,000,000) ordinary shares of HK\$0.2 each	2,000,000	2,000,000
Issued and fully paid: 6,078,944,027 (2020: 6,078,944,027) ordinary shares of HK\$0.2 each	1,215,789	1,215,789

14. SHARE-BASED COMPENSATION SCHEMES

The Company first adopted a share option scheme effective from 26 April 2002 (the “2002 Scheme”) and which has been expired in April 2012. On 24 May 2013, the Company adopted a new share option scheme (the “2013 Scheme”) to replace the 2002 Scheme. The eligible participants and the terms of the 2013 Scheme is same as the 2002 Scheme. 60,000,000 share options under 2013 Scheme was cancelled during the period.

The exercise prices and exercise periods of the share options outstanding at 30 June 2021 and 31 December 2020 are as follows:

30 June 2021	31 December 2020	Exercise price per share	Exercise period per share
Number of options '000	Number of options '000	<i>note (c)</i> HK\$	
166,500	166,500	0.61	<i>note (a)</i>
111,500	171,500	0.53	<i>note (b)</i>
278,000	338,000		

Notes:

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

During the period, the Group did not recognise any share option expense in respect of the share option granted (six months ended 30 June 2020: Nil).

At the end of the reporting period, the Company had 278,000,000 share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 278,000,000 additional ordinary shares of the Company, which represented approximately 4.6% of the Company’s shares in issue as at that date, and additional share capital of HK\$55,600,000 and share premium of HK\$105,060,000 (before issue expenses).

15. DISPOSAL OF A SUBSIDIARY

	For the six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)
Net assets disposed of:	
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
Other payables and accruals [#]	(60,496)
Interest-bearing bank and other borrowings	(10,047)
Tax payable	(5)
Deferred tax liabilities	(55,620)
Non-controlling interests	(23,275)
	<hr/>
	216,136
Exchange fluctuation reserve	8,548
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	224,684
Loss on disposal of a subsidiary	(27,337)
	<hr/>
	197,347
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Satisfied by:	
Cash [#]	197,347
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[#] 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 of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	For the six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	197,347
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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 a subsidiary.

16. COMMITMENTS

The Group had the following capital commitments at 30 June 2021 and 31 December 2020:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
Land and buildings	58,309	55,215
Properties under development	22,803	22,588
	81,112	77,803

17. RELATED PARTY DISCLOSURES

(a) The Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
	<i>Note</i>	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest income from a company which is jointly controlled by the directors of the Company	<i>(i)</i>	–	3,792

Note:

- (i) 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 (equivalent to approximately HK\$84,019,000), which is interest-bearing at 10% per annum and repayable at three years after the drawdown 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 subsidiary, 1121695 B.C. Ltd., pursuant to which, the borrower of the loan was changed from Jinfu N.A. to 1121695 B.C. Ltd..

During the period ended 30 June 2020, the Group recognised an interest income of CAD668,000 (equivalent to approximately HK\$3,792,000) on the loan to 1121695 B.C. Ltd.

On 9 July 2020, the Company and 1121695 B.C. Ltd. entered into a loan capitalisation agreement (the “Listco Loan Capitalisation Agreement”) pursuant to which a loan in the outstanding principal amount of CAD13,400,000 and the interests accrued thereon (the “Loan”) shall be capitalised into share of 1121695 B.C. Ltd. to be issued to the Company (the “Listco Capitalisation Share(s)”) at the issue price of CAD2.09 per Listco Capitalisation Share. The subscription amount payable by the Company under the Listco Loan Capitalisation Agreement shall be satisfied by capitalising the entire Loan and the interests accrued thereon.

The loan capitalisation was completed on 28 August 2020 and The Listco Capitalisation Shares represent 47.47% of the enlarged issued shares of 1121695 B.C. Ltd., which has become a joint venture company of the Group.

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	3,665	3,584
Performance related bonuses	117	197
Pension scheme contributions	98	108
	3,880	3,889

18. EVENTS AFTER THE REPORTING PERIOD

On 6 July 2021, the Group subscribed structured deposits with an aggregate amount of RMB60 million (equivalent to approximately HK\$72 million) issued by Xiamen International Bank Co., Ltd.. The structured deposits are principal-guaranteed with floating return linked to the EUR/USD exchange rate, and will become mature on 6 July 2022.

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Geriatric Care Business

In the first half of 2021, the operation of beds of the Group's geriatric care institutions remained stable with increasing occupancy rate, signifying that the general acceptance of the integrated model of medical and geriatric care have been widely recognized in the market. During the period, the Group operated 5 geriatric care institutions with a total of 1,035 beds (mainly in the Yangtze River Delta region). Operating revenue in the first half of 2021 amounted to RMB15.85 million[^] (the first half of 2020: RMB12.82 million), representing a year-on-year increase of 23.63%.

[^] This revenue included the revenue from the private non-enterprise units which were sponsored 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, the residential institution is 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 more than 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: 85%

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: 32% (Newly opened in the preceding year)

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: 87%

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 30 June 2021, 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 30 June 2021, 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"	<p>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.</p> <p>Found quality partners for the project, including investors, operators, tenants and designers.</p>
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"	<p>Market analysis, customer base study, positioning of the project and the overall planning and design were completed, and the flagship stores were decided.</p> <p>Land transformation procedures for transforming industrial lands into commercial lands were completed, preconstruction developing procedures are in progress.</p> <p>Partners are being sought for joint development at this stage.</p>

Location	Project Name	Land Area (m ²)	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, and seeking appropriate partners.

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

Sale of Medical and Geriatric Products

During the period, 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, continued to penetrate into the specialized furniture industry in areas such as geriatric care, medical and education. On the basis of fulfilling the requirements for professional, green and environmentally friendly products, we continued to maintain a leading position in the industry with “meeting people’s healthcare needs” as the core value of our products.

In the first half of 2021, Vissam Prosperity experienced a full business recovery and entered into business contracts with various renowned domestic geriatric care, medical and education institutions such as Taikang Group, Greenland Group, Sunshine Insurance Group, Modern Land, Tianan Insurance, Jiahui International Hospital, Capital Health, Guangzhou Concord Cancer Center, Shanghai Jiao Tong University, Jilin University etc., and the contracted amount remained flat as compared with that in the corresponding period of 2019. As of 30 June 2021, the Group has contracted but undelivered contracts of approximately RMB135 million, and the completed sales revenue amounted to RMB63.53 million.

In the first half of 2021, Vissam Prosperity obtained 2 patents, 1 work registration copyright and 3 software copyrights, thereby improving the technological content of the enterprise on a continuous basis.

FUTURE PROSPECT

According to data of the Seventh National Population Census released by the National Bureau of Statistics of China in May 2021, the population aged 60 and over has accounted for approximately 18.70% of the total population in China, representing a year-on-year increase of 5.44%. From the perspective of population structure, a super-aging society has been formed. The Group is actively developing its institutional geriatric care business to meet the rigid demand for geriatric care service. Based on the projects currently in operation, we will continue to look for appropriate projects for bidding, merger and acquisition. We are now preparing for the operation of a high-end medical and geriatric care apartment that has a built-up area of 25 acres with 260 beds in Wuxi, China. In respect of the sale of medical and geriatric products, as the pandemic has subsided, the number of orders from various partners will gradually increase, and it is expected that the business volume in the second half of the year will restore to the level of 2019. In addition, the Group will continue to advance the government approval procedures for each healthcare industrial park and expedite the turnover rate of each project, with a view to providing continuous cash flows for the development of institutional geriatric care business of the Group.

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

There were no new material investments other than the daily business of the Group for the period ended 30 June 2021.

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

Financial Review

Operating revenue

For the first half of 2021, the operating revenue of the Group was HK\$79,619,000, representing an increase of 21.8% as compared to the corresponding period last year, which was mainly due to the gradual recovery of sales of medical and geriatric products to pre-pandemic level. The related revenue during the period increased by 18% to HK\$75,662,000.

Cost of sales

Cost of sales was HK\$57,065,000, representing a year-on-year increase of 10.8%. Cost of sales mainly includes cost of purchases, freight, installation fees and wage expenses.

Gross profit margin

During the period, the overall gross profit margin of the Group was 28.3%, representing a year-on-year increase of 7.1% as compared to 21.2% for the corresponding period last year, which was mainly due to the fact that the Group adjusted the product order portfolio to reduce the number of contracts with relatively low gross margin.

Other income and gains, net

For the first half of 2021, other income and gains was HK\$41,456,000, representing an increase of 10.9% as compared to HK\$37,382,000 for the first half of 2020. Other income and gains mainly included bank interest income, other interest and investment income of HK\$15,622,000 (2020: HK\$20,229,000), rental income of HK\$4,593,000 (2020: HK\$3,557,000), reversal of impairment loss on investment in an associate of HK\$13,527,000 (2020: Nil), gain on exchange difference of HK\$8,576,000 (2020: loss on exchange difference of HK\$20,149,000 included in other expenses and losses) and the decrease in fair value of financial assets at fair value through profit or loss of HK\$3,022,000 (2020: increase of HK\$10,606,000).

Selling and distribution expenses

For the first half of 2021, the selling and distribution expenses were HK\$5,691,000 (2020: HK\$15,849,000), representing 7.1% of the total sales amount (2020: 24.3%). Selling and distribution expenses mainly included salaries of approximately HK\$3,590,000 (2020: HK\$4,387,000) and promotional fees of approximately HK\$491,000 (2020: HK\$420,000).

The substantial decrease in the selling and distribution expenses during the period was mainly due to the fact that no agent commission has arisen from disposal of a subsidiary during the period (2020: approximately HK\$9,775,000).

Administrative expenses

For the first half of 2021, the administrative expenses were HK\$63,293,000, representing an increase of 16.4% in expenses as compared to HK\$54,368,000 for the corresponding period of 2020. The administrative expenses mainly included staff costs (including directors' remuneration) of HK\$23,205,000 (2020: HK\$19,327,000), professional advisory fees of HK\$4,843,000 (2020: HK\$6,163,000), depreciation charge of HK\$17,378,000 (2020: HK\$15,790,000), business entertainment expenses of HK\$1,586,000 (2020: HK\$1,492,000), travelling expenses of HK\$1,470,000 (2020: HK\$1,459,000), office costs of HK\$5,908,000 (2020: HK\$4,999,000) and repair and maintenance fees of HK\$4,282,000 (2020: Nil). The increase in administrative expenses was mainly due to the gradual recovery of staff remuneration to the pre-pandemic level in the first half of 2021 leading to an increase of HK\$3,878,000 in remuneration expenses.

Impairment losses of financial assets

Impairment losses of financial assets were mainly attributable to the provision for impairment of the Group's receivables and debt investments. The decrease in impairment losses of financial assets of HK\$1,476,000 was mainly due to the fact that no additional provision for impairment for the period is needed for the Group's debt investments (2020: HK\$1,755,000).

Other expenses and losses

For the first half of 2021, other expenses and losses were HK\$5,356,000, which mainly included the loss on deemed partial disposal of an associate of HK\$5,291,000, while other expenses and losses for the corresponding period of 2020 mainly included exchange losses of HK\$20,149,000 and the loss of HK\$27,337,000 arising from disposal of a subsidiary.

The substantial decrease in other expenses and losses was mainly due to no loss arising from disposal of subsidiaries of the Group during the period and the recognition of exchange gains arising from the appreciation of the Group's assets in RMB and CAD in other income and gains, net.

Finance cost

For the first half of 2021, the total finance cost was HK\$949,000 (2020: HK\$1,240,000), representing a decrease of 23.5% as compared with that in the corresponding period last year, which was mainly due to the drop in the weighted average balance of borrowings of the Group during the period.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures mainly included the share of 47.47% of loss attributable to shareholders of 1121695 B.C. Ltd. of approximately HK\$1,083,000.

Share of profits and losses of associates

Share of profits and losses of associates mainly included the share of 25.07%-27.11% of loss attributable to shareholders of Beijing Sports and Entertainment Industry Group Limited of approximately HK\$363,000 (2020: HK\$2,912,000), and the share of 20% of loss attributable to shareholders of Shanghai Junbo Textiles Limited* of approximately HK\$2,253,000 (2020: HK\$4,328,000).

Liquidity and financial resources

As at 30 June 2021, cash and cash equivalents held by the Group amounted to approximately HK\$436,231,000 (31 December 2020: HK\$477,420,000) and restricted bank balances was approximately HK\$9,620,000 (31 December 2020: HK\$2,217,000).

As at 30 June 2021, interest-bearing bank and other borrowings of the Group amounted to approximately HK\$41,338,000 (31 December 2020: HK\$34,930,000).

As at 30 June 2021, the net current assets of the Group amounted to HK\$535,360,000 and the current ratio was 3.7 times. The Group maintained sufficient bank credit facilities to meet working capital needs and had sufficient cash resources to finance its capital expenditure in the foreseeable future.

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 structure

The Group took full advantage of the financing platform as a listed company by striving for a constant optimisation of the capital and financing structure, so as to obtain sufficient funds to finance the future projects of health and geriatric care. During the period, the Group's operations were mainly financed by internal resources and bank loans.

As at 30 June 2021, the number of issued share of the Company was 6,078,944,027 shares. Equity attributable to shareholders of the Company amounted to approximately HK\$2,270,492,000 (31 December 2020: approximately HK\$2,281,838,000) and total equity was approximately HK\$2,474,626,000 (31 December 2020: approximately HK\$2,491,040,000). The gearing ratio (i.e. bank and other borrowings divided by total assets) remained at a low level of 1.5% (31 December 2020: 1.2%).

Capital Expenditure

For the six months ended 30 June 2021, the Group's capital expenditure was approximately HK\$2,250,000 (corresponding period in 2020: HK\$5,105,000), which was mainly due to the purchase of properties, plants and equipment.

PLEDGE OF ASSETS

As at 30 June 2021, the Group's bank loans were pledged by properties included in property, plant and equipment with a total carrying amount of HK\$49,420,000 (31 December 2020: HK\$52,495,000) as at the end of the reporting period.

As at 30 June 2021, a new bank facility of RMB180,000,000 was pledged by land use right included in right-of-use assets with a total carrying amount of HK\$383,051,000 (31 December 2020: Nil) as at the end of the reporting period.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group has no significant contingent liabilities.

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange risks primarily arises from other receivables denominated in CAD and investment in joint ventures as well as debt and equity investments 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had approximately 241 (corresponding period in 2020: 298) employees. Total staff costs (including Directors' emoluments) for the six months ended 30 June 2021 amounted to approximately HK\$27,634,000 (corresponding period in 2020: approximately HK\$24,478,000).

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

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2021.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company confirms that, after specific enquiry with each director, all directors have confirmed compliance with the Model Code during the six months ended 30 June 2021.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2021.

AUDIT COMMITTEE

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

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

The Company's interim results for the six months ended 30 June 2021 have been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and published on the said websites in due course.

By Order of the Board of
Beijing Health (Holdings) Limited
Zhu Shi Xing
Chairman

Hong Kong, 27 August 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. Hu Shiang Chi, Mr. Wang Zheng Chun, Mr. Zhang Jing Ming and Mr. Siu Kin Wai and five Independent Non-Executive Directors, namely Mr. Robert Winslow Koepp, Mr. Gary Zhou, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.

* *For identification purpose only*