Kaisa Health Group Holdings Limited
佳兆業健康集團控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 876)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**76,175**	118,818
Cost of sales		**(39,259)**	(60,125)
Gross profit		**36,916**	58,693
Other income, gains and losses		**3,112**	12,182
Selling and distribution costs		**(12,767)**	(22,598)
Administrative expenses		**(38,481)**	(34,247)
Gain from change in fair value of financial assets at fair value through profit or loss		**10,086**	1,225
Gain from change in fair value of convertible promissory note		**1,898**	1,940
Gain from change in fair value of convertible bonds receivable		**2,212**	2,245
Other expenses		**(9,187)**	(14,292)
Finance costs		**(283)**	(143)
(Loss)/Profit before income tax	*4*	**(6,494)**	5,005
Income tax credit	*5*	**165**	306
(Loss)/Profit for the period		**(6,329)**	5,311

	Notes	Six months ended 30 June 2020 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(8,366)**	(3,485)
Total comprehensive (expense)/income for the period		**(14,695)**	1,826
(Loss)/Profit for the period attributable to:			
— Owners of the Company		**(6,053)**	5,379
— Non-controlling interests		**(276)**	(68)
		(6,329)	5,311
Total comprehensive (expense)/income for the period attributable to:			
— Owners of the Company		**(14,412)**	1,893
— Non-controlling interests		**(283)**	(67)
		(14,695)	1,826
		HK cents	*HK cents*
(Loss)/Earnings per share	*7*		
— Basic		**(0.12)**	0.11
— Diluted		**(0.12)**	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**33,100**	36,265
Right-of-use assets		**19,267**	7,389
Land use rights		**43,389**	—
Intangible assets		**725**	620
Investment in an associate		—	—
Convertible promissory note	*8*	**29,858**	28,086
Financial assets at fair value through profit or loss	*9*	**235,595**	229,879
		361,934	302,239
Current assets			
Inventories		**6,374**	6,850
Trade and other receivables	*10*	**80,831**	74,145
Financial assets at fair value through profit or loss	*9*	—	28,143
Convertible bonds receivable	*11*	**48,342**	46,323
Amount due from a director		**22,743**	24,519
Amount due from a subsidiary of a non-controlling shareholder		**25,880**	—
Amount due from a non-controlling shareholder of a subsidiary		**110**	22
Taxation recoverable		**2,604**	2,440
Bank balances and cash		**181,655**	230,176
		368,539	412,618
Current liabilities			
Trade and other payables	*12*	**60,331**	64,686
Lease liabilities		**4,891**	2,484
Amount due to a related party		**702**	716
Amount due to fellow subsidiaries		**8**	—
Amount due to a non-controlling shareholder of a subsidiary		**10,962**	—
		76,894	67,886
Net current assets		**291,645**	344,732
Total assets less current liabilities		**653,579**	646,971
Non-current liabilities			
Lease liabilities		**14,930**	5,310
Net assets		**638,649**	641,661

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	HK$'000	*HK$'000*
Equity		
Share capital	**6,303**	6,303
Reserves	**621,925**	635,704
Equity attributable to owners of the Company	**628,228**	642,007
Non-controlling interests	**10,421**	(346)
Total equity	**638,649**	641,661

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

This condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

1.2 Principal accounting policies

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

Except for the application of new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) as described in note 2, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Except for the application of new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) as described in note 2 and the adoption of new accounting policies as a result of the recognition of an associate noted below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Accounting policies not included in the Group’s annual financial statements for the year ended 31 December 2019

Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Group's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate.

1.3 New and amended HKFRSs in issue but are not yet effective

The following new and amended HKFRSs have been issued but are not yet effective for the financial period beginning on 1 January 2020 that are relevant to and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The following new standards, amendments and interpretation that may be relevant to the Group's operations have been adopted by the Group for the first time for the financial period beginning on 1 January 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for goods sold and service provided by the Group to outside customers, less discounts and sales tax.

The Group's operating activities are attributable to two operating segments focusing on the operation of manufacturing of and trading in dental prosthetics and the health care business.

3.1 Segment revenue and results

For the six months ended 30 June 2020 (Unaudited)

	Dental prosthetics business *HK$'000*	Health care business *HK$'000*	Total *HK$'000*
REVENUE			
Revenue from external customers	**75,138**	**1,037**	**76,175**
RESULTS			
Segment profit before depreciation and amortisation	**6,848**	**580**	**7,428**
Depreciation			
— Property, plant and equipment	**(5,315)**	**(841)**	**(6,156)**
— Right-of-use assets	**(442)**	**(1,173)**	**(1,615)**
Amortisation of land use rights	**—**	**(273)**	**(273)**
Amortisation of intangible assets	**(177)**	**(13)**	**(190)**
Segment operating profit/(loss)	**914**	**(1,720)**	**(806)**
Gain from change in fair value of convertible promissory note			**1,898**
Gain from change in fair value of convertible bonds receivable			**2,212**
Unallocated income			**471**
Unallocated expenses			**(10,269)**
Loss before income tax			**(6,494)**

For the six months ended 30 June 2019 (Unaudited)

	Dental prosthetics business *HK$'000*	Health care business *HK$'000*	Total *HK$'000*
REVENUE			
Revenue from external customers	118,818	—	118,818
RESULTS			
Segment profit/(loss) before depreciation and amortisation	23,966	(8,075)	15,891
Depreciation			
— Property, plant and equipment	(5,166)	(179)	(5,345)
— Right-of-use assets	—	(1,142)	(1,142)
Amortisation of intangible assets	(346)	—	(346)
Segment operating profit/(loss)	18,454	(9,396)	9,058
Gain from change in fair value of convertible promissory note			1,940
Gain from change in fair value of convertible bonds receivable			2,245
Loss from change in fair value of financial assets at fair value through profit or loss — unlisted managed fund			(94)
Unallocated income			1,125
Unallocated expenses			(9,269)
Profit before income tax			5,005

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit/loss earned/incurred by each segment without allocation of central administration costs, certain other income, gains and losses, and changes in fair value of convertible bonds receivable, convertible promissory note and unlisted managed fund. This is the information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3.2 Segment assets and liabilities

As at 30 June 2020 (Unaudited)

	Dental prosthetics business *HK$'000*	**Health care business** *HK$'000*	**Total** *HK$'000*
Reportable segment assets	**248,111**	**359,340**	**607,451**
Convertible promissory note			**29,858**
Convertible bonds receivable			**48,342**
Taxation recoverable			**2,604**
Unallocated assets			**42,218**
Total assets			**730,473**
Reportable segment liabilities	**(70,083)**	**(21,201)**	**(91,284)**
Unallocated liabilities			**(540)**
Total liabilities			**(91,824)**

As at 31 December 2019 (Audited)

	Dental prosthetics business *HK$'000*	Health care business *HK$'000*	Total *HK$'000*
Reportable segment assets	238,858	347,297	586,155
Convertible promissory note			28,086
Convertible bonds receivable			46,323
Financial assets at fair value through profit or loss — unlisted managed fund *(note 9)*			28,143
Taxation recoverable			2,440
Unallocated assets			23,710
Total assets			714,857
Reportable segment liabilities	(55,934)	(12,098)	(68,032)
Unallocated liabilities			(5,164)
Total liabilities			(73,196)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain prepayments, short-term bank deposits, bank balances and cash held by the respective head offices, convertible bonds receivable, convertible promissory note, unlisted managed fund and taxation recoverable; and

- all liabilities are allocated to operating segments other than corporate liabilities which are not directly attributable to the business activities of any operating segment and deferred taxation.

3.3 Geographical information

The Group's operations are mainly situated in Hong Kong and the People's Republic of China (the "PRC") (excluding Hong Kong). The following table provides an analysis of the Group's revenue by the location of business operation and the Group's non-current assets by geographical location of assets.

	Revenue from external customers		**Non-current assets**	
	Six months ended 30 June		**30 June**	31 December
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**18,691**	44,071	**—**	204
PRC (excluding Hong Kong)	**56,932**	74,095	**96,009**	43,596
Others	**552**	652	**472**	474
	76,175	118,818	**96,481**	44,274

Note: Non-current assets include property, plant and equipment, right-of-use assets, land use rights and intangible assets.

3.4 Information about major customers

Revenue from customers of corresponding periods contributing over 10% of the Group's total revenue are as follows:

	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**N/A***	19,190
Customer B	**N/A***	15,129

* Less than 10% of the Group's total revenue.

4. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/Profit before income tax has been arrived at after charging/(crediting):		
Amortisation of intangible assets	**190**	346
Amortisation of land use rights	**273**	—
Depreciation:		
— Property, plant and equipment	**6,156**	5,345
— Right-of-use assets	**1,820**	1,142
Lease charges:		
— Short-term leases with lease term less than 12 months	**2,657**	3,191
Fair value change of financial assets at fair value through profit or loss:		
— Unlisted managed fund	**—**	94
— Unlisted equity investment	**(10,086)**	(1,319)
Research and development expenses (included in other expenses)	**9,187**	14,292
Finance charges on lease liabilities	**283**	143
Loss on disposal of financial assets at fair value through profit or loss (included in other income, gains and losses)	**1,463**	—
Interest income (included in other income, gains and losses):		
— Bank deposits	**(92)**	(1,776)
— Convertible promissory note	**(234)**	(215)
Income from short-term investments (included in other income, gains and losses)	**(106)**	(94)
Impairment on amount due from a subsidiary of a non-controlling shareholder (included in other income, gains and losses)	**800**	—
Net foreign exchange (gain)/loss (included in other income, gains and losses)	**(94)**	2,521

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**—**	1,084
Over-provision in prior years:		
Hong Kong Profits Tax	**(165)**	—
PRC Enterprise Income Tax	**—**	(1,304)
Deferred tax credit	**—**	(86)
	(165)	(306)

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits during the six months ended 30 June 2020.

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the six months ended 30 June 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profit of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%.

The provision for PRC Enterprise Income Tax ("EIT") is based on the estimated taxable income for PRC taxation purpose at the rate of taxation applicable for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. A subsidiary of the Group was accredited as a "High and New Technology Enterprise" in the PRC with effect from 9 November 2018, and was registered with the local tax authority to be eligible to a concessionary tax rate of 15% for three years from 2018 to 2020.

According to a policy promulgated by the State Tax Bureau of the PRC, effective from 2019 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining taxable profits for that period ("Super Deduction"). A subsidiary is eligible to such Super Deduction in ascertaining its tax assessable profit for the six months ended 30 June 2020 and 2019.

6. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting periods.

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period attributable to owners of the Company	**(6,053)**	5,379
Number of shares		
Weighted average number of ordinary shares in issue during the period	**5,042,139,374**	5,042,139,374

The diluted loss per share for the six months ended 30 June 2020 does not assume the exercise of the Company's share as it would have an anti-dilutive effect. The diluted earnings per share for the six months ended 30 June 2019 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares. Therefore, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the six months ended 30 June 2020 and 2019.

8. CONVERTIBLE PROMISSORY NOTE

On 15 March 2018, the Group entered into a Note Purchase Agreement with an independent third party (the "Issuer"), pursuant to which the Group has subscribed for senior secured convertible promissory note (the "Note") in the principal amount of US$3,500,000 for the total consideration of US$3,500,000 (equivalent to approximately HK$27,489,000). All unpaid principal, together with any then unpaid and accrued interest and other amounts payable under the Note shall be due and payable on 15 March 2022. The Note may be converted into shares of the Issuer's common stock at a conversion price equivalent to an agreed valuation divided by the number of outstanding shares immediately prior to the initial public offering of the Issuer. The Note bears interest payable in cash at 1.5% per annum, payable semi-annually and deferred interest of 8% per annum, which shall be compounded and added to the principal, and payable upon the maturity date.

As at 30 June 2020 and 31 December 2019, the convertible promissory note has been fair valued with reference to the valuation conducted by an independent qualified professional valuer.

Details of movement is set out below:

	HK$'000
At 1 January 2019 (Audited)	29,309
Exchange realignment	(42)
Change in fair value recognised in profit or loss	(1,181)
At 31 December 2019 and 1 January 2020 (Audited)	28,086
Exchange realignment	(126)
Change in fair value recognised in profit or loss	1,898
At 30 June 2020 (Unaudited)	**29,858**

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	HK$'000	*HK$'000*
Non-current:		
Unlisted equity investment *(note a)*	**235,595**	229,879
Current:		
Unlisted managed fund *(note b)*	—	28,143

Notes:

(a) On 3 August 2018, the Group entered into the Sale and Purchase Agreement ("SPA") with Rui Jing Investment Company Limited ("Vendor"), a wholly-owned subsidiary of Kaisa Group Holdings Ltd., which is the Group's ultimate holding company, pursuant to which the Vendor has conditionally agreed to sell, and the Group has conditionally agreed to acquire the entire issued share capital ("Sale Share") of Trade Guide Limited ("Target Company"), a wholly-owned subsidiary of the Vendor, and the Vendor has conditionally agreed to assign and the Group has conditionally agreed to take up the interest free shareholder's loan in an estimated amount of RMB191,412,000 ("Sale Loan") to be provided by the Vendor to the Target Company and its associates (collectively referred to as the "Target Group"), at an aggregate consideration of RMB193,000,000 (equivalent to approximately HK$221,732,000).

The Target Group is planned to engage in a project which is intended to be built as a Grade 3A Hospital with 2,000 beds and to cover organ transplantation, minimum invasive surgery, biological diagnosis and precision medical services ("Shulan Project"). Further details of the SPA are disclosed in the Company's circular dated 28 November 2018, and the announcements dated 4 May 2018, 24 May 2018, 3 August 2018, 31 August 2018, 28 September 2018, 31 October 2018 and 14 December 2018 respectively.

The directors of the Company announced that the acquisition of Sale Share and Sale Loan of the Target Group were completed on 23 May 2019, further details are disclosed in the Company's announcement dated 24 May 2019.

Upon the completion of the acquisition of Sale Share and Sale Loan of the Target Group on 23 May 2019, the Group has contributed RMB191,412,000 (equivalents to HK$219,908,000) to Hangzhou Jiayue Investment Partnership* (杭州佳躍投資合夥企業(有限合夥)) ("Hangzhou Jiayue") and holds 9.6% effective interest in Hangzhou Jiayue, a limited partnership established in the PRC.

Hangzhou Jiayue directly holds 99.9% interest in Ningbo Meishan Bonded Zone Jieshuo Investment Partnership* (寧波梅山保稅港區傑鑠投資合夥企業(有限合夥)) ("Meishan Jieshuo"), which in turns holds 90% equity interest in Hangzhou Zhaojin Real Estate Co., Ltd.* (杭州兆金置業有限公司) ("Hangzhou Zhaojin"), which in turns owns Shulan Project.

As at 30 June 2020 and 31 December 2019, the unlisted equity investment has been fair valued with reference to the valuation conducted by an independent qualified professional valuer.

Details of movement of unlisted equity investment is set out below:

	HK$'000
At 1 January 2019 (Audited)	—
At date of acquisition	219,908
Exchange realignment	(6,230)
Change in fair value recognised in profit or loss	16,201
At 31 December 2019 and 1 January 2020 (Audited)	229,879
Exchange realignment	(4,370)
Change in fair value recognised in profit or loss	10,086
At 30 June 2020 (Unaudited)	**235,595**

* *For identification purpose only*

(b) The Group did not have significant influence or participation in the policy-making process and the operating and financial decisions of the unlisted managed fund. During the current period, the Group had disposed the unlisted managed fund at a consideration amounting to HK$26,680,000 to Peng Ze (Hong Kong) Limited, a subsidiary of a non-controlling shareholder.

Details of movement of unlisted managed fund is set out below:

	HK$'000
At 1 January 2019 (Audited)	—
At date of acquisition	29,967
Exchange realignment	(258)
Gain on disposal recognised in profit or loss	875
Change in fair value recognised in profit or loss	(2,441)
At 31 December 2019 and 1 January 2020 (Audited)	28,143
Disposal of unlisted managed fund	(28,143)
At 30 June 2020 (Unaudited)	**—**

10. TRADE AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) ***HK$'000***	31 December 2019 (Audited) *HK$'000*
Trade receivables	**73,388**	65,083
Less: ECL allowance	**(730)**	(730)
	72,658	64,353
Other receivables, prepayments and deposits	**8,173**	9,792
	80,831	74,145

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days.

The following is an aged analysis of trade receivables, presented based on invoice date (also approximates to revenue recognition date), net of ECL allowance, at the end of the reporting period:

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
0 — 90 days	**56,682**	54,834
91 — 180 days	**6,827**	5,529
181 — 365 days	**7,119**	2,766
Over 1 year	**2,030**	1,224
	72,658	64,353

11. CONVERTIBLE BONDS RECEIVABLE

On 19 October 2016, the Group's indirect wholly-owned subsidiary, United Noble Development Limited ("United Noble"), entered into a conditional agreement with Condor International NV ("Condor International"), a private company incorporated in Belgium, to subscribe 257,663 unlisted 5% coupon convertible bonds (the "Convertible Bonds") issued by Condor International, at an aggregate principal amount of EUR5,000,000 maturing on the third anniversary of the date of issue (the "Maturity Date"). The subscription of the Convertible Bonds was subsequently completed on 29 November 2016.

The Convertible Bonds entitle the holder to convert the whole or part of the principal amount at any time between 30th days after the date of issue of the Convertible Bonds and 7th business days immediately preceding the Maturity Date of the Convertible Bonds into 257,663 ordinary shares of the issuer at a conversion price of EUR19.41 per share together with all interest accrued thereon up to and including the date of redemption and may be adjusted upon occurrence of adjustment events, which includes consolidation, sub-division or re-classification of shares, capitalisation of profits or reserves, capital distributions, and offer of new shares of the issuer. The Convertible Bonds carries interest of 5% per annum and would be payable at the Maturity Date. The Convertible Bonds are denominated in Euro.

Condor International shall be entitled to serve a written notice on the holders of the Convertible Bonds requiring them to convert all (but not part only) of the Convertible Bonds ("Conversion Shares") if (i) an initial public offering of Condor International takes place, or (ii) the issue of shares by Condor International for cash consideration at a price per Share corresponding to a pre-money valuation of Condor International of not less than EUR75,000,000 and with gross proceeds to Condor International equals or exceeds EUR7,500,000 (the "Qualified Issue") and the investors under the Qualified Issue agree to grant an irrevocable and unconditional right to United Noble to purchase up to 50% of the Conversion Shares from United Noble at a cash consideration per Conversion Share equivalent to the subscription price under the Qualified Issue. Details of the Convertible Bonds were set out in the Company's announcements dated 19 October 2016 and 29 November 2016.

On 29 November 2019, the Group and Condor International entered into an amendment deed to amend and supplement the terms and conditions of the Convertible Bonds, pursuant to which the maturity date of the Convertible Bonds has been extended from 27 November 2019 to 27 November 2020. Details of the extension of the Convertible Bonds were set out in the Company's announcement dated 3 December 2019. As at 30 June 2020 and 31 December 2019, the convertible bonds receivable has been fair valued with reference to the valuation conducted by an independent qualified professional valuer.

Details of movement is set out below:

	HK$'000
At 1 January 2019 (Audited)	47,649
Exchange realignment	(1,210)
Change in fair value recognised in profit or loss	(116)
At 31 December 2019 and 1 January 2020 (Audited)	46,323
Exchange realignment	(193)
Change in fair value recognised in profit or loss	2,212
At 30 June 2020 (Unaudited)	**48,342**

12. TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Trade payables	**4,725**	5,689
Other payables	**30,809**	23,844
Accrued charges	**24,425**	35,122
Contract liabilities	**372**	31
	60,331	64,686

The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period.

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
0 — 90 days	**4,171**	5,241
91 — 180 days	**38**	448
Over 180 days	**516**	—
	4,725	5,689

The average credit period on purchases of goods is 90 days (2019: 90 days).

13. EVENT AFTER THE REPORTING PERIOD

The Company granted share option under the share option scheme (the "Scheme") adopted in 2015 for a period of 10 years commencing from 22 July 2020 as incentive or reward for the grantees for their contribution or potential contribution to the Group approved by independent non-executive directors of the ultimate holding company.

The Company has granted options to eligible participants which includes executives or officers (including executive and independent non-executive directors) of the Company.

A total of 148,000,000 share options were granted on 22 July 2020 under the Scheme for an exercise price of HK$0.196 per share, representing approximately 130% of the average closing price of HK$0.1506 per share for five business days immediately preceding the date of grant. The closing price of the shares of the Company immediately before the date of grant of share options was HK$0.144. The exercisable period of the options granted are ten years from the date of grant, and exercisable during such period to the extent the options have been vested, which is determined by the board of directors of the Company at its absolute discretion. The vesting schedule of the options are as to (i) 30% at any time after the expiration of 12 months from the Date of Grant; (ii) 30% at any time after the expiration of 24 months from the Date of Grant; and (iii) 40% at any time after the expiration of 36 months from the date of grant. A nominal consideration of HK$1 is payable by each grantee upon the acceptance of options granted.

Further details of the grant of share options are disclosed in the Company's announcement dated 22 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 30 June 2020 (the "Period"), the Company and its subsidiaries (together the "Group") recorded revenue of approximately HK$76.2 million, representing a decrease of 35.88% from HK$118.8 million for the corresponding period in 2019, with a decreased gross profit margin of 48.46% (for the six months ended 30 June 2019: 49.40%). The loss attributable to the owners of the Company was approximately HK$6.1 million compared to a profit attributable to the owners of the Company of HK$5.4 million for the corresponding period in 2019. Basic and diluted loss per share for the Period were 0.12 HK cents per share and 0.12 HK cents per share, respectively; and the basic and diluted earnings per share for the corresponding period in 2019 were 0.11 HK cents per share and 0.11 HK cents per share respectively.

Interim Dividend

The board of Directors (the "Board") did not recommend the payment of an interim dividend for the Period (six months ended 30 June 2019: Nil).

Business Review

Dental Prosthetics Business

The Group has engaged in the dental prosthetics business ("Dental Prosthetics Business"), including the sale (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. The high-tech digital dental aesthetic brand developed and promoted by the Group integrated the philosophy of minimally invasive aesthetic dental prosthetic restoration and cutting-edge 3D printing technology with international recognition, promoted invisible dental brace, cosmetic dentistry and teeth whitening and veneer, providing efficient one-stop dental prosthetic restoration solutions. Revenue from the Dental Prosthetics Business was approximately HK$75.1 million for the six months ended 30 June 2020, representing a significant year-on-year drop, compared to a revenue of approximately HK$118.8 million for the corresponding period in 2019. The decline was mainly due to a significant decrease in domestic and overseas orders caused by the global outbreak of the COVID-19 pandemic in the first half of the year. Meanwhile, the recovery of overseas orders was slow, as overseas customers adopted a wait-and-see attitude towards purchasing owing to the tensions of Sino-US relations and the impact of the Sino-US trade war. Under these severe circumstances, the Company actively adjusted its marketing strategy. Since May, the overall domestic sales have basically recovered, with a slight year-on-year increase in revenue and showing signs of an immediate bounce-back.

The Group has always adhered to the dental aesthetics and prosthetics restoration philosophy of "using minimally invasive surgery with no harm to teeth" in its research and development, in order to relieve the pain patients suffer during the treatment and improve their appearance. A series of digital dental prosthetic products including Mega Veneer (美加貼面) XS, Mega 3D Simulation Zirconium (美加3D 仿真鋯), Mega YiQi Clear Aligner (美加易齊透明矯正器) and removable prosthetic devices launched under the "Mega" brand in 2019 gained wide recognition among foreign technicians and dentists.

The Group will continue to cooperate with technical institutes. During the same period of the previous year, the Group invested heavily in technological research and development. In 2020, impacted by the pandemic, the Group reduced its investment in this area in order to pursue a healthier corporate development. For the six months ended 30 June 2020, the investment in research and development and technologies, and other income such as government subsidies and training consultancy amounted to HK$2.7 million (for the six months ended 30 June 2019: HK$9.1 million). For the six months ended 30 June 2020, the research and development expense was HK$9.2 million (for the six months ended 30 June 2019: HK$14.3 million).

Health Care Business

The Group has participated in the health care industry through the acquisition of Trade Guide Limited (a company engaged in the provision of public health and medical services) at a total consideration of RMB193 million (equivalent to approximately HK$221.7 million) on 23 May 2019. All conditions precedent in connection with the acquisition have been satisfied. Hangzhou Jinyun Investment Management Co., Ltd.* (杭州金韻投資管理有限公司, an associate of the above company) has a project in Hangzhou City, Zhejiang Province, the PRC that provides public health and medical services. Upon the completion of the acquisition, the Group will be able to penetrate to the front line of the health care sector, directly responding and identifying the needs of patients. It will also facilitate investment decisions in the health care industry and build market reputation for the Group. The acquisition is expected to bring synergy effects to the existing business of the Group, and it is believed that the Group's Dental Prosthetics Business can further expand its presence in the Yangtze River Delta region by sharing the resources and reputation of the hospital to be constructed by the Project.

* *For identification purpose only*

In May 2019, the Group founded the Shenzhen Medical Health Technology Co., Ltd.* (深圳醫佳健康醫療科技有限公司). Its first sports rehabilitation clinic, located in Nanshan District, Shenzhen, began its trial operation in October 2019. Due to the outbreak of the COVID-19 pandemic at the beginning of this year, the clinic was closed for nearly two months in compliance with the government's pandemic control policy. It obtained approval to commence operation at the end of March. The clinic has already achieved break-even in terms of operating cash flow, as its operating income had been increasing steadily and reached a new high after the pandemic. Customer satisfaction, conducted through our internal customer survey and dianping.com, reached 100%, the percentage of new patients brought in by existing patients was 35%, and the repurchase rate was 40%. The Group plans to replicate the successful model of the existing Nanshan clinic in the Shenzhen area later this year, actively exploring the chain operation of sports rehabilitation specialists.

On 9 April 2020, the Group entered into a cooperation agreement through Mega Health Service (Shenzhen) Co., Ltd.* (美加健康服務(深圳)有限公司) ("Mega Health"), a wholly-owned subsidiary of the Company, with Zhuhai Shili Lianjiang Agricultural Tourism Development Co., Ltd.* (珠海十里蓮江農業旅遊開發有限公司) ("Zhuhai Shili Lianjiang Development") to jointly develop and operate the Shili Lianjiang Project located in Zhuhai. The project is a one-stop international health care project integrating healthy living, healthy eating, health care, healthy leisure as a whole. Zhuhai Shili Lianjiang Health Industry Development Co., Ltd.* (珠海十里蓮江健康產業發展有限公司) was formed by the partiers pursuant to the cooperation agreement and is held as to 55% by Kaisa Health Health Service (Zhuhai) Co., Ltd.*(佳兆業健康服務(珠海市)有限公司), a wholly-owned subsidiary of Mega Health, and as to 45% by Zhuhai Shili Lianjiang Development. The company holds the assets related to the project and engages in health care development business.

On 10 April 2020, the Group entered into a strategic cooperation agreement through Mega Health Service (Shenzhen) Co., Ltd.*(美加健康服務(深圳)有限公司)("Mega Health"), a wholly-owned subsidiary of the Company, with Medical Care Service Shanghai Inc.* (美邸養老服務(上海)有限公司) ("Medical Care Shanghai") to jointly establish a health care operation management company in Shenzhen and to engage in the operation and management of health, wellness and related real estate projects. The project covers health management centres, high-end elderly apartments, rehabilitation hospitals and nursing homes. It is intended that the management company will be held as to 60% by Mega Health and as to 40% by Medical Care Shanghai. Medical Care Shanghai is a company established in the PRC and a wholly-owned subsidiary of Medical Care Service Inc., a company with extensive experience in operation relating to the eldering care service in Japan and has over 300 elderly care institutions in Japan. It is expected that with the parties' advantages in their specific fields, the Group will be able to better capture the tremendous opportunities offered by the market.

** For identification purpose only*

On 26 May 2020, the Group signed a memorandum of cooperation on the rural revitalization project in Fuhu Village, Xuhang Town (徐行鎮伏虎村) with the People's Government of Xuhang Town, Jiading District, Shanghai (the "Xuhang Town Government"). Leveraging the resources and advantages of the parties, the Group intends to transform the area into a demonstration model of rural revitalization and a demonstrative rural health and wellness resort. The project will cover business types such as health management centres, health care apartments, dementia education villages, boutique health care hotels, and organic food centres.

Prospect

The Group is principally engaged in the Dental Prosthetics Business and Health Care Business, and has a business strategy to further diversify its business so as to further enhance shareholder value. In order to build the brand "Mega", the Group has been oriented towards advanced technologies and integrated quality medical devices in China and overseas to become a high-end dental prosthetics instrument supplier. The Group has put efforts in exploring a medical appliance system with the oral business as its up-stream and down-stream industry chain and a medical service system integrating medical care and health care, developing a closed-loop ecosystem with the coordination of these three major systems.

Dental Prosthetics Business

The oral medical market has an enormous room for development and with its relatively high prices, its proportion in the total medical expenditure is relatively higher and hence the stomatological industry is always listed separately in respect of the statistics on medical expenditure. According to the statistics released by the iiMedia Research, the oral industry market was over RMB100 billion in 2019. At present, the dental industry market in China is already at a stage of rapid development, and it is projected that, along with the increasing consumption power in the PRC, regardless of whether it is in terms of the dentist proportion, consultation rate and the permeability rate of highend dental business or the current market scale, the oral market in China has the development potential to increase over tenfold. The Group has formulated a number of growth strategies in the Dental Prosthetics Business, including enlarging its sales network in the PRC and foreign markets like the US, expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes. Since 2019, the Group launched an upgraded version of Mega Veneer XS, which is now available worldwide, for hiding spots and stains of severely discoloured teeth such as tetracycline pigmentation teeth, mottled enamel and dental pulp. It is of higher quality as it also covers hard-to-reach areas. The Group also promoted the Mega YiQi Minimally Invasive Customized Clear Aligner (美加易齊微矯定制式透明矯治器) launched under its brand into the invisible dental brace market, aiming to mutually promote rapid revenue growth through increasing its scale worldwide and appealing to young users. Apart from the organic growth and sales network integration and consolidation for the Dental Prosthetics Business, the Group will also actively seek investment and collaboration opportunities in high-tech dental related areas so as to enhance cross selling opportunities and the returns of investment for the shareholders of the Company.

Health Care Business

The Hangzhou Shulan Project acquired by the Group is intended to be built as a Grade 3A Hospital with 2,000 beds and to cover organ transplantation, minimal invasive surgery, biological diagnosis and precision medical services. The acquisition will allow the Group to enhance its health care portfolio and will facilitate the Group's investment decisions in the health care industry and build market reputation for the Group in the PRC. Through investing in the Project which focuses on developing the hospital, the Group will be able to penetrate to the front line of the health care sector, facing and identifying the needs of the patients directly, and enables the Group to discover and evaluate the potential business opportunity in the health care industry in Hangzhou City. The Group could enjoy the satisfactory synergistic benefits from the investment in the Project as contemplated under the Acquisition upon the successful development of the Project, which is favourable to the existing businesses of the Group and in the interest of the Group and the Independent Shareholders as a whole.

Up to the date of this announcement, the Group's health care real estate business has many projects under construction in an orderly manner, including but not limited to the Hangzhou Shulan International Medical Centre Project and the Shili Lianjiang International Health City Project. It also uses the construction and operation of its existing projects as an opportunity to actively establish and improve its concept of health care project products, product standards, the service system, the management system and the talent system, thus forming its core competency in health care industry development in order to achieve large-scale replication and effectively promote the Company's strategic planning and layout. Meanwhile, by leveraging its shareholders' resources and its contracted customers, the Group will develop new projects through project financing for future development. The Group's health care real estate business will be rooted in the Greater Bay Area, focusing on first-tier and strong second-tier cities, and its scale of management will continue to expand.

The rehabilitation industry of the aging population has gained attention and the rehabilitation industry has emerged due to the growing sports population. According to the statistics released by Intelligence Research Group, the scale of the rehabilitation market is projected to reach over RMB100 billion in 2023, showing a considerable potential in respect of its market scale. Orthopaedics and sports rehabilitation in the medical rehabilitation industry account for 38.63% of the market share of rehabilitation. It is expected the annual market size will reach 28.3 billion by 2021. Through its operation of chain clinics of sports rehabilitation specialists, the Group has formed an orthopaedic and rehabilitation professional rehabilitation team which is rare most in the market. The Group has established an exclusive collaboration model for three areas, namely orthopaedics, rehabilitation and pain management, thereby providing safe and professional solutions to customers through involving medical teams in active rehabilitation, removing the usual disconnection between orthopaedics and rehabilitation and changing the current situation of the late involvement of rehabilitation medical teams. The Group's Sports Rehabilitation Clinic Project (including orthopedics, sports medical service, traditional Chinese medical service, rehabilitation services (mainly orthopedic postoperative rehabilitation, sports injury rehabilitation, chronic pain rehabilitation, children's scoliosis rehabilitation, pregnancy and childbirth rehabilitation, traditional Chinese medical rehabilitation, especially sports rehabilitation) has received positive feedback from the market since its opening. After two months of forced suspension of business due to the COVID-19 pandemic, it has delivered outstanding performance in just six months. The Group plans to replicate the successful model of its Nanshan clinic in the Shenzhen area and complete its initial chain layout later this year. In the next three years, the Group will apply this Shenzhen model to the Greater Bay Area. The scale of operation will expand by opening 50 additional clinics as well as developing the layout in respect of the sports rehabilitation market in the Greater Bay Area.

Operating Results and Financial Review

Revenue

The revenue for the Period amounted to HK$76.2 million (six months ended 30 June 2019: HK$118.8 million). The decrease in the revenue is mainly due to the significant decrease in domestic and overseas orders of orthodontic products caused by the global outbreak of the COVID-19 pandemic.

Gross Profit and Gross Profit Margin

Gross profit for the Period amounted to HK$36.9 million (six months ended 30 June 2019: HK$58.7 million). Gross profit margin for the Period was 48.46% (six months ended 30 June 2019: 49.40%). The decrease in the gross profit margin contributed from operations was mainly attributable to the increase in the overhead costs in maintaining the operation.

Convertible Bonds Receivable

The convertible bonds receivable represented the Group's EUR5 million investment in Condor International, which is specialized in the sales, distribution and development of the three-dimensional intraoral scanners.

Convertible Promissory Note

The convertible promissory note represents the senior secured convertible promissory note subscribed by the Group at a total consideration of US$3,500,000.

Financial Assets at Fair Value Through Profit or Loss

Investment in unlisted equity investment was treated as financial assets at fair value through profit or loss as at 30 June 2020. The Group has contributed approximately RMB191.4 million (equivalents to approximately HK$219.9 million) in the investment in unlisted equity investment.

Bank Balance and Cash

The Group has a solid cash position for the Period under review, with bank balances and cash amounting to approximately HK$181.7 million as at 30 June 2020 (31 December 2019: HK$230.2 million).

Land Use Rights

During the Period, the Group invested approximately HK$43.6 million through incorporation of a subsidiary on land use right for development and operation of international healthcare project.

Capital Expenditure and Capital Commitments

During the Period, the Group invested approximately HK$4.6 million (six months ended 30 June 2019: approximately HK$5.5 million), mainly on production equipment. As at 30 June 2020, the Group has a capital expenditure commitment of approximately HK$2.2 million for the acquisition of an associate.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2020.

Charge on the Group's Assets

As at 30 June 2020, there was no pledge of assets of the Group for banking facilities.

Treasury Policy

The Group's sales were principally denominated in Renminbi, EURO dollars, US dollars and Hong Kong dollars while purchases were transacted mainly in US dollars, Renminbi and Hong Kong dollars.

The fluctuation of Hong Kong dollars and other currencies did not materially affect the costs and operations of the Group for the Period and the Directors do not foresee significant risk in exchange rate fluctuation currently. The Group has not entered into any financial instruments for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 30 June 2020 amounted to approximately HK$628.2 million (31 December 2019: approximately HK$642.0 million).

As at 30 June 2020, the net current assets of the Group amounted to approximately HK$291.65 million (31 December 2019: HK$344.70 million). The current and quick ratio was 4.79 and 4.71 respectively (31 December 2019: 6.08 and 5.98 respectively).

At 30 June 2020, indebtedness of the Group including an amount due to Ms. Jiang Sisi ("Ms. Jiang", the spouse of Mr. Wu Tianyu) of HK$702,000 (31 December 2019: HK$716,000) and an amount due to a non-controlling shareholder of a subsidiary of approximately HK$11.0 million (31 December 2019: Nil) which are unsecured, interest-free and repayable on demand.

As at 30 June 2020 and 31 December 2019, no gearing ratio of the Group could be calculated as there were no bank loans outstanding.

The number of issued ordinary shares (the "Shares") of the Company was 5,042,139,374 as at 30 June 2020 (31 December 2019: 5,042,139,374 Shares).

Taking the above figures into account, the management is confident that the Group is financially strong and has adequate resources to settle its outstanding debts, to finance its daily operational expenditures and also the cash requirements for the Group's future acquisition and expansion.

Employees and Remuneration Policy

The Group employed approximately 940 employees in total as at 30 June 2020 (31 December 2019: 1,260) in Hong Kong and the PRC. The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness. In addition, the Group had also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the Company's Remuneration Committee, having regard to the Group's performance, individual performance and comparable market conditions.

Other Information

Purchase, Sale or Redemption of the Company's Listed Securities

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Code on Corporate Governance Practices

The Company has considered and applied the principles 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"). In the opinion of the Board, the Company complied with the code provisions set out in the CG Code during the six months ended 30 June 2020.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Significant investment on financial assets at fair value through profit or loss

Mega Deluxe Holdings Limited, a wholly-owned subsidiary of the Company and Rui Jing Investment Company Limited (a wholly-owned subsidiary of Kaisa Group Holdings Ltd., a controlling shareholder of the Company), entered into the Sale and Purchase Agreement on 3 August 2018, pursuant to which the Company acquired a project in Hangzhou City, Zhejiang Province, the PRC for the provision of public health and medical services. The investment cost was approximately HK$219.9 million.

As at 30 June 2020, the fair value an unlisted equity investment of the project was approximately HK$235.6 million, representing approximately 32.25% of the total assets of the Group.

The investment was used to penetrate the healthcare sector through establishment of a Grade 3A Hospital in Hangzhou. The Hospital is still under construction stage.

Significant investment on convertible bonds receivable

On 19 October 2016, the Group's indirect wholly-owned subsidiary, United Noble Development Limited, entered into a conditional agreement with Condor International NV ("Condor International"), a private company incorporated in Belgium, to subscribe 257,663 unlisted 5% coupon convertible bonds issued by Condor International, at an aggregate principal amount of EUR5,000,000 maturing on the third anniversary of the date of issue. The subscription of the Convertible Bonds was subsequently completed on 29 November 2016. The maturity date of the convertible bonds was extended for one year on 29 November 2019. The investment cost was approximately HK$41.2 million.

As at 30 June 2020, the fair value of convertible bonds receivable was approximately HK$48.3 million, representing approximately 6.62% of the total assets of the Group.

The investment was used to prepare for the development of intraoral scanner market in China. Condor International is the manufacturer of intraoral scanner. The Group is now applying the licence for permission of the sale of intraoral scanner in China.

Saved as disclosed above, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020. There was no plan authorised by the Board for other material investments or additional capital assets as at the date of this announcement.

Audit Committee

The Audit Committee of the Board was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. Currently, the Audit Committee comprises three independent non-executive Directors, namely Dr. Liu Yanwen (chairman), Mr. Fok Hei Yu and Dr. Lyu Aiping.

Review of Interim Results

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2020 have been reviewed by the Audit Committee and the Company's auditor, Messrs. Grant Thornton Hong Kong Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE 2020 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Interim Report for the six months ended 30 June 2020 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.kaisahealth.com in due course.

By order of the Board
Kaisa Health Group Holdings Limited
Zhang Huagang
Chairman

Hong Kong, 26 August 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhang Huagang (Chairman), Mr. Luo Jun (Co-Vice Chairman), Mr. Wu Tianyu (Co-Vice Chairman) and Mr. Kwok Ying Shing, and three independent non-executive Directors, namely Dr. Liu Yanwen, Mr. Fok Hei Yu and Dr. Lyu Aiping.