Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Kaisa Health Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020 together with the comparative figures for the corresponding year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*3*	**183,810**	251,618
Cost of sales		**(93,847)**	(128,728)
Gross profit		**89,963**	122,890
Other income, gains and losses		**7,840**	18,332
Selling and distribution costs		**(32,332)**	(50,369)
Administrative expenses		**(79,106)**	(74,992)
Net gain from change in fair value of financial assets at fair value through profit or loss	*10*	**22,670**	13,760
Gain/(Loss) from change in fair value of convertible promissory note	*9*	**5,044**	(1,181)
Loss from change in fair value of convertible bonds receivable	*12*	**(524)**	(116)
Impairment loss on intangible assets		**–**	(27,068)
Impairment loss on goodwill		**–**	(330,805)
Impairment loss on trade receivables	*11*	**(286)**	(156)
Impairment loss on amount due from a director		**(2,371)**	–
Impairment loss on convertible bonds receivable	*12*	**(30,838)**	–
Other expenses		**(20,446)**	(32,609)
Finance costs		**(1,087)**	(357)
Loss before income tax	*4*	**(41,473)**	(362,671)
Income tax credit	*5*	**778**	7,625
Loss for the year		**(40,695)**	(355,046)

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Other comprehensive income/(expense), including reclassification adjustments			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**30,985**	(12,231)
Total comprehensive expense for the year		**(9,710)**	(367,277)
Loss for the year attributable to:			
– Owners of the Company		**(39,692)**	(354,673)
– Non-controlling interests		**(1,003)**	(373)
		(40,695)	(355,046)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(9,634)**	(366,909)
– Non-controlling interests		**(76)**	(368)
		(9,710)	(367,277)
		HK cents	*HK cents*
Loss per share	*7*		
– Basic		**(0.79)**	(7.03)
– Diluted		**(0.79)**	(7.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**31,709**	36,265
Right-of-use assets		**22,906**	7,389
Land use rights		**46,583**	–
Intangible assets		**987**	620
Investment in an associate	*8*	**–**	–
Convertible promissory note	*9*	**33,005**	28,086
Deposits	*11*	**20,080**	–
Financial assets at fair value through profit or loss	*10*	**269,206**	229,879
Deferred tax assets		**593**	–
		425,069	302,239
Current assets			
Inventories		**6,729**	6,850
Trade and other receivables	*11*	**105,898**	74,145
Financial assets at fair value through profit or loss	*10*	**–**	28,143
Convertible bonds receivable	*12*	**18,842**	46,323
Amount due from a director		**21,093**	24,519
Amounts due from fellow subsidiaries		**207**	–
Amounts due from a non-controlling shareholder of subsidiaries		**477**	22
Taxation recoverable		**2,624**	2,440
Bank balances and cash		**176,600**	230,176
		332,470	412,618
Current liabilities			
Trade and other payables	*13*	**73,257**	64,686
Lease liabilities		**6,025**	2,484
Amount due to a related party		**764**	716
Amounts due to fellow subsidiaries		**862**	–
Amount due to a non-controlling shareholder of a subsidiary		**11,919**	–
		92,827	67,886
Net current assets		**239,643**	344,732
Total assets less current liabilities		**664,712**	646,971

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**17,211**	5,310
Net assets	**647,501**	641,661
Equity		
Share capital	**6,303**	6,303
Reserves	**630,213**	635,704
Equity attributable to owners of the Company	**636,516**	642,007
Non-controlling interests	**10,985**	(346)
Total equity	**647,501**	641,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

1.2 Principal accounting policies

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

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 consolidated financial statements 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 associate. 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.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

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

In addition, on 1 January 2020, the Group has early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" which will be effective for the Group for financial year beginning on or after 1 June 2020.

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKFRS 16 "Covid-19-Related Rent Concessions"

Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 ("COVID-19-Related Rent Concessions") are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

– there is no substantive change to other terms and conditions of the lease.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Group during the year.

Consequently, rent concessions received have been recognised in "Other income, gains and losses" in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

Issued but not yet effective HKFRSs

Certain new and amended HKFRSs have been published but are not yet effective for the financial period beginning on 1 January 2020, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective date not yet determined
5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors 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 consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for goods sold and services 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 year ended 31 December 2020

	Dental prosthetics business *HK$'000*	Health care business *HK$'000*	Total *HK$'000*
REVENUE			
Revenue from external customers	**179,941**	**3,869**	**183,810**
RESULTS			
Segment profit/(loss) before depreciation and amortisation	**35,691**	**(629)**	**35,062**
Depreciation			
– Property, plant and equipment	**(11,165)**	**(1,741)**	**(12,906)**
– Right-of-use assets	**(3,343)**	**(2,755)**	**(6,098)**
Amortisation of land use rights	**–**	**(840)**	**(840)**
Amortisation of intangible assets	**(342)**	**(130)**	**(472)**
Segment operating profit/(loss)	**20,841**	**(6,095)**	**14,746**
Impairment loss on trade receivables	**(286)**	**–**	**(286)**
Impairment loss on amount due from a director	**(2,371)**	**–**	**(2,371)**
Segment profit/(loss) before income tax	**18,184**	**(6,095)**	**12,089**
Gain from change in fair value of convertible promissory note			**5,044**
Loss from change in fair value of convertible bonds receivable			**(524)**
Impairment loss on convertible bonds receivable			**(30,838)**
Unallocated income			**1,308**
Unallocated expenses			**(28,552)**
Loss before income tax			**(41,473)**

For the year ended 31 December 2019

	Dental prosthetics business *HK$'000*	Health care business *HK$'000*	Total *HK$'000*
REVENUE			
Revenue from external customers	251,243	375	251,618
RESULTS			
Segment profit/(loss) before depreciation and amortisation	29,101	(3,220)	25,881
Depreciation			
– Property, plant and equipment	(10,517)	(699)	(11,216)
– Right-of-use assets	–	(2,095)	(2,095)
Amortisation of intangible assets	(950)	–	(950)
Segment operating profit/(loss)	17,634	(6,014)	11,620
Impairment loss on intangible assets	(27,068)	–	(27,068)
Impairment loss on goodwill	(330,805)	–	(330,805)
Impairment loss on trade receivable	(156)	–	(156)
Segment loss before income tax	(340,395)	(6,014)	(346,409)
Loss from change in fair value of financial assets at fair value through profit or loss – unlisted managed fund			(2,441)
Loss from change in fair value of convertible promissory note			(1,181)
Loss from change in fair value of convertible bonds receivable			(116)
Unallocated income			8,255
Unallocated expenses			(20,779)
Loss before income tax			(362,671)

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, changes in fair value of convertible bonds receivable, convertible promissory note and unlisted managed fund and impairment loss on convertible bonds receivable. This is the information reported to the CODM for the purposes of resource allocation and performance assessment.

3.2 Segment assets and liabilities

As at 31 December 2020

	Dental prosthetics business *HK$'000*	**Health care business** *HK$'000*	**Total** *HK$'000*
Reportable segment assets	**295,757**	**389,729**	**685,486**
Convertible promissory note			**33,005**
Convertible bonds receivable			**18,842**
Deferred tax assets			**593**
Taxation recoverable			**2,624**
Unallocated assets			**16,989**
Total assets			**757,539**
Reportable segment liabilities	**(77,575)**	**(26,298)**	**(103,873)**
Unallocated liabilities			**(6,165)**
Total liabilities			**(110,038)**

As at 31 December 2019

	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			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)

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**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**33,103**	87,222	**–**	204
PRC (excluding Hong Kong)	**150,082**	163,067	**101,721**	43,596
Others	**625**	1,329	**20,544**	474
	183,810	251,618	**122,265**	44,274

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

3.4 Information about major customers

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

	2020	2019
	HK$'000	*HK$'000*
Customer A	**N/A***	25,000
Customer B	**N/A***	24,657

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

4. LOSS BEFORE INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
Loss before income tax has been arrived at after (crediting)/charging:		
Directors' remuneration		
– fees	**1,612**	1,967
– other emoluments	**20,384**	8,476
– equity-settled share-based payment expenses	**3,093**	1,565
– contributions to defined contribution retirement schemes	**65**	55
	25,154	12,063
Other staff costs		
– staff salaries and allowances	**97,785**	127,522
– equity-settled share-based payment expenses	**1,050**	2,257
– contributions to defined contribution retirement schemes *(note a)*	**2,077**	5,432
	100,912	135,211
Total staff costs	**126,066**	147,274
Auditor's remuneration		
– Current year	**1,100**	1,100
Amortisation of intangible assets (included in cost of sales)	**472**	950
Amortisation of land use rights	**840**	–
Cost of inventories recognised as expense	**91,001**	128,728
Depreciation:		
– Property, plant and equipment	**12,906**	11,216
– Right-of-use assets	**6,302**	2,585
Impairment loss on trade receivables	**286**	156
Impairment loss on amount due from a director	**2,371**	–
Impairment loss on convertible bonds receivable	**30,838**	–
Impairment loss on intangible assets	**–**	27,068
Impairment loss on goodwill	**–**	330,805
Lease charges:		
– Short-term leases with lease term less than 12 months	**2,398**	7,483
– COVID-19 related rent concessions received *(note b)*	**(153)**	–
Net exchange (gain)/loss (included in other income, gains and losses)	**(3,469)**	1,465
Research and development expenses (included in other expenses)	**20,446**	32,609
Finance charges on lease liabilities	**935**	357
Loss/(Gain) on disposal of financial assets at fair value through profit or loss (included in other income, gains or losses)	**1,463**	(875)

Notes:

(a) Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.

(b) As disclosed in note 2, the Group has early adopted Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" and applies the practical expedients introduced by the amendments to all eligible rent concessions received by the Group during the year. During the year ended 31 December 2020, the rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.

5. INCOME TAX CREDIT

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	616
Under/(Over)-provision in prior years:		
Hong Kong Profits Tax	**(185)**	(20)
PRC Enterprise Income Tax	**–**	(1,281)
	(185)	(1,301)
Deferred tax credit	**(593)**	(6,940)
	(778)	(7,625)

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits during the year ended 31 December 2020.

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% of the estimated assessable profits for the year, 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 years.

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 year ("Super Deduction"). A subsidiary is eligible to such Super Deduction in ascertaining its tax assessable profit for the years ended 31 December 2020 and 2019.

6. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting periods.

7. LOSS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(39,692)**	(354,673)

Number of shares

	2020	2019
Weighted average number of ordinary shares in issue during the year	**5,042,139,374**	5,042,139,374

The diluted loss per share for the years ended 31 December 2020 and 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 per share is the same as basic loss per share for the years ended 31 December 2020 and 2019.

8. INVESTMENT IN AN ASSOCIATE

	2020	2019
	HK$'000	*HK$'000*
Cost of unlisted investment in an associate *(note a)*	–	–
Share of post-acquisition loss and other comprehensive expenses *(note b)*	–	–
	–	–

Notes:

(a) During the year ended 31 December 2020, the Group has obtained significant influence of an associate, Hangzhou Jinyun Investment Management Co., Ltd.* (杭州金韵投資管理有限公司) ("Hangzhou Jinyun") because it has the power to appoint one out of the five directors of the associate. At the end of the reporting period, the Group has not paid up the cost of investment in the associate and committed to the capital contribution of the associate of RMB2 million (approximately HK$2.2 million).

(b) The Group has not recognised losses amounting to approximately HK$464,000 for the year ended 31 December 2020 for Hangzhou Jinyun. The accumulated losses not recognised were approximately HK$464,000 as at 31 December 2020.

Details of the Group's associate as at 31 December 2020, which is an unlisted corporate entity whose quoted market price is not available.

Name of associate	Form of entity	Country of incorporation and business	Particulars of registered capital	Proportion of interest held by the Group		Principal activity
				2020	2019	
Hangzhou Jinyun	Limited liability company	PRC	RMB10,000,000	**20%**	–	Management service

* *For identification purpose only*

9. 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 31 December 2020 and 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	29,309
Currency realignment	(42)
Change in fair value recognised in profit or loss	(1,181)
At 31 December 2019 and 1 January 2020	28,086
Currency realignment	(125)
Change in fair value recognised in profit or loss	5,044
At 31 December 2020	**33,005**

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Non-current:		
Unlisted equity investment *(note a)*	**269,206**	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 ("Trade Guide"), 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 Trade Guide and its associates (collectively referred to as the "Trade Guide Group"), at an aggregate consideration of RMB193,000,000 (equivalent to approximately HK$221,732,000).

Trade Guide 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 Trade Guide 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 Trade Guide 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.

* *For identification purpose only*

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 31 December 2020 and 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	–
At date of acquisition	219,908
Currency realignment	(6,230)
Change in fair value recognised in profit or loss	16,201
At 31 December 2019 and 1 January 2020	229,879
Currency realignment	16,657
Change in fair value recognised in profit or loss	22,670
At 31 December 2020	**269,206**

* *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 year, 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	–
At date of acquisition	29,967
Currency 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	28,143
Disposal of unlisted managed fund	(28,143)
At 31 December 2020	**–**

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**89,292**	65,083
Less: ECL allowance	**(1,013)**	(730)
	88,279	64,353
Other receivables, prepayments and deposits	**8,530**	9,792
Deposits for acquisition of a subsidiary	**20,080**	–
Prepayments for construction costs	**9,089**	–
	37,699	9,792
	125,978	74,145

The directors of the Group consider that the fair values of trade and other receivables which are expected to be recorded within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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:

	2020	2019
	HK$'000	*HK$'000*
0 – 90 days	**60,076**	54,834
91 – 180 days	**19,572**	5,529
181 – 365 days	**5,115**	2,766
Over 1 year	**3,516**	1,224
	88,279	64,353

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 360 days.

The movement in the ECL allowance of trade receivables is as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**730**	574
Recognised during the year	**286**	156
Exchange realignment	**(3)**	–
At 31 December	**1,013**	730

12. 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 Technologies NV (formerly known as Condor International NV) ("Condor Tech"), a listed company incorporated in Belgium, to subscribe 257,663 unlisted 5% coupon convertible bonds (the "Convertible Bonds") issued by Condor Tech, 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 carry interest of 5% per annum and would be payable at the Maturity Date. The Convertible Bonds are denominated in Euro.

Condor Tech 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 Share") if (i) an initial public offering of Condor Tech takes place, or (ii) the issue of shares by Condor Tech for cash consideration at a price per share corresponding to a pre-money valuation of Condor Tech of not less than EUR75,000,000 and with gross proceeds to Condor Tech 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 Tech 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 (the "Extended Maturity Date"). Details of the extension of the Convertible Bonds were set out in the Company's announcement dated 3 December 2019.

Upon the Extended Maturity Date, Condor Tech has not made any repayment for the redemption of the outstanding Convertible Bonds or the accrued and unpaid interest thereon. Pursuant to the terms of the Convertible Bonds, it constitutes an event of default if, among others, Condor Tech fails to pay any amount for the redemption of the outstanding Convertible Bonds or the accrued and unpaid interest thereon when due. In this regard, the Group has expressly renounced to exercise the conversion right applicable in relation to the Convertible Bonds and it has required the full reimbursement of the amounts due in respect of the Convertible Bonds. Accordingly, the Group has reclassified the convertible bonds receivable from financial assets at fair value through profit or loss to financial assets at amortised cost at the Extended Maturity Date.

As at the Extended Maturity Date, the outstanding Convertible Bonds and interests accrued and unpaid amounted to EUR5,000,000 (equivalent to approximately HK$46,250,000) and EUR250,000 (equivalent to approximately HK$2,313,000), respectively.

The Company is now seeking legal advice and assessing the Company's legal position as to the failure of Condor Tech in repaying the outstanding Convertible Bonds upon the Extended Maturity Date and the matters stated therein. The Company will use its best endeavor and will take all possible actions to seek recovery from Condor Tech of the principal amount and the interests accrued for the outstanding Convertible Bonds.

Further details in relation to the Convertible Bonds were set out in the Company's announcement dated 30 November 2020.

As at the Extended Maturity Date, 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	47,649
Currency realignment	(1,210)
Change in fair value recognised in profit or loss	(116)
At 31 December 2019 and 1 January 2020	46,323
Currency realignment	2,764
Change in fair value recognised in profit or loss	(524)
At the Extended Maturity Date	48,563
Currency realignment	1,117
Less: ECL allowance	(30,838)
At 31 December 2020	**18,842**

The movement in the ECL allowance of convertible bonds receivable is as follows:

	2020
	HK$'000
At the Extended Maturity Date and date of reclassification	–
Recognised during the year	**30,838**
At 31 December	**30,838**

As at 31 December 2020, the convertible bonds receivable has delayed its settlement for over 30 days. Having considered the economic environment in which the debtor operates (which is in Europe) and the liquidity condition of the debtor, the Group considered that there are objective evidence of impairment of the convertible bonds receivable since initial recognition and, therefore, a Stage 3 ECL allowance of HK$30,838,000 was recognised.

13. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**4,939**	5,689
Receipts in advance	**23,965**	7,878
Other payables *(note (a))*	**19,560**	15,966
Accrued charges *(note (a))*	**23,987**	35,122
Contract liabilities *(note (b))*	**806**	31
	73,257	64,686

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

	2020	2019
	HK$'000	*HK$'000*
0 – 90 days	**4,734**	5,241
91 – 180 days	**131**	448
Over 180 days	**74**	–
	4,939	5,689

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

All amounts are short-term and hence the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

Notes:

(a) Other payables mainly include value added tax and other tax payables in the PRC, and accrued charges mainly include accrued staff salaries and allowances, and contributions to defined contribution retirement schemes.

(b) Contract liabilities represents deposits received from medical services under the health care business segment. When the Group receives a deposit before the commencement of medical services, this will give rise to a contract liability at the inception of a contract until the revenue recognised on the service could cover the amount of the deposit. The contract liabilities represent receipts in advance for the medical services and are expected to be recognised as revenue within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year, the Group's revenue reached approximately HK$183.8 million (2019: approximately HK$251.6 million), representing a decrease of 27% when compared with last year. The loss attributable to the shareholders of the Company for the year ended 31 December 2020 was approximately HK$39.7 million, representing a basic loss per share of HK0.79 cents (2019: loss of approximately HK$354.7 million, representing a basic loss per share of HK7.03 cents).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

BUSINESS REVIEW

Dental Prosthetics Business

The Group has engaged in the Dental Prosthetics Business, including the sales (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations.

Revenue from the Dental Prosthetics Business was approximately HK$179.9 million as of 31 December 2020, and revenue was approximately HK$251.2 million for the corresponding period in 2019.

The Dental Prosthetics Business was acquired in May 2015. With regard to the sales distribution of the Dental Prosthetics Business, in 2020, domestic sales accounted for 82% of annual sales, overseas sales accounted for 18% of annual sales. Comparing to the domestic sales accounting for 65% of annual sales and overseas sales accounting for 35% of annual sales in 2019, the proportion of overseas sales in 2020 has significantly decreased, indicating that the COVID-19 pandemic has a great impact on the expansion of international market. Also the overseas competitors actively engage in merger and acquisitions of dental prosthetics suppliers, which lead to a shrink of overseas sales.

On the other hand, since the quality of Condor Tech's three-dimensional intraoral scanners is not certain, the convertible bonds with Condor Tech will be terminated after the extended maturity date. The terms of repayment are close to final conclusion up to the date of this announcement.

Investment in research and know-hows is always a focus in our business. Research and development expense of HK$20.4 million was incurred during this year (2019: HK$32.6 million), reflecting the management's determination and vision to invest in the future technologies in the Dental Prosthetics Business. On the other hand, grants and awards of HK$4.4 million (2019: HK$8.1 million) were received from the Municipal Government for acknowledging the Group's continued effort in research and development of skills and know-hows in the dental prosthetics areas.

Health Care Business

The Group has participated in the health care industry – Shulan Project through the acquisition of Trade Guide Limited (a company engages in the provision of public health and medical services) in 2018, and a hospital has commenced construction in 2019. Shulan Project will enable the Group to penetrate to the front line of the health care sector, directly responding and identifying the needs of patients, and it will also facilitate investment decision on the health care industry and building 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 Health Care 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.

In order to actively expand the Group's business scope in health care sector and to enhance shareholders' value, the Group has commenced its business operation in the sports rehabilitation industry, primarily focusing on sports injuries, post-operative rehabilitation and chronic pain, and has also introduced the German MTT sports rehabilitation technology. Our first sports rehabilitation clinic (Shenzhen Yijia Genral Specialist Clinic* (深圳醫佳普通專科門診部)) officially commences business and operation in October 2019. As of 31 December 2020, revenue from the outpatient business segment was approximately RMB3.44 million. Our second sports rehabilitation clinic (Shenzhen Jiayi General Specialist Clinic* (深圳佳醫普通專科門診部)) officially commences business and operation on 26 January 2021. The sports rehabilitation industry has been developing rapidly in China and has huge potential compared with traditional rehabilitation. Shenzhen Yijia General Specialist Clinic introduced a team of orthopedic rehabilitation experts from Shenzhen Nanshan Hospital to actively prepare for academic exchanges in the sports rehabilitation industry, and have held 15 professional academic conferences regarding the sports rehabilitation industry throughout the year, which have enhanced the academic status of the outpatient department in the sports rehabilitation industry. Meanwhile, Shenzhen Yijia General Specialist Clinic has put more effort in the training of rehabilitation talents, established a talent training centre with Beijing Sport University and Hunan University of Chinese Medicine, and has joined the Chinese Athletes Association* (中國運動員協會) and became a member of the association. In 2020, Shenzhen Yijia General Specialist Clinic strictly controlled its medical risks and has received no medical complaints throughout the year, and there

** For identification purpose only*

were no violation in medical insurance inspections throughout the year under its model operations. Shenzhen Yijia General Specialist Clinic has been actively expanding its rehabilitation projects. For example, in 2020, it has explored to the field of children's scoliosis, deformity correction insoles and postpartum rehabilitation. Among which, the children's scoliosis project has achieved remarkable results, which currently accounts for 13% of clinical service income.

The Group has been actively explores new business model of healthy towns and has set out a comprehensive roadmap for its health care real estate business. In 2020, the general health care industry has outperformed the overall economy trends despite the effects brought by the COVID-19 pandemic, and the Group's health care business has also achieved significant development in the development of talents and projects.

Mr. Zhang Huagang (the Chairman of the Group), known as the "undisputed leader in the China's health care industry" among its peer, has officially joined the Group in April 2020. As the founder of China Tide Holdings Company Limited, Mr. Zhang Huagang has led the development of "Shanghai Tide Health Campus* (上海天地健康城)", which has became an innovative benchmark project in the elderly care industry. Since then, during his tenure at Shanghai Zendai Property Limited, Mr. Zhang Huagang pioneered the first "Property Trust Pension* (財產權信託養老)" model in China through the "Leyaji Elderly Community* (樂雅集養老社區)" project at Zhujiajiao town, Qingpu District, which has had a huge impact on the industry. The introduction of Mr. Zhang Huagang into the Group signified an important milestone for the Group's development in the health industry.

In April 2020, Mega Health Service Shenzhen Co., Ltd.* (美加健康服務(深圳)有限公司), a wholly-owned subsidiary of the Group, entered into the cooperation agreements with each of Zhuhai Shili Lianjiang Development and Medical Care Service Shanghai Inc. (a renowned Japanese health care corporate that based in Shanghai) to further expand its health care business. In 2020, although our business development became sluggish for months due to the impacts brought by the COVID-19 pandemic, the Group's health care business has managed to complete 215,000 square meters of new contracted areas.

PROSPECT

The Group is principally engaged in the Dental Prosthetics Business, and its business strategy was to further expand its business so as to further enhance shareholders' value. 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.

** For identification purpose only*

Dental Prosthetics Business

The Group considers that the increase in the consumption level in the PRC builds the base for the rapid growth in China's dental market. On this basis, through the education promoted by the overseas vendors and dentists, the populace's heightening awareness of oral hygiene provides the endogenous power for maintaining the speedy growth in the dental market. Currently, China's dental market has been rapidly developing, hence the trend of increasing dental consumption will not change, and is expected to gradually extend from the eastern coastal regions to cities in central and western part of the PRC and the overall dental market probably will continue its rapidly increasing trend for a long time in the future. It is projected that with the increase of consumption power in the PRC, regardless of whether it is in terms of the dentist proportion, consultation rate and the permeability rate of high-end 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 (such as the US), expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes.

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 to provide better returns of investment for the shareholders of the Company.

Health Care Business

The health care services industry in the PRC has been growing rapidly in recent years. According to National Health Commission of the PRC, the total number of visits to clinics increased by 410 million in 2019 and the total spending on health care services in the PRC grew 106% during the period between 2013 and 2019 from RMB3,166 billion to RMB6,520 billion. Also, the revenue and numbers of hospitals have witnessed steady growth in the last decade. The number of admitted cases of private hospitals recorded a CAGR of 13.9% during the period between 2013 and 2019. 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 decision on the health care industry and building market reputation 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 is in the interests of the Group and the Independent Shareholders as a whole.

Sports rehabilitation is booming in China, and the concept of sports rehabilitation was getting more well received by the public. With the gradual maturity of the market, the Group has launched its comprehensive business roadmap. The Group plans to deploy 3-5 sports rehabilitation clinics in Shenzhen in 2021, and introduce the rehabilitation medical team of Peking University Shenzhen Hospital to join our team. Leveraging our experience gain from the development of Shenzhen Yijia General Specialist Clinic, the Group has expanded our portfolio of sports rehabilitation projects and increased the use of peripheral rehabilitation products such as braces, orthopedic insoles, fascia guns, etc. to carry out sports rehabilitation education in various industries. The Group has also actively explore the business of offering insurance for competitions organized by enterprises and schools and conducted comprehensive promotion with the help of medical insurance units from large-scale sports events such as the Shenzhen Marathon.

It is expected that the health care business will have enormous growth potential due to the aging of the overall population in Mainland China has been accelerating, which will bring synergies to other businesses of the Group and thus the Group will benefit in long-term. The Group has formulated a series of development strategies for its health care business, including the promotion of "Tang Tang Town* (塘糖小鎮)" health care town project, one of the key projects in Shanghai for the year 2021. Meanwhile, the Group will build a light asset management and operation team and expand the cooperation with financial institutions.

The Group has commenced the construction of our Zhuhai Shili Lianjiang Project, which is expected to bring synergies to the Group's existing businesses, strengthen the Group's development in the health care industry, and generate sales revenue at the same time. In addition, the Group has established a health operation team in Shenzhen, hoping to provide professional services for the elderly through our professional health care operations and standardized service. After the signing of the strategic cooperation agreement between the Group and Medical Care Service Shanghai, the parties has furthered the negotiation of the joint venture agreement, aiming to cooperate with renowned corporates in the industry to establish a professional and comprehensive health care operation team and operation system that can cover the entire business landscape, as well as develop the Group's light asset management and operation business capabilities.

* *For identification purpose only*

The Group and Shanghai Jingwan Zhaoye Real Estate Development Co., Ltd.* (上海景灣兆業房地產開發有限公司) (the domestic project company of Kaisa Group Holdings Ltd., the controlling shareholder of the Company) have entered into a health care operation service agreement for some properties in the redevelopment projects in Xuhang Town, Jiading District, Shanghai, which has realized the synergy effect of the Group's light asset management operations that serve the main business of our controlling shareholder group. It is expected that this collaborative model will be replicated generally within the controlling shareholder group, thus bringing new business income to the Group and our controlling shareholder group while exporting our light asset management capabilities.

In the future, the Group will promote the integration of health care business, finance and industry, as well as to promote the innovative development of health care business through supply chain finance, industrial funds and property trusts, in order to realize our blueprint of large-scale development of "health care + finance".

The Group is committed to leveraging the experience of our management and resource network to seize different business and investment opportunities, including but not limited to partnerships and fund investments in the health care industry to prepare for the long-term business development of the Group.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The sales for the year has been decreased significantly, which is mainly due to the slowdown of operation of the Dental Prosthetics Business of the Group. The COVID-19 pandemic and Sino-US trade war exerted pressure on the sales in both domestic and overseas market. Other revenue has been decreased, which is due to less subsidies were received from the government regarding research and development and the decrease in revenue from dentist training and consultancy services.

Gross Profit and Gross Profit Margin

Gross profit for the year amounted to HK$90.0 million (2019: HK$122.9 million). Gross profit margin for the year increased to 48.9% (2019: 48.8%). This is mainly attributable to the increase in market share in the new product - Mega Clean Aligner which has a higher profit margin.

** For identification purpose only*

Selling and Distribution Costs

Selling and distribution costs represented the management's effort to enhance the level of marketing activities.

Administrative Expenses

The increase in administrative expenses was mainly due to the expansion of Dental Prosthetics Business, the increase in investment in the acquisition of health care businesses and the increase in the introduction of dental prosthetics and medical related professionals during the year.

Other Expenses

Other expenses represented the research and development ("R&D") expenses. The Group spent its investments in research and development to enhance the competitiveness, production capacity, popularity of its products in the future while reducing labour costs. At the same time the Group would also apply for a deduction or exemption of PRC Enterprise Income Tax and grants and subsidies from the government in accordance with the requirements of the state. The related R&D projects include 3D engraving machines, 3D printers, 3D scanners and the development of an invisible orthodontic software. The scale of the applications for government subsidies for R&D projects and the utilisation of labour and raw materials were smaller and lower than that of 2019 because of decrease in revenue during the year.

Convertible Bonds Receivable

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

Convertible Promissory Note

The convertible promissory note represented the senior secured convertible promissory note with an independent third party, in the principal amount of US$3.5 million for the total consideration of US$3.5 million (equivalent to approximately HK$27.5 million)

Cash Position and Cash Flow

The Group had a solid cash position for the year under review, with bank balances and cash amounting to approximately HK$176.6 million as at 31 December 2020 (31 December 2019: HK$230.2 million).

Capital Expenditure and Capital Commitments

During the year, the Group invested approximately HK$7.7 million (2019: approximately HK$15.0 million) mainly on the purchase of equipment. As at 31 December 2020, there was no capital expenditure commitments.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

Treasury Policy

The Group's sales were principally denominated in Renminbi, EUR 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 year 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 31 December 2020 amounted to approximately HK$636.5 million (31 December 2019: approximately HK$642.0 million).

As at 31 December 2020, the net current assets of the Group amounted to approximately HK$239.6 million (31 December 2019: HK$344.7 million). The current and quick ratio was 3.58 and 3.51 respectively (31 December 2019: 6.08 and 5.98 respectively).

At 31 December 2020, the amount of HK$764,000 (2019: HK$716,000) represented balance due to Ms. Jiang Sisi, the spouse of Mr. Wu Tianyu. The amount is unsecured, interest-free and repayable on demand.

As at 31 December 2020 and 2019, no gearing ratio was calculated as there was no bank borrowing or other long term debt borrowed by the Group.

Taking the above figures into account, the management is confident that the Group has adequate resources to settle its outstanding debts and finance its daily operational expenditures.

Charge on Assets

There was no charge on assets of the Group as at 31 December 2020 and 2019.

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 31 December 2020, the fair value of an unlisted equity investment of the project was approximately HK$269.2 million, representing approximately 35.5% 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 Technologies NV (formerly known as Condor International NV) ("Condor Tech"), a listed company incorporated in Belgium, to subscribe 257,663 unlisted 5% coupon convertible bonds issued by Condor Tech, 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 31 December 2020, the carrying amount of convertible bonds receivable was approximately HK$18.8 million, representing approximately 2.5% of the total assets of the Group. Impairment loss of approximately HK$30.8 million was recognised during the year ended 31 December 2020.

The investment was used to prepare for the development of intraoral scanner market in China. Condor Tech is the manufacturer of intraoral scanner. The Group is now applying the licence for permission of the sale of intraoral scanner in China. The Group determined to terminate the agreement after the extended maturity date on 27 November 2020. The terms of repayment are close to final conclusion up to the date of this announcement.

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 year 31 December 2020. There was no plan authorised by the Board for other material investments or additional capital assets as at the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 900 employees in total as at 31 December 2020 in Hong Kong and the PRC (31 December 2019: approximately 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 remuneration committee (the "Remuneration Committee") of the Board, having regard to the Group's performance, individual performance and comparable market conditions.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing of Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2020.

The Company has also established written guidelines on terms no less exacting than the Model Code (the “Employees Written Guidelines”) for securities transactions by employees who are likely to be in possession of inside information of the Company or its securities. No incidence of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Company has complied with the Corporate Governance Code (the “Code”) as contained in Appendix 14 to the Listing Rules, except for the following deviations:

Pursuant to provision A.6.7 of the Code, independent non-executive Directors and non-executive Directors should attend general meetings in order to develop a balanced view of the shareholders. Due to the various business commitments, not all the independent non-executive Directors and the non-executive Directors of the Company attended the annual general meeting of the Company held on 22 June 2020. The Company will finalise and inform the dates of the general meetings as earliest as possible to make sure that all the independent non-executive Directors and non-executive Directors can attend the general meetings in the future.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Liu Yanwen, chairman of the Audit Committee, Dr. Lyu Aiping and Ms. Li Yonglan. Mr. Fok Hei Yu was a member of the Audit Committee during the year and resigned as a member of the Audit Committee on 4 March 2021.

The Audit Committee has reviewed and discussed with management and the external auditors on matters regarding internal control, systems of risk management, the accounting standards and practices adopted by the Group and the Group’s annual results for the year ended 31 December 2020.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Messrs. Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Grant Thornton Hong Kong Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://www.kaisahealth.com) and Hong Kong Exchanges and Clearing Limited website (http://www.hkexnews.hk). The 2020 annual report will be dispatched to the shareholders of the Company and will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited in due course in accordance with the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our valuable shareholders, respectable customers, dedicated vendors and professional bankers for their support over the year and look forward to a closer cooperation in the coming years.

I would also like to personally thank our management and staff for their hard working and commitment to the Group.

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

Hong Kong, 24 March 2021

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, Dr. Lyu Aiping and Ms. Li Yonglan.