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 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**103,275**	76,175
Cost of sales		**(49,217)**	(39,259)
Gross profit		**54,058**	36,916
Other income, gains and losses		**3,067**	3,912
Selling and distribution costs		**(20,383)**	(12,767)
Administrative expenses		**(44,040)**	(38,481)
Gain from change in fair value of financial assets at fair value through profit or loss		**47,609**	10,086
Gain from change in fair value of convertible promissory note		**2,275**	1,898
Gain from change in fair value of convertible bonds receivable		**—**	2,212
Reversal of impairment loss on trade receivables, net		**138**	—
Impairment loss on amount due from a subsidiary of a non-controlling shareholder		**—**	(800)
Reversal of impairment loss on a loan receivable, net		**24,793**	—
Reversal of impairment loss on amount due from a director		**185**	—
Other expenses		**(8,892)**	(9,187)
Finance costs		**(575)**	(283)
Profit/(Loss) before income tax	*4*	**58,235**	(6,494)
Income tax (expense)/credit	*5*	**(46)**	165
Profit/(Loss) for the period		**58,189**	(6,329)

	Notes	Six months ended 30 June **2021** **(Unaudited)** ***HK$'000***	2020 (Unaudited) *HK$'000*
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**7,090**	(8,366)
Total comprehensive income/(expense) for the period		**65,279**	(14,695)
Profit/(Loss) for the period attributable to:			
— Owners of the Company		**60,666**	(6,053)
— Non-controlling interests		**(2,477)**	(276)
		58,189	(6,329)
Total comprehensive income/(expense) for the period attributable to:			
— Owners of the Company		**66,496**	(14,412)
— Non-controlling interests		**(1,217)**	(283)
		65,279	(14,695)
		HK cents	*HK cents*
Earnings/(Loss) per share	*7*		
— Basic		**1.20**	(0.12)
— Diluted		**1.20**	(0.12)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**52,260**	31,709
Right-of-use assets		**20,246**	22,906
Land use rights		**46,418**	46,583
Intangible assets		**838**	987
Investment in an associate	*8*	**—**	—
Convertible promissory note	*9*	**—**	33,005
Loan receivable	*10*	**20,118**	—
Prepayments and deposits	*12*	**28,670**	20,080
Financial assets at fair value through profit or loss	*11*	**—**	269,206
Financial assets at fair value through other comprehensive income		**241**	—
Deferred tax assets		**547**	593
		169,338	425,069
Current assets			
Inventories		**7,951**	6,729
Trade and other receivables	*12*	**115,554**	105,898
Financial assets at fair value through profit or loss	*11*	**319,433**	—
Convertible promissory note	*9*	**35,341**	—
Convertible bonds receivable	*10*	**—**	18,842
Amount due from a director		**19,172**	21,093
Amounts due from fellow subsidiaries		**622**	207
Amounts due from a non-controlling shareholder of subsidiaries		**5,122**	477
Taxation recoverable		**589**	2,624
Bank balances and cash		**239,762**	176,600
		743,546	332,470
Asset held for sale	*8*	**—**	—
		743,546	332,470

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
Current liabilities			
Trade and other payables	*13*	**140,963**	73,257
Lease liabilities		**5,381**	6,025
Amount due to a related party		**771**	764
Amounts due to fellow subsidiaries		**995**	862
Amount due to a non-controlling shareholder of a subsidiary		**—**	11,919
		148,110	92,827
Net current assets		**595,436**	239,643
Total assets less current liabilities		**764,774**	664,712
Non-current liabilities			
Lease liabilities		**14,551**	17,211
Net assets		**750,223**	647,501
Equity			
Share capital		**6,303**	6,303
Reserves		**700,309**	630,213
Equity attributable to owners of the Company		**706,612**	636,516
Non-controlling interests		**43,611**	10,985
Total equity		**750,223**	647,501

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021 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 2020.

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 amended Hong Kong Financial Reporting Standards ("HKFRSs") as described in note 2 and the adoption of new accounting policies noted below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Accounting policies not included in the Group's annual financial statements for the year ended 31 December 2020

Non-current assets held for sale

Non-current assets that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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 2021 that are relevant to and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKFRS 17	Insurance Contracts and related amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS and 1 HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
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 HKFRSs	Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination	1 January 2022

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 amendments 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 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phrase 2

The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group 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 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 six months ended 30 June 2021 (Unaudited)

	Dental prosthetics business *HK$'000*	**Health care business** *HK$'000*	**Total** *HK$'000*
REVENUE			
Revenue from external customers	**100,441**	**2,834**	**103,275**
RESULTS			
Segment profit before depreciation and amortisation	**15,280**	**40,090**	**55,370**
Depreciation			
— Property, plant and equipment	**(6,183)**	**(1,298)**	**(7,481)**
— Right-of-use assets	**(2,929)**	**(1,145)**	**(4,074)**
Amortisation of land use rights	**—**	**(598)**	**(598)**
Amortisation of intangible assets	**(324)**	**(3)**	**(327)**
Segment operating profit	**5,844**	**37,046**	**42,890**
Gain from change in fair value of convertible promissory note			**2,275**
Reversal of impairment loss on a loan receivable, net			**24,793**
Unallocated income			**479**
Unallocated expenses			**(12,202)**
Profit before income tax			**58,235**

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)

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 and convertible promissory note and net reversal of impairment loss on a loan receivable. 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 2021 (Unaudited)

	Dental prosthetics business *HK$'000*	**Health care business** *HK$'000*	**Total** *HK$'000*
Reportable segment assets	**330,438**	**522,931**	**853,369**
Convertible promissory note			**35,341**
Loan receivable			**20,118**
Deferred tax assets			**547**
Taxation recoverable			**589**
Unallocated assets			**2,920**
Total assets			**912,884**
Reportable segment liabilities	**(60,720)**	**(101,244)**	**(161,964)**
Unallocated liabilities			**(697)**
Total liabilities			**(162,661)**

As at 31 December 2020 (Audited)

	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)

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
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**—**	18,691	**—**	—
PRC (excluding Hong Kong)	**103,275**	56,932	**141,113**	101,721
United States of America	**—**	552	**27,437**	20,544
	103,275	76,175	**168,550**	122,265

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

3.4 Information about major customers

No individual customer contributing over 10% of the Group's total revenue during the corresponding periods.

4. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(Loss) before income tax has been arrived at after (crediting)/charging:		
Amortisation of intangible assets	**327**	190
Amortisation of land use rights	**598**	273
Depreciation:		
— Property, plant and equipment	**7,481**	6,156
— Right-of-use assets	**4,074**	1,820
Lease charges:		
— Short-term leases	**859**	2,657
— COVID-19-related rent concessions received	**(94)**	—
Fair value change of financial assets at fair value through profit or loss — Unlisted equity investment	**(47,609)**	(10,086)
Research and development expenses (included in other expenses)	**8,892**	9,187
Finance charges on lease liabilities	**575**	283
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	**(250)**	(92)
— Convertible promissory note	**(253)**	(234)
— Loan receivable	**(227)**	—
Income from short-term investments (included in other income, gains and losses)	**(481)**	(106)
Net foreign exchange loss/(gain) (included in other income, gains and losses)	**2,168**	(94)

5. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**—**	—
Over-provision in prior years:		
Hong Kong Profits Tax	**—**	(165)
Deferred tax expense	**46**	—
	46	(165)

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits during the six months ended 30 June 2021 and 2020.

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 2021.

According to a policy promulgated by the State Tax Bureau of the PRC, effective from September 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 2021 and 2020.

6. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting periods.

7. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(Loss) for the period attributable to owners of the Company	**60,666**	(6,053)
Number of shares		
Weighted average number of ordinary shares in issue during the period	**5,042,139,374**	5,042,139,374

The diluted earnings per share for the six months ended 30 June 2021 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. The diluted loss per share for the six months ended 30 June 2020 does not assume the exercise of the Company's share options as it would have an anti-dilutive effect. Therefore, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for the six months ended 30 June 2021 and 2020.

8. INVESTMENT IN AN ASSOCIATE/ASSET HELD FOR SALE

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Cost of unlisted investment in an associate *(note a)*	—	—
Share of post-acquisition loss and other comprehensive expense *(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 RMB2,000,000 (equivalent to approximately HK$2,406,000 (year ended 31 December 2020: RMB2,000,000 (equivalent to approximately HK$2,384,000)).

During the six months ended 30 June 2021, the Group has entered into a sales and purchase agreement to dispose of its entire equity interest in Hangzhou Jinyun and accordingly, the investment in an associate has been reclassified as an asset held for sale. Further details are disclosed in note 11 and set out in the Company's announcements dated 24 May 2021, 23 July 2021 and circular dated 8 July 2021 respectively.

(b) The Group has not recognised losses amounting to approximately HK$518,000 for the six months ended 30 June 2021 for Hangzhou Jinyun (year ended 31 December 2020: HK$464,000). The accumulated losses not recognised were approximately HK$982,000 as at 30 June 2021 (year ended 31 December 2020: HK$464,000).

Details of the Group's associate as at 30 June 2021 and 31 December 2020, which is an unlisted corporate entity whose quoted market price is not available, are as follows:

Name of associate	**Form of entity**	**Country of incorporation and business**	**Particulars of registered capital**	**Proportion of interest held by the Group**		**Principal activity**
				30 June 2021	31 December 2020	
Hangzhou Jinyun	Limited liability company	PRC	RMB10,000,000	**20%**	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 30 June 2021 and 31 December 2020, 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 2020 (Audited)	28,086
Exchange realignment	(125)
Change in fair value recognised in profit or loss	5,044
At 31 December 2020 and 1 January 2021 (Audited)	33,005
Exchange realignment	61
Change in fair value recognised in profit or loss	2,275
At 30 June 2021 (Unaudited)	**35,341**

10. LOAN RECEIVABLE/CONVERTIBLE BONDS RECEIVABLE

On 19 October 2016, the Group subscribed 257,663 unlisted 5% coupon convertible bonds (the "Convertible Bonds") issued by Condor Technologies NV (formerly known as Condor International NV) ("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.

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 convertible bonds receivable has been fair valued with reference to the valuation conducted by an independent qualified professional valuer.

On 25 March 2021, the Group, Condor Tech and two independent third parties entered into a settlement agreement (the "Settlement Agreement"), among others, to settle the outstanding payment payable by Condor Tech to the Group. Pursuant to the Settlement Agreement, the Group agreed to sell to the independent third party, and the independent third party agreed to purchase from the Group, all the outstanding Convertible Bonds at a purchase price of EUR5,225,000 (equivalent to approximately HK$47,981,000). The purchase price was determined by taking into consideration of the principal amount of the Convertible Bonds of EUR5,000,000 (equivalent to approximately HK$45,915,000) together with interest received in advance at 3% per annum based on deferred payment, and shall be payable in cash (i) an amount of EUR2,225,000 (equivalent to approximately HK$20,432,000) to be made within five business days after the date of the entering of the Settlement Agreement (the "First Instalment"); and (ii) a deferred payment in cash in an amount of EUR3,000,000 (equivalent to approximately HK$27,549,000) (the "Second Instalment") to be made upon the expiry of a period of thirty months from the date of the entering of the Settlement Agreement, i.e. by 25 September 2023 at the latest.

In addition, subject to the terms of the Settlement Agreement, Condor Tech agreed to pay in cash to the Group by way of final settlement for the accrued interests of the outstanding Convertible Bonds in an amount of EUR250,000 (equivalent to approximately HK$2,296,000) within five business days after the date of the entering of the Settlement Agreement. During the six months period ended 30 June 2021, the accrued interest has been repaid.

Accordingly, the convertible bonds receivable of EUR5,000,000 (equivalent to approximately HK$45,915,000) was derecognised and a loan receivable of EUR5,000,000 (equivalent to approximately HK$45,915,000) was recognised on 25 March 2021.

Further details in relation to the Convertible Bonds were set out in the Company's announcement, dated 30 November 2020 and 25 March 2021.

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 approximately HK$30,838,000 was recognised.

During the six months period ended 30 June 2021, upon the derecognition of the convertible bonds receivable, the ECL allowance of convertible bonds receivable of approximately HK$30,629,000 was reversed, and a ECL allowance of loan receivable of approximately HK$5,836,000 was recognised. Accordingly, a net reversal of impairment loss on a loan receivable of approximately HK$24,793,000 was recognised.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 (Unaudited) ***HK$'000***	31 December 2020 (Audited) *HK$'000*
Non-current:		
Unlisted equity investment *(note)*	—	269,206
Current:		
Unlisted equity investment *(note)*	**319,433**	—
	319,433	269,206

Note:

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* (寧波梅山保税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.

During the six months ended 30 June 2021, the Group has entered into a sales and purchase agreement to dispose of its entire equity interest in the unlisted equity investment and Hangzhou Jinyun (note 8) (the "Disposal") for a consideration of RMB276,000,000 (equivalent to approximately HK$331,200,000) and RMB2,000,000 (equivalent to approximately HK$2,400,000), respectively. The Disposal was subsequently approved by the Independent Shareholders on 23 July 2021. Accordingly, the unlisted equity investment has been reclassified as a current asset.

Further details in relation to the disposal were set out in the Company's announcements dated 24 May 2021, 23 July 2021 and circular dated 8 July 2021 respectively.

As at 30 June 2021 and 31 December 2020, 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 2020 (Audited)	229,879
Exchange realignment	16,657
Change in fair value recognised in profit or loss	22,670
At 31 December 2020 and 1 January 2021 (Audited)	269,206
Exchange realignment	2,618
Change in fair value recognised in profit or loss	47,609
At 30 June 2021 (Unaudited)	**319,433**

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12. TRADE AND OTHER RECEIVABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**70,384**	89,292
Less: ECL allowance	**(152)**	(1,013)
	70,232	88,279
Other receivables, prepayments and deposits	**18,294**	8,530
Deposits for acquisition of a subsidiary (note)	**27,437**	20,080
Prepayments for construction costs	**28,261**	9,089
	73,992	37,699
	144,224	125,978

Note:

The amount represented deposits paid for an acquisition of entire equity interest in an entity (the "Target Company") (the "Acquisition") pursuant to a sale and purchase agreement entered into by a subsidiary of the Group and an independent third party (the "Seller"). The Target Company locates in the USA and holds regulatory approvals and intellectual property relating to, the manufacture, marketing, and distribution of dental implant systems and related dental products and technologies in the USA. The total consideration of the acquisition amounted to USD3,525,000 (equivalent to approximately HK$27,445,000), subject to adjustment of inventory amount and relevant expenses (the "Purchase Price Adjustment") and a deferred contingent consideration of up to USD1,000,000 (equivalent to approximately HK$7,753,000).

During the six months period ended 30 June 2021, the Group had paid a further consideration of USD950,000 (equivalent to approximately HK$7,365,000). Up to the date of this announcement, control of the Target Company has not yet passed to the Group.

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:

	30 June 2021 (Unaudited) *HK$'000*	31 December 2020 (Audited) *HK$'000*
0 — 90 days	**56,186**	60,076
91 — 180 days	**6,991**	19,572
181 — 365 days	**5,173**	5,115
Over 1 year	**1,882**	3,516
	70,232	88,279

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:

	30 June 2021 (Unaudited) *HK$'000*	31 December 2020 (Audited) *HK$'000*
At 1 January	**1,013**	730
Recognised during the period/year	**82**	286
Reversed during the period/year	**(220)**	—
Write-off during the period/year	**(727)**	—
Exchange realignment	**4**	(3)
At 30 June/31 December	**152**	1,013

13. TRADE AND OTHER PAYABLES

	30 June 2021 (Unaudited) *HK$'000*	31 December 2020 (Audited) *HK$'000*
Trade payables	**3,675**	4,939
Receipts in advance	**17,931**	23,965
Other payables *(note)*	**106,529**	19,560
Accrued charges	**11,734**	23,987
Contract liabilities	**1,094**	806
	140,963	73,257

Note: Other payables include a capital contribution from Sinochem Investment Management (Tianjin) Co., Ltd. ("Sinochem Investment"), a shareholder of a subsidiary, of RMB65,600,000 (equivalent to approximately HK$78,916,000). Further details are disclosed in note 14.

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

	30 June 2021 (Unaudited) *HK$'000*	31 December 2020 (Audited) *HK$'000*
0 — 90 days	**3,246**	4,734
91 — 180 days	**313**	131
Over 180 days	**116**	74
	3,675	4,939

The average credit period on purchases of goods is 90 days (2020: 90 days).

14. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2021, the Group has the following significant events:

(i) On 31 May 2021, the Group, Zhuhai Shili Lianjiang Development and Sinochem Investment, entered into a Capital Contribution Agreement, pursuant to which, among others, Sinochem Investment agreed to make a contribution of RMB65,600,000 (equivalent to approximately HK$78,916,000) in cash to Zhuhai Shili Lianjiang Health Care. Further detail in relation to the contribution were set out in the Company's announcement dated 31 May 2021.

At 30 June 2021, as the relevant filing and registration procedures have not yet completed, the contribution was classified as other payables. Subsequent to end of reporting period, the relevant filing and registration procedures have completed.

(ii) On 2 July 2021, the Group, Shanghai Jiaxu Health Services Co., Ltd*, The Economic Cooperative of the Fuhu Village of Xuhang Town, Jiading District, Shanghai* and Shanghai Xinxing Construction Investment Co., Ltd.* entered into a Supplementary Cooperation Agreement to propose the increase in the area of Phase 1 Land and to amend and supplement certain terms (the "Amendments") of the Original Cooperation Agreement dated 3 March 2021.

After the approval of the Amendments by the Shareholders in the special general meeting on 13 August 2021, the Group is committed to contribute RMB167 million (equivalent to approximately HK$201 million) which comprises contribution of RMB120 million (equivalent to approximately HK$144 million) to be the registered capital to Shanghai Jiading Health Services Co., Ltd.*, the project company, and shareholder's loan of RMB47 million (equivalent to approximately HK$57 million) be pursuant to the Original Cooperation Agreement to engage in a project for rural revitalization, construction and development in the Fuhu Village.

Further details in relation to the Amendments were set out in the Company's announcements dated 3 March 2021, 2 July 2021, 13 August 2021 and circular dated 29 July 2021 respectively.

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MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 30 June 2021 (the "Period"), the Company and its subsidiaries (together the "Group") recorded revenue of approximately HK$103.3 million, representing an increase of approximately 35.57% from approximately HK$76.2 million for the corresponding period in 2020, with an increased gross profit margin of approximately 52.34% (for the six months ended 30 June 2020: approximately 48.46%). The profit attributable to the owners of the Company was approximately HK$60.7 million compared to a loss attributable to the owners of the Company of HK$6.1 million for the corresponding period in 2020. Basic and diluted earnings per share for the Period were 1.20 HK cents per share and 1.20 HK cents per share, respectively; and the basic and diluted loss per share for the corresponding period in 2020 were 0.12 HK cents per share and 0.12 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 2020: 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$100.4 million for the six months ended 30 June 2021, representing an increase of approximately HK$25.3 million as compared to a revenue of approximately HK$75.1 million for the corresponding period in 2020. The COVID-19 pandemic still has significant impact on orders of customers. Under this severe circumstances, the Company actively adjusted its marketing strategy.

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 2020, the Group continued to invest in technological research and development. For the six months ended 30 June 2021, the investment in research and development and technologies, and other income such as government subsidies and training consultancy amounted to approximately HK$3.4 million (for the six months ended 30 June 2020: approximately HK$2.7 million). For the six months ended 30 June 2021, the research and development expense was approximately HK$8.9 million (for the six months ended 30 June 2020: approximately HK$9.2 million).

On 28 February 2021, the Group targeted the acquisition of Basic Dental Implant Systems, Inc. ("Basic Dental"), whose manufacturing plant is located in New Mexico of USA, holding regulatory approvals and intellectual property relating to, the manufacture, marketing, and distribution of dental implant systems and related dental products and technologies in USA, pursuant to the stock purchase agreement entered into by, among others, the Company, Ultimate Technologies Group Limited (a wholly-owned subsidiary of the Company), Basic Dental and the original shareholders of Basic Dental.

Basic Dental is a company established in 1995 and co-founded by Dr. Americo Fernandes, a Canadian dentist, and together with his partner, Mr. Dan Blacklock, who together spent years researching and creating an implant specifically designed for the general dentist. Basic Dental's business objective is to simplify implant treatment from a clinical as well as laboratory aspect. Basic Dental is the intellectual property owner of BIOTANIUM™. At the same time, Basic Dental manufactures various implant materials using pure nano-titanium, which can facilitate better bone healing. Basic Dental also uses a variety of new technologies to integrate for oral clinical to provide more high-quality, high-precision implant products and minimally invasive, fast and comfortable implanting procedure. Basic Dental has the worldclass implant development technology and scientific research capabilities. It has obtained USA Food and Drug Administration (FDA) and China National Medical Products Administration (NMPA) certifications. Its products have worldwide coverage and have excellent quality and reputation.

Health Care Business

Health Leisure Business

On 3 March 2021, the Group entered into a cooperation agreement with Shanghai Xinxing Construction Investment Co., Ltd.* (上海新行建設投資有限公司) for the establishment of Shanghai Jiading Health Services Co., Ltd.* (上海佳定健康服務有限公司) as the project company regarding the revitalisation project in Fuhu Village, Jiading District, Shanghai, aiming to revitalise and transform Fuhu Village into a branded agricultural healthcare village with improved basic infrastructure and refreshed village image. The Group plans to cooperate with an internationally renowned health leisure service operator and a leading brand of dementia care in Japan, Medical Care Service Inc. ("Medical Care") to jointly build China's first and world-leading large-scale dementia model community and health leisure community in Fuhu Village, covering dementia care, medical tourism, chronic disease management, physical examination, nutritious diets, elderly culture and other related and surrounding industries. For further information, please refer to the announcements of the Company dated 3 March 2021, 2 July 2021 and 13 August 2021 and the circular of the Company dated 29 July 2021.

On 25 April 2021, 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, and Medical Care Service Shanghai Inc.* (美邸養老服務(上海)有限公司) entered into a cooperation agreement to jointly establish a retirement and health leisure service company (hereinafter referred to as the "Service Company") and to cooperate in health leisure project operation and real estate health leisure services. The Service Company will leverage the nursing care center of Shenzhen Dapeng Health Apartment* (深圳大鵬健康公寓) as a carrier to present health care services in a scene-based way, including health facilities, health management, rehabilitation physiotherapy, social interaction, etc., so that the Chinese elderly can live a healthy, comfortable and calm lifestyle.

Rehabilitation Business

The Group dedicated on investing in the pan-health field, focusing on the high-end modern sports rehabilitation field in the professional aspect of medical technology services, and has introduced the German Manual Muscle Testing (MMT) sports rehabilitation technology. Based on the international classification system of health function and physical and mental disorders and build upon on the scientific basis, the Group has carried out multidisciplinary medical testing, evaluation and active rehabilitation training and treatment plans, and has introduced advanced sports rehabilitation medical equipment from Germany, the United States, Switzerland and Finland to accurately assess nerve and muscle damage, formulate personalised functional rehabilitation and systematic treatment plans, comprehensively improve muscle strength, mobility, speed, endurance and coordination, and effectively help patients achieve functional reconstruction and functional improvement. With high-end private customised advance rehabilitation medical service concept, the Group focused on sports injury, postoperative rehabilitation, and chronic pain rehabilitation.

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The Group's first sports rehabilitation clinic (Shenzhen Yijia General Specialist Clinic* (深圳醫佳普通專科門診部)) has officially commenced business and operation in October 2019. However, due to the impact of the COVID-19 epidemic, the revenue recorded by the Shenzhen Yijia General Specialist Clinic was approximately RMB1.83 million for the six months ended 30 June 2021. The Group's second sports rehabilitation clinic (Shenzhen Jiayi General Specialist Clinic* (深圳佳醫普通專科門診部)) has officially commenced business and operation on 26 January 2021 and has obtained the qualification of a designated medical insurance unit in Shenzhen on 15 April 2021, and recorded revenue of approximately RMB528,000 for the six months ended 30 June 2021. The Group's third sports rehabilitation clinic (Shenzhen Jiakang Rehabilitation Clinic* (深圳佳康康復醫學科門診部)) started trial operation on 1 July 2021.

Modern sports rehabilitation business is undergoing rapid development in China and is in the ascendant. Comparing with the passive traditional Chinese medicine rehabilitation, modern sports rehabilitation emphasize more on accurate assessment, scientific training, and active exercise. Therefore, modern sports rehabilitation comes with great potential. The newly opened Shenzhen Jiakang Rehabilitation Clinic* (深圳佳康康復醫學科門診部) led by the former director of the Rehabilitation Department of Peking University Shenzhen Hospital and has recruited the teams of rehabilitation therapists from Fujian University of Traditional Chinese Medicine and Guangzhou Sport University.

In 2021, Shenzhen Yijia General Specialist Clinic* (深圳醫佳普通專科門診部) and Shenzhen Jiayi General Specialist Clinic* (深圳佳醫普通專科門診部) strictly controlled their medical risks and have received no medical complaints during the six months ended 30 June 2021, and there were no violation in medical insurance inspections throughout the period under its model operations.

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.

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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 on 13 May 2021 by the Medtrend, a newsgroup of PRC medical development, the oral industry market was over RMB115 billion in 2020. 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 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. 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.

BIOTANIUM™ (必適佳™), a product of Basic Dental, is ready to be launched in China and primarily targeting the high-end market. It is also considering setting up factories in China to facilitate domestic production, so as to further optimise costs and cater for demand form a wider spectrum. In view of the innovative technology held by Basic Dental, the Group believes that the Group's dental business will be further enhanced and strengthen. In addition, by leveraging the Group's rich industry experience and excellent corporate management capabilities, as well as its extensive customer network at home and abroad, the Board believes that the Acquisition will create synergies by further promoting the worldwide recognition of BIOTANIUM™. As a result, the Group has acquired the three high-end dentistry product lines: BIOTANIUM™ implants, Mega™ ultra-thin porcelain veneers (美加超薄瓷貼面), and Mega YiQi™ invisible dental brace (易齊隱形矯正). By combining the empowerment support from the Group's professional dental prosthetics team, the Group will provide hospitals and clinics with comprehensive dental industry chain service, and further facilitate the Group's long-term development and solidifying its position within the industry.

The Group has established a technical and sales team to improve the technical production of the Company's products and sales in the Chinese and international markets. It is planned to invest in the construction of an US production plant to increase production capacity, and at the same time establish a Sino-US implant research and development center in Shenzhen, China, to integrate the capabilities of Chinese, US and other international medical technology experts to promote the development of implant technology. It is planned to rebuild a national high-tech enterprise with implant technology development as its core competence within 3 years. After a two-year preparation period, the implant business is expected to bring rapid growth in the Company's performance and lay the foundation for entering other high-value dental consumables fields.

Health Care Business

Health Leisure Business

The Group's health leisure real estate business has been established in 3 cities (being Shenzhen, Shanghai and Zhuhai), which rapidly established our layout advantage. Currently, a number of projects are under construction, and it is expected that the exhibition area of Zhuhai Shili Lianjiang International Health City* (珠海十里蓮江國際健康城) will be opened to the public in October 2021. With the gradual opening of the project and putting it into operation, the Group's health and wellness strategy development blueprint will be implemented, and it is expected to bring new business income to the Group and the controlling shareholder. Meanwhile, it can enhance the overall product strength and brand power of the Group's health leisure business, and realises batch replication and light asset output management, which effectively empowers the Company's comprehensive development.

The Group will cooperate with Medical Care to provide services with rigid demand (i.e. services for disability and dementia) in the existing nursing care centres of Shenzhen Dapeng Health Apartment* (深圳大鵬健康公寓) and Fuhu Dementia Model Community* (伏虎認知症樣板社區). At the same time, the Group will leverage its industrial cooperation capabilities and brand advantages, and continue to promote the "agricultural (cultural) tourism + health leisure" model, which will promote the implementation of more high-quality health and wellness cooperation projects, and the Group strive to combine agricultural (cultural) tourism with health care to create a life style that is truly suitable for the elderly of all ages in China to meet the more diversified market needs of the Chinese market.

* *For identification purpose only*

Rehabilitation Business

Sports rehabilitation is booming in China. More patients accept the concept of modern sports rehabilitation. 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 its team. Leveraging its experience gained from the development of Shenzhen Yijia General Specialist Clinic* (深圳醫佳普通專科門診部), the Group has expanded its 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 also actively explore the business of offering insurance for competitions organised 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.

Operating Results and Financial Review

Revenue

The revenue for the Period amounted to approximately HK$103.3 million (six months ended 30 June 2020: approximately HK$76.2 million). The increase in the revenue is mainly due to the recovery of domestic orders of orthodontic products.

Gross Profit and Gross Profit Margin

Gross profit for the Period amounted to approximately HK$54.1 million (six months ended 30 June 2020: approximately HK$36.9 million). Gross profit margin for the Period was approximately 52.34% (six months ended 30 June 2020: approximately 48.46%). The increase in the gross profit margin contributed from operations was mainly attributable to the higher profit margin for sale of Mega brand products.

Loan Receivable

The loan receivable represented the outstanding amount of return of the Group's EUR3 million investment of convertible bonds receivable in Condor Tech, which is specialised in the sales, distribution and development of the three-dimensional intraoral scanners. The investment was transferred to an independent third party on 25 March 2021 and become a loan receivable as at 30 June 2021.

* *For identification purpose only*

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 under current assets was treated as a financial asset at fair value through profit or loss as at 30 June 2021. The Group has contributed approximately RMB191.4 million (equivalent to approximately HK$219.9 million) in the investment in unlisted equity investment. The investment was disposed to an independent third party at a consideration of RMB276 million (equivalent to approximately HK$331 million) pursuant to a sale and purchase agreement on 24 May 2021 and was approved by independent shareholders in the special general meeting on 23 July 2021.

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$239.8 million as at 30 June 2021 (31 December 2020: approximately HK$176.6 million).

Land Use Rights

During the Period, the Group held a land use right for development and operation of international healthcare project.

Capital Expenditure and Capital Commitments

During the Period, the Group invested approximately HK$7.0 million (six months ended 30 June 2020: approximately HK$4.6 million), mainly on production equipment. As at 30 June 2021, the Group has capital expenditure commitment of approximately HK$27,821,000 (31 December 2020: approximately HK$52,137,000).

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

Charge on the Group's Assets

As at 30 June 2021, there was no pledge of assets of the Group for banking facilities (31 December 2020: Nil).

Treasury Policy

The Group's sales were principally denominated in Renminbi ("RMB"), while purchases were transacted mainly in US dollars ("US$"), Renminbi and Hong Kong dollars ("HK$").

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 2021 amounted to approximately HK$706.6 million (31 December 2020: approximately HK$636.5 million).

As at 30 June 2021, the net current assets of the Group amounted to approximately HK$595.4 million (31 December 2020: approximately HK$239.6 million). The current and quick ratio was 5.02 and 4.97 respectively (31 December 2020: 3.58 and 3.51 respectively).

At 30 June 2021, indebtedness of the Group including an amount due to Ms. Jiang Sisi ("Ms. Jiang", the spouse of Mr. Wu Tianyu, an executive Director of the Company) of approximately HK$771,000 (31 December 2020: approximately HK$764,000), there was no outstanding amount due to a non-controlling shareholder of a subsidiary (31 December 2020: approximately HK$11.9 million) and amounts due to fellow subsidiaries of approximately HK$995,000 (31 December 2020: approximately HK$862,000) which are unsecured, interest fee and repayable on demand.

As at 30 June 2021 and 31 December 2020, 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 2021 (31 December 2020: 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 780 employees in total as at 30 June 2021 (31 December 2020: 900) 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.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules.

The employees of the Company's PRC subsidiaries are members of state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits scheme to fund the benefits.

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.

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 2021, except for the following deviation:

Due to other important engagements, the executive Director of the Company, Mr. Kwok Ying Shing, was unable to attend the annual general meeting of the Company held on 29 June 2021.

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

Significant investment on a financial asset 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 Holding Ltd., the controlling shareholder of the Company), entered into the sale and purchase agreement on 3 August 2018, pursuant to which the Company acquired the Shulan 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 2021, the fair value of an unlisted equity investment of the project was approximately HK$319.4 million, representing approximately 35.0% 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 as at the date of this announcement. The investment was disposed to an independent third party at a consideration of RMB276 million (equivalent to approximately HK$331 million) under a sale and purchase agreement on 24 May 2021 and was approved by independent shareholders of the Company in the special general meeting on 23 July 2021.

Significant investment on land use rights

On 9 April 2020, the Group entered into a cooperation agreement ("Zhuhai Shili Lianjiang Cooperation Agreement") 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 invest in a subsidiary, Zhuhai Shili Lianjiang Health Care Development Co., Ltd.* (珠海十里蓮江健康產業發展有限公司) ("Zhuhai Shili Lianjiang Health Care"), which is held as to 55% indirectly by the Company and as to 45% by Zhuhai Shili Lianjiang Development, to develop and operate an international healthcare project located at Shili Lianjiang, Zhuhai, PRC, as an one-stop international healthcare project integrating healthcare, modern planting, rural visit, cultural creativity, science education and rural leisure as a whole (the "Zhuhai Shili Lianjiang Project"). The investment cost of land use rights was approximately HK$43.6 million.

As at 30 June 2021, the carrying amount of land use rights was approximately HK$46.4 million, representing approximately 5.1% of the total assets of the Group.

Event after Reporting Period

Future Plan for Material Investments

On 2 July 2021, the Company, 上海佳煦健康服務有限公司 (Shanghai Jiaxu Health Services Co., Ltd*) ("Shanghai Jiaxu"), the wholly-owned subsidiary of the Group 上海新行建設投資有限公司 (Shanghai Xinxing Construction Investment Co., Ltd.*) ("Shanghai Xinxing"), and 上海嘉定區徐行鎮伏虎經濟合作社 (The Economic Cooperative of the Fuhu Village of Xuhang Town, Jiading District, Shanghai*) ("Fuhu Cooperative") entered into the supplemental cooperation agreement to amend and supplement certain terms of the cooperation agreement dated 3 March 2021 ("the Original Cooperation Agreement" signed on 3 March 2021) made between the Company and Shanghai Xinxing in relation to, among other things, the establishment of 上海佳定健康服務有限公司 (Shanghai Jiading Health Services Co., Ltd.*) ("the Project Company"), which was held as to 80% by Shanghai Jiaxu and 20% by Fuhu Cooperative, the company was established pursuant to the Original Cooperation Agreement to engage in the revitalisation project in Fuhu Village (the "Project").

The amendments to the Original Cooperation Agreement are as follows:

(i) the area of Phase 1 Land will be increased from no less than 42 mu to no less than 60 mu; and

** For identification purpose only*

(ii) the timing for (a) establishing the Project Company to engage in the Project and (b) payment of the deposit of RMB20 million (equivalent to approximately HK$24 million) by the Project Company to 上海市嘉定區徐行鎮人民政府 (the People's Government of Xuhang Town, Jiading District, Shanghai*) ("the Xuhang Government") will be changed from within one month after the signing of the Original Cooperation Agreement to within five months after the signing of the Original Cooperation Agreement.

The total capital contribution committed by shareholders of the Project Company will be increased from RMB150 million (equivalent to approximately HK$180 million) to approximately RMB197 million (equivalent to approximately HK$237 million), of which (i) RMB167 million (equivalent to approximately HK$201 million) which comprises contribution of RMB120 million (equivalent to approximately HK$144 million) to the registered capital to the Project Company and shareholder's loan of RMB47 million (equivalent to approximately HK$57 million) will be committed by the Company by way of cash and (ii) RMB30 million (equivalent to approximately HK$36 million) will be committed by Shanghai Xinxing by way of set off against part of the consideration payable for land use rights of the collective land. The capital contribution by the Company will be funded by the internal resources of the Group. The amendments were approved by the independent shareholders in the special general meeting on 13 August 2021.

Further details were set out in the Company's announcements dated 3 March 2021, 2 July 2021, 13 August 2021 and circular dated 29 July 2021 respectively.

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), Dr. Lyu Aiping and Ms. Li Yonglan.

Review of Interim Results

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2021 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.

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PUBLICATION OF THE 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the six months ended 30 June 2021 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, 24 August 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Zhang Huagang (Chairman), Mr. Luo Jun (Co-Vice Chairman), Mr. Wu Tianyu (Co-Vice Chairman), Mr. Kwok Ying Shing and Ms. Kwok Ho Lai, and three independent non-executive Directors, namely Dr. Liu Yanwen, Dr. Lyu Aiping and Ms. Li Yonglan.