



# Kaisa Health Group Holdings Limited

## 佳兆業健康集團控股有限公司

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 876)



Interim Report  
**2020** 中期報告

## CONTENTS

	Page
Corporate Information	2
Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Interim Financial Statements	10
Management Discussion and Analysis	39
Disclosure of Additional Information	47



## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Zhang Huagang (*Chairman*)  
Mr. Luo Jun (*Co-Vice Chairman and  
Chief Executive Officer*)  
Mr. Wu Tianyu (*Co-Vice Chairman*)  
Mr. Kwok Ying Shing

#### Independent Non-executive Directors

Dr. Liu Yanwen  
Mr. Fok Hei Yu  
Dr. Lyu Aiping

### AUDIT COMMITTEE

Dr. Liu Yanwen (*Chairman*)  
Mr. Fok Hei Yu  
Dr. Lyu Aiping

### REMUNERATION COMMITTEE

Mr. Fok Hei Yu (*Chairman*)  
Mr. Wu Tianyu  
Dr. Lyu Aiping

### NOMINATION COMMITTEE

Mr. Zhang Huagang (*Chairman*)  
Mr. Fok Hei Yu  
Dr. Lyu Aiping

### COMPANY SECRETARY

Mr. Yu Kwok Leung

### AUTHORISED REPRESENTATIVES

Mr. Luo Jun  
Mr. Yu Kwok Leung

### INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited  
Certified Public Accountants

### LEGAL ADVISERS

#### Hong Kong

Sidley Austin

#### Bermuda

Conyers Dill & Pearman

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Nanyang Commercial Bank, Limited

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

30/F, The Center  
99 Queen's Road Central  
Central, Hong Kong

### SHARE REGISTRARS

#### Bermuda Principal

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

#### Hong Kong Branch

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### STOCK CODE

876

### COMPANY WEBSITE

[www.kaisahealth.com](http://www.kaisahealth.com)

## INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



**To the Board of Directors of Kaisa Health Group Holdings Limited 佳兆業健康集團控股有限公司**  
*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of Kaisa Health Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 38, which comprise the condensed consolidated statement of financial position as at 30 June 2020, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

26 August 2020

#### **Chiu Wing Ning**

Practising Certificate No.: P04920

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

For the six months ended 30 June 2020

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
	Notes	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
<b>Revenue</b>	3	<b>76,175</b>	118,818
Cost of sales		<u><b>(39,259)</b></u>	<u>(60,125)</u>
<b>Gross profit</b>		<b>36,916</b>	58,693
Other income, gains and losses		<b>3,112</b>	12,182
Selling and distribution costs		<b>(12,767)</b>	(22,598)
Administrative expenses		<b>(38,481)</b>	(34,247)
Gain from change in fair value of financial assets at fair value through profit or loss		<b>10,086</b>	1,225
Gain from change in fair value of convertible promissory note		<b>1,898</b>	1,940
Gain from change in fair value of convertible bonds receivable		<b>2,212</b>	2,245
Other expenses		<b>(9,187)</b>	(14,292)
Finance costs		<b>(283)</b>	(143)
<b>(Loss)/Profit before income tax</b>	4	<b>(6,494)</b>	5,005
Income tax credit	5	<b>165</b>	306
<b>(Loss)/Profit for the period</b>		<u><b>(6,329)</b></u>	<u>5,311</u>
<b>Other comprehensive expense</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u><b>(8,366)</b></u>	<u>(3,485)</u>
<b>Total comprehensive (expense)/income for the period</b>		<u><b>(14,695)</b></u>	<u>1,826</u>
<b>(Loss)/Profit for the period attributable to:</b>			
— Owners of the Company		<b>(6,053)</b>	5,379
— Non-controlling interests		<b>(276)</b>	(68)
		<u><b>(6,329)</b></u>	<u>5,311</u>
<b>Total comprehensive (expense)/income for the period attributable to:</b>			
— Owners of the Company		<b>(14,412)</b>	1,893
— Non-controlling interests		<b>(283)</b>	(67)
		<u><b>(14,695)</b></u>	<u>1,826</u>
<b>(Loss)/Earnings per share</b>		<b>HK cents</b>	HK cents
— Basic	7	<u><b>(0.12)</b></u>	<u>0.11</u>
— Diluted		<u><b>(0.12)</b></u>	<u>0.11</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	33,100	36,265
Right-of-use assets	8	19,267	7,389
Land use rights	9	43,389	—
Intangible assets		725	620
Investment in an associate	10	—	—
Convertible promissory note	11	29,858	28,086
Financial assets at fair value through profit or loss	12	235,595	229,879
		<b>361,934</b>	<b>302,239</b>
<b>Current assets</b>			
Inventories		6,374	6,850
Trade and other receivables	13	80,831	74,145
Financial assets at fair value through profit or loss	12	—	28,143
Convertible bonds receivable	14	48,342	46,323
Amount due from a director	15	22,743	24,519
Amount due from a subsidiary of a non-controlling shareholder	16	25,880	—
Amount due from a non-controlling shareholder of a subsidiary	16	110	22
Taxation recoverable		2,604	2,440
Bank balances and cash		181,655	230,176
		<b>368,539</b>	<b>412,618</b>
<b>Current liabilities</b>			
Trade and other payables	17	60,331	64,686
Lease liabilities	18	4,891	2,484
Amount due to a related party	19	702	716
Amount due to fellow subsidiaries	16	8	—
Amount due to a non-controlling shareholder of a subsidiary	16	10,962	—
		<b>76,894</b>	<b>67,886</b>
<b>Net current assets</b>		<b>291,645</b>	<b>344,732</b>
<b>Total assets less current liabilities</b>		<b>653,579</b>	<b>646,971</b>
<b>Non-current liabilities</b>			
Lease liabilities	18	14,930	5,310
<b>Net assets</b>		<b>638,649</b>	<b>641,661</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2020*

		<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
	Notes		
<b>Equity</b>			
Share capital	20	<b>6,303</b>	6,303
Reserves		<b>621,925</b>	635,704
<b>Equity attributable to owners of the Company</b>		<b>628,228</b>	642,007
<b>Non-controlling interests</b>		<b>10,421</b>	(346)
<b>Total equity</b>		<b>638,649</b>	641,661



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 January 2019 (Audited)	6,303	984,639	1,545	(3,874)	68,538	(52,057)	1,005,094	—	1,005,094
Profit/(Loss) for the period	—	—	—	—	—	5,379	5,379	(68)	5,311
Exchange differences arising on translation of foreign operations	—	—	—	(3,486)	—	—	(3,486)	1	(3,485)
Total comprehensive income/(expense) for the period	—	—	—	(3,486)	—	5,379	1,893	(67)	1,826
Recognition of equity-settled share-based payment (note 21)	—	—	—	—	2,881	—	2,881	—	2,881
Release of share option reserve upon share options forfeited	—	—	—	—	(89)	89	—	—	—
At 30 June 2019 (Unaudited)	<u>6,303</u>	<u>984,639</u>	<u>1,545</u>	<u>(7,360)</u>	<u>71,330</u>	<u>(46,589)</u>	<u>1,009,868</u>	<u>(67)</u>	<u>1,009,801</u>
At 1 January 2020 (Audited)	6,303	984,639	1,545	(16,110)	71,480	(405,850)	642,007	(346)	641,661
Loss for the period	—	—	—	—	—	(6,053)	(6,053)	(276)	(6,329)
Exchange differences arising on translation of foreign operations	—	—	—	(8,359)	—	—	(8,359)	(7)	(8,366)
Total comprehensive expense for the period	—	—	—	(8,359)	—	(6,053)	(14,412)	(283)	(14,695)
Recognition of equity-settled share-based payment (note 21)	—	—	—	—	633	—	633	—	633
Release of share option reserve upon share options forfeited/lapsed	—	—	—	—	(52,853)	52,853	—	—	—
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	11,050	11,050
At 30 June 2020 (Unaudited)	<u>6,303</u>	<u>984,639</u>	<u>1,545</u>	<u>(24,469)</u>	<u>19,260</u>	<u>(359,050)</u>	<u>628,228</u>	<u>10,421</u>	<u>638,649</u>

The special reserve arose pursuant to a group reorganisation in 1997 being the difference between the nominal amount of the share capital issued by the Company in exchange for the shares of the subsidiaries and the nominal amount of the share capital of the subsidiaries acquired, capital reduction and bonus issue by way of capitalisation of the reserve in 2005 and 2006.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2020*

	Notes	<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities		<b>(42,636)</b>	(128,521)
<b>Investing activities</b>			
Income from short-term investments		<b>106</b>	—
Proceeds from disposal of property, plant and equipment		<b>242</b>	—
Purchases of property, plant and equipment	8	<b>(4,579)</b>	(5,476)
Purchases of land use rights	9	<b>(21,807)</b>	—
Purchases of intangible assets		<b>(307)</b>	—
Purchases of short-term investments		<b>(18,122)</b>	—
Proceeds from redemption of short-term investments		<b>18,122</b>	—
Decrease in short-term bank deposits		—	100,000
Repayment from a fellow subsidiary		—	1,466
Interest received		<b>92</b>	1,991
Dividend received		<b>1,217</b>	—
Other cash flows arising from investing activities		<b>1,692</b>	2,939
Net cash (used in)/from investing activities		<b>(23,344)</b>	100,920
<b>Financing activities</b>			
Advances from ultimate holding company		—	273
Payment of lease liabilities		<b>(1,664)</b>	(1,054)
Advance from fellow subsidiaries		<b>8</b>	—
Advance from a non-controlling shareholder of a subsidiary		<b>10,950</b>	—
Capital injection by non-controlling interests		<b>10,962</b>	—
Net cash from/(used in) financing activities		<b>20,256</b>	(781)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		<b>230,176</b>	194,765
Effect of foreign exchange rate changes		<b>(2,797)</b>	(2,694)
<b>Cash and cash equivalents at 30 June, representing bank balances and cash</b>		<b>181,655</b>	163,689

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

#### 1.1 Basis of preparation

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

#### 1.2 Principal accounting policies

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### 1.2 Principal accounting policies (Continued)

*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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### 1.2 Principal accounting policies (Continued)

*Accounting policies not included in the Group's annual financial statements for the year ended 31 December 2019 (Continued)*

##### Associates (Continued)

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***For the six months ended 30 June 2020***1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****1.3 New and amended HKFRSs in issue but are not yet effective**

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### 2. CHANGES IN ACCOUNTING POLICIES

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

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

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

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for goods sold and 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***For the six months ended 30 June 2020***3. REVENUE AND SEGMENT INFORMATION (CONTINUED)****3.1 Segment revenue and results****For the six months ended 30 June 2020 (Unaudited)**

	<b>Dental prosthetics business HK\$'000</b>	<b>Health care business HK\$'000</b>	<b>Total HK\$'000</b>
<b>REVENUE</b>			
Revenue from external customers	<u>75,138</u>	<u>1,037</u>	<u>76,175</u>
<b>RESULTS</b>			
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	<u>(177)</u>	<u>(13)</u>	<u>(190)</u>
Segment operating profit/(loss)	<u>914</u>	<u>(1,720)</u>	<u>(806)</u>
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			<u>(10,269)</u>
Loss before income tax			<u><u>(6,494)</u></u>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)****3.1 Segment revenue and results (Continued)**

For the six months ended 30 June 2019 (Unaudited)

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

## 3.2 Segment assets and liabilities

As at 30 June 2020 (Unaudited)

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

As at 31 December 2019 (Audited)

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

## 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 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Hong Kong	18,691	44,071	—	204
PRC (excluding Hong Kong)	56,932	74,095	96,009	43,596
Others	552	652	472	474
	<u>76,175</u>	<u>118,818</u>	<u>96,481</u>	<u>44,274</u>

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

## 3.4 Information about major customers

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 4. (LOSS)/PROFIT BEFORE INCOME TAX

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 5. INCOME TAX CREDIT

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

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2020

**6. DIVIDENDS**

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

**7. (LOSS)/EARNINGS PER SHARE**

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
(Loss)/Profit for the period attributable to owners of the Company	<u><b>(6,053)</b></u>	<u>5,379</u>

**Number of shares**

Weighted average number of ordinary shares in issue during the period	<u><b>5,042,139,374</b></u>	<u>5,042,139,374</u>
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The diluted loss per share for the six months ended 30 June 2020 does not assume the exercise of the Company's share as it would have an anti-dilutive effect. The diluted earnings per share for the six months ended 30 June 2019 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares. Therefore, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the six months ended 30 June 2020 and 2019.

**8. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2020, the Group has acquired property, plant and equipment of HK\$4,579,000 (six months ended 30 June 2019: HK\$5,476,000), and has disposed and written off property, plant and equipment of HK\$242,000 and HK\$669,000 respectively (six months ended 30 June 2019: written off HK\$599,000).

In addition, during the six months ended 30 June 2020, the Group has entered into lease agreements for PRC office and has recognised right-of-use assets amounted to approximately HK\$13,822,000 (six months ended 30 June 2019: HK\$6,069,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 9. 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”).

Further details of the Zhuhai Shili Lianjiang Cooperation Agreement are disclosed in the Company’s announcement dated 22 April 2020.

Details of movement is set out below:

	HK\$'000
At 1 January 2019, 31 December 2019 and 1 January 2020 (Audited)	—
Additions (note)	43,614
Amortisation (note 4)	(273)
Exchange realignment	48
	<hr/>
<b>At 30 June 2020 (Unaudited)</b>	<b>43,389</b>

Note: The land use rights are situated in the PRC and held under lease of 40 years. Zhuhai Shili Lianjiang Development has injected HK\$21,807,000 land use right cost to Zhuhai Shili Lianjiang Health Care as part of its contribution to the capital.

\* For identification purpose only

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2020

**10. INVESTMENT IN AN ASSOCIATE**

	<b>30 June 2020 (Unaudited) HK\$'000</b>
Cost of unlisted investment in an associate (note a)	—
Share of post-acquisition loss and other comprehensive expense (note b)	—
	<u>—</u>
	<u>—</u>

Notes:

- (a) During the current period, the Group has obtained significant influence of an associate, Hangzhou Jinyun Investment Management Co., Ltd.\* (杭州金韵投资管理有限公司) (“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\$745,000 for the six months ended 30 June 2020 for Hangzhou Jinyun. The accumulated losses not recognised were approximately HK\$745,000 as at 30 June 2020.

Details of the Group’s associate as at 30 June 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 30 June 2020	Principal activity
Hangzhou Jinyun	Limited liability company	PRC	RMB10,000,000	20%	Management service

\* For identification purpose only



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 11. CONVERTIBLE PROMISSORY NOTE

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

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

Details of movement is set out below:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The fair value of the Group's unlisted equity investment and unlisted managed fund have been measured as described in note 24.

Notes:

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

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

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

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

Hangzhou Jiayue directly holds 99.9% interest in Ningbo Meishan Bonded Zone Jieshuo Investment Partnership\* (寧波梅山保稅港區傑鑠投資合夥企業(有限合夥)) ("Meishan Jieshuo"), which in turn 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 turn owns Shulan Project.

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

\* For identification purpose only

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (Continued)

- (a) Details of movement of unlisted equity investment is set out below:

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***For the six months ended 30 June 2020***13. TRADE AND OTHER RECEIVABLES**

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### 14. CONVERTIBLE BONDS RECEIVABLE

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

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

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

On 29 November 2019, the Group and Condor International entered into an amendment deed to amend and supplement the terms and conditions of the Convertible Bonds, pursuant to which the maturity date of the Convertible Bonds has been extended from 27 November 2019 to 27 November 2020. Details of the extension of the Convertible Bonds were set out in the Company's announcement dated 3 December 2019.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***For the six months ended 30 June 2020***14. CONVERTIBLE BONDS RECEIVABLE (CONTINUED)**

Details of movement is set out below:

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

**15. AMOUNT DUE FROM A DIRECTOR**

The amount is unsecured, interest-free and repayable on demand.

The amount is due from a director, Mr. Wu Tianyu ("Mr. Wu", the executive director of the Company), and the maximum amount outstanding during the six months ended 30 June 2020 is HK\$22,743,000 (31 December 2019: HK\$24,519,000).

**16. AMOUNTS DUE FROM/TO A SUBSIDIARY OF A NON-CONTROLLING SHAREHOLDER/ A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/FELLOW SUBSIDIARIES**

The amounts are unsecured, interest-free and repayable on demand.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 17. TRADE AND OTHER PAYABLES

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 18. LEASE LIABILITIES

	As at 30 June 2020		As at 31 December 2019	
	Present value of minimum lease payments (Unaudited) HK\$'000	Total minimum lease payments (Unaudited) HK\$'000	Present value of minimum lease payments (Audited) HK\$'000	Total minimum lease payments (Audited) HK\$'000
<b>Current:</b>				
Within 1 year	4,891	5,766	2,484	2,816
<b>Non-current:</b>				
After 1 year but within 2 years	3,772	4,433	1,279	1,508
After 2 years but within 5 years	11,158	12,018	3,368	3,741
Over 5 years	—	—	663	673
	<u>14,930</u>	<u>16,451</u>	<u>5,310</u>	<u>5,922</u>
Less: future finance charges on lease liabilities	<u>—</u>	<u>(2,396)</u>	<u>—</u>	<u>(944)</u>
Present value of lease liabilities	<u>19,821</u>	<u>19,821</u>	<u>7,794</u>	<u>7,794</u>

During the six months ended 30 June 2020, the total cash outflows for the leases are HK\$4,604,000 (year ended 31 December 2019: HK\$9,657,000), of which the cash outflows amounting to HK\$284,000 (year ended 31 December 2019: HK\$570,000) are made to the ultimate holding company, Kaisa Group Holdings Ltd., associated with a lease liability amounting to HK\$Nil as at 30 June 2020 (year ended 31 December 2019: HK\$209,000).

## 19. AMOUNT DUE TO A RELATED PARTY

The balance as at 30 June 2020 and 31 December 2019 represents amount due to Ms. Jiang Sisi ("Ms. Jiang", the spouse of Mr. Wu (defined in note 15)). The amount is unsecured, interest-free and repayable on demand.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 20. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<b>Ordinary shares of HK\$0.00125 each:</b>		
<b>Authorised:</b>		
At 1 January 2019 (Audited), 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	160,000,000,000	<u>200,000</u>
<b>Issued and fully paid:</b>		
At 1 January 2019 (Audited), 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	<u>5,042,139,374</u>	<u>6,303</u>

## 21. SHARE OPTIONS

The Company approved and adopted a share option scheme (the "Scheme") for eligible participant which includes any full-time or part-time employees, potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the board of directors, will contribute or has contributed to the Company and/or any of its subsidiaries.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercisable period	Exercise price
2015A	16.6.2015	16.6.2015 - 15.6.2019	16.6.2016 - 15.6.2020	HK\$0.784
2015B	24.7.2015 (note)	16.6.2015 - 15.6.2019	16.6.2016 - 15.6.2020	HK\$0.784
2016	12.9.2016	12.9.2016 - 11.9.2021	12.9.2017 - 11.9.2022	HK\$0.400

Note: Share options subject to approval of independent shareholders was proposed and granted by board of directors on 16 June 2015. The approval was subsequently obtained on 24 July 2015 which was the date of grant as defined in accordance with HKFRS 2.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2020

**21. SHARE OPTIONS (CONTINUED)**

A summary of the movements of the number of share options under the Scheme during the period/year is as follows:

Type of participant	Option type	Outstanding at 1 January 2019 (Audited)	Forfeited during the year (Audited)	Outstanding at 31 December 2019 (Audited)	Forfeited/ Lapsed during the period (Unaudited)	Outstanding at 30 June 2020 (Unaudited)
Mr. Wu	2015B	74,070,000	—	74,070,000	(74,070,000)	—
Ms. Jiang	2015B	74,070,000	—	74,070,000	(74,070,000)	—
Mr. Wu	2016	38,000,000	—	38,000,000	—	38,000,000
Ms. Jiang	2016	38,000,000	—	38,000,000	—	38,000,000
Ms. Wu Ansheng (note)	2016	8,000,000	—	8,000,000	—	8,000,000
Employees	2015A	3,800,000	(800,000)	3,000,000	(3,000,000)	—
Employees	2016	23,500,000	(3,500,000)	20,000,000	(6,200,000)	13,800,000
Consultants	2015A	4,000,000	—	4,000,000	(4,000,000)	—
		<u>263,440,000</u>	<u>(4,300,000)</u>	<u>259,140,000</u>	<u>(161,340,000)</u>	<u>97,800,000</u>
Exercisable at the end of year/period		<u>177,055,000</u>		<u>234,640,000</u>		<u>73,350,000</u>
Weighted average exercise price		<u>HK\$0.627</u>	<u>HK\$0.471</u>	<u>HK\$0.630</u>	<u>HK\$0.769</u>	<u>HK\$0.400</u>

Note: Ms. Wu Ansheng is the General Manager and Sales Director of a subsidiary of the Group and a sister of Mr. Wu.

In the opinion of the directors, the fair value of the services received from consultants cannot be estimated reliably, the equity-settled share-based payment transactions with consultants are measured at the fair value of the equity instruments granted.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 21. SHARE OPTIONS (CONTINUED)

The Group recognised a share-based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Directors	<b>238</b>	1,217
Employees and consultants	<b>395</b>	1,664
	<b><u>633</u></b>	<u>2,881</u>

## 22. LEASE COMMITMENTS

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within one year	<b><u>266</u></b>	<u>992</u>

As at 30 June 2020 and 31 December 2019, the Group leases a number of properties with a lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

## 23. CAPITAL COMMITMENTS

At the end of the reporting period, capital commitments outstanding but not provided for in the condensed consolidated interim financial statements are as follows:

	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
<b>Contracted for:</b>		
Acquisition of an associate	<b><u>—</u></b>	<u>2,273</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

**Financial assets and liabilities measured at fair value**

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

	At 30 June 2020 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurement</b>				
Financial assets at FVTPL:				
Convertible promissory note	—	—	29,858	29,858
Unlisted equity investment	—	—	235,595	235,595
Convertible bonds receivable	—	—	48,342	48,342
	<u>—</u>	<u>—</u>	<u>313,795</u>	<u>313,795</u>

	At 31 December 2019 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurement</b>				
Financial assets at FVTPL:				
Convertible promissory note	—	—	28,086	28,086
Unlisted equity investment	—	—	229,879	229,879
Unlisted managed fund	—	28,143	—	28,143
Convertible bonds receivable	—	—	46,323	46,323
	<u>—</u>	<u>28,143</u>	<u>304,288</u>	<u>332,431</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### Financial assets and liabilities measured at fair value (Continued)

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of unlisted managed fund in Level 2 has been determined by reference to the reported net asset value quoted by the broker at the end of the reporting period. The movements during the period in the balance of Level 2 fair value measurements are disclosed in note 12(b).

### Information about Level 3 fair value measurements

The valuation techniques and significant unobservable inputs used to determine the fair value of financial assets at FVTPL are as follows:

Valuation techniques	Significant unobservable inputs	Financial assets at FVTPL	Range		Sensitivity relationship of unobservable inputs to fair value
			2020 (Unaudited)	2019 (Audited)	
Discounted cash flow model and binomial option pricing model	Expected volatility	Convertible promissory note	68.5%	50.0%	Increase/(decrease) in expected volatility would result in increase/(decrease) in fair value
		Convertible bonds receivable	64.7%	51.5%	
	Discount rate	Convertible promissory note	13.8%	14.0%	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value
		Convertible bonds receivable	11.9%	8.9%	

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2020

**24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)****Information about Level 3 fair value measurements (Continued)**

Valuation techniques	Significant unobservable inputs	Financial assets at FVTPL	Range		Sensitivity relationship of unobservable inputs to fair value
			2020 (Unaudited)	2019 (Audited)	
Discounted cash flow model and binomial interest rate model	Expected volatility	Unlisted equity investment	70.1%	68.2%	Increase/(decrease) in expected volatility would result in increase/(decrease) in fair value
	Discount rate	Unlisted equity investment	11.6%	11.1%	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value

The movements during the period in the balance of Level 3 fair value measurements are disclosed in notes 11, 12 and 14 respectively.

**Financial assets and liabilities not reported at fair value**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the condensed consolidated interim financial statements approximate their fair values as at 30 June 2020 and 31 December 2019.

**25. RELATED PARTIES TRANSACTIONS**

Other than the transactions and balances with related parties as disclosed in the respective notes, during the period, the Group entered into the following transactions with the following related parties:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Nature of transactions</b>		
Lease payments paid to Kaisa Group Holdings Ltd.	284	273
Management fee paid to Kaisa Financial Group Company Ltd.	70	—

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### **26. EVENT AFTER THE REPORTING PERIOD**

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Highlights

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

### Interim Dividend

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

### Business Review

#### *Dental Prosthetics Business*

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

The Group has always adhered to the dental aesthetics and prosthetics restoration philosophy of “using minimally invasive surgery with no harm to teeth” in its research and development, in order to relieve the pain patients suffer during the treatment and improve their appearance. A series of digital dental prosthetic products including Mega Veneer (美加貼面) XS, Mega 3D Simulation Zirconium (美加3D 仿真鋸), 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review (Continued)

#### *Dental Prosthetics Business (Continued)*

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

#### *Health Care Business*

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

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

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review (Continued)

#### *Health Care Business (Continued)*

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

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

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

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### Prospect

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

#### *Dental Prosthetics Business*

The oral medical market has an enormous room for development and with its relatively high prices, its proportion in the total medical expenditure is relatively higher and hence the stomatological industry is always listed separately in respect of the statistics on medical expenditure. According to the statistics released by the iiMedia Research, the oral industry market was over RMB100 billion in 2019. At present, the dental industry market in China is already at a stage of rapid development, and it is projected that, along with the increasing consumption power in the PRC, regardless of whether it is in terms of the dentist proportion, consultation rate and the permeability rate of 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 like the US, expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes. Since 2019, the Group launched an upgraded version of Mega Veneer XS, which is now available worldwide, for hiding spots and stains of severely discoloured teeth such as tetracycline pigmentation teeth, mottled enamel and dental pulp. It is of higher quality as it also covers hard-to-reach areas. The Group also promoted the Mega YiQi Minimally Invasive Customized Clear Aligner (美加易齊微矯正制式透明矯治器) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Prospect (Continued)

#### *Health Care Business*

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Prospect (Continued)

#### *Health Care Business (Continued)*

The rehabilitation industry of the aging population has gained attention and the rehabilitation industry has emerged due to the growing sports population. According to the statistics released by Intelligence Research Group, the scale of the rehabilitation market is projected to reach over RMB100 billion in 2023, showing a considerable potential in respect of its market scale. Orthopaedics and sports rehabilitation in the medical rehabilitation industry account for 38.63% of the market share of rehabilitation. It is expected the annual market size will reach RMB28.3 billion by 2021. Through its operation of chain clinics of sports rehabilitation specialists, the Group has formed an orthopaedic and rehabilitation professional rehabilitation team which is rare most in the market. The Group has established an exclusive collaboration model for three areas, namely orthopaedics, rehabilitation and pain management, thereby providing safe and professional solutions to customers through involving medical teams in active rehabilitation, removing the usual disconnection between orthopaedics and rehabilitation and changing the current situation of the late involvement of rehabilitation medical teams. The Group's Sports Rehabilitation Clinic Project (including orthopedics, sports medical service, traditional Chinese medical service, rehabilitation services (mainly orthopedic postoperative rehabilitation, sports injury rehabilitation, chronic pain rehabilitation, children's scoliosis rehabilitation, pregnancy and childbirth rehabilitation, traditional Chinese medical rehabilitation, especially sports rehabilitation) has received positive feedback from the market since its opening. After two months of forced suspension of business due to the COVID-19 pandemic, it has delivered outstanding performance in just six months. The Group plans to replicate the successful model of its Nanshan clinic in the Shenzhen area and complete its initial chain layout later this year. In the next three years, the Group will apply this Shenzhen model to the Greater Bay Area. The scale of operation will expand by opening 50 additional clinics as well as developing the layout in respect of the sports rehabilitation market in the Greater Bay Area.

### Operating Results and Financial Review

#### *Revenue*

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

#### *Gross Profit and Gross Profit Margin*

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Results and Financial Review (Continued)

#### *Convertible Bonds Receivable*

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

#### *Convertible Promissory Note*

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

#### *Financial Assets at Fair Value Through Profit or Loss*

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

#### *Bank Balance and Cash*

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

#### *Land Use Rights*

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

#### *Capital Expenditure and Capital Commitments*

During the Period, the Group invested approximately HK\$4.6 million (six months ended 30 June 2019: approximately HK\$5.5 million), mainly on production equipment. As at 30 June 2020, the Group has no capital expenditure commitment.

#### *Contingent Liabilities*

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

#### *Charge on the Group's Assets*

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Results and Financial Review (Continued)

#### *Treasury Policy*

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

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

#### *Liquidity, Capital Structure and Financial Resources*

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

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

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

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

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

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

#### **Employees and Remuneration Policy**

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

## DISCLOSURE OF ADDITIONAL INFORMATION

### Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ dealings in the Company’s securities. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2020.

The Company has also established written guidelines on no less exacting terms 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 six months ended 30 June 2020.

### Changes in Information of Directors

The changes in the information of Directors since the date of the Company’s 2019 Annual Report are set out below:

1. With effect from 1 April 2020,
  - (i) Mr. Xu Hao has resigned as an executive Director; and
  - (ii) Mr. Lau Shui Fung has resigned as an independent non-executive Director.
2. With effect from 9 April 2020, Mr. Zhang Huagang, has been appointed as the Chairman and an executive Director, and the Chairman of the Nomination Committee.

Save as disclosed above, there is no change in the information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company’s 2019 Annual Report and up to the date of this Interim Report.

### 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 has complied with the code provisions set out in the CG Code during the six months ended 30 June 2020.



## DISCLOSURE OF ADDITIONAL INFORMATION

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

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

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

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

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

#### *Significant investment on convertible bonds receivable*

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

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

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

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

### **Use of Proceeds from Rights Issue**

On 28 July 2017, in order to equip the Group with more financial resources, the Company proposed to implement the rights issue (the "Rights Issue") on the basis of one (1) new shares to be issued and allotted under the Rights Issue (the "Rights Share") for every three (3) shares held on the record date at the subscription price of HK\$0.40 per Rights Share. The Rights Issue has been completed on 13 November 2017 and the Group raised proceeds of approximately HK\$510.16 million before expenses and the net proceeds of the Rights Issue was HK\$507.16 million, which are intended to be applied towards (i) funding potential acquisition in an overseas dental technology company (the "Proposed Acquisition of the Target Company"); (ii) the acquisition of land to construct a manufacturing plant for the dental prosthetics business in the PRC (the "Proposed Acquisition of Land"); and (iii) general working capital requirements of the Group.

## DISCLOSURE OF ADDITIONAL INFORMATION

### Use of Proceeds from Rights Issue (Continued)

On 13 March 2018, since the parties were not able to come to an agreement on certain terms of the Proposed Acquisition of the Target Company, including but not limited to, the valuation of the target company and price adjustment mechanism, the Company announced to terminate the Proposed Acquisition of the Target Company. As disclosed in the rights issue prospectus of the Company dated 20 October 2017, in case the Proposed Acquisition of the Target Company does not proceed, the Company will first apply the proceeds to working capital for the Company's current product offerings, specifically, the 3D oral scanner and the Mega Clear Aligner (the "Existing Products"), and consider other potential acquisitions in the dental prosthetic and other dentistry areas (the "Other Potential Acquisitions"). The Company is considering the Other Potential Acquisitions and are in discussions with potential acquisition targets. For details, please refer to the announcement of the Company dated 13 March 2018.

On 4 May 2018, due to the escalation of the tense trade relationships among various countries, the Board considered to be more prudent for the Company to take a more cautious approach for the expansion of the Group's production capacity. It is currently expected that the Group shall enhance its business diversification and risk resistance capacity in order to better cope with the uncertainty of international market. Therefore, the Board decided to re-allocate the sum of approximately HK\$296 million initially allocated for the purpose of the Proposed Acquisition of Land to the possible investment opportunities within the health industry in the PRC. On 3 August 2018, the Group has entered into transaction with an associate of Kaisa Group Holdings Ltd., the controlling shareholder of the Company, for the 2018 Proposed Acquisition of the target companies engaged in the provision of public health and medical services. For details, please refer to the announcements of the Company dated 4 May 2018, 24 May 2018 and 3 August 2018, 14 December 2018 and 24 May 2019 and the circular of the Company dated 28 November 2018.

Together with the re-allocation and change of use of the proceeds from the Rights Issue, the net proceeds from the Rights Issue will be allocated in the following manner: (i) approximately HK\$246 million applied to investments within the health care industry in the PRC; (ii) approximately HK\$164.16 million would be applied to the Seeking Suitable Investment Opportunities; and (iii) approximately HK\$97 million to the Continuous Development of Dental Business.

As of the date of this report, approximately HK\$246 million has been used for investments within the health care industry in the PRC, approximately HK\$164.16 million has been used for Seeking Suitable Investment Opportunities, and approximately HK\$79.98 million has been used for the Continuous Development of Dental Business. Approximately HK\$17.02 million of the actual proceeds from the Rights Issue remained unutilized.

## DISCLOSURE OF ADDITIONAL INFORMATION

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' and Executives' Interest in Shares or Short Position in Shares and Underlying Shares and Debenture" of this Interim Report, at no time during the period was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' and Executives' Interest in Shares or Short Position in Shares and Underlying Shares and Debenture

At 30 June 2020, the interests of the Directors and the chief executives in the shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and the SFO, were as follows:

(a) *Long position in the shares of the Company*

Name	Capacity/ nature of interest	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Kwok Ying Shing	Interest of controlled corporation	308,000,000	6.11%
Mr. Wu Tianyu	Beneficial owner	206,910,000	4.10%
Ms. Jiang Sisi	Interest of spouse	206,910,000 (Note 1)	4.10%

Note 1: Mr. Wu Tianyu, executive Director has personal interests in 206,910,000 shares and Ms. Jiang Sisi is the spouse of Mr. Wu Tianyu and therefore was deemed to be interested in these shares.

## DISCLOSURE OF ADDITIONAL INFORMATION

### Directors' and Executives' Interest in Shares or Short Position in Shares and Underlying Shares and Debenture (Continued)

(b) Long position in the share options of the Company

Name	Number of share options held	Number of underlying shares of the Company	Exercisable price	Approximate percentage of the issued share capital of the Company
Mr. Wu Tianyu (note 1)	38,000,000 (note 2)	38,000,000	HK\$0.40	0.75%
Ms. Jiang Sisi (note 1)	38,000,000 (note 2)	38,000,000	HK\$0.40	0.75%

Note 1: Ms. Jiang Sisi is the Chief Operating Officer of the Group and also the director of certain subsidiaries of the Company. She is also the spouse of Mr. Wu Tianyu. As such, Ms. Jiang Sisi and Mr. Wu Tianyu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 76,000,000 as at 30 June 2020.

Note 2: These share options were granted on 12 September 2016. 30% of the granted share options would vest on 12 September 2017 and be exercisable from 12 September 2017 to 11 September 2022. Another 25% of the granted share options would vest on 12 September 2018 and be exercisable from 12 September 2018 to 11 September 2022. A further 20% of the granted share options would vest on 12 September 2019 and be exercisable from 12 September 2019 to 11 September 2022. A further 15% of the granted share options would vest on 12 September 2020 and be exercisable from 12 September 2020 to 11 September 2022. The remaining 10% of the granted share options would vest on 12 September 2021 and be exercisable from 12 September 2021 to 11 September 2022.

The details of share options held by the Directors, chief executives, employees and consultants of the Company are disclosed under the section headed "Share Option Scheme" of this Interim Report.

Save as disclosed above, as at 30 June 2020, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## DISCLOSURE OF ADDITIONAL INFORMATION

### Directors' Interests in Competing Business

The Directors are of the view that none of the Directors has competed, or is likely to compete, either directly or indirectly, with our businesses, nor have they caused any harm to any interests owned by the Company during the six months ended 30 June 2020.

### Interest and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2020, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued shares of the Company.

Name of shareholder	Long position/ short position	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued ordinary share capital of the Company
Kaisa Group Holdings Ltd. (Note 1)	Long position	Beneficial owner	2,167,600,491	42.99%
Ying Hua Holdings Limited (Note 2)	Long position	Beneficial owner	308,000,000	6.11%
Mr. Kwok Ying Shing (Note 2)	Long position	Interest of controlled corporation	308,000,000	6.11%
Gao Lang Limited (Note 3)	Long position	Beneficial owner	458,720,256	9.10%
Mr. Huang Xiao Gang (Note 3)	Long position	Interest of controlled corporation	458,720,256	9.10%
ABG II-RYD Limited (Note 4)	Long position	Beneficial owner	270,300,000	5.36%
Ally Bridge Group Capital Partners II, L.P. (Note 4)	Long position	Interest of controlled corporation	270,300,000	5.36%
ABG Capital Partners II GP, L.P. (Note 4)	Long position	Interest of controlled corporation	270,300,000	5.36%
ABG Capital Partners II GP Limited (Note 4)	Long position	Interest of controlled corporation	270,300,000	5.36%
Mr. Yu Fan (Note 4)	Long position	Interest of controlled corporation	270,300,000	5.36%

## DISCLOSURE OF ADDITIONAL INFORMATION

### Interest and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company (Continued)

Note:

1. According to the information available to the Company, Kaisa Group Holdings Ltd. is a company incorporated in Cayman Islands and is listed on the Main Board of the Stock Exchange (Stock Code: 1638).
2. According to the information available to the Company, Ying Hua Holdings Limited is a company incorporated in the BVI and is wholly owned by Mr. Kwok Ying Shing who is also an executive director and a substantial shareholder of Kaisa Group Holdings Ltd. (note 1).
3. According to the information available to the Company, Gao Lang Limited is a company incorporated in the BVI and is wholly owned by Mr. Huang Xiao Gang.
4. According to the information available to the Company, ABG II-RYD Limited is wholly owned by Ally Bridge Group Capital Partners II, L.P.. Ally Bridge Group Capital Partners II, L.P.'s general partner is ABG Capital Partners II GP, L.P. and Ally Bridge Group Capital Partners II, L.P. is also 0.54% owned by ABG Capital Partners II GP, L.P.. ABG Capital Partners II GP, L.P. is 50% owned by Mr. Yu Fan and 50% owned by ABG Capital Partners II GP Limited which is wholly owned by Mr. Yu Fan.

Save as disclosed above, as at 30 June 2020, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

### Share Option Scheme

The share option scheme adopted by the Company in 2003 (the "2003 Scheme") had already expired on 31 January 2013. There was no share options outstanding under the 2003 Scheme.

A new share option scheme (the "Scheme") was approved by an ordinary resolution passed by shareholders of the Company on 8 June 2015. The purpose of the Scheme is to recognise the contribution of the Directors, employees and consultants of the Group by granting share options to them as incentives or rewards. The major terms of the Scheme are summarised as follows:

1. Eligible participants of the Scheme include any full-time or part-time employees, potential employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or has contributed to the Company and/or any of its subsidiaries.

## DISCLOSURE OF ADDITIONAL INFORMATION

### Share Option Scheme (Continued)

2. the maximum number of Shares in respect of which options under this Scheme or options under the other schemes may be granted must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme i.e. 382,620,703 Shares, representing 10% of the total issued share capital of the Company as at the date of adoption of the Scheme, and such limit may be increased from time to time to 10% of the shares in issue as at the date of such shareholders approval.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

3. The total number of Shares to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the Shares in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.
4. Any grant of share options to any connected person, such grant shall be subject to the approval by all the independent non-executive Directors of the Company (and in the event that the Board offers to grant Options to an independent non-executive Director of the Company, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant).
5. Any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or any of their associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the Shares in issue and having an aggregate value (based on closing price of the Company's Shares at the date of the grant) in excess of HK\$5 million, is subject to prior approval by shareholders in a general meeting.
6. The offer for the grant of options (the "Offer") must be taken up within 14 days from the date of Offer, with a payment of HK\$1.00 as consideration by the grantee.
7. The exercise price of the share option will be determined at the highest of (i) the average closing prices of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Offer; and (iii) the nominal value of the Shares.

## DISCLOSURE OF ADDITIONAL INFORMATION

### Share Option Scheme (Continued)

8. The period within which the Shares must be taken up under the option, which must not be more than 10 years from the date of grant of the option.
9. The Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing on the date of approval of the Scheme and ending on 7 June 2025 (both dates inclusive).

The refreshment of the Scheme limit was approved by an ordinary resolution passed by shareholders of the Company on 22 June 2020. Subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the additional shares of HK\$0.00125 each in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the Scheme, the refreshment of the limit in respect of the granting of options to subscribe for Shares under the Scheme be and is hereby approved, provided that:

1. the total number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the total number of Shares in issue as at the date of passing this resolution (the "Refreshed Limit") i.e. 5,042,139,374 Shares;
2. options previously granted under the Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme) will not be counted for the purpose of calculating the Refreshed Limit;
3. the Directors be and are hereby unconditionally authorized to offer or grant options pursuant to the Scheme to subscribe for Shares up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with the Shares upon the exercise of such options; and
4. such increase in the Refreshed Limit shall in no event result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company exceed 30% of the Shares in issue from time to time.



## DISCLOSURE OF ADDITIONAL INFORMATION

## Share Option Scheme (Continued)

Movement of share options for the six months ended 30 June 2020 is as follows:–

Name	Balance as at 1 January 2020	Granted during the period	Exercised during the period	Forfeited during the period	Balance as at 30 June 2020	Exercisable price	Approximate percentage of the issued share capital of the Company
Mr. Wu Tianyu (note 1)	74,070,000 (note 3)	–	–	(74,070,000)	–	HK\$0.784	Nil
	38,000,000 (note 4)	–	–	–	38,000,000	HK\$0.40	0.75%
	<u>112,070,000</u>	<u>–</u>	<u>–</u>	<u>(74,070,000)</u>	<u>38,000,000</u>		
Ms. Jiang Sisi (note 1)	74,070,000 (note 3)	–	–	(74,070,000)	–	HK\$0.784	Nil
	38,000,000 (note 4)	–	–	–	38,000,000	HK\$0.40	0.75%
	<u>112,070,000</u>	<u>–</u>	<u>–</u>	<u>(74,070,000)</u>	<u>38,000,000</u>		
Employees and consultants	7,000,000 (note 2)	–	–	(7,000,000)	–	HK\$0.784	Nil
	28,000,000 (note 4 & 5)	–	–	(6,200,000)	21,800,000	HK\$0.40	0.43%
	<u>35,000,000</u>	<u>–</u>	<u>–</u>	<u>(13,200,000)</u>	<u>21,800,000</u>		
	<u>259,140,000</u>	<u>–</u>	<u>–</u>	<u>(161,340,000)</u>	<u>97,800,000</u>		

## DISCLOSURE OF ADDITIONAL INFORMATION

### Share Option Scheme (Continued)

Note 1: Ms. Jiang Sisi is the Chief Operating Officer of the Group and also the director of certain subsidiaries of the Company. She is also the spouse of Mr. Wu Tianyu. As such, Ms. Jiang Sisi and Mr. Wu Tianyu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 76,000,000 as at 30 June 2020.

Note 2: These share options were granted on 16 June 2015. 25% of the granted share options would vest on 16 June 2016 and be exercisable from 16 June 2016 to 15 June 2020. Another 25% of the granted share options would vest on 16 June 2017 and be exercisable from 16 June 2017 to 15 June 2020. A further 25% of the granted share options would vest on 16 June 2018 and be exercisable from 16 June 2018 to 15 June 2020. The remaining 25% of the granted share options would vest on 16 June 2019 and be exercisable from 16 June 2019 to 15 June 2020. All of the share options were lapsed on 15 June 2020.

Note 3: These share options were granted on 24 July 2015. 25% of the granted share options would vest on 16 June 2016 and be exercisable from 16 June 2016 to 15 June 2020. Another 25% of the granted share options would vest on 16 June 2017 and be exercisable from 16 June 2017 to 15 June 2020. A further 25% of the granted share options would vest on 16 June 2018 and be exercisable from 16 June 2018 to 15 June 2020. The remaining 25% of the granted share options would vest on 16 June 2019 and be exercisable from 16 June 2019 to 15 June 2020. All of the share options were lapsed on 15 June 2020.

Note 4: These share options were granted on 12 September 2016. 30% of the granted share options would vest on 12 September 2017 and be exercisable from 12 September 2017 to 11 September 2022. Another 25% of the granted share options would vest on 12 September 2018 and be exercisable from 12 September 2018 to 11 September 2022. A further 20% of the granted share options would vest on 12 September 2019 and be exercisable from 12 September 2019 to 11 September 2022. A further 15% of the granted share options would vest on 12 September 2020 and be exercisable from 12 September 2020 to 11 September 2022. The remaining 10% of the granted share options would vest on 12 September 2021 and be exercisable from 12 September 2021 to 11 September 2022.

Note 5: Included in the balance represents 8,000,000 share options granted to Ms. Wu Ansheng who is the General Manager and Sales Director of a subsidiary of the Group and a sister of Mr. Wu Tianyu.

### Connected Transactions

The Group had entered into the following transactions with connected persons, as defined under the Listing Rules, during the six months ended 30 June 2020 and up to the date of this report:

- (i) During the six months ended 30 June 2020, the Group had rented 2 properties from Kaisa Group Holdings Ltd. amounted to approximately HK\$284,000. Kaisa Group Holdings Ltd. is a substantial shareholder of the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules and the lease constituted an exempted connected transaction of the Company under Chapter 14A of the Listing Rules.
- (ii) During the six months ended 30 June 2020, the Group had paid management fee to Kaisa Financial Group Company Ltd. amounted to approximately HK\$70,000. Kaisa Financial Group Ltd. is the fellow subsidiary of the Group under the same ultimate holding company Kaisa Group Holdings Ltd. Therefore Kaisa Financial Group Company Ltd. is a connected person of the Group under Chapter 14A of the Listing Rules, and the management fee constituted an exempted transaction of the Group under Chapter 14A of the Listing Rules.

## DISCLOSURE OF ADDITIONAL INFORMATION

### Connected Transactions (Continued)

- (iii) During the six months ended 30 June 2020, the Group had disposed an unlisted managed fund at a consideration amounted to approximately HK\$26.7 million to Peng Ze (Hong Kong) Limited, a subsidiary of Gao Lang Limited under a non-controlling shareholder Mr. Huang Xiao Gang. Therefore Peng Ze (Hong Kong) Limited is a connected person of the Group under Chapter 14A of the Listing Rules. Since the consideration is not over size tests as listed in the Listing Rules, no announcement is required for disclosure of this transaction under Chapter 14A of the Listing Rules.

### Audit Committee

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

The Audit Committee met with the management on 26 August 2020 to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's interim results for the Period, before proposing them to the Board for approval. The Audit Committee has reviewed the unaudited interim results announcement and this Interim Report of the Company for the Period.

### Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25 per cent of the Company's issued shares during the Period and as at the date of this Interim Report.



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