



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)



2022

Interim Report 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	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Interim Financial Statements	11
Management Discussion and Analysis	38
Disclosure of Additional Information	46

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
Dr. Lyu Aiping
Ms. Li Zhiying (formerly named as Ms. Li Yonglan)

AUDIT COMMITTEE

Dr. Liu Yanwen (*Chairman*)
Dr. Lyu Aiping
Ms. Li Zhiying (formerly named as Ms. Li Yonglan)

REMUNERATION COMMITTEE

Dr. Lyu Aiping (*Chairman*)
Mr. Wu Tianyu
Dr. Liu Yanwen

NOMINATION COMMITTEE

Mr. Zhang Huagang (*Chairman*)
Dr. Lyu Aiping
Dr. Liu Yanwen

COMPANY SECRETARY

Mr. Yu Kwok Leung

AUTHORISED REPRESENTATIVES

Mr. Luo Jun
Mr. Yu Kwok Leung

INDEPENDENT AUDITOR

Elite Partners CPA 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

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

876

COMPANY WEBSITE

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 37, which comprise the condensed consolidated statement of financial position as at 30 June 2022, 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.

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong, 29 August 2022

Yip Kai Yin

Practising Certificate Number: P07854

10/F, 8 Observatory Road,
Tsim Sha Tsui, Kwoloon,
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	3	93,979	103,275
Cost of sales		(54,046)	(49,217)
Gross profit		39,933	54,058
Other income, gains and losses		6,538	3,067
Selling and distribution costs		(20,062)	(20,383)
Administrative expenses		(47,567)	(44,040)
(Loss)/gain from change in fair value of financial assets at fair value through profit or loss		(13,891)	47,609
Loss from change in fair value of financial liabilities at fair value through profit or loss	16	(21,749)	—
Gain from change in fair value of convertible promissory note		—	2,275
(Impairment loss)/reversal of impairment loss on trade receivables, net		(1,666)	138
(Impairment loss)/reversal of impairment loss on a loan receivable		(2,905)	24,793
Reversal of impairment loss on amount due from a director		373	185
Impairment loss on right-of-use assets	8	(3,930)	—
Impairment loss on property, plant and equipment	8	(18,326)	—
Impairment loss on property under development	11	(23,096)	—
Other expenses		(10,000)	(8,892)
Finance costs		(4,084)	(575)
(Loss)/Profit before income tax	4	(120,432)	58,235
Income tax expense	5	(199)	(46)
(Loss)/Profit for the period		(120,631)	58,189
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(21,826)	7,090
Total comprehensive (expense)/income for the period		(142,457)	65,279

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
(Loss)/Profit for the period attributable to:			
– Owners of the Company		(97,017)	60,666
– Non-controlling interests		(23,614)	(2,477)
		<u>(120,631)</u>	<u>58,189</u>
Total comprehensive (expense)/income for the period attributable to:			
– Owners of the Company		(120,127)	66,496
– Non-controlling interests		(22,330)	(1,217)
		<u>(142,457)</u>	<u>65,279</u>
(Loss)/Earnings per share			
	7	HK cents	HK cents
– Basic		<u>(1.92)</u>	<u>1.20</u>
– Diluted		<u>(1.92)</u>	<u>1.20</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	31,079	58,760
Right-of-use assets	8	26,248	30,598
Land use rights	9	3,941	4,175
Intangible assets		4,594	5,132
Goodwill		20,217	20,217
Loan receivable		17,154	21,240
Prepayments and deposits	12	23,433	24,495
Financial assets at fair value through profit or loss	10	206,636	230,098
Financial assets at fair value through other comprehensive income		234	245
Deferred tax assets		445	539
		333,981	395,499
Current assets			
Properties under development	11	135,516	144,669
Inventories		17,588	16,190
Trade and other receivables	12	133,565	135,893
Amount due from a director	13	16,725	19,293
Amounts due from fellow subsidiaries	14	483	525
Bank balances and cash		202,447	259,264
		506,324	575,834
Current liabilities			
Trade and other payables	15	111,896	127,873
Other financial liabilities	16	114,155	89,078
Lease liabilities		6,876	6,753
Amount due to a related party	17	750	785
Amounts due to fellow subsidiaries	14	1,580	1,443
Amount due to a non-controlling shareholder of a subsidiary	14	15,652	12,245
Taxation payable		21,350	23,814
		272,259	261,991
Net current assets		234,065	313,843
Total assets less current liabilities		568,046	709,342

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current liabilities		
Lease liabilities	25,043	25,528
Deferred tax liabilities	970	970
	26,013	26,498
Net assets	542,033	682,844
Equity		
Share capital	6,303	6,303
Reserves	526,333	644,814
Equity attributable to owners of the Company	532,636	651,117
Non-controlling interests	9,397	31,727
Total equity	542,033	682,844

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company						Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Translation reserve	Share option reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2021 (Audited)	6,303	984,639	1,545	13,948	22,770	(392,689)	636,516	10,985	647,501
Profit/(Loss) for the period	–	–	–	–	–	60,666	60,666	(2,477)	58,189
Exchange differences arising on translation of foreign operations	–	–	–	5,830	–	–	5,830	1,260	7,090
Total comprehensive income/(expense) for the period	–	–	–	5,830	–	60,666	66,496	(1,217)	65,279
Recognition of equity-settled share-based payment (note 18)	–	–	–	–	3,600	–	3,600	–	3,600
Release of share option reserve upon share options forfeited	–	–	–	–	(492)	492	–	–	–
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	33,843	33,843
As at 30 June 2021 (Unaudited)	6,303	984,639	1,545	19,778	25,878	(331,531)	706,612	43,611	750,223
As at 1 January 2022 (Audited)	6,303	984,639	1,545	20,649	25,414	(387,433)	651,117	31,727	682,844
Loss for the period	–	–	–	–	–	(97,017)	(97,017)	(23,614)	(120,631)
Exchange differences arising on translation of foreign operations	–	–	–	(23,110)	–	–	(23,110)	1,284	(21,826)
Total comprehensive expense for the period	–	–	–	(23,110)	–	(97,017)	(120,127)	(22,330)	(142,457)
Recognition of equity-settled share-based payment (note 18)	–	–	–	–	1,646	–	1,646	–	1,646
As at 30 June 2022 (Unaudited)	6,303	984,639	1,545	(2,461)	27,060	(484,450)	532,636	9,397	542,033

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 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/ generated from operating activities	(51,669)	52,320
Investing activities		
Income from short-term investments	959	481
Purchases of property, plant and equipment	(2,794)	(6,975)
Purchases of intangible assets	—	(169)
Purchases of financial assets at fair value through other comprehensive income	—	(241)
Deposits paid for acquisition of a subsidiary	—	(7,357)
Repayment from a loan receivable	—	22,728
Interest received	577	503
Dividend received	859	—
Repayment from a director	2,733	—
Other cash flows arising from investing activities	—	2,148
Advances to fellow subsidiaries	42	(277)
Advance to a non-controlling shareholder of a subsidiary	3,938	(1,999)
Net cash generated from investing activities	6,314	8,842
Financing activities		
Advance from fellow subsidiaries	—	125
Advance from a non-controlling shareholder of a subsidiary	—	2
Payment of lease liabilities	(6,322)	(4,400)
Net cash used in financing activities	(6,322)	(4,273)
Net (decrease)/increase in cash and cash equivalents	(51,677)	56,889
Cash and cash equivalents at 1 January	259,264	176,600
Effect of foreign exchange rate changes	(5,140)	6,273
Cash and cash equivalents at 30 June, representing bank balances and cash	202,447	239,762

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 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 2021.

1.2 Principal accounting policies

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

Except for the application of amended Hong Kong Financial Reporting Standards (“HKFRSs”) as described in note 2 and the adoption of new accounting policies noted below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed interim consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

For the six months ended 30 June 2022, the Group's operating activities are attributable to three (30 June 2021: two) operating segments focusing on the operation of manufacturing of and trading in the dental business, the health care – rehabilitation business and the health care – health leisure business. As a result of the start of operation of project in Zhuhai Shili Lianjiang International Health City* (珠海十里蓮江國際健康城) and the project in Fuhu Village, Xuhang Town, Jiading District, Shanghai* (上海市嘉定區徐行鎮伏虎村), the health care – health leisure business became a new segment of the Group for reporting purpose for the six ended 30 June 2022 and comparative information has been re-presented for consistency purpose.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

3.1 Segment revenue and results

For the six months ended 30 June 2022 (Unaudited)

	Dental business HK\$'000	Health care – rehabilitation business HK\$'000	Health care – health leisure business HK\$'000	Total HK\$'000
REVENUE				
Revenue from external customers	87,658	4,922	1,399	93,979
RESULTS				
Segment profit/(loss) before depreciation and amortisation	5,061	(24,102)	(8,131)	(27,172)
Depreciation				
– Property, plant and equipment	(6,593)	(1,845)	(708)	(9,146)
– Right-of-use assets	(1,677)	(2,360)	(339)	(4,376)
Amortisation of land use rights	–	–	(54)	(54)
Amortisation of intangible assets	(469)	–	–	(469)
Impairment loss on property, plant and equipment	–	–	(18,326)	(18,326)
Impairment loss on right-of-use asset	–	–	(3,930)	(3,930)
Impairment loss on properties under development	–	–	(23,096)	(23,096)
Loss from change in fair value of financial liabilities at fair value through profit or loss	–	–	(21,749)	(21,749)
Segment operating loss	(3,678)	(28,307)	(76,333)	(108,318)
Impairment loss on a loan receivable, net				(2,905)
Unallocated income				48
Unallocated expenses				(9,257)
Loss before income tax				(120,432)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

3.1 Segment revenue and results (Continued)

For the six months ended 30 June 2021 (Unaudited)

	Dental business HK\$'000	Health care – rehabilitation business HK\$'000	Health care – health leisure business HK\$'000	Total HK\$'000
REVENUE				
Revenue from external customers	100,441	2,834	–	103,275
RESULTS				
Segment profit/(loss) before depreciation and amortisation	15,280	45,829	(5,739)	55,370
Depreciation				
– Property, plant and equipment	(6,183)	(976)	(322)	(7,481)
– Right-of-use assets	(2,929)	(1,145)	–	(4,074)
Amortisation of land use rights	–	–	(598)	(598)
Amortisation of intangible assets	(324)	(3)	–	(327)
Segment operating profit/(loss)	5,844	43,705	(6,659)	42,890
Gain from change in fair value of convertible promissory note				2,275
Reversal of impairment loss on a loan receivable, net				24,793
Unallocated income				479
Unallocated expenses				(12,202)
Profit before income tax				58,235

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, change in fair value of financial assets at fair value through profit or loss, change in fair value of financial liabilities at fair value through profit or loss and convertible promissory note and allowance of expected credit losses of trade receivable, loan receivable and amount due from a director. 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 2022

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

3.2 Segment assets and liabilities

As at 30 June 2022 (Unaudited)

	Dental business HK\$'000	Health care – rehabilitation business HK\$'000	Health care – health leisure business HK\$'000	Total HK\$'000
Reportable segment assets	334,358	239,235	233,461	807,054
Loan receivable				17,154
Deferred tax assets				445
Unallocated assets				15,652
Total assets				<u>840,305</u>
Reportable segment liabilities	(73,774)	(26,947)	(173,693)	(274,414)
Taxation payable				(21,350)
Deferred tax liabilities				(970)
Unallocated liabilities				(1,538)
Total liabilities				<u>(298,272)</u>

As at 31 December 2021 (Audited)

	Dental business HK\$'000	Health care – rehabilitation business HK\$'000	Health care – health leisure business HK\$'000	Total HK\$'000
Reportable segment assets	348,728	295,350	279,459	923,537
Loan receivable				21,240
Deferred tax assets				539
Unallocated assets				26,017
Total assets				<u>971,333</u>
Reportable segment liabilities	(79,840)	(26,401)	(155,293)	(261,534)
Taxation payable				(23,814)
Deferred tax liabilities				(970)
Unallocated liabilities				(2,171)
Total liabilities				<u>(288,489)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
PRC (excluding Hong Kong)	93,269	103,275	126,666	118,251
Others	710	—	—	46,366
	93,979	103,275	126,666	164,617

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

3.4 Information about major customers

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS*For the six months ended 30 June 2022***4. (LOSS)/PROFIT BEFORE INCOME TAX**

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit before income tax has been arrived at after (crediting)/charging:		
Amortisation of intangible assets	469	327
Amortisation of land use rights	54	598
Depreciation:		
— Property, plant and equipment	9,146	7,481
— Right-of-use assets	4,376	4,074
Lease charges:		
— Short-term leases	611	859
— COVID-19-related rent concessions received	—	(94)
Research and development expenses (included in other expenses)	10,000	8,892
Finance charges on lease liabilities	786	575
Interest income (included in other income, gains and losses):		
— Bank deposits	(195)	(250)
— Convertible promissory note	—	(253)
— Loan receivable	(382)	(227)
Income from short-term investments (included in other income, gains and losses)	(959)	(481)
Net foreign exchange (gain)/loss (included in other income, gains and losses)	(1,264)	2,168

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax (EIT)	<u>105</u>	<u>—</u>
	105	—
Deferred tax expense	<u>94</u>	<u>46</u>
	<u>199</u>	<u>46</u>

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits during the six months ended 30 June 2022 and 2021.

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 2022.

According to a policy promulgated by the State Tax Bureau of the PRC, effective from September 2019 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining taxable profits for that period (“Super Deduction”). A subsidiary is eligible to such Super Deduction in ascertaining its tax assessable profit for the six months ended 30 June 2022 and 2021.

6. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2022 and 2021, nor has any dividend been proposed since the end of the reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
(Loss)/Profit for the period attributable to owners of the Company	<u>(97,017)</u>	<u>60,666</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period	<u>5,042,139,374</u>	<u>5,042,139,374</u>

The diluted earnings per share for the six months ended 30 June 2021 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares. The diluted loss per share for the six months ended 30 June 2022 does not assume the exercise of the Company's share options as it would have an anti-dilutive effect. Therefore, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group has acquired property, plant and equipment of HK\$2,794,000 (six months ended 30 June 2021: HK\$6,975,000), and has written off property, plant and equipment of HK\$2,649,000 (six months ended 30 June 2021: HK\$1,057,000 respectively).

During the six months ended 30 June 2022, the Group has entered into lease agreements for PRC office and has recognised right-of-use assets amounted to approximately HK\$4,577,000 (six months ended 30 June 2021: HK\$1,207,000).

Due to recurring losses incurred by the Health care-health leisure business (see note 3.1), the management concluded there was indication for impairment and performed impairment assessment on the assets that belong to the cash-generated-unit for the Health care-health leisure business.

The recoverable amount of cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering the following 5 years with a pre-tax discount rate is 13.02% as at 30 June 2022, respectively. The discount rate as at 30 June 2022 have been reassessed taking into consideration higher degree of estimation uncertainties in due to uncertainty on how the COVID-19 pandemic may progress and evolve.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the cash-generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment losses of approximately HK\$18,326,000 and HK\$3,930,000 have been recognised against the carrying amounts of property, plant and equipment and right-of-use assets respectively within the relevant functions to which these assets relate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 company, 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 in 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.

The land use rights represent prepayments in relation to lease of land in the PRC. The land use rights fall into the scope of HKFRS 16 as it meets the definition of right-of-use assets. Details of movement is set out below:

	HK\$'000
As at 1 January 2021 (Audited)	46,583
Transfer to properties under development (note 11)	(41,801)
Amortisation	(1,200)
Exchange realignment	<u>593</u>
As at 31 December 2021 and at 1 January 2022 (Audited)	4,175
Amortisation	(54)
Exchange realignment	<u>(180)</u>
As at 30 June 2022 (Unaudited)	<u>3,941</u>

Note: The land use rights are situated in the PRC and held under lease of 40 years. Zhuhai Shili Lianjiang Development has injected land use rights cost of RMB19,915,000 (equivalent to approximately HK\$21,807,000) to Zhuhai Shili Lianjiang Health Care as part of its contribution to the capital of RMB10,000,000 (equivalent to approximately HK\$10,962,000) and advance to Zhuhai Shili Lianjiang Health Care of RMB9,915,000 (equivalent to approximately HK\$10,845,000). The remaining balance of RMB19,915,000 (equivalent to approximately HK\$21,807,000) was paid by a subsidiary and fully settled during the year ended 31 December 2020.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current:		
Limited partnership interest (note)	<u>206,636</u>	<u>230,098</u>

Note:

On 20 July 2021, 21 July 2021 and 31 August 2021, the Group and Shenzhen Yingdou Technology Co., Ltd.* (深圳盈都科技有限公司) (the "Vendor") entered into three transfer agreements respectively. Pursuant to these agreements, the Vendor has agreed to transfer to the Group, of an aggregate of 5.51% limited partnership interest in Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.)* (珠海金鎰銘股權投資基金合夥企業(有限合夥)) (the "Limited Partnership"), at a consideration of RMB180,000,000 (equivalent to HK\$220,410,000) through certain contractual arrangements.

The Limited Partnership has investment focuses on equity and equity related securities in the information technology, high-quality medical and health industries. Pursuant to the applicable PRC laws and regulations, investments in medical or healthcare businesses should be subjected to a sino-foreign joint venture structure, with the Chinese party holding not less than 30% equity interests in it. As the Group is regarded as a foreign investor, the Group and the Vendor have entered into certain contractual arrangements (the "Contractual Arrangements") to avoid the aforementioned foreign restrictions.

Under the Contractual Arrangements, the cooperation agreements and the VIE agreements (including the exclusive consulting and service provision agreement, the exclusive option agreement, the power of attorney, the equity pledge agreement and the loan agreement) have been entered into by the Group, the Vendor and Shenzhen Dayizhen Technology Co., Ltd.* (深圳達逸臻科技有限公司) (the "VIE entity"), a special purpose vehicle established by the Vendor, which enable the Group to:

- exercise effective financial and operational control over the VIE entity;
- exercise equity holder's voting right of the VIE entity;
- receive substantially all of the economic interest returns generated by the VIE entity in consideration for the business support, technical and consulting services provided by the Group;
- obtain an irrevocable and exclusive right to purchase all or part of equity interest in and/or assets of the VIE entity from its owner at a minimum purchase price permitted under the PRC laws and regulations;
- obtain a pledge over the entire equity interest of the VIE entity from its owner as collateral security for all of the VIE entity's payments due to the Group and to secure performance of the VIE entity's obligations under the Contractual Arrangements.

The details of the Contractual Arrangements were set out in the Company's announcements dated 31 January 2022 and 3 March 2022 respectively.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS*For the six months ended 30 June 2022***10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

Note: (continued)

The Group does not have any equity interest in the VIE entity. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the VIE entity and has the ability to affect those returns through its power over the VIE entity and is considered to control the VIE entity. Consequently, the Company regards the VIE entity as consolidated structured entity under HKFRSs. The Group has consolidated the financial position and results of the VIE entity in the Group's consolidated financial statements for the six months ended 30 June 2022.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the VIE entity and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the VIE entity. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with relevant PRC laws and regulations and are legally enforceable.

As at 30 June 2022, the investment in limited partnership interest 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
As at 1 January 2021 (Audited)	–
Additions	220,410
Change in fair value recognised in profit or loss	9,537
Exchange realignment	151
	<hr/>
As at 31 December 2021 and 1 January 2022 (Audited)	230,098
Change in fair value recognised in profit or loss	(13,891)
Exchange realignment	(9,571)
	<hr/>
As at 30 June 2022 (Unaudited)	<u>206,636</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. PROPERTIES UNDER DEVELOPMENT

	HK\$'000
As at 1 January 2021 (Audited)	–
Transfer from land use rights (note 9)	41,801
Additions	102,620
Exchange realignment	<u>248</u>
As at 31 December 2021 and 1 January 2022 (Audited)	144,669
Additions	20,103
Impairment loss	(23,096)
Exchange realignment	<u>(6,160)</u>
As at 30 June 2022 (Unaudited)	<u><u>135,516</u></u>
Amount comprise:	
Construction costs	113,113
Interest capitalised	4,877
Land use rights	40,622
Impairment loss	<u>(23,096)</u>
	<u><u>135,516</u></u>
Amounts are expected to be completed:	
Within the normal operating cycle included under current assets	<u><u>135,516</u></u>

Land use rights for properties under development represent prepayments in relation to leases of land in the PRC. The analysis of carrying amount of land use rights for properties under development is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
In PRC, with remaining lease term of: – between 10 to 50 years	<u><u>40,622</u></u>	<u><u>41,801</u></u>

As at 30 June 2022 and 31 December 2021, the properties under development was not pledged to secure any borrowings granted to the Group.

For the six months ended 30 June 2022, properties under development of HK\$23,096,000 were impaired to reflect the decrease in net realisable value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. TRADE AND OTHER RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current:		
Deposits for acquisition of land use rights (note (i))	23,433	24,495
Current:		
Trade receivables	77,541	68,337
Less: ECL allowance	(2,349)	(1,131)
	75,192	67,206
Other receivables, prepayments and deposits (note (ii))	8,034	17,077
Prepayments for construction costs in relation to the properties under development	50,339	51,610
	133,565	135,893
	156,998	160,388

Note:

- (i) The amount represented deposits paid for an acquisition of land use rights pursuant to the Original Cooperation Agreement and the Supplementary Cooperation Agreement entered into by the Group, Shanghai Jiayu Health Services Co., Ltd.* (上海佳煦健康服務有限公司), The Economic Cooperative of the Fuhu Village of Xuhang Town, Jiading District, Shanghai* (上海嘉定區徐行鎮伏虎經濟合作社) and Shanghai Xinxing Construction Investment Co., Ltd.* (上海新行建設投資有限公司) on 3 March 2021 and 2 July 2021, respectively.

Pursuant to the Original Cooperation Agreement and Supplementary Cooperation Agreement, the Group is committed to contribute RMB167,000,000 (equivalent to approximately HK\$201,000,000) which comprises contribution of RMB120,000,000 (equivalent to approximately HK\$144,000,000) to be the registered capital to Shanghai Jiading Health Services Co., Ltd.* (上海嘉定健康服務有限公司), and shareholder's loan of RMB47,000,000 (equivalent to approximately HK\$57,000,000) to engage in a project for rural revitalization, construction and development in the Fuhu Village.

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

- (ii) The amounts mainly included deposits paid, prepayments to suppliers and VAT tax receivables.

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

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
0 – 90 days	54,953	50,062
91 – 180 days	8,785	9,112
181 – 365 days	8,190	4,780
Over 1 year	3,264	3,252
	<u>75,192</u>	<u>67,206</u>

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 360 days.

13. 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 2022 is HK\$19,293,000 (31 December 2021: HK\$21,812,000).

During the six months ended 30 June 2022, having considered the repayment from the director has been reducing in recent years, the Group considered that the credit quality have deteriorated significantly since initial recognition and the credit risk is not low, a Stage 2 ECL allowance was recognised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. AMOUNTS DUE FROM/ TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES/ FELLOW SUBSIDIARIES

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

15. TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade payables	11,768	45,571
Receipts in advance	24,270	22,128
Other payables (note (a))	61,098	27,063
Accrued charges (note (a))	11,843	29,520
Contract liabilities (note (b))	577	1,251
Deferred contingent consideration	2,340	2,340
	<u>111,896</u>	<u>127,873</u>

Notes:

- (a) Other payables mainly include value added tax and other tax payables in the PRC, and accrued charges mainly include accrued staff salaries and allowances, contributions to defined contribution retirement schemes and consultancy fees for dental and health care projects.
- (b) Contract liabilities represents deposits received from medical services under the health care – rehabilitation business segment. When the Group receives a deposit before the commencement of medical services, this will give rise to a contract liability at the inception of a contract until the revenue recognised on the service could cover the amount of the deposit. The contract liabilities represent receipts in advance for the medical services and are expected to be recognised as revenue within one year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
0 – 90 days	7,532	41,671
91 – 180 days	1,134	3,662
Over 180 days	3,102	238
	<u>11,768</u>	<u>45,571</u>

The average credit period on purchases of goods is 90 days (2021: 90 days).

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

16. OTHER FINANCIAL LIABILITIES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Financial liabilities at fair value through profit or loss:		
Put option liability (note (a))	45,590	25,350
Financial liabilities measured at amortised cost:		
Other financial liabilities (note (b))	68,565	63,728
	<u>114,155</u>	<u>89,078</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

- (a) On 31 May 2021, the Group, Zhuhai Shili Lianjiang Development and Sinochem Investment Management (Tianjin) Co., Ltd.* (中能化投資管理(天津)有限公司) ("Sinochem"), had entered into the Capital Contribution Agreement, pursuant to which, among others, Sinochem agreed to make a capital contribution of RMB65,600,000 (equivalent to approximately HK\$80,327,000) ("Capital Contribution") in cash to Zhuhai Shili Lianjiang Health Care, out of which an amount of RMB43,870,000 (equivalent to approximately HK\$53,718,000) and RMB21,730,000 (equivalent to approximately HK\$26,608,000) will be contributed to the registered capital and capital reserve of Zhuhai Shili Lianjiang Health Care, respectively. Upon completion of the Capital Contribution, Zhuhai Shili Lianjiang Health Care will be owned as to 40% by Sinochem, 33% by the Group and 27% by Zhuhai Shili Lianjiang Development. Pursuant to the Capital Contribution Agreement, Sinochem will not involve in daily operation of Zhuhai Shili Lianjiang Health Care.

Pursuant to the Capital Contribution Agreement, the Group and Zhuhai Shili Lianjiang Development undertake that, the audited annual operating income growth rate and net profit growth rate of Zhuhai Shili Lianjiang Health Care shall not be less than 21% and 30%, respectively (the "Profit Guarantee"). In the event the Profit Guarantee is not being achieved in any of the years, Sinochem has the option right ("Put Option"), upon expiry of 18 months after its capital contribution, to request the Group and Zhuhai Shili Lianjiang Development to repurchase its 40% equity interest in Zhuhai Shili Lianjiang Health Care at a repurchase price, based on 100% of the amount of Capital Contribution made by Sinochem, and a simple annual return rate of 9.8% from the date on which Sinochem has fully paid up the Capital Contribution until the date of repurchase, with a deduction of the dividends declared and distributed to Sinochem, and the repurchase price is capped at RMB100,000,000 (equivalent to approximately HK\$122,450,000).

Further details of the Capital Contribution from Sinochem were disclosed in the Company's announcement dated 31 May 2021.

The Put Option is classified as financial liabilities at FVTPL on initial recognition and are measured at fair value with changes in fair value recognised in profit or loss. The remaining balance of the Capital Contribution over the Put Option was initially recognised at its fair value and was subsequently measured at amortised cost.

Details of movement is set out below:

	HK\$'000
As at 1 January 2021 (Audited)	–
As at initial recognition	23,662
Fair value loss recognised in profit or loss	1,688
	<hr/>
As at 31 December 2021 and 1 January 2022 (Audited)	25,350
Fair value loss recognised in profit or loss	21,749
Exchange realignment	(1,509)
	<hr/>
As at 30 June 2022 (Unaudited)	45,590
	<hr/>

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

Notes: (Continued)

(a) (Continued)

As at 30 June 2022, the Put Option had been fair valued with reference to the valuation conducted by an independent qualified professional valuer, using the Binomial Option Pricing Model. Key valuation assumptions used to determine the fair value of the Put Option as at 30 June 2022 are as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
– Volatility	41.31%	42.4%
– Risk-free rate	2.45%	2.5%
– Risky rate	14.63%	15.8%
– Dividend yield	0%	0%

(b) The movement of liability component of the Capital Contribution recognised in the consolidated statement of financial position is as follows:

	HK\$'000
As at 1 January 2021 (Audited)	–
At initial recognition	56,666
Interest expense	8,205
Exchange realignment	(1,143)
As at 31 December 2021 and 1 January 2022 (Audited)	63,728
Interest expense	6,577
Exchange realignment	(1,740)
As at 30 June 2022 (Unaudited)	68,565

Interest expense on the liability component of other financial liabilities is calculated using the effective interest method by applying effective interest rate of 14.7% per annum.

Kaisa Group (Shenzhen) Co., Ltd.* (佳兆業集團(深圳)有限公司), a wholly owned subsidiary of Kaisa Group Holdings Ltd., which is the Group's ultimate holding company, provided a corporate guarantee for the repayment of capital contributed from Sinochem, the distribution of investment returns, and the necessary administrative expenses.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. AMOUNT DUE TO A RELATED PARTY

The balance as at 30 June 2022 and 31 December 2021 represents amount due to Ms. Jiang Sisi (“Ms. Jiang”, the spouse of Mr. Wu (defined in note 13)). The amount is unsecured, interest-free and repayable on demand.

18. 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	Closing price of the securities immediately before the date on which the options were granted	Exercisable period	Exercise price
2016	12.9.2016	12.9.2016 – 11.9.2021	HK\$0.350	12.9.2017 – 11.9.2022	HK\$0.400
2020	22.7.2020 (note i)	22.7.2020 – 21.7.2023	HK\$0.144	22.7.2021 – 21.7.2030	HK\$0.196
2021	26.8.2021 (note ii)	26.8.2021 – 25.8.2024	HK\$0.275	26.8.2022 – 25.8.2031	HK\$0.450

Notes:

- (i) Share options were granted by board of directors with the approval of independent directors of the ultimate holding company on 22 July 2020.
- (ii) Share options was granted by board of directors on 26 August 2021. All the share options were forfeited on 10 November 2021 upon the resignation of grantees.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. 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	Closing price of the securities immediately before the date on which the options were granted	Outstanding at 1 January 2021 (Audited)	Forfeited/ Lapsed during the year (Audited)	Granted during the year (Audited)	Outstanding at 31 December 2021 (Audited)	Forfeited/ Lapsed during the period (Unaudited)	Outstanding at 30 June 2022 (Unaudited)
Mr. Wu Tianyu	2016	HK\$0.350	38,000,000	—	—	38,000,000	—	38,000,000
Ms. Jiang Sisi	2016	HK\$0.350	38,000,000	—	—	38,000,000	—	38,000,000
Ms. Wu Ansheng (note)	2016	HK\$0.350	8,000,000	(8,000,000)	—	—	—	—
Employees	2016	HK\$0.350	13,800,000	(5,600,000)	—	8,200,000	—	8,200,000
Mr. Zhang Huagang	2020	HK\$0.144	50,000,000	—	—	50,000,000	—	50,000,000
Mr. Luo Jun	2020	HK\$0.144	40,000,000	—	—	40,000,000	—	40,000,000
Mr. Wu Tianyu	2020	HK\$0.144	20,000,000	—	—	20,000,000	—	20,000,000
Dr. Liu Yanwen	2020	HK\$0.144	6,000,000	—	—	6,000,000	—	6,000,000
Mr. Fok Hei Yu	2020	HK\$0.144	6,000,000	(6,000,000)	—	—	—	—
Dr. Lyu Aiping	2020	HK\$0.144	6,000,000	—	—	6,000,000	—	6,000,000
Ms. Jiang Sisi	2020	HK\$0.144	10,000,000	—	—	10,000,000	—	10,000,000
Employee	2020	HK\$0.144	10,000,000	—	—	10,000,000	—	10,000,000
Employees	2021	HK\$0.275	—	(80,000,000)	80,000,000	—	—	—
			<u>245,800,000</u>	<u>(99,600,000)</u>	<u>80,000,000</u>	<u>226,200,000</u>	<u>—</u>	<u>226,200,000</u>
Exercisable at the end of year/period			<u>88,020,000</u>			<u>141,600,000</u>		<u>141,600,000</u>
Weighted average exercise price			<u>HK\$0.277</u>	<u>HK\$0.428</u>	<u>HK\$0.450</u>	<u>HK\$0.272</u>	<u>Nil</u>	<u>HK\$0.272</u>

Note: Ms. Wu Ansheng is a sister of Mr. Wu, who has resigned on 31 July 2021 as the General Manager and Sales Director of a subsidiary of the Group.

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.

The number of options forfeited during the year ended 31 December 2021 was 99,600,000, which include 13,600,000 share options with exercise price at HK\$0.400, 6,000,000 share options with exercise price at HK\$0.196 and 80,000,000 share options with exercise price at HK\$0.450.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. 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:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors	1,414	3,000
Employees and consultants	232	600
	<u>1,646</u>	<u>3,600</u>

19. LEASE COMMITMENTS

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

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	<u>628</u>	<u>1,487</u>

As at 30 June 2022 and 31 December 2021, 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.

20. 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:

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Contracted for:		
Construction of properties under development	<u>183,447</u>	<u>181,614</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

21. 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 not using significant unobservable inputs; and
- Level 3 inputs are significant unobservable inputs for the asset or liability.

	As at 30 June 2022 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement				
Financial assets at FVTPL:				
Limited partnership interest	-	-	213,026	213,026
Financial assets at FVTOCI:				
Unlisted equity investment	-	234	-	234
Financial liabilities at FVTPL:				
Put option liability	-	-	45,590	45,590
Deferred contingent consideration	-	-	2,340	2,340
	-	-	47,930	47,930

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS*For the six months ended 30 June 2022***21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)****Financial assets and liabilities measured at fair value (Continued)**

	As at 31 December 2021 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement				
Financial assets at FVTPL:				
Limited partnership interest	—	—	230,098	230,098
Financial assets at FVTOCI:				
Unlisted equity investment	—	245	—	245
Financial liabilities at FVTPL:				
Put option liability	—	—	25,350	25,350
Deferred contingent consideration	—	—	2,340	2,340
	<u>—</u>	<u>—</u>	<u>27,690</u>	<u>27,690</u>

During the six months ended 30 June 2022 and the year ended 31 December 2021, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 fair value measurements

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

Valuation techniques	Significant unobservable inputs	Financial assets at fair value through profit or loss	Range		Sensitivity relationship of unobservable inputs to fair value
			30 June 2022 (Unaudited)	31 December 2021 (Audited)	
Market approach	Price to sales multiples of comparable companies	Limited partnership	0.88-9.91%	1.0-9.3%	Increase/(decrease) in multiples would result in increase/(decrease) in fair value
	Price to earnings multiples of comparable companies	Limited partnership	7.26-48.66%	24.5-40.3%	Increase/(decrease) in multiples would result in increase/(decrease) in fair value
	Discount for lack of marketability ("DLOM")	Limited partnership	20%	20%	Increase/(decrease) in DLOM 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 note 10.

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 2022 and 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS*For the six months ended 30 June 2022***22. 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Nature of transactions		
Lease payments paid to Kaisa Group Holdings Ltd. (Note)	<u>72</u>	<u>72</u>

Note:

This is an exempted connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to paragraph (i) under Connected Transactions on page 58 of Interim Report for further details.

23. EVENT AFTER THE REPORTING PERIOD

Elite Partners CPA Limited was appointed as the Company's auditor on 11 July 2022 following the resignation of Grant Thornton Hong Kong Limited as auditor of the Company on 11 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 30 June 2022 (the "Period"), the Company and its subsidiaries (together the "Group") recorded revenue of approximately HK\$94.0 million, representing a decrease of approximately 9.00% from approximately HK\$103.3 million for the corresponding period in 2021, with a decreased gross profit margin of approximately 42.5% (for the six months ended 30 June 2021: approximately 52.3%). The loss attributable to the owners of the Company was approximately HK\$97.0 million compared to a profit attributable to the owners of the Company of approximately HK\$60.7 million for the corresponding period in 2021. Basic and diluted loss per share for the Period were 1.92 HK cents per share and 1.92 HK cents per share, respectively; and the basic and diluted earnings per share for the corresponding period in 2021 were 1.20 HK cents per share and 1.20 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 2021: Nil).

Business Review

Dental Business

The Group has engaged in the dental business (the "Dental 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 Business was approximately HK\$87.7 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$12.7 million compared to a revenue of approximately HK\$100.4 million for the corresponding period in 2021. The COVID-19 pandemic still has significant impact on orders of customers. Under such severe circumstances, the Company actively adjusted its marketing strategy.

The Group always adheres 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 Business (Continued)

The Group will continue to cooperate with technical institutes. During the same period of 2021, the Group continued to invest in technological research and development (the "R&D"). For the six months ended 30 June 2022, other income on government subsidies and training consultancy related to investment in R&D technologies amounted to approximately HK\$1.20 million (for the six months ended 30 June 2021: approximately HK\$3.4 million). For the six months ended 30 June 2022, the R&D expense was approximately HK\$10.0 million (for the six months ended 30 June 2021: approximately HK\$8.9 million).

The Group continued to expand its team in the Sino-US Implant R&D Centre with 9 new patent applications. In addition, BASIC Marketing Service Centre was established in Shenzhen to better serve our customers and expand business in the PRC.

Health Care Business

Health Leisure Business

In 2022, the Group continued to promote the comprehensive development and construction of the Zhuhai Shili Lianjiang International Health City* (珠海十里蓮江國際健康城), and also actively carried out the industrial operation practice of "agricultural (cultural) tourism + health leisure" at the same time. The Group has launched successively a number of brand festivals and activities, such as rapeseed blossom camping season* (油菜花開露營季), spring ploughing and autumn harvest theme camp* (春耕秋收主題營), rice field wedding* (稻田婚禮), rural music carnival* (田園音樂嘉年華) and Shili Daoxiang camping concert* (十里稻香露營音樂會), which gradually forming a beautiful rural lifestyle integrating "agricultural (cultural) tourism + health leisure".

Since COVID-19 pandemic remained severe in the first half of 2022, the Group has deferred its original business plan on health leisure development and still suffered an operating loss of approximately HK\$9.2 million during the six months ended 30 June 2022. The Group now revises its strategy and contemplates to dispose this segment. Based on our latest valuation result on value in use compared with carrying amount the health leisure segment, impairment losses of on right-of use assets, property, plant and equipment and property under development in total of approximately HK\$45.3 million were recognised for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review (Continued)

Health Care Business (Continued)

Rehabilitation Business

In 2022, the COVID-19 pandemic in Shenzhen has been in an adverse situation. The Group's rehabilitation project endeavored to combat the pandemic in response to the Government's call. Our clinics in various districts have suspended operations accordingly. In view of the uncertainties caused by the pandemic, the rehabilitation clinic project carried out online related services with its own advantages while working on the pandemic prevention with provision of medical services. At the same time, we have cooperated with renowned expert teams to set up a "rehabilitation talent training base". Currently, the clinics are operating in good condition, resulting in an increasing growth of the related business and improved patient satisfaction.

The performance of partnership interest in 珠海金鎰銘股權投資基金合夥企業(有限合夥) (Zhuhai Jinyiming Equity Investment Fund Partnership (L.P))* has also been adversely affected by the global economy and COVID-19 pandemic. The fair value loss of approximately HK\$13.9 million was recorded during the six months ended 30 June 2022.

Prospect

The Group is principally engaged in the Dental 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" and "BIOTANIUM™", the Group has been oriented towards advanced technologies and integrated quality medical devices in China and overseas to become a high-end dental prosthetics instrument supplier. The Group has put efforts in exploring a medical appliance system with the oral business as its up-stream and down-stream industry chain and a medical service system integrating medical care and health care, developing a closed-loop ecosystem with the coordination of these three major systems.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect (Continued)

Dental 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. 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 Business, including enlarging its sales network in the PRC and foreign markets such as the US, expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes. Since 2019, the Group launched an upgraded version of Mega Veneer XS, which is now available worldwide, for hiding spots and stains of severely discoloured teeth such as tetracycline pigmentation teeth, mottled enamel and dental pulp. It is of higher quality as it also covers hard-to-reach areas. The Group also promoted the Mega YIQi Minimally Invasive Customized Clear Aligner (美加易齊微矯正制式透明矯治器) 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 Business, the Group will also actively seek investment and collaboration opportunities in high-tech dental related areas so as to enhance cross selling opportunities and the returns of investment for the shareholders of the Company.

BIOTANIUM™ (必適佳™), a product of Basic Dental, has already launched in China and primarily target the high-end market. It is also considering setting up factories in China to facilitate domestic production, so as to further optimise costs and cater for demand from a wider spectrum. In view of the innovative technology held by Basic Dental, the Group believes that the Group's dental business will be further enhanced and strengthened. As a result, the Group has acquired the three high-end dentistry product lines: BIOTANIUM™ implants, Mega™ ultra-thin porcelain veneers (美加超薄瓷貼面), and Mega YIQi™ invisible dental brace (易齊隱形矯正). By combining the empowerment support from the Group's professional dental prosthetics team, the Group will provide hospitals and clinics with comprehensive dental industry chain service, and further facilitate the Group's long-term development and solidifying its position within the industry.

The Group has established a technical and sales team to improve the technical production of the Company's products and sales in the Chinese and international markets. It has plan to rebuild a national high-tech enterprise with implant technology development as its core competence within 3 years. After a two-year preparation period, the implant business is expected to bring rapid growth in the Company's performance and lay the foundation for entering other high-value dental consumables fields.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect (Continued)

Health Care Business

Health Leisure Business

Though we are still optimistic on the health leisure business, there are still several uncertainties as a result of COVID-19 pandemic and global economy. The Group may dispose the health leisure business in the near future.

Rehabilitation Business

As sports rehabilitation is growing in China, more capital has been attracted to the sports rehabilitation industry. However, there is a shortage of talents in the industry. As such, the Group has arrangements for the sports rehabilitation industry in advance through technical cooperation and introduction of expert teams from reputable universities which are deployed to form an independent operation technical team. The Group strives to increase its market share in Southern China by introducing the training system for building a rehabilitation team, established by Dr. Cai Yongyu from Taiwan, as well as leveraging on Kaisa Group's resources from real estate and community in various regions, so as to expand its sports rehabilitation centres to each community. In 2022, it is expected to operate 1 central rehabilitation clinic and 1-2 community rehabilitation centres.

Operating Results and Financial Review

Revenue

The revenue for the Period amounted to approximately HK\$94.0 million (six months ended 30 June 2021: approximately HK\$103.3 million). The decrease in the revenue is mainly due to the adverse effect on COVID-19 pandemic of domestic orders of orthodontic products.

Gross Profit and Gross Profit Margin

Gross profit for the Period amounted to approximately HK\$39.9 million (six months ended 30 June 2021: approximately HK\$54.1 million). Gross profit margin for the Period was approximately 42.5% (six months ended 30 June 2021: approximately 52.3%). The decrease in the gross profit margin was mainly due to gross loss in rehabilitation business and health leisure business in total of approximately HK\$3.3 million.

Loan Receivable

The loan receivable represented the loan granted to Financiere Wow for settlement of the Group's EUR5 million investment in convertible bonds issued by Condor Tech, which specialises in the sales, distribution and development of the three dimensional intraoral scanners.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Financial Review (Continued)

Financial assets at fair value through profit or loss

Investment in partnership interest under non-current assets was treated as a financial asset at fair value through profit or loss as at 30 June 2022. The investment in partnership interest in 珠海金鎰銘股權投資基金合夥企業(有限合夥) (Zhuhai Jinyiming Equity Investment Fund Partnership (L.P))* at an investment cost of RMB180,000,000 through certain contractual arrangements. The partnership investment focuses in equity and equity related securities in the information technology, high quality medical and health industries.

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\$202.4 million as at 30 June 2022 (31 December 2021: approximately HK\$259.3 million).

Land Use Rights

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

Capital Expenditure and Capital Commitments

During the Period, the Group invested approximately HK\$2.8 million (six months ended 30 June 2021: approximately HK\$7.0 million), mainly on production equipment. As at 30 June 2022, the Group has capital expenditure commitment of approximately HK\$183.4 million (31 December 2021: approximately HK\$181.6 million).

Contingent Liabilities

The Group had no contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

Charge on the Group's Assets

As at 30 June 2022, there was no pledge of assets of the Group for banking facilities (31 December 2021: Nil).

Treasury Policy

The Group's sales were principally denominated in Renminbi, while purchases were transacted mainly in US dollars, Renminbi and Hong Kong dollars. The currencies held under cash and cash equivalents were mainly 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.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Financial Review (Continued)

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 30 June 2022 amounted to approximately HK\$532.6 million (31 December 2021: approximately HK\$651.1 million).

As at 30 June 2022, the net current assets of the Group amounted to approximately HK\$234.2 million (31 December 2021: approximately HK\$313.8 million). The current and quick ratio was 1.86 and 1.80 respectively (31 December 2021: 2.2 and 2.14 respectively).

At 30 June 2022, indebtedness of the Group including an amount due to Ms. Jiang Sisi (“Ms. Jiang”, the spouse of Mr. Wu Tianyu, an executive Director of the Company) of approximately HK\$750,000 (31 December 2021: approximately HK\$785,000), amount due to a non-controlling shareholder of a subsidiary of approximately HK\$15.6 million (31 December 2021: approximately HK\$12.2 million) and amounts due to fellow subsidiaries of approximately HK\$1,580,000 (31 December 2021: approximately HK\$1,443,000) which are unsecured, interest-free and repayable on demand.

As at 30 June 2022 and 31 December 2021, no gearing ratio was calculated as there was no net debt (defined as other financial liabilities less cash and cash equivalents) by the Group.

The number of issued ordinary shares (the “Shares”) of the Company was 5,042,139,374 as at 30 June 2022 (31 December 2021: 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 800 employees in total as at 30 June 2022 (31 December 2021: approximately 700) in Hong Kong, the PRC and USA. The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policy (Continued)

The employees of the Company's USA subsidiary are members of state-managed retirement benefits scheme operated by the New Mexico government. The Company's USA subsidiary is required to contribute a certain percentage of basic payroll to the retirement benefits scheme to fund the benefits.

In addition, the Group had also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the remuneration committee (the "Remuneration Committee") of the Board, having regard to the Group's performance, individual performance and comparable market conditions.

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 2022.

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 2022.

Changes in Information of Directors

The changes in the information of Directors since the date of the Company’s 2021 Annual Report are set out below:

1. With effect from 21 April 2022, Ms. Li Zhiying (formerly named as Ms Li Yonglan) was officially renamed certified by the PRC authority.

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 2021 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

During the six months ended 30 June 2022, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

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

On 20 July 2021, 21 July 2021 and 31 August 2021, 和晟健康科技(海口)有限公司 (Hesheng Health Technologies (Haikou) Co., Ltd.*) (formerly known as 佳兆業健康科技(海口)有限公司 (Kaisa Health Technologies (Haikou) Co., Ltd.*), an indirect wholly owned subsidiary of the Company which engaged in investment holding business, and 深圳盈都科技有限公司 (Shenzhen Yingdou Technology Co., Ltd.)* entered into the transfer agreements in relation to the transfer of an aggregate of 5.51% limited partnership interests holding 165,289,256.2 units in 珠海金鎰銘股權投資基金合夥企業 (有限合夥) (Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.))* at an investment cost of RMB180,000,000 through certain contractual arrangements. The partnership investment focuses in equity and equity related securities in the information technology, highquality medical and health industries.

As at 30 June 2022, the fair value of financial assets at fair value through profit or loss was approximately HK\$206.6 million, representing approximately 24.6% of the total assets of the Group.

The fair value loss on this financial assets at fair value through profit or loss was approximately HK\$13.9 million during the six months ended 30 June 2022.

Further details were set out in the Company's announcements dated 31 January 2022 and 3 March 2022.

Significant investment on properties under development

In the second half of 2021, Shili Lianjiang Project started its operation. Land use rights, construction costs and interest expenses were capitalised during the year ended 31 December 2021. Shili Lianjiang Project is expected to complete in 2022 and the properties are expected to be ready for sale within 2022.

As at 30 June 2022, the carrying amount of properties under development was approximately HK\$135.5 million, representing approximately 16.1% of the total assets of the Group.

During the six months ended 30 June 2022, an impairment loss of approximately HK\$23.1 million was incurred with reference to the management estimate on market price and cost of properties will be incurred as at 30 June 2022.

For further details of the properties under development, please refer to note 11 of the Interim Report on page 24.

Important Events After Reporting Period

Elite Partners CPA Limited was appointed as the Company's auditor on 11 July 2022 following the resignation of Grant Thornton Hong Kong Limited as auditor of the Company on 11 July 2022.

** For identification purpose only*

DISCLOSURE OF ADDITIONAL INFORMATION

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 ordinary shares to be issued and allotted under the Rights Issue (the “Rights Share”) for every three (3) ordinary shares held on the record date at the subscription price of HK\$0.400 per Rights Share. The Rights Issue has been completed on 13 November 2017. Kaisa Group has subscribed for the 1,273,050,748 Rights Shares. The remaining 2,351,595 Rights Shares were acquired by other shareholders. The closing price of securities at the date of completion was HK\$0.375. 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 were 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.

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 entered into a transaction with an associate of Kaisa Group Holdings Ltd., the controlling shareholder of the Company, for the 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.

DISCLOSURE OF ADDITIONAL INFORMATION

Use of Proceeds from Rights Issue (Continued)

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. The amount of proceeds brought forward of HK\$507.16 million would be used within the expected timeline of 4 years between 2019 and 2022.

As of the date of this report, (i) approximately HK\$246 million has been used for investments within the health care industry in the PRC, (ii) approximately HK\$164.16 million has been used for seeking suitable investment opportunities, and (iii) approximately HK\$82.97 million has been used for the continuous development of dental business. Approximately HK\$14.03 million of the actual proceeds from the Rights Issue remained unutilised and will be applied in accordance with the intended usage.

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.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2022, 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%
	Interest of spouse	2,020,000	0.04%
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. Zhang Huagang	50,000,000 (note 1)	50,000,000	HK\$0.196	0.99%
Mr. Luo Jun	40,000,000 (note 1)	40,000,000	HK\$0.196	0.79%
Mr. Wu Tianyu (note 2)	38,000,000 (note 3)	38,000,000	HK\$0.400	0.75%
	20,000,000 (note 1)	20,000,000	HK\$0.196	0.40%
	<u>58,000,000</u>	<u>58,000,000</u>		
Ms. Jiang Sisi (note 2)	38,000,000 (note 3)	38,000,000	HK\$0.400	0.75%
	10,000,000 (note 1)	10,000,000	HK\$0.196	0.20%
	<u>48,000,000</u>	<u>48,000,000</u>		
Dr. Liu Yanwen	6,000,000 (note 1)	6,000,000	HK\$0.196	0.12%
Dr. Lyu Aiping	6,000,000 (note 1)	6,000,000	HK\$0.196	0.12%

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 (Continued)*

Note 1: These share options were granted on 22 July 2020. 30% of the granted share options would be vested on 22 July 2021 and to be exercisable from 22 July 2021 to 21 July 2030. Another 30% of the granted share options would be vested on 22 July 2022 and to be exercisable from 22 July 2022 to 21 July 2030. The remaining 40% of the granted share options would be vested on 22 July 2023 and to be exercisable from 22 July 2023 to 21 July 2030.

Note 2: Ms. Jiang Sisi is the Chief Operating Officer of the Group and also the director of certain subsidiaries of the Company. Ms. Jiang 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 106,000,000 as at 30 June 2022.

Note 3: These share options were granted on 12 September 2016. 30% of the granted share options would be vested on 12 September 2017 and to be exercisable from 12 September 2017 to 11 September 2022. Another 25% of the granted share options would be vested on 12 September 2018 and to be exercisable from 12 September 2018 to 11 September 2022. A further 20% of the granted share options would be vested on 12 September 2019 and to be exercisable from 12 September 2019 to 11 September 2022. A further 15% of the granted share options would be vested on 12 September 2020 and to be exercisable from 12 September 2020 to 11 September 2022. The remaining 10% of the granted share options would be vested on 12 September 2021 and to 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 2022, 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 2022.

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

As at 30 June 2022, 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%
Mr. Huang Xiao Gang (Note 3)	Long position	Interest of controlled corporation	472,470,256	9.37%
Gao Lang Limited (Note 3)	Long position	Interest of controlled corporation	472,470,256	9.37%
Peng Ze Limited (Note 3)	Long position	Interest of controlled corporation	472,470,256	9.37%
Xin Hao (Hong Kong) Limited (Note 3)	Long position	Beneficial owner	339,330,000	6.73%
	Long position	Interest of controlled corporation	133,140,256	2.64%
Peng Ze (Hong Kong) Limited (Note 3)	Long position	Beneficial owner	133,140,256	2.64%
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, Peng Ze (Hong Kong) Limited and Xin Hao (Hong Kong) Limited are the beneficial owners of 133,140,256 shares and 339,330,000 shares of the Company, respectively. Peng Ze (Hong Kong) Limited is wholly owned by Xin Hao (Hong Kong) Limited, which is in turn wholly owned by Peng Ze Limited, which is in turn wholly owned by Gao Lang Limited. 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 2022, the Directors and chief executives 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 authorised 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 2022 is as follows:–

Name	Balance as at 1 January 2022	Granted during the period	Exercised during the period	Forfeited during the period	Balance as at 30 June 2022	Exercisable price	Approximate percentage of the issued share capital of the Company
Mr. Zhang Huagang	50,000,000 (note 1)	–	–	–	50,000,000	HK\$0.196	0.99%
Mr. Luo Jun	40,000,000 (note 1)	–	–	–	40,000,000	HK\$0.196	0.79%
Mr. Wu Tianyu (note 2)	38,000,000 (note 3)	–	–	–	38,000,000	HK\$0.400	0.75%
	20,000,000 (note 1)	–	–	–	20,000,000	HK\$0.196	0.40%
	<u>58,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>58,000,000</u>		
Ms. Jiang Sisi (note 2)	38,000,000 (note 3)	–	–	–	38,000,000	HK\$0.400	0.75%
	10,000,000 (note 1)	–	–	–	10,000,000	HK\$0.196	0.20%
	<u>48,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>48,000,000</u>		
Dr. Liu Yanwen	6,000,000 (note 1)	–	–	–	6,000,000	HK\$0.196	0.12%
Dr. Lyu Aiping	6,000,000 (note 1)	–	–	–	6,000,000	HK\$0.196	0.12%
Employees	20,200,000 (note 3)	–	–	–	20,200,000	HK\$0.400	0.43%
	10,000,000 (note 1)	–	–	–	10,000,000	HK\$0.196	0.20%
	<u>30,200,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>30,200,000</u>		
	<u>238,200,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>238,200,000</u>		

DISCLOSURE OF ADDITIONAL INFORMATION

Share Option Scheme (Continued)

Note 1: These share options were granted on 22 July 2020. 30% of the granted share options would be vested on 22 July 2021 and to be exercisable from 22 July 2021 to 21 July 2030. Another 30% of the granted share options would be vested on 22 July 2022 and to be exercisable from 22 July 2022 to 21 July 2030. The remaining 40% of the granted share options would be vested on 22 July 2023 and to be exercisable from 22 July 2023 to 21 July 2030.

Note 2: 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 106,000,000 as at 30 June 2022.

Note 3: These share options were granted on 12 September 2016. 30% of the granted share options would be vested on 12 September 2017 and to be exercisable from 12 September 2017 to 11 September 2022. Another 25% of the granted share options would be vested on 12 September 2018 and to be exercisable from 12 September 2018 to 11 September 2022. A further 20% of the granted share options would be vested on 12 September 2019 and to be exercisable from 12 September 2019 to 11 September 2022. A further 15% of the granted share options would be vested on 12 September 2020 and to be exercisable from 12 September 2020 to 11 September 2022. The remaining 10% of the granted share options would be vested on 12 September 2021 and to be exercisable from 12 September 2021 to 11 September 2022.

Connected Transactions

The Group had entered into the following transaction with connected persons, as defined under the Listing Rules, during the six months ended 30 June 2022 and up to the date of this report:

- (i) During the six months ended 30 June 2022, the Group had rented a property from Kaisa Group Holdings Ltd. amounted to approximately HK\$72,000. 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.

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), and Dr. Lyu Aiping and Ms. Zhiying (formerly named as Ms. Li Yonglan).

The Audit Committee met with the management on 29 August 2022 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 unaudited 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.



Kaisa Health Group Holdings Limited

佳兆業健康集團控股有限公司