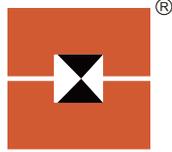


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Kaisa Health Group Holdings Limited
佳兆業健康集團控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 876)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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	11	(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		(3,930)	—
Impairment loss on property, plant and equipment		(18,326)	—
Impairment loss on property under development		(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

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
	Exchange differences arising on translation of foreign operations	<u>(21,826)</u>	<u>7,090</u>
	Total comprehensive (expense)/income for the period	<u>(142,457)</u>	<u>65,279</u>
(Loss)/Profit for the period attributable to:			
	— Owners of the Company	<u>(97,017)</u>	60,666
	— Non-controlling interests	<u>(23,614)</u>	(2,477)
		<u>(120,631)</u>	<u>58,189</u>
Total comprehensive (expense)/income for the period attributable to:			
	— Owners of the Company	<u>(120,127)</u>	66,496
	— Non-controlling interests	<u>(22,330)</u>	(1,217)
		<u>(142,457)</u>	<u>65,279</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share			
	— Basic	<u>(1.92)</u>	<u>1.20</u>
	— Diluted	<u>(1.92)</u>	<u>1.20</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		31,079	58,760
Right-of-use assets		26,248	30,598
Land use rights		3,941	4,175
Intangible assets		4,594	5,132
Goodwill		20,217	20,217
Loan receivable		17,154	21,240
Prepayments and deposits	9	23,433	24,495
Financial assets at fair value through profit or loss	8	206,636	230,098
Financial assets at fair value through other comprehensive income		234	245
Deferred tax assets		445	539
		<hr/> 333,981 <hr/>	<hr/> 395,499 <hr/>
Current assets			
Properties under development		135,516	144,669
Inventories		17,588	16,190
Trade and other receivables	9	133,565	135,893
Amount due from a director		16,725	19,293
Amounts due from fellow subsidiaries		483	525
Bank balances and cash		202,447	259,264
		<hr/> 506,324 <hr/>	<hr/> 575,834 <hr/>

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	<i>10</i>	111,896	127,873
Other financial liabilities	<i>11</i>	114,155	89,078
Lease liabilities		6,876	6,753
Amount due to a related party		750	785
Amounts due to fellow subsidiaries		1,580	1,443
Amount due to a non-controlling shareholder of a subsidiary		15,652	12,245
Taxation payable		21,350	23,814
		<hr/> 272,259 <hr/>	<hr/> 261,991 <hr/>
Net current assets		<hr/> 234,065 <hr/>	<hr/> 313,843 <hr/>
Total assets less current liabilities		<hr/> 568,046 <hr/>	<hr/> 709,342 <hr/>
Non-current liabilities			
Lease liabilities		25,043	25,528
Deferred tax liabilities		970	970
		<hr/> 26,013 <hr/>	<hr/> 26,498 <hr/>
Net assets		<hr/> 542,033 <hr/> <hr/>	<hr/> 682,844 <hr/> <hr/>
Equity			
Share capital		6,303	6,303
Reserves		526,333	644,814
		<hr/> 532,636 <hr/>	<hr/> 651,117 <hr/>
Equity attributable to owners of the Company		<hr/> 532,636 <hr/>	<hr/> 651,117 <hr/>
Non-controlling interests		9,397	31,727
		<hr/> 542,033 <hr/> <hr/>	<hr/> 682,844 <hr/> <hr/>
Total equity		<hr/> 542,033 <hr/> <hr/>	<hr/> 682,844 <hr/> <hr/>

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.

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 consolidated interim 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*

3.1 Segment revenue and results

For the six months ended 30 June 2022 (Unaudited)

	Dental business <i>HK\$'000</i>	Health care — rehabilitation business <i>HK\$'000</i>	Health care — health leisure business <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)

For the six months ended 30 June 2021 (Unaudited)

	Dental business <i>HK\$'000</i>	Health care — rehabilitation business <i>HK\$'000</i>	Health care — health leisure business <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 receivables, 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.

3.2 Segment assets and liabilities

As at 30 June 2022 (Unaudited)

	Dental business <i>HK\$'000</i>	Health care — rehabilitation business <i>HK\$'000</i>	Health care — health leisure business <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 <i>HK\$'000</i>	Health care — rehabilitation business <i>HK\$'000</i>	Health care — health leisure business <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

3.3 Geographical information

The Group's operations are mainly 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) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
PRC (excluding Hong Kong)	93,269	103,275	126,666	118,251
Others	710	—	—	46,366
	<u>93,979</u>	<u>103,275</u>	<u>126,666</u>	<u>164,617</u>

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.

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
	=====	=====

5. INCOME TAX EXPENSE

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

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.

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

The diluted earnings per share for the six months ended 30 June 2021 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares. The diluted loss per share for the six months ended 30 June 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.

8. 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 (<i>note</i>)	206,636	230,098

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.)* (珠海金鑑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;

* *For identification purpose only*

- 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.

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:

	<i>HK\$'000</i>
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)	206,636
	<hr/> <hr/>

9. 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 <i>(note (i))</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 <i>(note (ii))</i>	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.

* For identification purpose only

(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.

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

	30 June 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.

10. 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 (<i>note (a)</i>)	61,098	27,063
Accrued charges (<i>note (a)</i>)	11,843	29,520
Contract liabilities (<i>note (b)</i>)	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.

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.

11. 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 (<i>note (a)</i>)	45,590	25,350
Financial liabilities measured at amortised cost:		
Other financial liabilities (<i>note (b)</i>)	68,565	63,728
	114,155	89,078

- (a) On 31 May 2021, the Group, Zhuhai Shili Lianjiang Development and Sinochem Investment Management (Tianjin) Co., Ltd.* (中能化投资管理(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).

* For identification purpose only

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:

	<i>HK\$ '000</i>
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/> <hr/>

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%
	<hr/> <hr/>	<hr/> <hr/>

- (b) The movement of liability component of the Capital Contribution is as follows:

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

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.

12. EVENT AFTER THE REPORTING PERIOD

- (i) 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

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 this severe circumstances, the Company actively adjusted its marketing strategy.

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

The Group will continue to cooperate with technical institutes. During the same period of 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”.

* For identification purpose only

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 of the health leisure segment, impairment losses of on right-of use assets, property, plant and equipment and property under development in total amount of approximately HK\$45.3 million were recognised for the six months ended 30 June 2022.

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 were suspended 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 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.

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 dental 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 (美加易齊微矯定制式透明矯治器) launched under its brand into the invisible dental brace market, aiming to mutually promote rapid revenue growth through increasing its scale worldwide and appealing to young users. Apart from the organic growth and sales network integration and consolidation for the Dental 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.

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

Health Care Business

Health Leisure Business

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.

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).

** For identification purpose only*

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 ("RMB"), while purchases were transacted mainly in US dollars ("US\$"), Renminbi and Hong Kong dollars ("HK\$").

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

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 30 June 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.

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.

Other Information

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

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

Compliance with the Code on Corporate Governance Practices

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

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

Significant investment on a financial asset at fair value through profit or loss

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 珠海金鑑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.

** For identification purpose only*

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.

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.

Audit Committee

The Audit Committee of the Board was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. Currently, the Audit Committee comprises three independent non-executive Directors, namely Dr. Liu Yanwen (chairman), Dr. Lyu Aiping and Ms. Li Zhiying (formerly named as Ms. Li Yonglan).

Review of Interim Results

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2022 have been reviewed by the Audit Committee and the Company's auditor, Messrs. Elite Partners CPA Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the six months ended 30 June 2022 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.kaisahealth.com in due course.

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

Hong Kong, 29 August 2022

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