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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Kaisa Health Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the corresponding year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	185,882	191,499
Cost of sales		(104,809)	(108,934)
Gross profit		81,073	82,565
Other income, gains and losses		6,748	8,958
Selling and distribution costs		(49,465)	(46,098)
Administrative expenses		(57,933)	(86,445)
Loss from change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”)	8	(21,295)	(12,070)
Gain/(Loss) from change in fair value of financial liabilities at FVTPL	12	875	(17,076)
Gain on disposal of subsidiaries	13	69,391	–
Impairment loss on trade receivables, net	9	(584)	(872)
Impairment loss on other receivables	9	(4,117)	(3,959)
Impairment loss on property, plant and equipment		–	(26,501)
Impairment loss on right-of-use assets		–	(9,232)
Impairment loss on properties under development (Impairment loss)/Reversal of impairment loss on amount due from a director		(773)	1,100
Reversal of impairment loss on loan receivable	10	2,631	1,455
Other expenses		(16,835)	(17,428)
Finance costs		(3,670)	(7,732)
Profit/(Loss) before income tax	4	6,046	(170,963)
Income tax credit/(expense)	5	104	(1,169)
Profit/(Loss) for the year		6,150	(172,132)

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other comprehensive income/(expense), including reclassification adjustments			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(9,164)	(42,350)
Reclassification of exchange differences upon disposal of subsidiaries		10,357	–
Other comprehensive income/(expense) for the year		<u>1,193</u>	<u>(42,350)</u>
Total comprehensive income/(expense) for the year		<u>7,343</u>	<u>(214,482)</u>
Profit/(Loss) for the year attributable to:			
– Owners of the Company		7,468	(123,318)
– Non-controlling interests		(1,318)	(48,814)
		<u>6,150</u>	<u>(172,132)</u>
Total comprehensive income/(expense) for the year attributable to:			
– Owners of the Company		7,074	(168,332)
– Non-controlling interests		269	(46,150)
		<u>7,343</u>	<u>(214,482)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share	7		
– Basic		<u>0.15</u>	<u>(2.45)</u>
– Diluted		<u>0.15</u>	<u>(2.45)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		16,191	19,464
Right-of-use assets		15,930	20,362
Land use rights		–	3,745
Intangible assets		3,737	4,579
Goodwill		20,217	20,217
Prepayments and deposits	9	–	22,562
Financial assets at FVTPL	8	193,114	200,280
Deferred tax assets		457	264
		<u>249,646</u>	<u>291,473</u>
Current assets			
Properties under development		–	124,571
Inventories		14,236	18,790
Trade and other receivables	9	159,343	126,919
Loan receivable	10	–	21,968
Amount due from a director of the Company		6,824	9,787
Amounts due from fellow subsidiaries		940	640
Bank balances and cash		174,078	173,450
		<u>355,421</u>	<u>476,125</u>
Current liabilities			
Trade and other payables	11	74,080	123,995
Other financial liabilities	12	–	100,753
Lease liabilities		7,817	7,013
Amount due to a related party		702	723
Amounts due to fellow subsidiaries		1,114	2,034
Amounts due to a holding company		72	–
Amount due to a non-controlling shareholder of a subsidiary		–	15,318
Taxation payable		18,608	21,172
		<u>102,393</u>	<u>271,008</u>
Net current assets		<u>253,028</u>	<u>205,117</u>
Total assets less current liabilities		<u>502,674</u>	<u>496,590</u>

	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	10,182	24,859
Deferred tax liabilities	728	825
	<u>10,910</u>	<u>25,684</u>
Net assets	<u>491,764</u>	<u>470,906</u>
Equity		
Share capital	6,303	6,303
Reserves	485,708	479,026
	<u>492,011</u>	<u>485,329</u>
Equity attributable to owners of the Company	492,011	485,329
Non-controlling interests	(247)	(14,423)
	<u>491,764</u>	<u>470,906</u>
Total equity	<u>491,764</u>	<u>470,906</u>

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is 30/F, The Center, 99 Queen’s Road Central, Central, Hong Kong. The ultimate holding company of the Company is Kaisa Group Holdings Ltd., which was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange.

2. APPLICATION OF NEW AND AMENDMENT TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendment to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform — Pillar Two Model Rules

The application of the new and amendment to HKFRSs in the current year had no material impact on the Group’s financial position and performance for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The application of the new and amended HKFRSs had no material impact on how the result and financial position and/or disclosures for the current and prior years have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2022) ²
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendment to HKAS 1	Non-current Liabilities with Covenants ²
Amendment to HKAS 7 and HKFRS 7	Supplier Finance Agreement ²
Amendment to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

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

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 year ended 31 December 2023, the Group's operating activities are attributable to two operating segments focusing on the operation of (i) manufacturing of and trading in dental products ("**Dental business**"); and (ii) providing service for sport rehabilitation, including postoperative rehabilitation, sports injury rehabilitation, chronic pain, scoliosis, detomy correction, other rehabilitation services and health leisure business ("**Health care business**").

3.1 Segment revenue and results

For the year ended 31 December 2023

	Dental business <i>HK\$'000</i>	Health care business <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE			
Revenue from external customers	<u>179,441</u>	<u>6,441</u>	<u>185,882</u>
RESULTS			
Segment profit/(loss) before depreciation and amortisation	13,152	(23,861)	(10,709)
Depreciation			
– Property, plant and equipment	(7,055)	(3,426)	(10,481)
– Right-of-use assets	(3,117)	(3,446)	(6,563)
Amortisation of land use rights	–	(42)	(42)
Amortisation of intangible assets	<u>(354)</u>	<u>(447)</u>	<u>(801)</u>
Segment operating profit/(loss)	2,626	(31,222)	(28,596)
Impairment loss on trade receivables, net	(584)	–	(584)
Loss from change in fair value of financial assets at FVTPL	–	(21,295)	(21,295)
Gain from change in fair value of financial liabilities at FVTPL	–	875	875
Gain on disposal of subsidiaries	<u>–</u>	<u>69,391</u>	<u>69,391</u>
Segment profit before income tax	2,042	17,749	19,791
Reversal of impairment loss on loan receivable			2,631
Impairment loss on amount due from a director of the Company			(773)
Impairment loss on other receivables			(4,117)
Unallocated income			14
Unallocated expenses			<u>(11,500)</u>
Profit before income tax			<u><u>6,046</u></u>

For the year ended 31 December 2022

	Dental business HK\$'000	Health care business HK\$'000	Total HK\$'000
REVENUE			
Revenue from external customers	181,275	10,224	191,499
RESULTS			
Segment profit/(loss) before depreciation and amortisation	22,660	(39,296)	(16,636)
Depreciation			
– Property, plant and equipment	(16,091)	(5,970)	(22,061)
– Right-of-use assets	(3,857)	(4,243)	(8,100)
Amortisation of land use rights	–	(104)	(104)
Amortisation of intangible assets	(531)	(516)	(1,047)
Segment operating profit/(loss)	2,181	(50,129)	(47,948)
Impairment loss on trade receivables, net	(872)	–	(872)
Impairment loss on properties under development	–	(37,628)	(37,628)
Impairment loss on right-of-use assets	–	(9,232)	(9,232)
Impairment loss on property, plant and equipment	–	(26,501)	(26,501)
Loss from change in fair value of financial assets at FVTPL	–	(12,070)	(12,070)
Loss from change in fair value of financial liabilities at FVTPL	–	(17,076)	(17,076)
Segment profit/(loss) before income tax	1,309	(152,636)	(151,327)
Reversal of impairment loss on amount due from a director of the Company			1,100
Reversal of impairment loss on loan receivable			1,455
Impairment loss on other receivables			(3,959)
Unallocated income			146
Unallocated expenses			(18,378)
Loss before income tax			(170,963)

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, (reversal of impairment loss)/impairment loss on loan and other receivables, amount due from a director of the Company. This is the information reported to the CODM for the purposes of resource allocation and performance assessment.

3.2 Segment assets and liabilities

As at 31 December 2023

	Dental business <i>HK\$'000</i>	Health care business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	325,881	277,580	603,461
Deferred tax assets			457
Unallocated assets			1,149
			<u>605,067</u>
Total assets			<u>605,067</u>
Reportable segment liabilities	(66,117)	(25,681)	(91,798)
Deferred tax liabilities			(728)
Taxation payable			(18,608)
Unallocated liabilities			(2,169)
			<u>(113,303)</u>
Total liabilities			<u>(113,303)</u>

As at 31 December 2022

	Dental business <i>HK\$'000</i>	Health care business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	322,074	415,984	738,058
Loan receivable			21,968
Deferred tax assets			264
Unallocated assets			7,308
			<u>767,598</u>
Total assets			<u>767,598</u>
Reportable segment liabilities	(70,036)	(202,475)	(272,511)
Deferred tax liabilities			(825)
Taxation payable			(21,172)
Unallocated liabilities			(2,184)
			<u>(296,692)</u>
Total liabilities			<u>(296,692)</u>

During the year ended 31 December 2023, capital expenditure incurred by the Dental business segment and Health care business segment amounted to approximately HK\$8,487,000 (2022: approximately HK\$12,936,000) and approximately HK\$10,681,000 (2022: approximately HK\$10,342,000), respectively.

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	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC (excluding Hong Kong)	182,909	189,459	33,118	67,682
Others	2,973	2,040	22,957	23,247
	<u>185,882</u>	<u>191,499</u>	<u>56,075</u>	<u>90,929</u>

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

3.4 Information about major customers

The Group has no customer with whom transaction exceeded 10% of the Group's total revenue during the years ended 31 December 2023 and 2022.

4. PROFIT/(LOSS) BEFORE INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(Loss) before income tax has been arrived at after charging/(crediting):		
Directors' remuneration		
– fees	1,420	1,420
– other emoluments	15,802	19,357
– equity-settled share-based payment expenses	753	2,185
– contributions to defined contribution retirement schemes	130	161
	<u>18,105</u>	<u>23,123</u>
Other staff costs		
– staff salaries and allowances	94,611	97,746
– equity-settled share-based payment expenses	122	359
– contributions to defined contribution retirement schemes	6,767	6,113
	<u>101,500</u>	<u>104,218</u>
Total staff costs	<u>119,605</u>	<u>127,341</u>
Auditor's remuneration		
– Current year	1,270	1,200
– Predecessor Auditor's remuneration	–	510
Amortisation of intangible assets (included in cost of sales)	801	1,047
Amortisation of land use rights	42	104
Cost of inventories recognised as expense	66,803	88,646
Depreciation:		
– Property, plant and equipment	10,481	22,061
– Right-of-use assets	6,563	8,100
Impairment loss on trade receivables, net	584	872
Impairment loss/(Reversal of impairment loss) on amount due from a director	773	(1,110)
Reversal of impairment loss on loan receivable	(2,631)	(1,455)
Lease charges:		
– Short-term leases with lease term less than 12 months	1,040	984
Net exchange gain (included in other income, gains and losses)	(110)	(782)
Research and development expenses (included in other expenses)	16,835	17,428
Finance charges on lease liabilities	1,491	1,611
Impairment loss on other receivables	4,117	3,959
Impairment loss on property, plant and equipment	–	26,501
Impairment loss on right-of-use assets	–	9,232
Impairment loss on properties under development	–	37,628
Loss on disposal of property, plant and equipment	441	5
	<u>441</u>	<u>5</u>

5. INCOME TAX (CREDIT)/EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	<u>(394)</u>	<u>1,039</u>
	<u>(394)</u>	<u>1,039</u>
Deferred tax expense	<u>290</u>	<u>130</u>
	<u>(104)</u>	<u>1,169</u>

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits during the years ended 31 December 2023 and 2022.

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 the year ended 31 December 2023 (2022: No PRC Enterprise Income Tax had been provided as the Group did not have any taxable income for PRC taxation purpose).

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 23 December 2021, and was registered with the local tax authority to be eligible to a concessionary tax rate of 15% for three years from 2021 to 2023.

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 year (“Super Deduction”). A subsidiary is eligible to such Super Deduction in ascertaining its tax assessable profit for the years ended 31 December 2023 and 2022.

6. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting periods.

7. EARNINGS/(LOSS) PER SHARE

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) for the year attributable to owners of the Company	<u>7,468</u>	<u>(123,318)</u>
Number of shares		
	2023	2022
Weighted average number of ordinary shares in issue during the year	<u>5,042,139,374</u>	<u>5,042,139,374</u>

The diluted earnings/(loss) per share for the years ended 31 December 2023 and 2022 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares. Therefore, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for the years ended 31 December 2023 and 2022.

8. FINANCIAL ASSETS AT FVTPL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current:		
Limited partnership interests (<i>note</i>)	<u>193,114</u>	<u>200,280</u>

Details of movement is set out below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
As at 1 January	200,280	230,098
Recognition of financial assets at FVTPL upon disposal of a subsidiaries	45,901	–
Addition	581	–
Return on investment	(27,082)	–
Change in fair value recognised in profit or loss	(21,295)	(12,070)
Exchange realignment	<u>(5,271)</u>	<u>(17,748)</u>
As at 31 December	<u>193,114</u>	<u>200,280</u>

Notes:

As at 31 December 2023, the Group had the following financial assets at FVTPL:

- (a) The Group has equity interests in a limited partnership of which its business is focusing on investing in equity and equity related securities in the information technology, high-quality medical and health industries. As at 31 December 2023, the carrying amount of such investment was approximately HK\$144,025,000 (2022: HK\$200,280,000) which is dropped by 28%.
- (b) As at 31 December 2023, the Group has equity interests in a limited partnership, namely Haoyi of which its business is focusing on Health care business in the PRC.

During the year ended 31 December 2023, the Group entered into a sale and purchase agreement with an independent third party to dispose some of its equity interests in Haoyi, of which the disposal was completed during the year ended 31 December 2023. Upon the completion of the disposal, the Group has become just a limited partner in investment in Haoyi with no control, joint control or significant influence over the relevant activities of Haoyi and its subsidiaries. The purchaser who has been appointed as the general partner of the limited partnership has the power to direct the relevant activities of Haoyi and its subsidiaries. In addition, since there is no representative on the board of directors or equivalent governing body of the investee, the Group has not participated in operating and financing activities. Accordingly, Haoyi and its subsidiaries ceased to be the subsidiaries of the Group after the disposal and have been classified as financial assets at FVTPL. The carrying amount of the limited partnership was approximately HK\$49,089,000 as at 31 December 2023.

9. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current:		
Deposits for acquisition of land use rights (<i>note (i)</i>)	—	22,562
Current:		
Trade receivables	103,306	82,814
Less: Expected credit loss (“ECL”) allowance	<u>(2,413)</u>	<u>(2,048)</u>
	<u>100,893</u>	<u>80,766</u>
Other receivables, prepayments and deposits (<i>note (ii)</i>)	66,267	50,112
Less: ECL allowance	<u>(7,817)</u>	<u>(3,959)</u>
	<u>58,450</u>	<u>46,153</u>
	<u><u>159,343</u></u>	<u><u>149,481</u></u>

Notes:

- (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), (“**Shanghai Jiayu**”).

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.

- (ii) The amounts mainly included deposits paid, prepayments to suppliers, VAT receivables, deposits for acquisition of land use rights and the deposit paid for properties under development.

The directors of the Company 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

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	42,457	57,232
91 – 180 days	10,850	7,558
181 – 365 days	10,126	7,632
Over 1 year	37,460	8,344
	<u>100,893</u>	<u>80,766</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.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January	2,048	1,131
Recognised during the year	1,595	1,652
Reversed during the year	(1,011)	(780)
Exchange realignment	(219)	45
	<u>2,413</u>	<u>2,048</u>

10. LOAN RECEIVABLE

On 29 November 2016, the Group completed the subscription of 257,663 unlisted 5% coupon convertible bonds (the “**Convertible Bonds**”) issued by Condor Technologies NV (“**Condor Tech**”), at an aggregate principal amount of EUR5,000,000.

On 25 March 2021, the Group, Condor Tech and two independent third parties entered into a settlement agreement (the “**Settlement Agreement**”), among others, to settle the outstanding payment payable by Condor Tech to the Group. Pursuant to the Settlement Agreement, the Group agreed to sell to the independent third parties, and the independent third parties agreed to purchase from the Group, all the outstanding Convertible Bonds at a purchase price of EUR5,225,000 being principal amount of EUR5,000,000 and interest.

The principle amount of EUR2,000,000 and interest of EUR250,000 were settled in 2021.

During the year ended 31 December 2023, the loan receivable of EUR3,000,000 (equivalent to HK\$25,782,000) has been fully settled and a net reversal of impairment loss on loan receivable of approximately HK\$2,631,000 was recognised.

Details of movement is set out below:

	<i>HK\$'000</i>
As at 1 January 2022	21,240
Exchange realignment	(1,471)
Add: reversal of ECL allowance	1,455
Effective interest	744
	<hr/>
As at 31 December 2022 and 1 January 2023	21,968
Exchange realignment	628
Repayment	(25,782)
Add: reversal of ECL allowance	2,631
Effective interest	555
	<hr/>
As at 31 December 2023	–
	<hr/> <hr/>

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

	<i>HK\$'000</i>
As at 1 January 2022	4,335
Reversal during the year	(1,455)
Exchange realignment	(321)
	<hr/>
As at 31 December 2022 and 1 January 2023	2,559
Reversal during the year	(2,631)
Exchange realignment	72
	<hr/>
As at 31 December 2023	–
	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	26,773	46,552
Receipts in advance	388	20,385
Other payables (<i>note (a)</i>)	31,179	43,337
Accrued charges (<i>note (a)</i>)	13,204	12,740
Contract liabilities (<i>note (b)</i>)	<u>2,536</u>	<u>981</u>
	<u><u>74,080</u></u>	<u><u>123,995</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 90 days	24,154	6,558
91 – 180 days	1,086	33,268
Over 180 days	<u>1,533</u>	<u>6,726</u>
	<u><u>26,773</u></u>	<u><u>46,552</u></u>

The average credit period on purchases of goods is 90 days (2022: 90 days).

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

Notes:

- (a) Other payables mainly include value added tax and other tax payables in the PRC, and accrued charges mainly include accrued staff salaries and allowances, 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 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.

12. OTHER FINANCIAL LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial liabilities at fair value through profit or loss:		
Put option liability (<i>note (a)</i>)	–	39,936
Financial liabilities measured at amortised cost:		
Other financial liabilities (<i>note (b)</i>)	–	60,817
	<u>–</u>	<u>100,753</u>

Notes:

- (a) On 31 May 2021, the Group, 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**”), and Sinochem Investment Management (Tianjin) Co., Ltd.* (中能化投資管理(天津)有限公司) (“**Sinochem**”), entered into the Capital Contribution Agreement, pursuant to which, among others, Sinochem agreed to make a capital contribution of RMB65,600,000 (“**Capital Contribution**”) in cash to 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**”) being an investee of Haoyi, out of which an amount of RMB43,870,000 and RMB21,730,000 were contributed to the registered capital and capital reserve of Zhuhai Shili Lianjiang Health Care, respectively in July 2021.

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 interests 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.

* *For identification purpose only*

During the year ended 31 December 2023, the Group entered into a sale and purchase agreement with an independent third party to disposed some of its equity interests in Haoyi, being an investor of Zhuhai Shili Lianjiang Health Care. Pursuant to the sale and purchase agreement, the purchaser agreed to undertake the Group's obligations regarding the abovementioned Profit Guarantee. Accordingly, upon the completion of the disposal which took place during the year ended 31 December 2023, the Group has derecognised the liabilities arising from the abovementioned Profit Guarantee.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January	39,936	25,350
Change in fair value recognised in profit or loss	(875)	17,076
Disposal of subsidiaries	(38,084)	–
Exchange realignment	(977)	(2,490)
	<u>–</u>	<u>–</u>
As at 31 December	<u>–</u>	<u>39,936</u>

As at 31 December 2023 and 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 are as follows:

	2022
– Volatility	49.0%
– Risk-free rate	2.4%
– Risky rate	15.8%
– Dividend yield	0%
	<u>–</u>

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

	<i>HK\$'000</i>
As at 1 January 2022	63,728
Interest expense	12,786
Interest paid	(10,738)
Exchange realignment	<u>(4,959)</u>
As at 31 December 2022 and 1 January 2023	60,817
Interest expense	5,187
Interest paid	–
Disposal of subsidiaries	(64,293)
Exchange realignment	<u>(1,711)</u>
As at 31 December 2023	<u><u>–</u></u>

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.

13. DISPOSAL OF SUBSIDIARIES

On 4 May 2023, an indirect wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party, being the purchaser to dispose some of its equity interest in Haoyi (“**Disposal Group**”) at the cash consideration of RMB100,000 (equivalent to approximately HK\$110,000). The purchaser agreed to undertake the obligations arising from the Profit Guarantee as detailed in note 12. Upon the disposal, the Group ceased to be the general partner of Haoyi which has the power to direct the relevant activities of Haoyi and its subsidiaries, resulting from the Group losing control over the Disposal Group.

The disposal was completed on 12 June 2023. The Group's remaining effective interest to the Disposal Group has been classified as financial assets at FVTPL.

The net liabilities of the Disposal Group as at the date of the disposal were as follow:

	<i>HK\$'000</i>
Property, plant and equipment	2,670
Right-of-use assets	5,425
Land use rights	3,610
Properties under development	135,193
Inventories	152
Other receivables	1,663
Bank balances and cash	783
Other payables	(59,934)
Other financial liabilities	(102,377)
Lease liabilities	(13,819)
Amounts due to subsidiaries of the Group	(5,060)
Amounts due to fellow subsidiaries of the Group	(293)
Amount due to a non-controlling shareholder of Disposal Group	(14,932)
	<u>(46,919)</u>
Gain on disposal:	
Cash consideration	110
Financial assets at FVTPL	45,901
Net liabilities disposed of	46,919
Non-controlling interest	(13,182)
Cumulative exchange difference	(10,357)
	<u>69,391</u>
Net cash outflow arising on the disposal:	
Cash consideration	110
Less: bank balances and cash	(783)
	<u>(673)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year, the Group's revenue reached approximately HK\$185.9 million (2022: approximately HK\$191.5 million), representing a decrease of 2.9% when compared with last year. The profit attributable to the shareholders of the Company for the year ended 31 December 2023 was approximately HK\$7.47 million, representing a basic earnings per share of HK0.15 cents (2022: loss of approximately HK\$123.3 million, representing a basic loss per share of HK2.45 cents).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil). There is no arrangement under which a shareholder has waived or agreed to waive any dividend.

BUSINESS REVIEW

Dental Business

The Group has engaged in the dental business, including the sales (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. 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\$179.4 million as of 31 December 2023, representing a decrease of approximately HK\$1.9 million compared to a revenue of approximately HK\$181.3 million for the year ended 31 December 2022.

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 模擬鋸), 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.

Investment in research and know-hows is always a focus in the Group's business. As at 31 December 2023, research and development expense of approximately HK\$16.8 million (2022: approximately HK\$17.4 million), reflecting the management's determination and vision to invest in the future technologies in the dental business. Besides, a new utility model certificate has been obtained in the first half of 2023. On the other hand, as at 31 December 2023 government grants and the other income of training and consultation in relation to research and development technologies amounted to approximately HK\$2 million (2022: approximately HK\$2.8 million).

The Group continued to expand its team in the Sino-US Implant R&D Centre. The application for change registration of implants of more sizes has been accepted by the National Medical Products Administration (NMPA). In 2023, the implant business has grown significantly. BIOTANIUM® implants, with its nano titanium technology, self-tapping design and immediate weight-bearing capacity, has been recognised and loved by various dentists. It has also been successfully purchased by large-scale chains in Guangdong, Shanghai and Jiangsu in 2023, the clinical use exceeds ten thousand cases, and the clinical efficacy is widely praised.

Health Care Business

Rehabilitation Business

In 2023, there were significant changes in the medical services market, with the Shenzhen Municipal Government actively guiding primary community health service centers to launch Chinese medicine rehabilitation projects. The large general hospitals, such as the University of Hong Kong – Shenzhen Hospital and Peking University Shenzhen Hospital, directly entered the sports rehabilitation business. In the face of numerous competitors and a high degree of market homogenization, Kaisa's Rehabilitation Clinic projects have implemented cost reduction and efficiency improvement measures according to its own circumstances. The Group has returned to the orthopaedic post-surgical rehabilitation business and insisted on capturing market share with its technology. The Group has undergone marketing transformations in accordance with market changes by launching marketing campaigns on Xiaohongshu and Wechat Channels. It aims to build a marketing plan for the Hejia (和佳) Sports Rehabilitation brand and strive to win the market through its reputation.

Health Leisure Business

In 2022, Zhuhai Shili Lianjiang International Health City* (珠海十里蓮江國際健康城) which is the project hold by Zhuhai Shili Lianjiang Agricultural Tourism Healthy Town Development Limited* (珠海十里蓮江農旅健康小鎮開發有限公司), an indirect subsidiary of the Company during the Period, which has entered into five joint construction projects with the government (the“Zhuhai Shili Lianjiang Projects”) with a contract value of RMB22 million. In the first half of 2023, two new projects, rice field bar and rice filed factory, were delivered, while youth hostels and plant factories were under construction. The government-oriented infrastructure support fund of RMB9.1 million, which is specially used for upgrading the infrastructure of the park, has been completed. At the same time, the industrial operation practice of “agricultural (cultural) tourism + health care” has been actively carried out by launching a number of festivals and activities in cooperation with brands such as the Guangdong Provincial Research Conference* (廣東省研學大會) and the 2nd May Leye Life Season* (第二屆五一樂野生活季), which gradually forms a beautiful rural lifestyle integrating “agriculture (cultural) tourism + health care”.

On 4 May 2023, the Group disposed the controlling interest of the Zhuhai Shili Lianjiang International Health City and will remain limited partnership interests in holding the said business. Please refer to the paragraph of subheading “Significant investment on financial assets at fair value through profit or loss” in the management discussion and analysis of this announcement.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since 31 December 2023 and up to the date of this announcement.

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 Group considers that the increase in the consumption level in the PRC builds the base for the rapid growth in China's dental market. On this basis, through the education promoted by the overseas vendors and dentists, the populace's heightening awareness of oral hygiene provides the endogenous power for maintaining the speedy growth in the dental market. Currently, China's dental market has been rapidly developing, hence the trend of increasing dental consumption will not change, and is expected to gradually extend from the eastern coastal regions to cities in central and western part of the PRC and the overall dental market probably will continue its rapidly increasing trend for a long time in the future. It is projected that with the increase of consumption power in the PRC, regardless of whether it is in terms of the dentist proportion, consultation rate and the permeability rate of high-end dental business or the current market scale, the oral market in China has the development potential to increase over tenfold.

The Group has formulated a number of growth strategies in the dental 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, actively participating in relevant nationwide exhibitions, and increasing its bidding of public hospitals, in order to partner with large-scale chained private clinics, providing better services such as on-site technician services for clinics.

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

The Group continued to improve the production process of Basic Dental and increase capacity utilisation, actively participating in global dental exhibitions, expanding distribution networks, and with the prospect of obtaining more product approvals in 2024, the implant business is expected to achieve significant growth.

Rehabilitation Business

The rehabilitation industry is influenced by favorable national policies and continues to attract capital, leading to increasingly fierce competition within the industry. In 2024, the Group's rehabilitation project will focus on refining rehabilitation products, enhancing product strength and service standards, and providing better medical services to society.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the revenue of the Group amounted to approximately HK\$185.9 million, representing a decrease of approximately 2.9% as compared with approximately HK\$191.5 million for the year ended 31 December 2022. The decrease was mainly attributable to the adverse effect of the centralized procurement policy on the sales pricing of dental products in Mainland China and the reduction of patient visits in the rehabilitation business.

Gross Profit and Gross Profit Margin

Gross profit for the year amounted to HK\$ 81.1 million (2022: HK\$82.6 million). A decrease in the gross profit of the Group of approximately HK\$1.5 million was mainly due to the decline in sales price in Mainland China. The gross profit for the dental business has decreased from approximately HK\$ 89.4 million to approximately HK\$ 84.5 million for a total of approximately HK\$4.9 million. Gross profit margin for the year increased to 43.6% (2022: 43.1%). The increase in the gross profit margin of approximately 0.5% compared with last year was mainly attributable to an increase in the revenue proportion of the dental business segment with a higher gross margin.

Selling and Distribution Costs

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

Administrative Expenses

A decrease in administrative expenses of approximately HK\$28.5 million as compared with that of the year 2022 which was mainly due to (i) the disposal of subsidiaries; (ii) the decrease in labour costs and (iii) the decrease in professional service fee.

Other Expenses

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

Income Tax Expenses

Income tax expenses declined by approximately HK\$1.2 million mainly due to a decrease in the taxable income of the dental business for the year ended 31 December 2023.

Loan Receivable

The loan receivable represented the loan granted to Financière 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. As of 31 December 2023, the Group has recovered all amount of the loan receivable.

Cash Position and Cash Flow

The Group had a solid cash position for the year under review, with bank balances and cash amounting to approximately HK\$174.1 million as at 31 December 2023 (2022: approximately HK\$173.5 million).

Capital Expenditure and Capital Commitments

During the year, the Group invested approximately HK\$10.9 million (2022: approximately HK\$13.3 million) mainly on the purchase of equipment. As at 31 December 2023, the Group had no capital expenditure commitment due to the disposal of subsidiaries (2022: approximately HK\$178.2 million).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2023 (2022: Nil).

Treasury Policy

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

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

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 31 December 2023 amounted to approximately HK\$492 million (2022: approximately HK\$485.3 million).

As at 31 December 2023, the net current assets of the Group amounted to approximately HK\$253 million (2022: HK\$205.1 million). The current and quick ratio were 3.47 and 3.33 respectively (2022: 1.76 and 1.69 respectively).

As at 31 December 2023, the amount of HK\$702,000 (2022: HK\$723,000) represented balance due to Ms. Jiang Sisi, the spouse of Mr. Wu Tianyu (an executive Director). The amount is unsecured, interest-free and repayable on demand.

As at 31 December 2023 and 2022, no gearing ratio was calculated as there was no net debt (defined as other financial liabilities less cash and cash equivalents) by the Group.

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

Charge on Assets

There was no charge on assets of the Group as at 31 December 2023 and 2022.

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, high-quality medical and health industries. Further details were set out in the Company's announcements dated 31 January 2022 and 3 March 2022.

On 4 May 2023, the Group entered into a sale and purchase agreement to dispose of its 0.1% equity interest for each in Haoyi Healthcare Services (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥)) (“**Haoyi**”) and Guanghao Health Consulting Service (Zhuhai) Co., Ltd.* (光浩健康諮詢服務(珠海市)有限公司) (“**Guanghao**”). Upon completion of the transaction, the Group remains 99.9% limited partnership interests in Haoyi which holds 99.9% equity interest in Guanghao. The partnership invested in the Zhuhai Shili Lianjiang Projects through Guanghao and its subsidiaries. Further details were set out in the Company’s announcements dated 4 May 2023.

As at 31 December 2023, the fair value of financial assets at fair value through profit or loss was approximately HK\$193.1 million, representing approximately 31.9% 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\$21.3 million during the year ended 31 December 2023. The management will quarterly review the performance of partnership investment to determine the investment approach.

Disposals of Subsidiaries

On 4 May 2023, an indirect wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party, being the purchaser to dispose some of its equity interest in Haoyi (“**Disposal Group**”) at the cash consideration of RMB100,000 (equivalent to approximately HK\$110,000). The purchaser agreed to undertake the obligations arising from the Profit Guarantee as detailed in note 12 to the consolidated statement of financial position.

Upon the disposal, the Group ceased to be the general partner of Haoyi which has the power to direct the relevant activities of Haoyi and its subsidiaries, resulting from the Group losing control over the Disposal Group. The disposal was completed on 12 June 2023. The Group’s remaining limited partnership interests to the Disposal Group have been classified as financial assets at FVTPL.

Saved as disclosed above, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year 31 December 2023. There was no plan authorised by the Board for other material investments or additional capital assets as at the date of this announcement.

* *For identification purpose only*

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 893 employees in total as at 31 December 2023 in Hong Kong, the PRC and the U.S. (31 December 2022: approximately 940 in Hong Kong, the PRC and the U.S.).

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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Rules Governing of Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2023.

The Company has also established written guidelines on terms no less exacting than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of inside information of the Company or its securities. No incidence of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code (the “**Code**”) as contained in Appendix C1 to the Listing Rules except for the following deviations:

Code Provision D.2.5 of the Code stipulated that the issuer should have an internal audit function. The Group has engaged an independent international audit firm to conduct internal control review annually and does not have an internal audit function.

The Company periodically reviews its corporate governance practices to ensure that they comply with the statutory and regulatory standards and align with the latest developments.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in accordance with Appendix C1 to the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Liu Yanwen, chairman of the Audit Committee, Dr. Lyu Aiping and Ms. Li Zhiying.

The Audit Committee has reviewed and discussed with management and the external auditors on matters regarding internal control, systems of risk management, the accounting standards and practices adopted by the Group and the Group's annual results for the year ended 31 December 2023.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Elite Partners CPA Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (<http://www.kaisahealth.com>) and the website of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>). The 2023 annual report will be dispatched to the shareholders of the Company and will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited in due course in accordance with the Listing Rules.

APPRECIATION

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

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

By order of the Board
Kaisa Health Group Holdings Limited
Kwok Ying Shing
Chairman

Hong Kong, 25 March 2024

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