



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)

2024

Interim Report



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Kwok Ying Shing (*Chairman*)

Mr. Luo Jun (*Vice Chairman and Chief Executive Officer*)

Independent Non-executive Directors

Dr. Liu Yanwen

Dr. Lyu Aiping

Ms. Li Zhiying

AUDIT COMMITTEE

Dr. Liu Yanwen (*Chairman*)

Dr. Lyu Aiping

Ms. Li Zhiying

REMUNERATION COMMITTEE

Dr. Lyu Aiping (*Chairman*)

Mr. Kwok Ying Shing

Dr. Liu Yanwen

NOMINATION COMMITTEE

Mr. Kwok Ying Shing (*Chairman*)

Dr. Lyu Aiping

Dr. Liu Yanwen

COMPANY SECRETARY

Mr. Yu Kwok Leung

AUTHORISED REPRESENTATIVES

Mr. Luo Jun

Mr. Yu Kwok Leung

INDEPENDENT AUDITOR

Elite Partners CPA Limited

Certified Public Accountants

LEGAL ADVISERS

Hong Kong

Sidley Austin

Bermuda

Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Nanyang Commercial Bank, Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

30/F, The Center

99 Queen's Road Central

Central, Hong Kong

SHARE REGISTRARS

Bermuda Principal

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Hong Kong Branch

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

876

COMPANY WEBSITE

www.kaisahealth.com

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	88,516	92,590
Cost of sales		(50,664)	(54,030)
Gross profit		37,852	38,560
Other income, gains and losses		2,571	21,475
Selling and distribution costs		(23,920)	(23,818)
Administrative expenses		(19,631)	(25,350)
Loss from change in fair value of financial assets at fair value through profit or loss		(12,028)	(28,306)
Gain from change in fair value of financial liabilities at fair value through profit or loss	16	—	875
Gain on disposal of subsidiaries		—	67,861
Reversal of impairment loss on trade receivables, net		990	204
Reversal of impairment loss on amount due from a former director of the Company		539	81
Other expenses		(8,584)	(8,522)
Finance costs		(409)	(3,022)
(Loss)/Profit before income tax	4	(22,620)	40,038
Income tax expense	5	(1,644)	(1,262)
(Loss)/Profit for the period		(24,264)	38,776
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(9,981)	(18,907)
Reclassification of exchange differences upon deregistration of subsidiary		(2)	—
Reclassification of exchange differences upon disposal of subsidiaries		—	(4,811)
Other comprehensive expense for the period		(9,983)	(23,718)
Total comprehensive (expense)/income for the period		(34,247)	15,058

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000
(Loss)/Profit for the period attributable to:		
– Owners of the Company	(24,264)	40,001
– Non-controlling interest	–	(1,225)
	<u>(24,264)</u>	<u>38,776</u>
Total comprehensive (expense)/income for the period attributable to:		
– Owners of the Company	(34,261)	14,689
– Non-controlling interests	14	369
	<u>(34,247)</u>	<u>15,058</u>
	HK cents	HK cents
(Loss)/Earnings per share Basic and diluted	(0.48)	0.79

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	13,563	16,191
Right-of-use assets	8	12,266	15,930
Intangible assets		3,370	3,737
Goodwill		20,217	20,217
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")	9	172,148	193,114
Deferred tax assets		322	457
		221,886	249,646
Current assets			
Inventories		13,404	14,236
Trade and other receivables	10	179,185	159,343
Amount due from a former director of the Company	11	5,135	6,824
Amounts due from fellow subsidiaries	12	889	940
Bank balances and cash		147,221	174,078
		345,834	355,421
Current liabilities			
Trade and other payables	13	78,668	74,782
Lease liabilities		6,753	7,817
Amounts due to fellow subsidiaries	12	1,088	1,114
Amount due to a holding company	12	144	72
Taxation payable		15,788	18,608
		102,441	102,393
Net current assets		243,393	253,028
Total assets less current liabilities		465,279	502,674

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Non-current liabilities		
Lease liabilities	7,361	10,182
Deferred tax liabilities	679	728
	<u>8,040</u>	<u>10,910</u>
Net assets	<u>457,239</u>	<u>491,764</u>
Equity		
Share capital	6,303	6,303
Reserves	451,447	485,708
Equity attributable to owners of the Company	<u>457,750</u>	<u>492,011</u>
Non-controlling interests	<u>(511)</u>	<u>(247)</u>
Total equity	<u>457,239</u>	<u>491,764</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital reserve	Translation reserve	Share option reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2023 (Audited)	6,303	984,639	1,545	–	(24,364)	10,754	(493,548)	485,329	(14,423)	470,906
Profit for the period	–	–	–	–	–	–	40,001	40,001	(1,225)	38,776
Exchange differences arising on translation of foreign operations	–	–	–	–	(20,501)	–	–	(20,501)	1,584	(18,907)
Reclassification of exchange differences upon disposal of subsidiaries	–	–	–	–	(4,811)	–	–	(4,811)	–	(4,811)
Total comprehensive (expense)/income for the period	–	–	–	–	(25,312)	–	40,001	14,689	369	15,058
Recognition of equity-settled share-based payment (note 18)	–	–	–	–	–	785	–	785	–	785
Capital injection for the subsidiaries	–	–	–	–	–	–	–	–	722	722
Disposal of subsidiaries	–	–	–	–	–	–	–	–	13,182	13,182
As at 30 June 2023 (Unaudited)	<u>6,303</u>	<u>984,639</u>	<u>1,545</u>	<u>–</u>	<u>(49,676)</u>	<u>11,539</u>	<u>(453,547)</u>	<u>500,803</u>	<u>(150)</u>	<u>500,653</u>
As at 1 January 2024 (Audited)	6,303	984,639	1,545	(312)	(24,759)	11,630	(487,035)	492,011	(247)	491,764
Loss for the period	–	–	–	–	–	–	(24,264)	(24,264)	–	(24,264)
Exchange differences arising on translation of foreign operations	–	–	–	–	(9,995)	–	–	(9,995)	14	(9,981)
Reclassification of exchange differences upon deregistration of a subsidiary	–	–	–	–	(2)	–	–	(2)	–	(2)
Total comprehensive (expense)/income for the period	–	–	–	–	(9,997)	–	(24,264)	(34,261)	14	(34,247)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	(278)	(278)
As at 30 June 2024 (Unaudited)	<u>6,303</u>	<u>984,639</u>	<u>1,545</u>	<u>(312)</u>	<u>(34,756)</u>	<u>11,630</u>	<u>(511,299)</u>	<u>457,750</u>	<u>(511)</u>	<u>457,239</u>

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

Capital reserve arose from the difference between the amount by which the non-controlling interest are adjusted and consideration paid for the acquisition of additional equity interest in subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2024*

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(26,486)	(1,373)
Investing activities		
Proceeds from disposal of property, plant and equipment	331	—
Purchases of property, plant and equipment	(2,120)	(9,912)
Capital injection of non-controlling interest	—	722
Return on investment	6,041	—
Purchase of financial asset at FVTPL	(1,147)	—
Interest received	1,090	630
Dividend received	666	80
Repayment from/(to) a director	2,125	(88)
Advances from fellow subsidiaries	35	542
Advance to a non-controlling shareholder of a subsidiary	—	(419)
Net cash outflow from disposal of subsidiaries	—	(673)
Net cash generated from/(used in) investing activities	7,021	(9,118)
Financing activities		
Payment of lease liabilities	(3,902)	(4,882)
Net cash used in financing activities	(3,902)	(4,882)
Net decrease in cash and cash equivalents	(23,367)	(15,373)
Cash and cash equivalents at 1 January	174,078	173,450
Effect of foreign exchange rate changes	(3,490)	(9,737)
Cash and cash equivalents at 30 June, representing bank balances and cash	147,221	148,340

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2024 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. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

1.2 Principal accounting policies

The unaudited 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 2024 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed interim consolidated financial statements:

Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendment to HKAS 1	Non-current Liabilities with covenants
Amendment to HKFRS 16	Lease Liability in a sale and leaseback

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024, the Group's operating activities are attributable to two operating segments focusing on the operation of (i) manufacturing of and trading in the dental business ("Dental business"); and (ii) providing service for sport rehabilitation, including postoperative rehabilitation, sport injury rehabilitation, chronic pain, scoliosis, deformity correction and other rehabilitation services ("Health care business").

3.1 Segment revenue and results

For the six months ended 30 June 2024 (Unaudited)

	Dental business HK\$'000	Health care business HK\$'000	Total HK\$'000
REVENUE			
Revenue from external customers	85,888	2,628	88,516
RESULTS			
Segment profit before depreciation and amortisation	1,894	1,589	3,483
Depreciation			
– Property, plant and equipment	(3,026)	(1,030)	(4,056)
– Right-of-use assets	(1,677)	(1,645)	(3,322)
Amortisation of intangible assets	(177)	(166)	(343)
Segment operating loss	(2,986)	(1,252)	(4,238)
Reversal of impairment loss on trade receivables	990	–	990
Loss from change in fair value of financial assets at FVTPL	–	(12,028)	(12,028)
Segment loss before income tax	(1,996)	(13,280)	(15,276)
Reversal of impairment loss on amount due from a former director of the Company			539
Unallocated income			13
Unallocated expenses			(7,896)
Loss before income tax			(22,620)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

For the six months ended 30 June 2023 (Unaudited)

	Dental business HK\$'000	Health care business HK\$'000	Total HK\$'000
REVENUE			
Revenue from external customers	88,765	3,825	92,590
RESULTS			
Segment profit before depreciation and amortisation	13,143	3,212	16,355
Depreciation			
– Property, plant and equipment	(4,626)	(2,458)	(7,084)
– Right-of-use assets	(1,537)	(1,799)	(3,336)
Amortisation of land use rights	–	(42)	(42)
Amortisation of intangible assets	(177)	(261)	(438)
Segment operating profit/(loss)	6,803	(1,348)	5,455
Reversal of impairment loss on trade receivables	204	–	204
Loss from change in fair value of financial assets at FVTPL	–	(28,306)	(28,306)
Gain from change in fair value of financial liabilities at fair value through profit or loss	–	875	875
Gain on disposal of subsidiaries	–	67,861	67,861
Segment profit before income tax	7,007	39,082	46,089
Reversal of impairment loss on amount due from a former director of the Company			81
Unallocated income			6
Unallocated expenses			(6,138)
Profit before income tax			<u>40,038</u>

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, other income, gains and losses and reversal of impairment loss on amount due from a former director of the Company. This is the information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

3.2 Segment assets and liabilities

As at 30 June 2024 (Unaudited)

	Dental business HK\$'000	Health care business HK\$'000	Total HK\$'000
Reportable segment assets	301,334	243,671	545,005
Deferred tax assets			322
Unallocated assets			22,393
Total assets			<u>567,720</u>
Reportable segment liabilities	(72,068)	(21,060)	(93,128)
Taxation payable			(15,788)
Deferred tax liabilities			(679)
Unallocated liabilities			(886)
Total liabilities			<u>(110,481)</u>
As at 31 December 2023 (Audited)			
	Dental business HK\$'000	Health care business HK\$'000	Total HK\$'000
Reportable segment assets	325,881	277,580	603,461
Deferred tax assets			457
Unallocated assets			1,149
Total assets			<u>605,067</u>
Reportable segment liabilities	(66,117)	(25,681)	(91,798)
Taxation payable			(18,608)
Deferred tax liabilities			(728)
Unallocated liabilities			(2,169)
Total liabilities			<u>(113,303)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

3.3 Geographical information

The Group's operations are mainly situated in Hong Kong and the People's Republic of China (the "PRC") (excluding Hong Kong). The following table provides an analysis of the Group's revenue by the location of business operation and the Group's non-current assets by geographical location of assets.

	Revenue from external customers		Non-current assets	
	Six months ended 30 June 2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
PRC (excluding Hong Kong)	88,394	92,256	26,646	33,118
Others	122	334	22,770	22,957
	<u>88,516</u>	<u>92,590</u>	<u>49,416</u>	<u>56,075</u>

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

3.4 Information about major customers

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
(Loss)/Profit before income tax has been arrived at after charging/(crediting):		
Amortisation of intangible assets	343	438
Amortisation of land use rights	—	42
Depreciation:		
— Property, plant and equipment	4,056	7,084
— Right-of-use assets	3,322	3,336
Lease charges:		
— Short-term leases	1,646	359
Research and development expenses (included in other expenses)	8,584	8,522
Finance charges on lease liabilities	409	843
Interest income (included in other income, gains and losses):		
— Bank deposits	(1,090)	(630)
— Loan receivable	—	(365)
Dividend income (included in other income, gains and losses)	(666)	(80)
Net foreign exchange gain (included in other income, gains and losses)	(153)	(728)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax	<u>1,558</u>	<u>1,290</u>
	1,558	1,290
Deferred tax expense/(credit)	<u>86</u>	<u>(28)</u>
	<u>1,644</u>	<u>1,262</u>

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits during the six months ended 30 June 2024 and 2023.

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 tax 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 period ("Super Deduction"). A subsidiary is eligible to such Super Deduction in ascertaining its tax assessable profit for the six months ended 30 June 2024 and 2023.

6. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit for the period attributable to owners of the Company	<u>(24,264)</u>	<u>40,001</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period	<u>5,042,139,374</u>	<u>5,042,139,374</u>

The diluted earnings per share for the six months ended 30 June 2024 and 2023 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares.

Therefore, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the six months ended 30 June 2024 and 2023.

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

During the six months ended 30 June 2024, the Group has acquired property, plant and equipment of HK\$2,120,000 (six months ended 30 June 2023: HK\$9,912,000), and has written off property, plant and equipment of HK\$346,000 (six months ended 30 June 2023: HK\$212,000).

During the six months ended 30 June 2024, the Group has not entered into any lease agreements for PRC office and has recognised right-of-use assets amounted to HK\$nil (six months ended 30 June 2023: approximately HK\$6,654,000).

9. FINANCIAL ASSETS AT FVTPL

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current: Limited partnership interest	<u>172,148</u>	<u>193,114</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. FINANCIAL ASSETS AT FVTPL (CONTINUED)

Details of movement is set out below:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
As at 1 January	193,114	200,280
Recognition of financial assets at FVTPL upon disposal of subsidiaries (note (b))	—	45,901
Change in fair value recognised in profit or loss	(12,028)	(21,295)
Addition	1,147	581
Return on investment	(6,041)	(27,082)
Exchange realignment	(4,044)	(5,271)
	<u>172,148</u>	<u>193,114</u>
As at 30 June/31 December	<u>172,148</u>	<u>193,114</u>

Notes:

As at 30 June 2024, the Group has 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 30 June 2024, the carrying amount of such investment was approximately HK\$124,039,000 (31 December 2023: approximately HK\$144,025,000). A fair value loss of approximately HK\$10,681,000 (30 June 2023: approximately HK\$28,306,000) has been recognised during six months ended 30 June 2024. The fair value measurement is classified as level 3. There is no changes in the valuation methodologies in arriving at the fair value.
- (b) As at 30 June 2024, the Group has equity interests in a limited partnership, namely Haoyi Healthcare Service (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥)) ("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.

As at 30 June 2024, the carrying amount of such investment was approximately HK\$48,110,000 (31 December 2023: approximately HK\$49,086,000). A fair value loss of approximately HK\$1,347,000 has been recognised during six months ended 30 June 2024. The fair value measurement is classified as level 3. There is no changes in the valuation methodologies in arriving at the fair value.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

10. TRADE AND OTHER RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables	122,778	103,306
Less: Expected credit losses ("ECL") allowance	(1,376)	(2,413)
	121,402	100,893
Other receivables, prepayments and deposits (note (ii))	65,411	66,267
Less: ECL allowance	(7,628)	(7,817)
	57,783	58,450
	179,185	159,343

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), ("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. The Original Cooperation Agreement and the Supplementary Cooperation Agreement were terminated in 2023 and the deposits previously paid by the Group will be fully refunded to the Group in 2024.
- (ii) The amounts mainly included deposits paid, prepayments to suppliers and VAT tax receivables and refundable deposit for acquisition of land use rights as described in note (i) above.

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

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0 – 90 days	36,264	42,457
91 – 180 days	29,347	10,850
181 – 365 days	37,406	10,126
Over 1 year	18,385	37,460
	<u>121,402</u>	<u>100,893</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.

11. AMOUNT DUE FROM A FORMER DIRECTOR OF THE COMPANY

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

The amount is due from a former director, Mr. Wu Tianyu (“Mr. Wu”, the executive director of the Company in 2023 and retired on 14 June 2024), and the maximum amount outstanding during the six months ended 30 June 2024 is HK\$6,423,000 (31 December 2023: HK\$8,651,000).

During the six months ended 30 June 2024, having considered the repayment from the former director of the Company has been made in recent years, the Group considered that the credit quality have not been further deteriorated significantly. As at 30 June 2024, a cumulative allowance of approximately HK\$1,288,000 (31 December 2023: HK\$1,827,000) was recognised. Accordingly a reversal of impairment loss of approximately HK\$539,000 (30 June 2023: impairment loss of approximately HK\$81,000) was recognised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES/HOLDING COMPANY

The amounts are unsecured, interest-free and repayable on demand. In respect of the amounts due to the Group, the directors of the Company are in the view that there have been no significant increase in credit risk nor default because the amounts were insignificant.

13. TRADE AND OTHER PAYABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade payables	10,318	26,773
Receipts in advance	28,533	388
Other payables (note (a))	27,314	31,179
Accrued charges (note (a))	10,325	13,204
Contract liabilities (note (b))	2,178	2,536
Amount due to a related party (note (c))	—	702
	<u>78,668</u>	<u>74,782</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 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.
- (c) It represents the amount due to Ms. Jiang Sisi ("Ms. Jiang"), the spouse of Mr. Wu. The amount is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0 – 90 days	6,246	24,154
91 – 180 days	2,258	1,086
Over 180 days	1,814	1,533
	<u>10,318</u>	<u>26,773</u>

The average credit period on purchases of goods is 90 days (31 December 2023: 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.

14. SHARE OPTIONS

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

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Closing price of the securities immediately before the date on which the options were granted	Exercisable period	Exercise price
2020	22.7.2020 (note i)	22.7.2020 – 21.7.2023	HK\$0.144	22.7.2021 – 21.7.2030	HK\$0.196

Notes:

- (i) Share options were granted by board of directors with the approval of independent directors of the ultimate holding company on 22 July 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. SHARE OPTIONS (CONTINUED)

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

Type of participant	Option type	Closing price of the securities immediately before the date on which the options were granted	Outstanding	Forfeited/	Granted	Outstanding	Forfeited/	Granted	Outstanding
			at 1 January 2023 (Audited)	Lapsed during the year (Audited)	during the year (Audited)	at 31 December 2023 (Audited)	Lapsed during the period (Unaudited)	during the period (Unaudited)	at 30 June 2024 (Unaudited)
Mr. Zhang Huangang (note i)	2020	HK\$0.144	50,000,000	–	–	50,000,000	–	–	50,000,000
Mr. Luo Jun	2020	HK\$0.144	40,000,000	–	–	40,000,000	–	–	40,000,000
Mr. Wu (note ii)	2020	HK\$0.144	20,000,000	–	–	20,000,000	–	–	20,000,000
Dr. Liu Yanwen	2020	HK\$0.144	6,000,000	–	–	6,000,000	–	–	6,000,000
Dr. Lyu Aiping	2020	HK\$0.144	6,000,000	–	–	6,000,000	–	–	6,000,000
Ms. Jiang	2020	HK\$0.144	10,000,000	–	–	10,000,000	–	–	10,000,000
Employee	2020	HK\$0.144	10,000,000	–	–	10,000,000	–	–	10,000,000
			<u>142,000,000</u>	<u>–</u>	<u>–</u>	<u>142,000,000</u>	<u>–</u>	<u>–</u>	<u>142,000,000</u>
Exercisable at the end of year/period			<u>100,000,000</u>			<u>142,000,000</u>			<u>142,000,000</u>
Weighted average exercise price			<u>HK\$0.196</u>	<u>Nil</u>	<u>Nil</u>	<u>HK\$0.196</u>	<u>Nil</u>	<u>Nil</u>	<u>HK\$0.196</u>

Notes:

- (i) Mr. Zhang Huangang, being an executive director of the Company in 2023 and retired on 14 June 2024. Under the terms of the Scheme, he has rights to exercise the option in full within 12 months from the date of cessation.
- (ii) Mr. Wu was retired as an executive director of the Company on 14 June 2024 but remains as a director of certain subsidiaries. He still has rights to exercise the option in full under the Scheme.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. SHARE OPTIONS (CONTINUED)

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors	—	674
Employees	—	111
	<u>—</u>	<u>785</u>

15. LEASE COMMITMENTS

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

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	<u>920</u>	<u>1,895</u>

As at 30 June 2024 and 31 December 2023, the Group leases a number of properties with a lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly and not using significant unobservable inputs; and
- Level 3 inputs are significant unobservable inputs for the asset or liability.

	As at 30 June 2024 (Unaudited)			Total
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurement

Financial assets at FVTPL:

Limited partnership interest	—	—	172,148	172,148
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As at 31 December 2023 (Audited)

Level 1	Level 2	Level 3	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurement

Financial assets at FVTPL:

Limited partnership interest	—	—	193,114	193,114
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During the six months ended 30 June 2024 and the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 fair value measurements

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

Financial instruments at FVTPL	Valuation techniques	Significant unobservable inputs	Range		Sensitivity relationship of unobservable inputs to fair value
			30 June 2024	31 December 2023	
Financial asset at FVTPL – Limited partnership interests	Market approach	Price to sales multiples of comparable companies	0.59-7.85	0.67-6.67	Increase/(decrease) in multiples would result in increase/(decrease) in fair value
		Price to earnings multiples of comparable companies	15.67-56.39	2.8-38.94	Increase/(decrease) in multiples would result in increase/(decrease) in fair value
		Discount for lack of marketability ("DLOM")	20.5%	20.5%	Increase/(decrease) in DLOM would result in (decrease)/increase in fair value
	Income approach	Estimated selling price taking into account the management's experience with reference to the independent qualified valuer's knowledge of market conditions of the specific industries	HK\$11,056-HK\$23,538	HK\$11,327-HK\$24,116	Higher the selling price would increase fair value of the financial assets
		DLOM	27.3%	27.3%	Increase/(decrease) in DLOM would result in (decrease)/increase in fair value

The movements during the period in the balance of Level 3 fair value measurements are disclosed in note 9.

Financial assets and liabilities not reported at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the condensed consolidated interim financial statements approximate their fair values as at 30 June 2024 and 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS*For the six months ended 30 June 2024***17. RELATED PARTIES TRANSACTIONS**

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Nature of transactions		
Lease payments paid to Kaisa Group Holdings Ltd. (Note)	<u>72</u>	<u>72</u>

Note:

This is an exempted connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to paragraph (i) under Connected Transactions on page 56 of Interim Report for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2024 (the “Period”), the Company and its subsidiaries (together the “Group”) recorded revenue of approximately HK\$88.5 million, representing a decrease of approximately 4.4% from approximately HK\$92.6 million for the corresponding period in 2023, with an increased gross profit margin of approximately 42.8% (for the six months ended 30 June 2023: approximately 41.6%). The loss attributable to the owners of the Company was approximately HK\$24 million compared to profit attributable to the owners of the Company of approximately HK\$40 million for the corresponding period in 2023. Basic and diluted loss per share for the Period were 0.48 HK cents per share and 0.48 HK cents per share, respectively; and the basic and diluted earnings per share for the corresponding period in 2023 were 0.79 HK cents per share and 0.79 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 2023: Nil).

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\$85.9 million as of 30 June 2024, representing a decrease of approximately HK\$2.9 million compared to a revenue of approximately HK\$88.8 million for the six months ended 30 June 2023.

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模擬鑲), 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 of 30 June 2024, research and development expense amounted to approximately HK\$8.6 million (for the six months ended 30 June 2023: approximately HK\$8.5 million), reflecting the management’s determination and vision to invest in the future technologies in the dental business. On the other hand, as of 30 June 2024, government grants and the other income of training and consultation in relation to research and development technologies amounted to approximately HK\$0.7 million (for the six months ended 30 June 2023: approximately HK\$0.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Dental Business (Continued)

The Group has continued to expand its team at the Sino-US Implant R&D Centre. The change of registration application for implants of more sizes has entered the final stage of approval by the National Medical Products Administration (NMPA) and is expected to obtain marketing approval in the second half of 2024. The results performance for implants operation has been under pressure during the first half of 2024 due to the significant drop in centralised procurement prices and intense competition in the industry. However, there was a significant increase in the number of clinical institutions using the implants, and during the first half of the year, the Group's implants were used in more dental chain groups in Shandong and Shanghai.

Health Care Business

Rehabilitation Business

In the first half of 2024, there were significant changes in the medical services market, with the Shenzhen Municipal Government actively guiding primary community health service centres 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, established a membership system, deepen its operation in private domains, launched comprehensive marketing campaigns on Xiaohongshu and Wechat Channels, built a marketing plan for the Hejia (和佳) Sports Rehabilitation brand, and strive to win the market through brand reputation.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The revenue for the Period amounted to approximately HK\$88.5 million (six months ended 30 June 2023: approximately HK\$92.6 million). The decrease was mainly due to the decrease in the average selling price of dental products due to the impact of the PRC government's policy (centralised procurement prices) include, among others, setting price ceilings for dental products sold in the country.

Gross Profit and Gross Profit Margin

Gross profit for the Period amounted to approximately HK\$37.9 million (six months ended 30 June 2023: approximately HK\$38.6 million). Gross profit margin for the Period was approximately 42.8% (six months ended 30 June 2023: approximately 41.6%). The gross profit margin increased mainly due to improved production efficiency during the period.

Financial assets at fair value through profit or loss

Zhuhai Partnership

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 165,289,256.2 units, representing 5.51% limited partnership interests, 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.))*) (the "Zhuhai Partnership") at an investment cost of RMB180,000,000 through certain contractual arrangements. The Zhuhai Partnership investment focuses on investing 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.

Haoyi Partnership

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 Partnership") and Guanghao Health Consulting Services (Zhuhai) Co., Ltd.* (光浩健康諮詢服務(珠海市)有限公司 ("Guanghao")) at the cash consideration of RMB100,000 (equivalent to approximately HK\$110,000). Upon completion of the transaction on 12 June 2023, the Group ceased to be the general partner of the Haoyi Partnership which has the power to direct the relevant activities of the Haoyi Partnership and its subsidiaries, resulting from the Group losing control over the Haoyi Partnership and its subsidiaries. The Group remains 99.9% limited partnership interests in Haoyi Partnership which holds 99.9% equity interest in Guanghao. The Haoyi Partnership invested in the Zhuhai Shili Lianjiang Projects through Guanghao and its subsidiaries. The Group's remaining limited partnership interests to the Haoyi Partnership and its subsidiaries have been classified as financial assets at FVTPL. Further details were set out in the Company's announcement dated 4 May 2023.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW (Continued)

Financial assets at fair value through profit or loss (Continued)

Haoyi Partnership (Continued)

As at 30 June 2024, the fair value of financial assets at fair value through profit or loss was approximately HK\$172.1 million, representing approximately 30.3% of the total assets of the Group. The fair value loss on these financial assets at fair value through profit or loss was approximately HK\$12 million during the six months ended 30 June 2024.

The following table summarizes the information regarding the Group's significant investments classified as financial assets at fair value through profit or loss as at 30 June 2024:

Investee	Principal businesses of the underlying investments	Interest held as at 30 June 2024	Cost or investment as at 30 June 2024 HK\$ million	Fair value as at 30 June 2024 HK\$ million	Percentage of fair value relative to total assets	Fair value profit/(loss) during the six months ended 30 June 2024 HK\$ million
Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.)* (珠海金溢銘股權投資基金合夥企業(有限合夥))	Equity and equity related securities in the information technology, high-quality medical and health industries	5.51% limited partnership interests	209.5	124.0	21.8%	(10.7)
Haoyi Healthcare Services (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥))	Zhuhai Shili Lianjiang Projects	99.9% limited partnership interests	47.6	48.1	8.5%	(1.3)
Total				<u>172.1</u>		<u>(12.0)</u>

The management will quarterly review the performance of partnership investments to determine the investment approach.

Significant Investments, Material Acquisitions and Disposals

Save as disclosed in this announcement, the Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during the Period.

Bank Balance and Cash

The Group had a solid cash position for the Period under review, with bank balances and cash amounting to approximately HK\$147.2 million as at 30 June 2024 (31 December 2023: approximately HK\$174.1 million).

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW (Continued)

Capital Expenditure and Capital Commitments

During the Period, the Group invested approximately HK\$2.1 million (six months ended 30 June 2023: approximately HK\$9.9 million), mainly on production equipment. As at 30 June 2024, the Group had no capital expenditure commitment (31 December 2023: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

Charge on the Group's Assets

As at 30 June 2024, there was no pledge of assets of the Group for banking facilities (31 December 2023: 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 currencies held under cash and cash equivalents were mainly US dollars, Renminbi and Hong Kong dollars.

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

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 30 June 2024 amounted to approximately HK\$457.8 million (31 December 2023: approximately HK\$492 million).

As at 30 June 2024, the net current assets of the Group amounted to approximately HK\$243.4 million (31 December 2023: approximately HK\$253 million). The current and quick ratio was 3.38 and 3.25 respectively (31 December 2023: 3.47 and 3.33 respectively).

As at 30 June 2024, indebtedness of the Group including an amount due to Ms. Jiang Sisi ("Ms. Jiang", the spouse of Mr. Wu Tianyu, a former executive Director of the Company) of approximately HK\$685,000 (31 December 2023: approximately HK\$702,000), amount due to a holding company of approximately HK\$144,000 (31 December 2023: HK\$72,000) and amounts due to fellow subsidiaries of approximately HK\$1.1 million (31 December 2023: approximately HK\$1.1 million) which are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW (Continued)

Liquidity, Capital Structure and Financial Resources (Continued)

As at 30 June 2024 and 31 December 2023, 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 2024 (31 December 2023: 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT (Continued)

Dental Business (Continued)

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 the second half of 2024, the implant business is expected to achieve significant growth.

Health Care Business

Rehabilitation Business

The rehabilitation industry is influenced by favourable 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, deepening its branding in the private domains, extending the lifespan of its members, and further exploring opportunities for regional expansion, with a view to providing better medical services to society.

IMPORTANT EVENT AFTER REPORTING PERIOD

No important event affecting the Company occurred since 30 June 2024 and up to the date of this report.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 890 employees in total as at 30 June 2024 (31 December 2023: approximately 893) 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.

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

DISCLOSURE OF ADDITIONAL INFORMATION

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2024.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of inside information of the Company or its securities. No incidence of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the six months ended 30 June 2024.

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 Corporate Governance Code

During the six months ended 30 June 2024, the Company has complied with all relevant code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules.

Change in Composition of the Board

The changes in information of the Directors since the date of the Company's 2023 annual report are set out below:

1. Mr. Wu Tianyu has retired and not offered for re-election as an executive Director and ceased to be a member of the Remuneration Committee and a co-vice chairman of the board of director of the Company at the annual general meeting of the Company held on 14 June 2024 (the "2024 AGM"); and
2. Mr. Zhang Huagang has retired and not offered for re-election as an executive Director at the 2024 AGM.
3. Mr. Kwok Ying Shing, an executive Director and chairman of the Board, has been appointed as a member of the Remuneration Committee with effect from the conclusion of the 2024 AGM.

Directors' Rights to Acquire Shares or Debentures

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

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2024, the interests of the Directors and the chief executive of the Company in the shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and the SFO, were as follows:

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

Name	Capacity/nature of interest	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Kwok Ying Shing	Interest of controlled corporation	308,000,000 <i>(Note 1)</i>	6.11%
	Interest of spouse	2,020,000 <i>(Note 2)</i>	0.04%

Note 1: Mr. Kwok Ying Shing is deemed to be interested in the 308,000,000 Shares of the Company held by Ying Hua Holdings Limited, a corporation which is beneficially owned by him.

Note 2: Mr. Kwok Ying Shing is deemed to be interested in the 2,020,000 Shares of the Company beneficially owned by his spouse, Ms. Chan Nog.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' and Chief Executive's Interests and Short Position in Shares and Underlying Shares and Debenture (Continued)*(b) Long position in the share options of the Company*

Name	Number of share options held	Number of underlying shares of the Company	Exercisable price	Approximate percentage of the issued share capital of the Company
Mr. Luo Jun	40,000,000 (note 1)	40,000,000	HK\$0.196	0.79%
Dr. Liu Yanwen	6,000,000 (note 1)	6,000,000	HK\$0.196	0.12%
Dr. Lyu Aiping	6,000,000 (note 1)	6,000,000	HK\$0.196	0.12%

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

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

Save as disclosed above, as at 30 June 2024, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2024, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued shares of the Company.

Name of shareholder	Long position/ short position	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued ordinary share capital of the Company
Kaisa Group Holdings Ltd. (Note 1)	Long position	Beneficial owner	2,167,600,491	42.99%
Ying Hua Holdings Limited (Note 2)	Long position	Beneficial owner	308,000,000	6.11%
Mr. Kwok Ying Shing (Note 2)	Long position	Interest of controlled corporation	308,000,000	6.11%
Mr. Huang Xiao Gang (Note 3)	Long position	Beneficial owner	472,470,256	9.37%
Gao Lang Limited (Note 3)	Long position	Interest of controlled corporation	472,470,256	9.37%
ABG II-RYD Limited (Note 4)	Long position	Beneficial owner	270,300,000	5.36%
Ally Bridge Group Capital Partners II, L. P. (Note 4)	Long position	Interest of controlled corporation	270,300,000	5.36%
ABG Capital Partners II GP, L. P. (Note 4)	Long position	Interest of controlled corporation	270,300,000	5.36%
ABG Capital Partners II GP Limited (Note 4)	Long position	Interest of controlled corporation	270,300,000	5.36%
Mr. Yu Fan (Note 4)	Long position	Interest of controlled corporation	270,300,000	5.36%

Note:

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

Save as disclosed above, as at 30 June 2024, the Directors and chief executives of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DISCLOSURE OF ADDITIONAL INFORMATION

Share Option Scheme

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

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

1. Eligible participants of the Scheme include any full-time or part-time employees, potential employees, executives or officers (including executive, non-executive and independent nonexecutive Directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or has contributed to the Company and/or any of its subsidiaries.
2. The maximum number of Shares in respect of which options under this Scheme or options under the other schemes may be granted must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme i.e. 382,620,703 Shares, representing 10% of the total issued share capital of the Company as at the date of adoption of the Scheme, and such limit may be increased from time to time to 10% of the shares in issue as at the date of such shareholders approval.

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

3. The total number of Shares to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the Shares in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION

Share Option Scheme (Continued)

4. Any grant of share options to any connected person, such grant shall be subject to the approval by all the independent non-executive Directors of the Company (and in the event that the Board offers to grant Options to an independent non-executive Director of the Company, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant).
5. Any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or any of their associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the Shares in issue and having an aggregate value (based on closing price of the Company's Shares at the date of the grant) in excess of HK\$5 million, is subject to prior approval by shareholders in a general meeting.
6. The offer for the grant of options (the "Offer") must be taken up within 14 days from the date of Offer, with a payment of HK\$1.00 as consideration by the grantee.
7. The exercise price of the share option will be determined at the highest of (i) the average closing prices of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Offer; and (iii) the nominal value of the Shares.
8. The period within which the Shares must be taken up under the option, which must not be more than 10 years from the date of grant of the option.
9. The Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing on the date of approval of the Scheme, being 8 June 2015, and ending on 7 June 2025 (both dates inclusive).

DISCLOSURE OF ADDITIONAL INFORMATION

Share Option Scheme (Continued)

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

1. the total number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the total number of Shares in issue as at the date of passing this resolution (the "Refreshed Limit") i.e. 504,213,937 Shares;
2. options previously granted under the Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme) will not be counted for the purpose of calculating the Refreshed Limit;
3. the Directors be and are hereby unconditionally authorised to offer or grant options pursuant to the Scheme to subscribe for Shares up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with the Shares upon the exercise of such options; and
4. such increase in the Refreshed Limit shall in no event result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company exceed 30% of the Shares in issue from time to time.

DISCLOSURE OF ADDITIONAL INFORMATION

Share Option Scheme (Continued)

Movement of share options for the six months ended 30 June 2024 is as follows:–

Name	Balance as at 1 January 2024	Granted during the period	Exercised during the period	Forfeited during the period	Balance as at 30 June 2024	Exercisable price	Approximate percentage of the issued share capital of the Company
Mr. Luo Jun	40,000,000 (note 1)	-	-	-	40,000,000	HK\$0.196	0.79%
Mr. Wu Tianyu (note 2)	20,000,000 (note 1)	-	-	-	20,000,000	HK\$0.196	0.40%
Mr. Zhang Huagang (note 3)	50,000,000 (note 1)	-	-	-	50,000,000	HK\$0.196	0.99%
Dr. Liu Yanwen	6,000,000 (note 1)	-	-	-	6,000,000	HK\$0.196	0.12%
Dr. Lyu Aiping	6,000,000 (note 1)	-	-	-	6,000,000	HK\$0.196	0.12%
Ms. Jiang Sisi (note 2)	10,000,000 (note 1)	-	-	-	10,000,000	HK\$0.196	0.20%
Employees	10,000,000 (note 1)	-	-	-	10,000,000	HK\$0.196	0.20%
	142,000,000	-	-	-	142,000,000		

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

Note 2: Ms. Jiang Sisi is the Chief Operating Officer of the Group and also the director of certain subsidiaries of the Company. She is also the spouse of Mr. Wu Tianyu (a former executive director of the Company who retired from the Board at the 2024 AGM). As such, Ms. Jiang Sisi and Mr. Wu Tianyu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 30,000,000 as at 30 June 2024.

Note 3: Mr. Zhang Huagang has retired as an executive Director at the 2024 AGM. Meanwhile, Mr. Zhang resigned as a director of a subsidiary of the Company. According to the Scheme, share options held by Mr. Zhang will be lapsed on 14 June 2025.

DISCLOSURE OF ADDITIONAL INFORMATION

Share Option Scheme (Continued)

Under the Scheme, save as disclosed in this report, there are no other

- (i) participants with options granted that is in excess of the 1% individual limit;
- (ii) options granted and to be granted to any related entity participant or service provider in any 12-month period exceeding 0.1% of the relevant class of shares in issue; and

saved for the Scheme, neither the Company nor its subsidiaries had any other share option schemes for the six months ended 30 June 2024.

Connected Transactions

The Group had entered into the following transaction with connected persons, as defined under the Listing Rules, during the six months ended 30 June 2024 and up to the date of this report:

- (i) During the six months ended 30 June 2024, the Group had rented a property from Kaisa Group Holdings Ltd. amounted to approximately HK\$72,000. Kaisa Group Holdings Ltd. is a substantial shareholder of the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules and the lease constituted an exempted connected transaction of the Company under Chapter 14A of the Listing Rules.

Audit Committee

The Audit Committee of the Board was established with written terms of reference in accordance with Appendix C1 to the Listing Rules. As at the date of this Interim Report, the Audit Committee comprises of three independent non-executive Directors, namely Dr. Liu Yanwen (chairman), and Dr. Lyu Aiping and Ms. Li Zhiying.

The Audit Committee met with the management on 27 August 2024 to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's interim results for the Period, before proposing them to the Board for approval. The Audit Committee has reviewed the unaudited interim results announcement and this unaudited Interim Report of the Company for the Period.