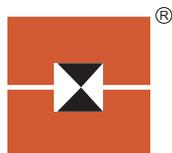


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Kaisa Health Group Holdings Limited
佳兆業健康集團控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 876)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 together with the comparative figures for the corresponding year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	191,499	209,626
Cost of sales		(108,934)	(112,211)
Gross profit		82,565	97,415
Other income, gains and losses		8,958	12,859
Selling and distribution costs		(46,098)	(49,143)
Administrative expenses		(86,445)	(108,159)
(Loss)/Gain from change in fair value of financial assets at fair value through profit or loss	8	(12,070)	57,146
Loss from change in fair value of financial liabilities at fair value through profit or loss	12	(17,076)	(1,688)
Gain from change in fair value of convertible promissory note		–	2,275
Impairment loss on trade receivables, net	9	(872)	(822)
Impairment loss on other receivable	9	(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)	–
Reversal of impairment loss on amount due from a director		1,100	217
Reversal of impairment loss on loan receivable	10	1,455	26,503
Other expenses		(17,428)	(17,217)
Finance costs		(7,732)	(8,183)
(Loss)/Profit before income tax	4	(170,963)	11,203
Income tax expense	5	(1,169)	(23,526)
Loss for the year		(172,132)	(12,323)

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income,			
including reclassification adjustments			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(42,350)	5,084
		<u>(42,350)</u>	<u>5,084</u>
Total comprehensive expense for the year		(214,482)	(7,239)
		<u>(214,482)</u>	<u>(7,239)</u>
(Loss)/Profit for the year attributable to:			
– Owners of the Company		(123,318)	2,359
– Non-controlling interests		(48,814)	(14,682)
		<u>(172,132)</u>	<u>(14,682)</u>
		<u>(172,132)</u>	<u>(12,323)</u>
Total comprehensive (expense)/income for the year attributable to:			
– Owners of the Company		(168,330)	9,060
– Non-controlling interests		(46,152)	(16,299)
		<u>(214,482)</u>	<u>(7,239)</u>
		<u>(214,482)</u>	<u>(7,239)</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share			
– Basic	7	(2.45)	0.05
		<u>(2.45)</u>	<u>0.05</u>
– Diluted		(2.45)	0.05
		<u>(2.45)</u>	<u>0.05</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		19,464	58,760
Right-of-use assets		20,362	30,598
Land use rights		3,745	4,175
Intangible assets		4,579	5,132
Goodwill		20,217	20,217
Loan receivable	10	–	21,240
Prepayments and deposits	9	22,562	24,495
Financial assets at fair value through profit or loss	8	200,280	230,098
Financial assets at fair value through other comprehensive income		–	245
Deferred tax assets		264	539
		<u>291,473</u>	<u>395,499</u>
Current assets			
Properties under development		124,571	144,669
Inventories		18,790	16,190
Trade and other receivables	9	126,919	135,893
Loan receivable	10	21,968	–
Amount due from a director		9,787	19,293
Amounts due from fellow subsidiaries		640	525
Bank balances and cash		173,450	259,264
		<u>476,125</u>	<u>575,834</u>
Current liabilities			
Trade and other payables	11	123,995	127,873
Other financial liabilities	12	100,753	89,078
Lease liabilities		7,013	6,753
Amount due to a related party		723	785
Amounts due to fellow subsidiaries		2,034	1,443
Amount due to a non-controlling shareholder of a subsidiary		15,318	12,245
Taxation payable		21,172	23,814
		<u>271,008</u>	<u>261,991</u>
Net current assets		<u>205,117</u>	<u>313,843</u>
Total assets less current liabilities		<u>496,590</u>	<u>709,342</u>

	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	24,859	25,528
Deferred tax liabilities	825	970
	<u>25,684</u>	<u>26,498</u>
Net assets	<u>470,906</u>	<u>682,844</u>
Equity		
Share capital	6,303	6,303
Reserves	479,026	644,814
	<u>485,329</u>	<u>651,117</u>
Equity attributable to owners of the Company	485,329	651,117
Non-controlling interests	(14,423)	31,727
	<u>470,906</u>	<u>682,844</u>
Total equity	<u>470,906</u>	<u>682,844</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

1.2 Principal accounting policies

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

Except for the application of new and amended HKFRSs as described in note 2, the accounting policies and methods of computation used in the consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

2. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the 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 2022:

Amendment to HKFRS 16	Reference to the Conceptual Framework
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020

Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments ¹
Amendments to HKFRS 16	Lease liabilities in a sale and Leaseback ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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

3. REVENUE AND SEGMENT INFORMATION

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

For the year ended 31 December 2022, the Group's operating activities are attributable to three (2021: three) operating segments focusing on the operation of manufacturing of and trading in dental products, the health care – rehabilitation business and the health care – health leisure business.

3.1 Segment revenue and results

For the year ended 31 December 2022

	Dental business HK\$'000	Health care – rehabilitation business HK\$'000	Health care – health leisure business HK\$'000	Total HK\$'000
REVENUE				
Revenue from external customers	181,275	7,663	2,561	191,499
RESULTS				
Segment profit/(loss) before depreciation and amortisation	22,660	(11,508)	(27,788)	(16,636)
Depreciation				
– Property, plant and equipment	(16,091)	(2,468)	(3,502)	(22,061)
– Right-of-use assets	(3,857)	(3,281)	(962)	(8,100)
Amortisation of land use rights	–	–	(104)	(104)
Amortisation of intangible assets	(531)	(479)	(37)	(1,047)
Segment operating profit/(loss)	2,181	(17,736)	(32,393)	(47,948)
Impairment loss on trade receivables, net	(872)	–	–	(872)
Reversal of impairment loss on amount due from a director	1,100	–	–	1,100
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)
Impairment loss on other receivables	–	(3,959)	–	(3,959)
Loss from change in fair value of financial assets at fair value	–	(12,070)	–	(12,070)
Loss from change in fair value of financial liabilities at fair value through profit or loss	–	–	(17,076)	(17,076)
Segment profit/(loss) before income tax	2,409	(33,765)	(122,830)	(154,186)
Reversal of impairment loss on loan receivable				1,455
Unallocated income				146
Unallocated expenses				(18,378)
Loss before income tax				(170,963)

For the year ended 31 December 2021

	Dental business HK\$'000	Health care – rehabilitation business HK\$'000	Health care – health leisure business HK\$'000	Total HK\$'000
REVENUE				
Revenue from external customers	200,487	7,125	2,014	209,626
RESULTS				
Segment profit/(loss) before depreciation and amortisation	22,975	52,377	(33,199)	42,153
Depreciation				
– Property, plant and equipment	(13,042)	(1,274)	(1,730)	(16,046)
– Right-of-use assets	(5,389)	(3,343)	(681)	(9,413)
Amortisation of land use rights	–	–	(1,200)	(1,200)
Amortisation of intangible assets	(654)	(77)	–	(731)
Segment operating profit/(loss)	3,890	47,683	(36,810)	14,763
Impairment loss on trade receivables, net	(822)	–	–	(822)
Reversal of impairment loss on amount due from a director	217	–	–	217
Loss on deregistration of a subsidiary	(1,031)	–	–	(1,031)
Segment profit/(loss) before income tax	2,254	47,683	(36,810)	13,127
Gain from change in fair value of convertible promissory note				2,275
Loss on disposal of convertible promissory note				(5,331)
Reversal of impairment loss on loan receivable				26,503
Unallocated income				758
Unallocated expenses				(26,129)
Profit before income tax				11,203

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, changes in fair value of convertible bonds receivable, convertible promissory note and unlisted managed fund and impairment loss on loan receivable/convertible bonds receivable. 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 2022

	Dental business <i>HK\$'000</i>	Health care – rehabilitation business <i>HK\$'000</i>	Health care – health leisure business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	322,074	256,747	159,237	738,058
Loan receivable				21,968
Deferred tax assets				264
Unallocated assets				7,308
Total assets				<u>767,598</u>
Reportable segment liabilities	(70,036)	(23,222)	(179,253)	(272,511)
Deferred tax liabilities				(825)
Taxation payable				(21,172)
Unallocated liabilities				(2,184)
Total liabilities				<u>(296,692)</u>

As at 31 December 2021

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

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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC (excluding Hong Kong)	189,459	207,966	67,682	118,251
Others	2,040	1,660	23,247	46,366
	191,499	209,626	90,929	164,617

Note: Non-current assets include property, plant and equipment, right-of-use assets, land use rights, intangible assets, goodwill, loan receivable 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 2022 and 2021.

4. (LOSS)/PROFIT BEFORE INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/Profit before income tax has been arrived at after charging/(crediting):		
Directors' remuneration		
– fees	1,420	1,565
– other emoluments	19,357	14,111
– equity-settled share-based payment expenses	2,185	4,639
– contributions to defined contribution retirement schemes	161	131
	<u>23,123</u>	<u>20,446</u>
Other staff costs		
– staff salaries and allowances	97,746	110,060
– equity-settled share-based payment expenses	358	902
– contributions to defined contribution retirement schemes	6,113	5,941
	<u>104,217</u>	<u>116,903</u>
Total staff costs	<u>127,340</u>	<u>137,349</u>
Auditor's remuneration		
– Current year	1,200	1,200
– Predecessor Auditor's remuneration	510	–
Amortisation of intangible assets (included in cost of sales)	1,047	731
Amortisation of land use rights	104	1,200
Cost of inventories recognised as expense	88,646	96,859
Depreciation:		
– Property, plant and equipment	22,061	16,046
– Right-of-use assets	8,100	9,413
Impairment loss on trade receivables, net	1,113	822
(Reversal of impairment loss)/Impairment loss on amount due from a director	(1,110)	(217)
(Reversal of impairment loss)/Impairment loss on loan receivable	(1,455)	(26,503)
Lease charges:		
– Short-term leases with lease term less than 12 months	984	832
– COVID-19-related rent concessions received	–	(193)
Net exchange (gain)/loss (included in other income, gains and losses)	(782)	1,812
Research and development expenses (included in other expenses)	17,428	17,217
Finance charges on lease liabilities	1,611	1,739
Loss on disposal of convertible promissory note (included in other income, gains and losses)	–	5,331
Gain on disposal of financial assets at fair value through profit or loss (included in other income, gains and losses)	(2,039)	(12,620)
Impairment loss on other receivables	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	<u>37,628</u>	<u>–</u>

5. INCOME TAX EXPENSE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	1,039	23,472
	<hr/>	<hr/>
	1,039	23,472
	<hr/>	<hr/>
Deferred tax expense	130	54
	<hr/>	<hr/>
	1,169	23,526
	<hr/> <hr/>	<hr/> <hr/>

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits during the years ended 31 December 2022 and 2021.

The provision for PRC Enterprise Income Tax (“EIT”) is based on the estimated taxable income for PRC taxation purpose at the rate of taxation applicable for the year ended 31 December 2022 (2021: 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 2022 and 2021.

6. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting periods.

7. (LOSS)/EARNINGS PER SHARE

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year attributable to owners of the Company	<u>(123,318)</u>	<u>2,359</u>
Number of shares		
	2022	2021
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 (loss)/earnings per share for the years ended 31 December 2022 and 2021 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares. Therefore, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the years ended 31 December 2022 and 2021.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current:		
Limited partnership interest (<i>note a</i>)	<u>200,280</u>	<u>230,098</u>

Notes:

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

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

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

- exercise effective financial and operational control over the VIE entity;
- exercise equity holder’s voting right of the VIE entity;
- receive substantially all of the economic interest returns generated by the VIE entity in consideration for the business support, technical and consulting services provided by the Group;

* For identification purpose only

- obtain an irrevocable and exclusive right to purchase all or part of equity interest in and/or assets of the VIE entity from its owner at a minimum purchase price permitted under the PRC laws and regulations;
- obtain a pledge over the entire equity interest of the VIE entity from its owner as collateral security for all of the VIE entity's payments due to the Group and to secure performance of the VIE entity's obligations under the Contractual Arrangements.

The Group does not have any equity interest in the VIE entity. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the VIE entity and has the ability to affect those returns through its power over the VIE entity and is considered to control the VIE entity. Consequently, the Company regards the VIE entity as consolidated structured entity under HKFRSs. The Group has consolidated the financial position and results of the VIE entity in the Group's consolidated financial statements for the years ended 31 December 2022 and 2021.

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

As at 31 December 2022, the investment in limited partnership interest has been fair valued with reference to the valuation conducted by an independent qualified professional valuer.

Details of movement is set out below:

	<i>HK\$ '000</i>
As at 1 January 2021	–
Additions	220,410
Change in fair value recognised in profit or loss	9,537
Exchange realignment	151
	<hr/>
As at 31 December 2021 and 1 January 2022	230,098
Change in fair value recognised in profit or loss	(12,070)
Exchange realignment	(17,748)
	<hr/>
As at 31 December 2022	200,280
	<hr/> <hr/>

9. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current:		
Deposits for acquisition of land use rights (<i>note (i)</i>)	22,562	24,495
Current:		
Trade receivables	82,814	68,337
Less: Expected credit loss (“ECL”) allowance	(2,048)	(1,131)
	80,766	67,206
Other receivables, prepayments and deposits (<i>note (ii)</i>)	50,112	17,077
Less: ECL allowance	(3,959)	–
	46,153	17,077
Prepayments for construction costs in relation to the properties under development	–	51,610
	126,919	135,893
	149,481	160,388

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), The Economic Cooperative of the Fuhu Village of Xuhang Town, Jiading District, Shanghai* (上海嘉定區徐行鎮伏虎經濟合作社) and Shanghai Xinxing Construction Investment Co., Ltd.* (上海新行建設投資有限公司) on 3 March 2021 and 2 July 2021, respectively.

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

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

* For identification purpose only

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 90 days	57,232	50,062
91 – 180 days	7,558	9,112
181 – 365 days	7,632	4,780
Over 1 year	8,344	3,252
	<u>80,766</u>	<u>67,206</u>

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

10. 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 (formerly known as Condor International NV) (“**Condor Tech**”), at an aggregate principal amount of EUR5,000,000 maturing on the third anniversary of the date of issue (the “**Maturity Date**”).

On 29 November 2019, the Group and Condor Tech entered into an amendment deed to amend and supplement the terms and conditions of the Convertible Bonds, pursuant to which the maturity date of the Convertible Bond has been extended from 27 November 2019 to 27 November 2020 (the “**Extended Maturity Date**”). Details of the extension of the Convertible Bonds were set out in the Company’s announcement dated 3 December 2019.

Upon the Extended Maturity Date, Condor Tech has not made any repayment for the redemption of the outstanding Convertible Bonds or the accrued and unpaid interest thereon. Pursuant to the terms of the Convertible Bonds, it constitutes an event of default if, among others, Condor Tech fails to pay any amount for the redemption of the outstanding Convertible Bonds or the accrued and unpaid interest thereon when due. In this regard, the Group has expressly renounced to exercise the conversion right applicable in relation to the Convertible Bonds and it has required the full reimbursement of the amounts due in respect of the Convertible Bonds. Accordingly, the Group has reclassified the convertible bonds receivable from financial assets at fair value through profit or loss to financial assets at amortised cost at the Extended Maturity Date.

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 (equivalent to approximately HK\$47,981,000). The purchase price was determined by taking into consideration of the principal amount of the Convertible Bonds of EUR5,000,000 (equivalent to approximately HK\$45,915,000) together with interest received in advance at 3% per annum based on deferred payment, and shall be payable in cash by way of (i) an amount of EUR2,225,000 (equivalent to approximately HK\$20,432,000) to be made within five business days after the date of the entering of the Settlement Agreement (the “**First Instalment**”); and (ii) a deferred payment in cash in an amount of EUR3,000,000 (equivalent to approximately HK\$27,549,000) (the “**Second Instalment**”) to be made upon the expiry of a period of thirty months from the date of the entering of the Settlement Agreement, i.e. by 25 September 2023 at the latest.

In addition, subject to the terms of the Settlement Agreement, Condor Tech agreed to pay in cash to the Group by way of final settlement for the accrued interests of the outstanding Convertible Bonds in an amount of EUR250,000 (equivalent to approximately HK\$2,296,000) within five business days after the date of the entering of the Settlement Agreement. During the year ended 31 December 2021, the accrued interest has been repaid.

Accordingly, the convertible bonds receivable of EUR5,000,000 (equivalent to approximately HK\$45,915,000) was derecognised and a loan receivable of EUR3,000,000 (equivalent to approximately HK\$27,549,000) was recognised on 25 March 2021.

As at 31 December 2022, a net reversal of impairment loss on loan receivable of approximately HK\$1,455,000 (2021: HK\$26,503,000) was recognised.

Details of movement is set out below:

	<i>HK\$'000</i>
As at 1 January 2021	18,842
Exchange realignment	(1,886)
Repayment for the year	(22,727)
Add: reversal of ECL allowance	26,503
Effective interest	508
	<hr/>
As at 31 December 2021 and 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	21,968
	<hr/> <hr/>

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

	<i>HK\$'000</i>
As at 1 January 2021	30,838
Reversal of during the year	(26,503)
	<hr/>
As at 31 December 2021 and 1 January 2022	4,335
Reversal during the year	(1,455)
Exchange realignment	(321)
	<hr/>
As at 31 December 2022	2,559
	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	46,552	45,571
Receipts in advance	20,385	22,128
Other payables (<i>note (a)</i>)	40,997	27,063
Accrued charges (<i>note (a)</i>)	12,740	29,520
Contract liabilities (<i>note (b)</i>)	981	1,251
Deferred contingent consideration	2,340	2,340
	<hr/>	<hr/>
	123,995	127,873
	<hr/> <hr/>	<hr/> <hr/>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	6,558	41,671
91 – 180 days	33,268	3,662
Over 180 days	6,726	238
	<hr/>	<hr/>
	46,552	45,571
	<hr/> <hr/>	<hr/> <hr/>

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

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

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, and contributions to defined contribution retirement schemes.
- (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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial liabilities at fair value through profit or loss:		
Put option liability (<i>note (a)</i>)	39,936	25,350
Financial liabilities measured at amortised cost:		
Other financial liabilities (<i>note (b)</i>)	60,817	63,728
	<u>100,753</u>	<u>89,078</u>

Notes:

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

* For identification purpose only

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

The Put Option is classified as financial liabilities at fair value through profit or loss 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 1 January	25,350	–
At initial recognition	–	23,662
Change in fair value recognised in profit or loss	17,076	1,688
Exchange realignment	(2,490)	–
	<hr/>	<hr/>
As at 31 December	39,936	25,350
	<hr/> <hr/>	<hr/> <hr/>

- (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 2021	–
At initial recognition	56,666
Interest expense	8,205
Interest paid	(1,143)
	<hr/>
As at 31 December 2021 and 1 January 2022	63,728
Interest expense	12,786
Interest paid	(10,738)
Exchange realignment	(4,959)
	<hr/>
As at 31 December 2022	60,817
	<hr/> <hr/>

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

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

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year, the Group's revenue reached approximately HK\$191.5 million (2021: approximately HK\$209.6 million), representing a decrease of 8.65% when compared with last year. The loss attributable to the shareholders of the Company for the year ended 31 December 2022 was approximately HK\$123.3 million, representing a basic loss per share of HK2.45 cents (2021: gain of approximately HK\$2.4 million, representing a basic earnings per share of HK0.05 cents).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: 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.

Revenue from the dental business was approximately HK\$179.9 million as of 31 December 2022, and revenue was approximately HK\$200.5 million for the corresponding period in 2021.

The dental business was acquired in May 2015. With regard to the sales distribution of the products of dental business, domestic sales accounted for nearly 100% of annual sales in the year 2022. Comparing with the domestic sales accounting for 99% of annual sales and overseas sales accounting for 1% of annual sales in 2021, the international market of the Group's dental business has diminished, and a marketing service centre is pending to be built up in Shenzhen with sales and development team for Basic Dental Implant Systems Inc. ("**Basic Dental**").

Investment in research and know-hows is always a focus in the Group's business. Research and development expense of HK\$17.4 million was incurred during the year 2022 (2021: HK\$17.2 million), reflecting the management's determination and vision to invest in the future technologies in the dental business. On the other hand, grants and awards of HK\$2.8 million (2021: HK\$4.0 million) were received from the PRC municipal government for acknowledging the Group's continued effort in research and development of skills and know-hows in the dental areas.

The Group continued to expand its team in the Sino-US Implant R&D Centre with 9 new patent applications and 3 certificates for Chinese medical device import have been completed. In addition, Basic Dental's marketing service centre was established in Shenzhen for promoting our dental products and to better serve our customers and expand business in the PRC.

The Group continued to improve the production process of Basic Dental and increase capacity utilisation, in order to meet the huge demand of the marketing team who strives to expand in the global market. Due to the pandemic ease, the implant business is expected to achieve rapid growth in 2023.

Health Care Business

Health Leisure Business

In 2022, the Group's Zhuhai Shili Lianjiang International Health City* (珠海十里蓮江國際健康城) has entered five joint construction projects with the PRC government, with a contract value of RMB22 million, which has delivered the operation of recreational vehicles ("RV") and tent camps. Meanwhile, we have obtained RMB9.1 million of the PRC government's targeted infrastructure support fund, which is specially used for the upgrading of the park's infrastructure, and also actively carried out the industrial operation practice of "agricultural (cultural) tourism + health leisure" at the same time. The Group has launched successively a number of brand festivals and activities, such as rapeseed blossom camping season* (油菜花開露營季), spring ploughing and autumn harvest theme camp* (春耕秋收主題營), rice field wedding* (稻田婚禮), rural music carnival* (田園音樂嘉年華), Shili Daoxiang camping concert* (十里稻香露營音樂會) and RV season* (房車露營季), which gradually forming a beautiful rural lifestyle integrating "agricultural (cultural) tourism + health leisure".

* For identification purpose only

Since COVID-19 pandemic remained severe in 2022, the Group has deferred its original business plan on health leisure development and still suffered an operating loss of approximately HK\$32.4 million during the year ended 31 December 2022. The Group now revises its strategy and contemplates to dispose this segment. Based on our latest valuation result on value-in-use compared with carrying amount the health leisure segment, impairment losses of on right-of use assets, property, plant and equipment and property under development in total of approximately HK\$73.4 million were recognised for the year ended 31 December 2022.

Rehabilitation Business

Under the impact of the pandemic, sports rehabilitation centres remain widely recognised by the market, mainly attributed to our technologies (i.e. introducing Schroth technology therapy from Germany) and our comprehensive methods of systematic rehabilitation trainings via three-dimensional breathing patterns, physiological logic, muscle strength patterns, and living habits. Meanwhile, the centres have carried out more than 20 special technical trainings throughout the year, and the capabilities of our rehabilitation technical team has been greatly improved. At the same time, our rehabilitation technical team have also innovatively launched our online rehabilitation services in response to the pandemic situation, which has received unanimous praise from patients. At present our clinics are operating in good condition, and the related business volume has shown an increasing trend, resulting improvement in patient satisfaction.

The performance of partnership interest 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.))* has also been adversely affected by the global economy and COVID-19 pandemic. The fair value loss of approximately HK\$12.1 million was recorded during the year ended 31 December 2022.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since 31 December 2022 and up to the date of this announcement.

PROSPECT

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

* *For identification purpose only*

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 heightened 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 United States), expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes.

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.

Health Care Business

Health Leisure Business

Based on the results of the Group's first operated RV camp joint cooperation project, the PRC government has announced that it will strengthen the promotion in the delivery of the remaining joint cooperation projects of the youth hostel and plant factory. Meanwhile, the Group plans to enter four new joint cooperation projects such as tent hotel, organic restaurant, garden market and powerless park this year, with an estimated support fund of RMB15 million from the PRC government. Along with the improvement of the construction in the project park, besides the original content of the project, we will actively undertake large-scale public activities organised by the PRC government in 2023.

Meanwhile, as the Group strives to promote the resumption of work and production of the project construction segment, it is expected that the contracted sales of RMB160 million will be generated by the Group and the controlling shareholders in 2023. Driven by the trends of optimisation of consumption in health industry and full implementation of rural revitalisation in China, the project in Zhuhai Shili Lianjiang International Health City Project will at first form a development pattern for industrial integration of “organic agriculture, tourism and vacation, integrated eldercare services with medical care”, and formally establish an industrial brand and operation system for the purpose of pastoral life in the Greater Bay Area, providing sustainable and full-cycle industrial development and management the large-scale and replicable health resort town model.

In the future, the Group will take Zhuhai Shili Lianjiang International Health City as the starting point, to build up the Group’s potential in health leisure and medical treatment businesses, and promote the establishment of “agricultural (cultural) tourism + health leisure service system”. And integrating the quality resources to create the products in the characteristic health leisure resorts especially serving the customers in the Greater Bay Area, and provide comprehensive and personalised health and holiday services to customers in the Greater Bay Area.

Rehabilitation business

At present the asset-light operation and expansion model of “brand authorisation + technology output” has been developed for sports rehabilitation centres with research effort. Meanwhile, the sports rehabilitation team has also been studying staff-partnership system to create a new model by empowering partners, thereby solving the chronic shortage of talents in the sports rehabilitation industry. It will gradually take over the market in Southern China through business innovation, and expand its sports rehabilitation centres to each community by leveraging on Kaisa Group’s resources from real estate and community in various regions. In 2023, it is expected to develop 1-2 community rehabilitation centres.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The sales for the year has decreased slightly because of continuous adverse effect from COVID-19 pandemic. Other revenue has been decreased mainly because of the disposal of financial assets at fair value through profit or loss which amounted to approximately HK\$12.6 million in 2021.

Gross Profit and Gross Profit Margin

Gross profit for the year amounted to HK\$82.6 million (2021: HK\$97.4 million). Gross profit margin for the year decreased to 43.1% (2021: 46.5%). A decrease in the gross profit of the Group of approximately HK\$14.8 million mainly because of continuous adverse effect from COVID-19 pandemic. The gross profit for the dental business has decreased from approximately HK\$105.1 million to approximately HK\$89.4 million for a total of approximately HK\$15.7 million. The gross profit margin of the Group was adversely affected by the operation of Shili Lianjiang Project which resulted in a gross loss of HK\$7.2 million and rehabilitation business which resulted in a gross profit of approximately HK\$0.4 million.

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\$21.7 million as compared with that of the year 2021 which was mainly due to termination of internet medical business in 2021 which reduced cost of approximately HK\$10 million, and cost reduction on staff cost in general in total of approximately HK\$10 million.

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

A decrease in income tax expenses was due to the disposal of the Shulan Project for its realised capital gain on investment of approximately HK\$100 million which incurred approximately HK\$24 million income tax provision in 2021.

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.

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\$173.5 million as at 31 December 2022 (2021: approximately HK\$259.3 million).

Capital Expenditure and Capital Commitments

During the year, the Group invested approximately HK\$13.3 million (2021: approximately HK\$43.9 million) mainly on the purchase of equipment. As at 31 December 2022, the Group has capital expenditure commitment of approximately HK\$178.2 million (2021: approximately HK\$181.6 million).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2022 (2021: 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 2022 amounted to approximately HK\$485.3 million (2021: approximately HK\$651.1 million).

As at 31 December 2022, the net current assets of the Group amounted to approximately HK\$205.1 million (2021: HK\$313.8 million). The current and quick ratio were 1.76 and 1.69 respectively (2021: 2.2 and 2.14 respectively).

At 31 December 2022, the amount of HK\$723,000 (2021: HK\$785,000) 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 2022 and 2021, no gearing ratio was calculated as there was no net debt (defined as other financial liabilities less cash and cash equivalents) by the Group.

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 2022 and 2021.

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.

* For identification purpose only

As at 31 December 2022, the fair value of financial assets at fair value through profit or loss was approximately HK\$200.2 million, representing approximately 26.1% 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\$12.1 million during the year ended 31 December 2022.

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

Significant investment on properties under development

In the second half of 2021, Shili Lianjiang Project started its operation. Land use rights, construction costs and interest expenses were capitalised during the years ended 31 December 2021 and 2022.

As at 31 December 2022, the carrying amount of properties under development was approximately HK\$126.9 million, representing approximately 16.2% of the total assets of the Group. Impairment loss of approximately of HK\$37.6 million was incurred during the year ended 31 December 2022.

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 2022. There was no plan authorised by the Board for other material investments or additional capital assets as at the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 940 employees in total as at 31 December 2022 in Hong Kong, the PRC and the U.S. (31 December 2021: approximately 700 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 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, each of the employer and an employee is required to make contributions to the scheme at the respective rate 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.

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 2022.

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 10 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 2022.

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 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code (the “Code”) as contained in Appendix 14 to the Listing Rules except for the following deviations:

Code Provision C.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 14 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 (formerly named as Ms. Li Yonglan).

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 2022.

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 2022 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.

ADOPTION OF THE NEW BYE-LAWS

The Company proposes to amend its existing bye-laws (the “**Existing Bye-laws**”) to, among others, (i) comply with the Core Shareholder Protection Standards as set out in Appendix 3 of the Listing Rules; and (ii) incorporate housekeeping amendments (collectively, the “**Proposed Amendments**”). In view of the Proposed Amendments, the Board proposes to adopt the amended and restated bye-laws of the Company (the “**New Bye-laws**”), which shall consolidate all the Proposed Amendments and all previous amendments made, in substitution for and to the exclusion of the Existing Bye-laws.

The Proposed Amendments and the adoption of the New Bye-laws are subject to the approval of the shareholders of the Company by way of a special resolution to be proposed at the 2023 annual general meeting.

Details of the Proposed Amendments and the New Bye-laws will be set out in the circular to be dispatched to the shareholders of the Company in due course together with a notice of the annual general meeting.

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 2022 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, 28 March 2023

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.