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
Annual Report

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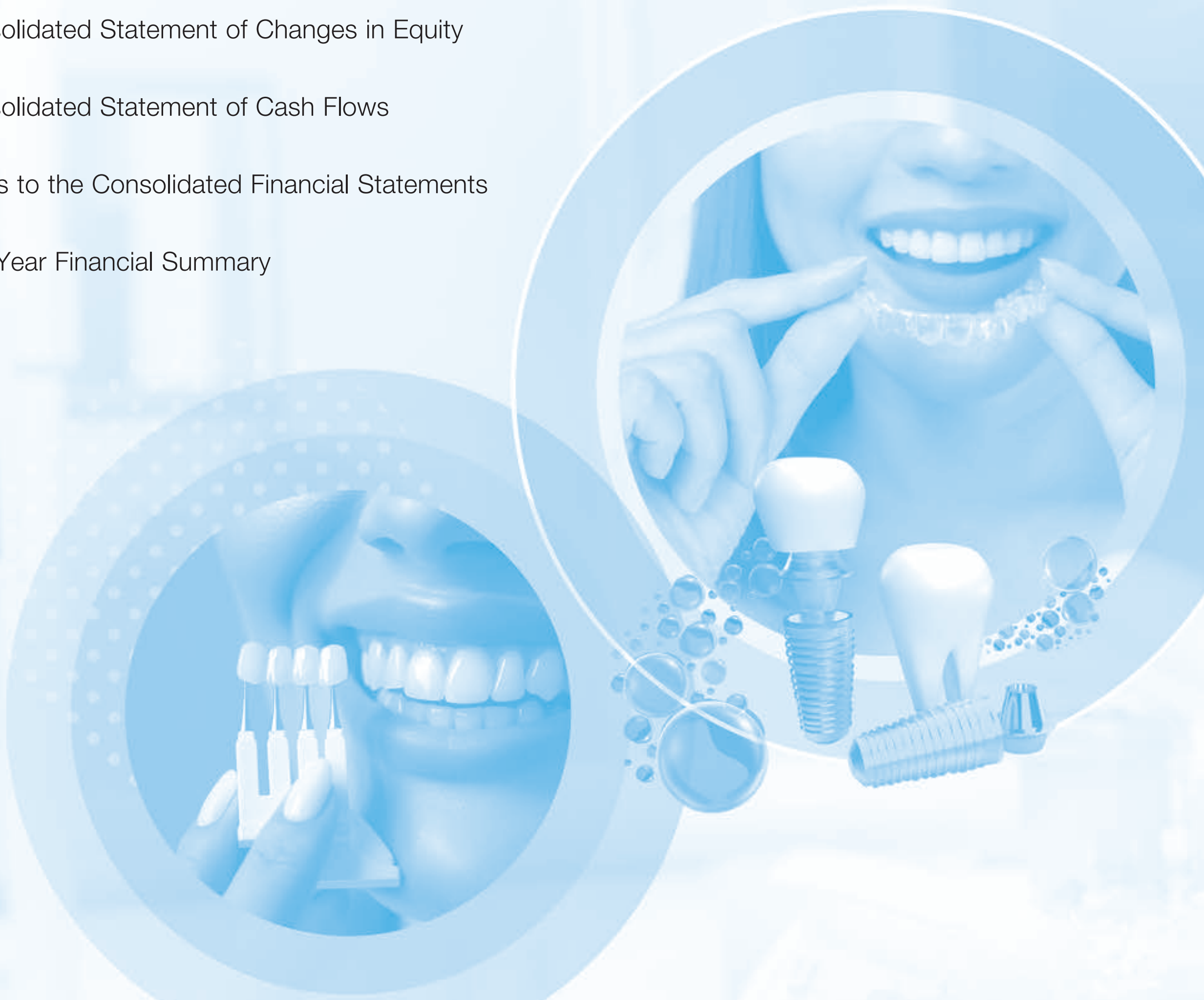


CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Kwok Ying Shing *(Chairman)*
Mr. Luo Jun *(Vice Chairman and Chief Executive Officer)*
Mr. Liu Lihao
Ms. Luo Tingting
Mr. Xie Binhong
Mr. Yu Huiming

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

SFAI (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

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

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kaisa Health Group Holdings Limited, (the "**Company**"), I hereby present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024 (the "**Year**"). During the Year, the Group achieved revenue of approximately HK$185.4 million (2023: approximately HK$185.9 million), representing a slight decrease of 0.3% as compared with last year. Loss attributable to the shareholders of the Company for the Year was approximately HK$46.4 million (2023: Profit of approximately HK$7.5 million). Loss per share was HK0.92 cents (2023: earnings per share of HK0.15 cents). The Board did not recommend the payment of dividend for the Year.

Dental Business

Since the acquisition of the Group's dental business in May 2015, the revenue of the Group's dental business has remained stable. The Group's sales and service network has covered all major cities in China, with products including crowns, bridges, removable full and partial dentures, implants and metal crowns, and in-depth co-operation with hospitals, dental clinics and medical aesthetics institutions. In terms of business performance, affected by the impact of the national centralised procurement, the dental business has maintained growth in spite of the severe challenges, while the implant business has achieved significant growth with the completion of acquisition and integration. To further enhance the operating results, the Group continued to expand its team in the Sino-US Implant R&D Centre, and the application for change registration of implant of more sizes was approved by the National Medical Products Administration (NMPA) in July 2024. The Group has continued to improve and expand the implant research and development centre. The Group has continued to improve and increase its implant production capacity by investing in an implant production plant in Chengdu, which is expected to commence operation in 2025.

The Group is of the view that the rising consumption level of the Chinese people is the basis for the rapid growth of the dental market in China, and the rising awareness of oral healthcare among the Chinese people is the internal driving force for the rapid growth of the dental market. Currently, the dental market in China is already at a rapid growing stage and the trend of dental consumption upgrading will not change. The overall dental market is likely to maintain a relatively fast growth trend for a long period of time in the future. The Group has formulated a series of growth strategies for 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 prosthetic products with beauty attributes, actively participating in relevant global exhibitions, and increasing its bidding in public hospitals and partnership with large-scale private clinic chains. Apart from 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 investment returns for the shareholders of the Company.

Health Care Business

In 2024, the Group's four habilitation clinics achieved significant growth. The clinics mainly provide sports rehabilitation services, including post-operative rehabilitation, sports injury rehabilitation, chronic pain, scoliosis, deformity correction and other rehabilitation services. The sports rehabilitation industry has a huge market size, and to a certain extent, the lack of service providers and talents has brought opportunities for the development of the industry. The Group will continue to promote the delivery of new products based on technology and standardisation of training, and on the foundation of stabilising the existing channels on the market side, actively explore new channels of business growth in order to maintain its competitiveness in the market.

CHIEF EXECUTIVE OFFICER'S STATEMENT

With the introduction of the two national strategies of "National Fitness" and "Healthy China" in the past five years, it has gradually become a trend for the public to pay attention to exercise with a scientific approach. Sports rehabilitation is developing from a niche market for professional athletes to a mass market providing services for sports enthusiasts and the wider public. According to the national "Healthy China 2030" plan, sports rehabilitation is an important part of health management, the General Administration of Sports has continued to promote the integration and development of various elements of public services for national fitness. In 2025, the Shenzhen Municipal Bureau of Sports further expanded the scale of "Sports and Health Integration Demonstration Points", and the sports and rehabilitation industry still has an advantage in terms of policy support. Over the past three years, although the development of the sports rehabilitation industry in China has experienced multiple challenges, it is still in a stage of rapid growth, with the market size growing at a compound annual growth rate of 38.3% during the three-year period. In 2025, Hejia Rehabilitation clinic will focus on brand building, expanding its influence in the industry and strengthening insurance co-operation, so as to further expand its share in the local market.

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 work and commitment to the Group.

Luo Jun
Chief Executive Officer
Hong Kong, 24 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year ended 31 December 2024 (the "**Year**" or "**FY2024**"), the Group recorded revenue of approximately HK$185.4 million (the year ended 31 December 2023 ("**FY2023**"): approximately HK$185.9 million), representing a slight decrease of 0.3% when compared with last year. The loss attributable to the owners of the Company for the Year was approximately HK$46.4 million (2023: profit of approximately HK$7.5 million). Basic loss per share for the Year was HK0.92 cents per share (2023: basic earnings per share of HK0.15 cents).

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Year (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$179.0 million as of 31 December 2024, representing a decrease of approximately HK$0.4 million compared to a revenue of approximately HK$179.4 million for the twelve months ended 31 December 2023. The decrease was attributable to the decrease in selling price of products due to the impact of the national procurement policy.

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模擬鋯), Mega YiQi Clear Aligner (美加易齊透明矯正器) and removable prosthetic devices launched under the"Mega" brand in 2019 gained wide recognition among foreign technicians and dentists.

Investment in research and know-hows is always a focus in the Group's business. As at 31 December 2024, research and development expense of approximately HK$12.5 million (2023: approximately HK$16.8 million). The continuous investment in research and development reflects the management's determination and vision to invest in the future technologies in the dental business. On the other hand, as at 31 December 2024 government grants amounted to approximately HK$0.9 million (2023: approximately HK$2.3 million).

The Group continued to expand its team in the Sino-US Implant R&D Centre. The applications for change registration of implant of more sizes were approved by the National Medical Products Administration (NMPA) in July 2024. The Group continued to improve and increase its implant production capacity by investing in an implant production plant in Chengdu, which is expected to commence production in 2025.

Health Care Business

In 2024, Shenzhen became one of the first 12 national "Model Cities (Districts) for National Fitness" in China. The government further promoted national fitness and integration of sports and hygiene, and the sports and rehabilitation market further grew steadily. Under the influence of this favourable policy, more social capitals were optimistic about the sports and rehabilitation industry and entered the market to compete. In 2024, internal operational adjustments was carried out in the Hejia Sports Rehabilitation Clinic to further promote cost reduction and efficiency enhancement, and achieved significant business growth in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

For the Year, the revenue of the Group amounted to approximately HK$185.4 million, representing a slight decrease of approximately HK$0.5 million or 0.3% as compared with approximately HK$185.9 million for FY2023. The decrease was mainly attributable to the decline in the average selling price of products.

Gross Profit and Gross Profit Margin

Gross profit for the Year amounted to HK$81.9 million (2023: HK$81.1 million). An increase in the gross profit of the Group of approximately HK$0.8 million or 1.0% was mainly due to the increase in the gross profit for the health care business. The gross profit for the dental business has decreased from approximately HK$84.5 million to approximately HK$81.7 million for a total of approximately HK$2.8 million. Gross profit margin for the Year increased to 44.2% (2023: 43.6%). The increase in the gross profit margin of approximately 0.6% compared with FY2023 was mainly attributable to the decrease in the cost of sales due to the improved production and management efficiency during the Year.

Selling and Distribution Costs

Selling and distribution costs represented the management's effort to enhance the level of marketing activities. The selling and distribution costs decreased by approximately HK$1.9 million or 3.8% from approximately HK$49.5 million for the FY2023 to approximately HK$47.6 million for the FY2024. The decrease in selling and distribution costs was in line with the decrease in sales.

Administrative Expenses

The administrative expenses decreased by approximately HK$11.9 million or 20.6% from approximately HK$57.9 million for the FY2023 to approximately HK$46.0 million for the FY2024. The decrease in administrative expenses was mainly due to lower general administrative costs for reduced operational projects and the decrease in professional service fees.

Impairment loss recognised on other receivables

The impairment loss recognised on other receivables increased by approximately HK$17.8 million or 434.1% from approximately HK$4.1 million for the FY2023 to approximately HK$21.9 million for the FY2024. The increase in impairment loss recognised on other receivables was mainly due to an impairment loss recognised on a deposit paid of approximately HK$21.2 million for an acquisition of land use rights. The acquisition was terminated during the FY2023 and the counterparty did not refund the amount in 2024 and up to the date of this report and the uncollected amount was fully impaired during the Year.

Research and Development Expenses

The Research and development (the "**R&D**") expenses decreased by approximately 25.6% from approximately HK$16.8 million for the FY2023 to approximately HK$12.5 million for the FY2024. The decrease was mainly due to the reduction in number of R&D headcount. The Group spent its investments in research and development to enhance the competitiveness, production capacity, popularity of its products in the future while reducing labour costs. At the same time the Group would also apply for a deduction or exemption of PRC Enterprise Income Tax and grants and subsidies from the government in accordance with the requirements of the state. The related R&D projects include 3D engraving machines, 3D printers, 3D scanners and the development of an invisible orthodontic software.

Income Tax Expenses

Income tax expenses increased by approximately HK$2.0 million from income tax credit of approximately HK$0.1 million for FY2023 to approximately HK$1.9 million for the FY2024. The change was mainly due to an increase in the taxable income of the dental business for the Year.

Loan Receivable

The Group had no loan receivable as at 31 December 2024 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW – continued

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.

As at 31 December 2024, the fair value of financial assets at fair value through profit or loss was approximately HK$160.3 million (2023: approximately HK$193.1 million), representing approximately 31% of the total assets of the Group. The decrease in the financial assets at fair value through profit or loss of approximately 17.0% compared with 31 December 2023 was mainly due to the decline in the valuation of underlying equity and equity related securities invested by Zhuhai Partnership and Haoyi Partnership. The fair value loss on these financial assets at fair value through profit or loss was approximately HK$9.8 million during the Year (2023: approximately HK$21.3 million).

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 31 December 2024:

Investee	Principal businesses of the underlying investments	Interest held as at 31 December 2024	Cost or investment as at 31 December 2024 *HK$ million*	Fair value as at 31 December 2024 *HK$ million*	Percentage of fair value relative to total assets	Fair value profit/(loss) during the FY2024 *HK$ million*
Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.)* (珠海金鎰銘股權投資基金合夥企業(有限合夥))	Equity and equity related securities in the information technology, high-quality medical and health industries	5.51% limited partnership interests	167.1	117.0	22.6%	(2.9)
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	48.7	43.3	8.4%	(6.9)
Total				160.3		(9.8)

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

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW – continued

Significant Investments, Material Acquisitions and Disposals

Save as disclosed in this report, the Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year. There was no plan authorised by the Board for other material investments or additional capital assets as at the date of this report.

Bank Balances and Cash

The Group had a solid cash position for the Year under review, with bank balances and cash amounting to approximately HK$149.6 million as at 31 December 2024 (2023: approximately HK$174.1 million).

Capital Expenditure and Capital Commitments

During the Year, the Group invested approximately HK$7.0 million (2023: approximately HK$19.2 million) mainly on the purchase of equipment. As at 31 December 2024, the Group had no capital expenditure commitment (2023: Nil).

Contingent Liabilities

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

Charge on Assets

There was no charge on assets of the Group as at 31 December 2024 and 2023.

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 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 2024 amounted to approximately HK$431.2 million (2023: approximately HK$492.0 million).

As at 31 December 2024, the net current assets of the Group amounted to approximately HK$228.0 million (2023: HK$253.0 million). The current and quick ratio were 3.71 and 3.55 respectively (2023: 3.47 and 3.33 respectively).

As at 31 December 2024, indebtedness of the Group including an amount due to ultimate company of approximately HK$0.2 million (31 December 2023: approximately HK$0.1 million) 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.

As at 31 December 2024 and 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 31 December 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 861 employees in total as at 31 December 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.

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 two 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 penetration rate of high-end dental business or the current market scale, the oral market in China has the development potential to increase over tenfold.

The Group has formulated a number of growth strategies in the dental business, including enlarging its sales network in the PRC and foreign markets (such as the US), expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes, actively participating in relevant nationwide exhibitions, and increasing its bidding of public hospitals, in order to partner with large-scale chained private clinics, providing better services such as on-site technician services for clinics. Apart from the organic growth and sales network integration and consolidation for the dental business, the Group will also actively seek investment and collaboration opportunities in high-tech dental related areas so as to enhance cross-selling opportunities and to provide better returns of investment for the shareholders of the Company.

Health Care Business

According to the national "Healthy China 2030" plan, sports rehabilitation as an important part of health management, the State General Administration of Sport continues to promote the integration and development of various elements of public services for national fitness. In 2025, the Shenzhen Municipal Bureau of Sports further expanded the scale of "Sports and Health Integration Demonstration Points", and the sports and rehabilitation industry still has an advantage in terms of policy support. However, due to the downturn of the overall economy and the overall trend of conservative public health consumption, the rehabilitation clinics still face enormous growth challenges. This year, Hejia Rehabilitation Clinic will focus on brand building, expanding its influence in the industry and strengthening insurance co-operation, so as to further expand its share in the local market.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since 31 December 2024 and up to the date of this report.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The biographical details of the Directors are set out as follows:

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Kwok Ying Shing

Mr. Kwok Ying Shing, aged 60, has been appointed as an executive Director, the chairman of the Board (the "**Chairman**") and the chairman of the nomination committee of the Board (the "**Nomination Committee**") with effect from 26 February 2019. Mr. Kwok resigned as the Chairman and the chairman of the Nomination Committee and a member of the Remuneration Committee and remained as an executive Director from 9 April 2020. Mr. Kwok has reappointed as the Chairman and the Chairman of the Nomination Committee since 10 October 2022. Mr. Kwok acted as a member of the Remuneration Committee since 14 June 2024. Mr. Kwok is a substantial shareholder of Kaisa Group Holdings Ltd. ("**Kaisa Group**"), a company listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 1638), and a controlling shareholder of the Company. Mr. Kwok is also the chairman of the board of directors of Kaisa Capital Investment Holdings Limited, a company listed on the Stock Exchange (Stock Code: 936), and the co-chairman of the board of directors of Sing Tao News Corporation Limited, a company listed on the Stock Exchange (Stock Code: 1105). Mr. Kwok has extensive experience in real estate development, investment and financing management. Mr. Kwok is primarily responsible for our overall corporate strategies, planning and business development.

EXECUTIVE DIRECTORS

Mr. Luo Jun

Mr. Luo Jun, aged 44, has been appointed as an executive Director and the Chairman since 2 December 2016 and been appointed as the chairman of the Nomination Committee since 19 January 2018. With effect from 26 February 2019, Mr. Luo has ceased to act as the Chairman and the chairman and member of the Nomination Committee and been appointed as the chief executive officer (the "**Chief Executive Officer**") of the Company and the co-vice chairman of the Board and remains as an executive Director of the Company. Mr. Luo is also a director of certain subsidiaries of the Company. Mr. Luo has been appointed as an independent non executive director of Fangdd Network Group Ltd., a PRC incorporated company listed on the Nasdaq Stock Exchange (Nasdaq: DUO) since 10 June 2024. Mr. Luo was a director of Pacific Shuanglin Bio-pharmacy Co., Ltd. ("**Pacific Shuanglin**"), a PRC incorporated company listed on the Shenzhen Stock Exchange (Stock Code: 000403) from 2 May 2018 to 24 October 2023 and had acted as the general manager of Pacific Shuanglin from 2 May 2018 to 17 December 2018. Mr. Luo obtained his Bachelor Degree in Management from Nanjing University of Finance & Economics and Master Degree of Business Administration from Tongji University. Mr. Luo has extensive experience in operational planning and investment management in health care industry.

Mr. Liu Lihao

Mr. Liu Lihao, aged 41, has been appointed as an executive Director since 22 October 2024. Mr. Liu also act as an executive president and chief investment officer and an executive director of Kaisa Group, and is responsible for the management of investment and financing affairs of Kaisa Group. Mr. Liu joined Kaisa Group in August 2012 and served as the assistant president of its Real Estate Group (Beijing Region), the president of its Real Estate Group (Shanghai Region), the president and the chairman of its Shenzhen Group. Before joining Kaisa Group, Mr. Liu worked on commercial real estate analysis and operating management successively in DTZ Holdings Plc. and Guangming Technology Park Co., Ltd. of China Merchants Group. Mr. Liu has been a director of KAISA Jiayun Technology Inc. (a company listed on the ChiNext, stock code: 300242) since 14 September 2022 and a director of Pacific Shuanglin Bio-pharmacy Co., Ltd (a company listed on the main board of Shenzhen Stock Exchange, stock code 000403) since 21 May 2024. Mr. Liu graduated from Jiangxi University of Finance and Economics with bachelor's degrees of Economics and Laws.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS – continued

Ms. Luo Tingting

Ms. Luo Tingting, aged 40, has been appointed as an executive Director since 22 October 2024. Ms. Luo also act as the chief financial officer and an executive director of Kaisa Group, and mainly responsible for financial management of Kaisa Group. Ms. Luo joined Kaisa Group in April 2011, and successively served as the general manager of the Planning and Finance Department of Kaisa Group and president assistant of Kaisa Group. She had worked in a major accounting firm before joining Kaisa Group. Ms. Luo graduated from Jiangxi University of Finance and Economics majoring in public finance and English with a double bachelor's degree of economics and arts in July 2006.

Mr. Xie Binhong

Mr. Xie Binhong, aged 41, has been appointed as an executive Director since 22 October 2024. Mr. Xie also act as the chief human resources officer of Kaisa Group. Mr. Xie joined Kaisa Group in 2011 and has successively served as assistant to the president of its Commercial Group, vice president of its Shenzhen Region, vice president of its Real Estate Group, executive vice president of its International Group, and senior vice president of Kaisa Group. Mr. Xie was an executive director of Kaisa Prosperity Holdings Limited (stock code: 2168) from August 2023 to April 2024. Before joining Kaisa Group, Mr. Xie had worked in Financial Street Huizhou Real Estate Co., Ltd. (金融街惠州置業有限公司). Mr. Xie graduated from Peking University in June 2018 with a master's degree in business administration.

Mr. Yu Huiming

Mr. Yu Huiming, aged 35, has been appointed as an executive Director since 22 October 2024. Mr. Yu also act as the assistant president of the Company, and is mainly responsible for capital market, finance, human resource and legal work of the Group. Mr. Yu joined Kaisa Group in 2021, and successively served as the general manager of investment banking division, the head of the capital market division of Kaisa Group. He had worked in KPMG Huazhen LLP as an associate in financial service, Country Garden Holdings Company Limited as investment director, China Vanke Co., Ltd. as investment director before joining Kaisa Group. Mr. Yu graduated from Shanghai University of Finance and Economics with a bachelor's degree of Management and Columbia University in the City of New York with a master's degree of science.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Liu Yanwen

Dr. Liu Yanwen, aged 59, has been appointed as an independent non-executive Director and the chairman of the audit committee of the Board (the "**Audit Committee**") since 11 January 2017. Dr. Liu currently is the independent non-executive director of Shenyang Cuihua Gold and Silver Jewelry Co., Ltd., a PRC incorporated company listed on the Shenzhen Stock Exchange (Stock Code: 002731) and China Catalyst Holding Co., Ltd. a PRC incorporated company listed on the Shanghai Stock Exchange (Stock Code: 688267). Dr. Liu obtained his Doctorate degree in Technical Economics and Management from Dalian University of Technology in 2009 and is currently the associate professor in the Faculty of Management and Economics of the Dalian University of Technology.

Dr. Lyu Aiping

Dr. Lyu Aiping, aged 61, has been appointed as an independent non-executive Director since 5 March 2018. Dr. Lyu is currently the Vice President (Research and Development), the Chair Professor and the Acting Dean of School of Chinese Medicine of Hong Kong Baptist University. Dr. Lyu is also a member of the Chinese Medicine Development Committee in Hong Kong, and a member of the Chinese Pharmacopoeia Commission. Dr. Lyu obtained his Bachelor Degree from Jiangxi University of Traditional Chinese Medicine his Master and Ph.D. degrees in China Academy of Traditional Chinese Medicine. Dr. Lyu is focusing on the translational research in Chinese medicine and the development of new drugs based on Chinese medicine and has extensive experience in strategic planning and research for Chinese medicine development and the standardisation of Chinese medicine.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS – continued

Ms. Li Zhiying

Ms. Li Zhiying (formerly named as Ms. Li Yonglan), aged 45, has been appointed as an independent non-executive Director since 6 March 2021. Ms. Li is currently the deputy chief lawyer of the investment banking and legal affairs department of the Beijing Jingshi (Shenzhen) Law Firm since April 2020. From December 2008 to March 2020, Ms. Li worked as a lawyer in the Zhong Yin Law Firm in Beijing. From January 2006 to November 2008, Ms. Li served as the chief consultant of the online legal platform, China Civil and Commercial Law. From August 2003 to December 2005, Ms. Li was a legal assistant of Beijing Lixing Law Firm. Ms. Li was appointed as an independent non-executive director of Aerospace CH UAV Co., Ltd (航天彩虹無人機股份有限公司), a listed company in the Shenzhen Stock Exchange (Stock code: 002389), since 27 April 2022. Ms. Li obtained a bachelor's degree in Laws from the China Agricultural University in June 2003.

SENIOR MANAGEMENT

Mr. Yu Kwok Leung

Mr. Yu Kwok Leung, aged 49, has been appointed as the company secretary, an authorised representative and process agent of the Company ("**Company Secretary**") since 10 December 2018. Mr. Yu has also acted as the company secretary of Kaisa Group since 3 May 2018 and the company secretary of Kaisa Prosperity Holdings Limited, a company listed on the Stock Exchange (Stock Code: 2168) since 12 March 2019. Mr. Yu joined the Kaisa Group as the financial controller in April 2016 and is responsible for financial reporting, company secretarial duties and corporate finance activities of the Kaisa Group. Prior to that, Mr. Yu was the financial controller of a listed company in Hong Kong and as a senior audit manager in one of the international accounting firms. Mr. Yu obtained his bachelor degree of business administration in accountancy from the Hong Kong Polytechnic University. Mr. Yu is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu has many years of experience in accounting and finance.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

The Board considers effective corporate governance a key component in the Group's sustained development and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

During the year ended 31 December 2024, the Group has complied with the code provisions set out in Part 2 of the Corporate Governance Code (the "**Code**") as contained in Appendix C1 to the Listing Rules, except for the following deviation:

Code Provision D.2.5 of the Code stipulated that the issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. The Group has engaged an independent international audit firm to conduct internal control review annually and does not have an internal audit function. The Group will review the need to have an internal audit function on an annual basis. For further details on the Group's risk management and internal control please refer to pages 24 to 26 of the Annual Report.

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.

A. BOARD OF DIRECTORS

(1) Responsibilities

The overall management of the Group's business is vested in the Board, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs and overseeing the implementation of plans to enhance shareholder value. Every Director carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and takes decisions objectively in the interests of the Group and the shareholders.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the Board.

(2) Board Composition

The Board comprises the following Directors during the year ended 31 December 2024 and up to the date of this report:

Executive Directors

Mr. Kwok Ying Shing *(Chairman)*
Mr. Luo Jun *(Vice Chairman and Chief Executive Officer)*
Mr. Wu Tianyu *(Co-Vice Chairman) (retired on 14 June 2024)*
Mr. Zhang Huagang *(retired on 14 June 2024)*

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(2) Board Composition – continued

Executive Directors - continued

Mr. Liu Lihao *(appointed on 22 October 2024)*
Ms. Luo Tingting *(appointed on 22 October 2024)*
Mr. Xie Binhong *(appointed on 22 October 2024)*
Mr. Yu Huiming *(appointed on 22 October 2024)*

Independent Non-executive Directors

Dr. Liu Yanwen
Dr. Lyu Aiping
Ms. Li Zhiying

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time. The biographical details of the Directors as well as the relationships among them, if any, are set out under the section headed "Directors and Senior Management Profile" on pages 10 to 12 of this report.

Save as otherwise disclosed, the Board members, and in particular, the Chairman and the chief executive, have no financial, business, family or other material or relevant relationships with each other.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board, with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from all of its independent non-executive Directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers that all of them are independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board has reviewed the implementation and effectiveness of such mechanisms on an annual basis as follows:

Independent non-executive Directors

– independence of independent non-executive Directors of the Company is evaluated against the requirements set out in Rule 3.13 of the Listing Rules.

– annual confirmation from independent non-executive Directors regarding any changes to circumstances which may impair their independence.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(2) Board Composition – continued

Nomination and Appointment

– adopting the board diversity policy when nominating members of the Board.

Board and Committees' Structure

– reviewing the composition of the Board, and the Audit, Remuneration and Nomination Committees for compliance with the CG Code.

– reviewing the relationship among members of the Board, if any.

(3) Chairman and Chief Executive Officer

The Chairman, Mr. Kwok Ying Shing, is responsible for the formulation of overall corporate direction and business development strategy of the Group. He is also responsible for ensuring that good corporate governance practices and procedures are established, implemented and enforced.

The Chief Executive Officer, Mr. Luo Jun, is responsible for the day-to-day management of the Group and the implementation of the approved strategies.

(4) Appointment and Re-Election of Directors

According to code provision B.2.2 of the CG Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the paragraph 83(2) of the bye-laws of the Company (the "**Bye-laws**"), the Board shall have power from time to time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

During the year, Mr. Kwok Ying Shing and Mr. Luo Jun were re-elected as executive Directors and Dr. Liu Yanwen and Ms. Li Zhiying were re-elected as an independent non-executive Director at the annual general meeting on 14 June 2024.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference to consider for the appointment of new Director(s) of the Company and other related matters. During the year ended 31 December 2024, the Nomination Committee comprised one executive Director, Mr. Kwok Ying Shing (Chairman) and two independent non-executive Directors, namely Dr. Liu Yanwen and Dr. Lyu Aiping.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

Nomination Committee – continued

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures and policy for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessment of the independence of the independent non-executive Directors.

The nomination committee have adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Board target to achieve gender diversity with a male-female ratio of 4:3 within 5 years. The Board will review the board composition on annual basis. As a summary of the Board Diversity Policy which includes, the nomination, appointment and succession planning of Board member shall be considered from a number of factors, including but not limited to gender, age, cultural and educational background, professional experience and length of service. At present, the Board is composed of 7 male Board members and 2 female Board member, with a male-female ratio of 7:2. The Company will continue to achieve Board diversity with consideration of its own business model and specific need, and to monitor and develop new objectives for implementing and achieving improved diversity of the Board as and when it considers appropriate with regard to the specific needs of the Company and the market from time to time.

Please refer to page 45 of the ESG report for the gender ratio of the Group. As the Group has achieved male–female gender diversity at the workforce, the Group does not consider there are challenging factors in doing so.

As set out in the Nomination Committee's Terms of Reference, the Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, character, personal ethics and integrity and time commitments of such individuals as well as the Company's needs and market conditions. An external recruitment agency may be engaged to carry out the selection process when necessary.

The Nomination Committee did not hold any meeting during the year ended 31 December 2024. A written resolution has been passed and approved instead. The Nomination Committee performed the following work during the year:

(a) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company, and select and recommend candidates for directorship during the year;

(b) recommenced to the Board the re-election of the retiring Directors; and

(c) assessed the independence of the independent non-executive Directors.

During the year, the Company continued to monitor the board composition having regard to an objective criteria, including the needs of the Group's business and diversity.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(5) Induction and Continuing Development for Directors

Each newly appointed Director shall receive an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continuously updated with legal and regulatory developments, and the business and market changes to ensure that they have a proper understanding of the Company's business and operations and are fully aware of their duties and responsibilities under statute and common law, the Listing Rules and the Company's business and governance policies, to facilitate the discharge of their responsibilities. Professional briefings and development to directors will be arranged whenever necessary.

(6) Directors' Training

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

A summary of training received by the Directors for the year ended 31 December 2024 according to the records provided by the Directors is as follows:–

Name of the Directors	Participated in Continuous Professional Development*
Executive Directors	
Mr. Kwok Ying Shing	✓
Mr. Luo Jun	✓
Mr. Wu Tianyu (retired on 14 June 2024)	✓
Mr. Zhang Huagang (retired on 14 June 2024)	✓
Mr. Liu Lihao (appointed on 22 October 2024)	✓
Mr. Luo Tingting (appointed on 22 October 2024)	✓
Mr. Xie Binhong (appointed on 22 October 2024)	✓
Mr. Yu Huiming (appointed on 22 October 2024)	✓
Independent non-executive Directors	
Dr. Liu Yanwen	✓
Dr. Lyu Aiping	✓
Ms. Li Zhiying	✓

* by attending training/seminar/conference arranged by the Company or other external parties or reading relevant materials.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(7) Board Meetings

Board Practices and Conduct of Meetings

Board meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chairman, the Chief Executive Officer and the Company Secretary normally attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests between any member of the Group and a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Pursuant to the Bye-laws, Directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2024, 4 Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(7) Board Meetings – continued

The attendance records of each Director/Committee member at the meetings of the Board, the Nomination Committee, the Remuneration Committee, the Audit Committee and the General Meetings during the year ended 31 December 2024 are set out below:

	Number of meetings attended/ Number of meetings held during the Directors' tenure of office				
	Board meetings	**Remuneration Committee meetings**	**Nomination Committee meetings**	**Audit Committee meetings**	**General meetings**
Executive Directors:					
Mr. Kwok Ying Shing	2/4	N/A	N/A (Note b)	N/A	0/1
Mr. Luo Jun	4/4	N/A	N/A	N/A	1/1
Mr. Wu Tianyu	2/2	N/A (Note a)	N/A	N/A	0/1
Mr. Zhang Huagang	2/2	N/A	N/A	N/A	1/1
Mr. Liu Lihao	1/1	N/A	N/A	N/A	0/0
Mr. Luo Tingting	1/1	N/A	N/A	N/A	0/0
Mr. Xie Binhong	1/1	N/A	N/A	N/A	0/0
Mr. Yu Huiming	1/1	N/A	N/A	N/A	0/0
Independent Non-Executive Directors:					
Dr. Liu Yanwen	4/4	N/A (Note a)	N/A (Note b)	2/2	1/1
Dr. Lyu Aiping	4/4	N/A (Note a)	N/A (Note b)	2/2	1/1
Ms. Li Zhiying	4/4	N/A	N/A	2/2	1/1

Notes:

(a) Please details, refer to the section headed "Remuneration Committee" on page 21 of this report.

(b) Please details, refer to the section headed "Nomination Committee" on page 15 of this report.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(8) Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 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 year ended 31 December 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 year ended 31 December 2024.

Company Secretary

The Company Secretary advised and served to all of the Directors during the year. The Company Secretary reported to the Chairman on corporate governance matters, and is responsible for ensuring that procedures of the Board were followed, and for facilitating communications among directors as well as with shareholders and management.

The Company Secretary's biography is set out in the section headed "Directors and Senior Management Profile" of this report. In compliance with Rule 3.29 of the Listing Rules, the Company Secretary has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2024.

B. DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Group, including but not limited to the approval and monitoring of all policy matters, overall strategies and development, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, budgets, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operations of the Group are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. The Board will give directions to the senior management as to their powers of management, and circumstances where they should report back. Approval has to be obtained from the Board prior to any decision making on significant transactions or entering into any significant commitments on behalf of the Company.

The senior management has an obligation to supply the Board and its Committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each Director have separate and independent access to the senior management.

In addition, the Board has established three Committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Group's affairs. All these Committees are established with defined written terms of reference which are published on the Company's website at www.kaisahealth.com and on the Stock Exchange's website at www.hkexnews.hk.

CORPORATE GOVERNANCE REPORT

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the directors and senior management of the Group. Details of the remuneration of each Director for the year ended 31 December 2024 are set out in note 11 to the consolidated financial statements.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference to consider for the remuneration for Directors and senior management of the Company and other related matters. During the year ended 31 December 2024, the Remuneration Committee comprised one executive Director, Mr. Wu Tianyu, as a member of the Remuneration Committee, who was retired on 14 June 2024, Mr. Kwok Ying Shing acted as a member of the Remuneration Committee since 14 June 2024 and two independent non-executive Directors, namely Dr. Lyu Aiping (chairman of the Remuneration Committee) and Dr. Liu Yanwen.

The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure and determining the remuneration packages of Directors and senior management. It is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of human resources data and making recommendations to the Remuneration Committee for consideration.

The Remuneration Committee did not hold meetings during the year ended 31 December 2024. A written resolution has been passed and approved instead. The Remuneration Committee performed the following work during the year:

(a) To review generally the remuneration policy (including for executive Directors) and structure of the Group to make recommendations to the Board on the remuneration packages of individual executive directors and senior management;

(b) To assess the performance of the executive Directors and the senior management;

(c) To determine the remuneration packages, approving the terms of executive directors' service contracts, as well as the annual bonuses of the executive Directors and the senior management; and

(d) To consider and implement other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time.

CORPORATE GOVERNANCE REPORT

D. ACCOUNTABILITY AND AUDIT

(1) Directors' Responsibilities for Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements on inside information and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(2) Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board is also responsible for maintaining an adequate internal control system, including determining the policies on corporate governance to safeguard the interests of the shareholders and the assets of the Company and, with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The Board has conducted an annual review of the effectiveness of the internal control system, covering all material controls, including financial, operational and compliance controls of the Group by the independent international audit firm for the year ended 31 December 2024, and has reviewed the report and the findings by the independent consultancy firm. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

(3) Audit Committee

The Audit Committee was established with written terms of reference in accordance with Appendix C1 to the Listing Rules. During the year ended 31 December 2024, the Audit Committee comprised three independent non-executive Directors, namely Dr. Liu Yanwen, chairman of the Audit Committee, Dr. Lyu Aiping and Ms. Li Zhiying.

The main duties of the Audit Committee include review of the financial information of the Group, review of the relationship with and the terms of appointment of the independent auditor, and review of the Group's financial reporting system, internal control system, risk management system and associated procedures.

CORPORATE GOVERNANCE REPORT

D. ACCOUNTABILITY AND AUDIT – continued

(3) Audit Committee – continued

The Audit Committee held 2 meetings during the year ended 31 December 2024. The attendance records are set out under the section headed "Directors' Attendance Records" of this report. The Audit Committee performed the following work during the year:

(a) reviewed the Group's unaudited annual financial statements for the year ended 31 December 2024, the annual audited financial statements with the independent auditor for the year ended 31 December 2024, and reviewed the unaudited interim financial statements for the six months ended 30 June 2024, including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements; and

(c) reviewed the Group's risk management and internal control system and related matters.

(4) Independent Auditor and Auditor's Remuneration

The report from independent auditor of the Group about their responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 70 to 74.

The independent auditor of the Company has been changed from Grant Thornton Hong Kong Limited to Elite Partners CPA Limited with effect from 11 July 2022, and Elite Partners CPA Limited resigned as the independent auditor and the Company appointed SFAI (HK) CPA Limited with effect from 25 October 2024 to fill the casual vacancy. Save as disclosed, there has been no other changes in auditors of the Company for the preceding three years.

The remuneration paid to the Company's independent auditor in respect of audit services and non-audit services for the year ended 31 December 2024 is set out below:

Services rendered	Remuneration paid/Payable
SFAI (HK) CPA Limited	
Audit services	HK$1,200,000
Non-audit services	Nil
Elite Partners CPA Limited	
Audit services	Nil
Non-audit services (including tax filing services and due diligence services for the Group's subsidiaries)	HK$164,000

CORPORATE GOVERNANCE REPORT

E. RISK MANAGEMENT AND INTERNAL CONTROL

Code provisions D.2.1 to D.2.4 of the CG Code stated (a) the requirements of the Board to conduct a review of the effectiveness of issuer's and its subsidiaries' risk management and internal control systems; (b) the issuer should disclose a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period.

With respect to code provision D.2.4, the Company has the process used to identify, evaluate and manage significant risks through reviewing internal resources of the Group as given from Finance Department and provide suggestions to the Board for Company's development plan. Risk management committee has been formed for this purpose with members of executive Directors, independent non-executive Directors, Head of Finance Department, Head of Compliance Department to discuss the progress of each development project and proposal of new projects. The risk management committee will review the project effectiveness. It is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable and not absolute assurance against material misstatement or loss.

With respect to code provision D.2.5 of CG Code, the issuer should have an internal audit function. The Group does not have this internal audit function. Alternatively the Group engaged an independent international consultancy firm to conduct internal control review to provide independent assurance to the Board and senior management on the adequacy and effectiveness of internal controls for the Group. The annual work plan of internal control review covered all material controls, including financial, operational and compliance controls, and major activities and processes of the Group's material business and service units. If necessary, the internal control review exercise would cover other review and investigative work as may be required. The internal control review results were submitted to the Board and senior management. Internal control review issues are tracked and followed up for proper implementation, with progress reported to the Board, executive and senior management periodically.

The Company has developed and adopted risk management procedures and guidelines with defined authority according to staff positions and responsibilities coordinated by the Finance and Human Resources Department of the Group for implementation by key business processes and office functions. The Board, together with the Audit Committee, should collect the information from the risk management system, include discussions of risk and oversight of the management of those risks into the agenda of Board meetings. The Directors, through the audit committee of the Company, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, for the year ended 31 December 2024.

Based on the results of internal control review exercises, the Group is satisfied that (a) the significant risks faced by the Group that threaten the achievement of its business objectives is identified and evaluated; (b) the internal control system are considered effective and adequate during the year; and (c) there is no unresolved significant areas of concerns noted by the Board. When material internal control defects exists, meetings for discussion will be held to resolve the defects, and regular review will be made to monitor the progress.

Moreover, with respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has the following procedures and policies:

CORPORATE GOVERNANCE REPORT

E. RISK MANAGEMENT AND INTERNAL CONTROL – continued

Policies on dissemination of inside information

1. The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (a) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (b) communicating with the Group's stakeholders, in ways which are in compliance with the Securities and Futures Ordinance (the "**SFO**") and the Listing Rules, and any revision thereof. The Board decides whether or not a transaction, development or event constitutes inside information and disclosure of which shall be made immediately, and when a trading halt is required. Chairman of the Board shall be the authorised spokesperson for the Board and the Company unless resolved otherwise by the Board.

2. Regular reports are prepared by employees for a variety of functional reasons, which help identify material information. The regular reports include:

    a. regular management reports provided by the Company's divisions/departments and operating subsidiaries to the Board, which include updates and analyses of the ongoing development and performance of the projects and initiatives being undertaken; and

    b. monthly management accounts provided to the Board upon request, which include variance analyses of the Group's financial and operational performance.

3. An employee who becomes aware of a matter, development or event that he/she considers to be material or inside information shall report it promptly in writing to his/her division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report it to the Board and/or the Company Secretary.

4. Upon being notified, the Board and/or the Company Secretary shall assess the materiality of the relevant information, determine the appropriate course of actions and, if considered appropriate, consult the Chairman who may convene a Board meeting to consider and decide whether or not the information constitutes inside information and disclosure of which shall be made immediately.

5. When considering a disclosure, the Board shall decide on the scope of information to be released and the timing of the release.

6. A record of the meeting and discussions of Board concerning the assessment of the information shall be kept.

7. Inside information and other information which is required to be disclosed pursuant to the Company's statutory disclosure obligations will be announced via the electronic publication system operated by the Stock Exchange before any press releases regarding the matter is published on the Group's website.

8. Inside information to be disclosed must be accurate and complete in all material aspects and not be misleading or deceptive. The Board must take reasonable steps to verify the accuracy and completeness of the relevant information before it is publicly disclosed.

9. Heads of the relevant divisions/departments that identified and handled the inside information shall provide the Board with the precise details to enable them to prepare the related announcement or press release, if necessary, and confirm the accuracy and completeness of the information before it is publicly disclosed.

E. RISK MANAGEMENT AND INTERNAL CONTROL – continued

Internal control and policies on handling inside information

1. All officers of the Group must take reasonable care to safeguard the confidentiality of all inside information in their possession or control. Access to inside information shall be restricted, as far as practicable, to the highest level of management and on a need-to-know basis. The responsible senior executive shall (a) maintain a list of personnel who have access to the withheld inside information; and (b) closely monitor and regularly report to the Board and/or the Company Secretary on the development or progress of the relevant matter. The Board and/or the Company Secretary shall, before the inside information is disclosed, closely monitor the activity of the Company's securities, and prepare a "holding" announcement to be released when there is growing rumour of the undisclosed information.

2. All officers of the Group who possesses unpublished inside information must:

   – refrain from discussing that information with, or divulging that information to, any persons who are not authorised by the Board to receive that information; and

   – ensure that any documents or other written material in his/her possession in relation to that information are properly and securely stored and are not disclosed to any unauthorised persons.

3. Officers of the Group must not deal in the Company's securities when they are in possession of unpublished inside information. Details of dealing restrictions imposed on Directors and relevant employees are set out in the Model Code and the Employees Written Guidelines.

4. Any external parties who may become privy to unpublished inside information shall be informed that they must not divulge such information to any unauthorised persons, other than in the normal course of business, without the Company's prior written consent. Unless an obligation of confidentiality is implicit in the relationship with an external party, such parties who have access to unpublished inside information shall (a) confirm their commitment to non-disclosure of the received information in the form of a written confidentiality agreement or in a standard clause within the contract signed with any entities within the Group; and (b) undertake not to deal in the Company's securities whilst they are in possession of the unpublished inside information until such information has been publicly disclosed.

Payment of dividends

The Board will regularly review the performance of the Group on semi-annually basis in order to declare payments of dividend if it is appropriate.

CORPORATE GOVERNANCE REPORT

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information, which enable shareholders and investors to make the best investment decision.

Annual general meetings provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective Committees normally attend shareholders' meetings of the Company to answer shareholders' questions. During the year ended 31 December 2024, the Company held the annual general meeting on 14 June 2024.

For further details of the Group's communication policy with shareholders, please refer to the section headed "Right to Put Enquiries to the Board and Communication with the Company".

With the two way interaction with shareholders in the annual general meeting during the year, and the channel for shareholders to deposit enquiries to the Company, the Group considered the implementation of the shareholders' communication policy to be effective.

G. SHAREHOLDERS' RIGHTS

(1) Voting by Shareholders

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

(2) Convening of Special General Meetings and Requisition by Shareholders

Shareholders shall have the right to request the Board to convene a special general meeting. Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company may send a written request to the Board or the Company Secretary to requisition a special general meeting for the transaction of any business specified in such requisition. The written requisition, duly signed by the shareholders concerned, must state the purpose of the meeting and must be deposited at the registered office of the Company.

The Company will take appropriate actions and make necessary arrangements and the shareholders concerned will be responsible for any expenses incurred in giving effect thereto in accordance with the requirements under Section 74 of the Companies Act 1981 of Bermuda (the "**Companies Act**") once a valid requisition is received.

CORPORATE GOVERNANCE REPORT

G. SHAREHOLDERS' RIGHTS – continued

(3) Procedures for Making Proposals at General Meetings by Shareholders

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

(a) any members representing not less than one-twentieth (5%) of the total voting rights of the Company on the date of the requisition; or

(b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company to Mr. Luo Jun, the Chief Executive Officer, at 30/F, The Center, 99 Queen's Road Central, Central, Hong Kong. The Company will take appropriate action and make necessary arrangements and the shareholders concerned will be responsible for any expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act once valid documents are received.

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company.

(4) Right to Put Enquiries to the Board and Communication with the Company

Apart from communicating with the Company through general meetings, Shareholders may send their enquiries and concerns, proposals at the upcoming general meetings, and their views on other matters affecting the Company to the Board by addressing them to the company secretary of the Company at 30/F, The Center, 99 Queen's Road Central, Central, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Chief Executive Officer of the Company.

H. CONSTITUTIONAL DOCUMENTS

There was no change to the Bye-laws during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

The objective of this Environmental, Social and Governance ("**ESG**") Report is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

Unless otherwise stated, this ESG Report covers the environmental performance of Shenzhen Jinyouran Technology Company Limited* (深圳市金悠然科技有限公司), Dongguan Jinyouran Technology Company Limited* (東莞市金悠然科技有限公司), Jinyouran Technology Company Limited, Hegang* (鶴崗市金悠然科技有限公司) and our headquarter offices in Shenzhen and Hong Kong while the social and governance performance covers all the operations of the Group. The subsidiaries included are the largest scale operation of the Group, which covers more than 90% of the total revenue of the Group.

Reporting Standards

The Report has been prepared in accordance with the requirements set out in the "Environmental, Social and Governance Reporting Guide" ("**ESG Reporting Guide**") contained in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEX**"). The Board reviewed, confirmed and approved the Report on 24 March 2025. The Environmental, Social and Governance Reporting Guide has been renamed as the Environmental, Social and Governance Reporting Code with effect from 1 January 2025. We are currently in the transition phase and have committed to start preparing the relevant ESG report in our 2025 with the code.

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT – continued

Reporting principles

During the preparation of the Report, the Group summarized its performance in corporate and social responsibilities using the reporting principles of "Materiality," "Quantitative," "Balance," and "Consistency." Please refer to the table below for the Group's understanding of and response to these reporting principles.

Reporting principles	Implications	The Group's Response
Materiality	The Report should contain issues that reflect material ESG impact or substantially affect stakeholders.	Engage stakeholders through various communication channels to better understand their concerns relating to sustainability issues that affect them. A materiality assessment was conducted to determine material ESG issues, with results approved by the Board.
Quantitative	The Report should disclose key performance indicators in measurable ways, allowing for the evaluation and validation of the effectiveness of ESG policies and management systems.	Quantitative information is provided with narrative and comparative figures
Balance	The Report should present the performance of the Group in an unbiased manner. The Report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment of the Report reader.	The Group aims to keep the ESG report balanced and make fair disclosures on critical aspects. The Report discusses the Group's achievements and challenges in the aspect of sustainable development.
Consistency	The Report should use consistent disclosure methodologies to enable meaningful comparisons of ESG data over time. The issuer should disclose the changes in methodologies (if any) or any other relevant factors affecting meaningful comparison in the ESG Report.	The Group has reported in accordance with the "ESG Reporting Guide". Consistent methodologies were adopted throughout the Report.

Stakeholders' Feedback

As the Group strives for excellence, stakeholders' feedback is appreciated, especially on topics listed as of the highest importance in the materiality assessment, as well as its ESG approach and performance. Please give your suggestions or share your views with us at the email address: info@kaisahealth.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. SUSTAINABLE DEVELOPMENT PHILOSOPHY AND GOVERNANCE

Development Goals of Sustainable Governance

While promoting stable business growth, the Group considers the environmental, social and governance responsibilities of corporations as one of the core values in its business operations. It will actively manage the impact of our operations on the environment and society, strive to fulfil our environmental and social responsibilities, enhance the Group's sustainability and transparency, and create a green sustainable future for the next generation.

Sustainable Governance Strategies

In order to implement the Group's sustainable development philosophy, the Group has established a top-down environmental, social, and governance ("**ESG**") structure. The Board is responsible for formulating ESG strategies, evaluating and determining the Group's ESG risks, as well as ensuring the effectiveness of risk management and internal control. The staff of various departments within the Group (including the Human Resources Department, Administration Department, Procurement Department, and Finance Department) are responsible for conducting ESG work and reporting assessments.

The Group is committed to fulfilling various aspects of corporate social responsibility, including energy-saving measures, greenhouse gas reduction, providing training and development opportunities for staff, ensuring environmental compliance, and offering a safe and healthy work environment.

Board Involvement

The Board strives to incorporate sustainable development into the Group's business development and has assumed full responsibility in the following areas:

- assessing and determining the Group's ESG-related risks and opportunities;
- ensuring that the Group has equipped with an appropriate and effective risk management and internal control system;
- formulating the Group's ESG management policies, strategies, priorities and goals;
- reviewing the progress of ESG work and performance on a regular basis; and
- approving the disclosure of information in the Group's ESG Report.

The Board regularly evaluates, identifies and manages sustainable development risks and strives to create long-term value for stakeholders by discovering potential opportunities through compliance with regulatory requirements and industry practices. In addition, the Board reviews the implementation of various ESG objectives regularly and adjusts these objectives when appropriate and practicable, to minimise the corporate development's impact on the environment and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. SUSTAINABLE DEVELOPMENT PHILOSOPHY AND GOVERNANCE – continued

Stakeholder Engagement

The Group actively engages with stakeholders to identify ESG issues that need to be addressed. Stakeholder engagement is the process through which an organization involves parties who may be affected by the decision it makes or can influence the implementation of its decisions. The Management had performed the following:

- generated a comprehensive list of stakeholders by consulting various departments within the Group;
- relied on ongoing communication channels and day-to-day interactions, and dedicated meetings (whenever deemed necessary) to engage these stakeholders; and
- reduced the list of stakeholders into a manageable size and complete the Stakeholder Influence – Dependency Matrix to work out a list of key stakeholders.

The following table shows the expectations and requirements of the key stakeholders as identified by the Group.

Stakeholders	Expectations and Concerns	Communication channels
Government/regulatory organizations	• Compliance with laws and regulations • Fulfilment of tax obligations	• Announcements and other regulatory reports
Shareholders and investors	• Return on investments • Corporate governance • Sustainable development • Compliance with laws and regulations	• Information disclosed on the HKEX website and corporate website • Annual general meeting and other shareholders' meetings
Employees	• Employees' compensation and benefits • Career development • Occupational safety and health	• Employee performance evaluation • On-the-job training • Internal email • Regular meetings
Suppliers	• Fulfilment of promises • Creditworthiness • Long-term co-operation	• Supplier selection assessment • Performance assessment • Supplier meetings
Customers	• High quality products and services • Protection of customer rights and personal data	• Corporate website • Emails and phone communications
Community/Public	• Compliance with laws and regulations • Involvement in communities • Environmental protection awareness	• Industry events • Corporate social responsibility activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. SUSTAINABLE DEVELOPMENT PHILOSOPHY AND GOVERNANCE – continued

Materiality Assessment

During the reporting period, the Group evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction satisfy the stakeholders' expectations and requirements.

Step 1: Identify potential ESG issues

Taking into account the requirements of "ESG Reporting Guide" and the latest sustainability trends in the industry to identify relevant material issues. Twenty-one ESG issues were identified where they mattered most to the Group's businesses and stakeholders:

Step 2: Materiality assessment

To determine the materiality of the ESG issues, the view of the Group's senior management as well as our key stakeholders was sought. The relevance/importance of each of the ESG issues was assessed and scored according to their views on a scale of 1 to 6 (1 is irrelevant and 6 is crucial).

Step 3: Priority

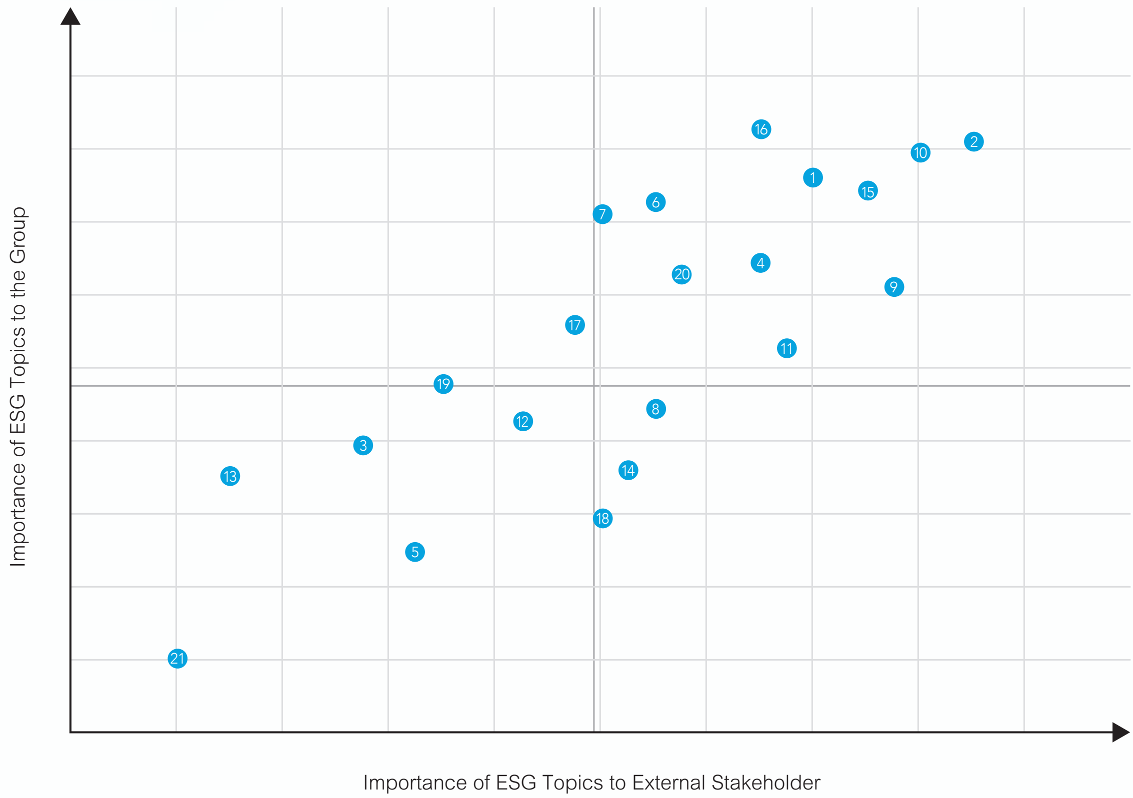
Based on the materiality assessment result, the Group prioritized the issues in two dimensions, namely, "Importance of ESG Topics to the Group" and "Importance of ESG Topics to External Stakeholders" and prepared the materiality matrix as below. The ESG issues that fall within the top right-hand quadrant are of the greatest importance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. SUSTAINABLE DEVELOPMENT PHILOSOPHY AND GOVERNANCE – continued

Materiality Assessment – continued

Materiality Assessment Matrix



2. SUSTAINABLE DEVELOPMENT PHILOSOPHY AND GOVERNANCE – continued

Materiality Assessment – continued

Aspects	Major concerns
Environment	1. Air emission
	2. Greenhouse gas emission
	3. Wastes production
	4. Natural resources consumption
	5. Use of packaging materials
	6. Impact to the environment
	7. Climate change
Employment	8. Labour practices
	9. Employee remuneration and benefits
	10. Occupational safety and health
	11. Employee development and training
Supply Chain Management	12. Green procurement
	13. Engagement with suppliers
	14. Environmental and social risk management of supply chain
Product Responsibility	15. Product/service quality and safety
	16. Customer privacy and data security
	17. Marketing and promotion
	18. Intellectual property rights
Anti-corruption	19. Business ethics & anti-corruption
	20. Internal grievance mechanism
Community	21. Participation in philanthropy

According to the materiality matrix, the topics in the upper right-hand corner are relatively more important ESG aspects. These are "Greenhouse gas emissions", "Occupational safety and health" and "Product/service quality and safety". While considering our environmental and social responsibilities, the Group will pay more attention to the above areas. In order to effectively respond to stakeholders' concerns, the Group will focus on strengthening discussions on material issues, fully considering the opinions of all stakeholders, and practically optimizing our long-term development strategy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL ASPECTS

Kaisa Health places great importance on the negative impacts that the Company may have on the natural environment during its operations. By implementing a series of management guidelines, the Group actively integrates environmental protection concepts into core businesses to effectively use natural resources, reduce pollution on the environment, and ultimately minimize our impact on the environment.

Emissions

Greenhouse gas emissions and other air pollutants

The Group's air emissions are mainly due to the use of motor vehicles and the use of emergency generators. Kaisa Health has established and strictly implemented the Guidelines on Vehicle Use Management to provide clear guidelines for vehicle use of employees. Employees are encouraged to plan travelling routes reasonably, turn off idling engines after reaching the destinations and refrain from the use of air-conditioning when the vehicles are idle. The Group also conducts regular inspections and maintenance on the vehicle structure and equipment to promote energy savings and reduce pollution. Moreover, in response to the power curtailment measures of the Shenzhen Municipal Government, the Group used emergency generators to generate electricity during the year to reduce the impact of the power curtailment policy on the Group's daily operations.

Wastes management

The Group has established and strictly implemented the Guideline on Solid Waste Management (《固體廢物管理規範》) to provide clear guidelines to employees on the categorization and handling of waste. This includes hazardous recyclable waste, hazardous non-recyclable waste, non-hazardous recyclable waste and non-hazardous non-recyclable waste. In order to raise the employees' awareness of waste reduction, the Group has appointed designated personnel to supervise the implementation of waste reduction controls and conduct 6S management in the plant, which includes Sort, Straighten, Sweep, Clean, Self-discipline and Safety. Due to the nature of the business, the Group will not directly generate a large amount of hazardous waste.

Non-hazardous recyclable waste and non-hazardous non-recyclable waste are generally living wastes, which would be collected by recycling companies and relevant government department. Employees are required to label hazardous waste clearly for identifications purpose, if any. The Group has taken measures to prevent sunlight, rainwater and to control dust leakage. All hazardous waste, if any, should be handled by suppliers and qualified hazardous waste disposal companies with segregated storage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL ASPECTS – continued

Emissions – continued

Emissions statistics

	Unit	2024	2023	Percentage changed
Air emissions				
Nitrogen oxide	kg	**3.1**	2.6	+19.2%
Respiratory suspended particles	kg	**0.2**	0.2	–
Sulphur oxides	kg	**0.1**	0.1	–
Greenhouse gas emissions				
Scope 1 – direct greenhouse gas emission	Tonne	**21.4**	20.6	+3.9%
Scope 2 – indirect greenhouse gas emission	Tonne	**836.2**	894.1	–6.5%
Total emissions	Tonne	**857.6**	914.7	–6.2%
Emission intensity	Tonne/m^2 of project area	**0.14**	0.15	–6.7%
Wastes				
Hazardous wastes	Tonne	**N/A**	N/A	–
Non-hazardous waste	Tonne	**–**	6.6	–100.0%
Non-hazardous waste intensity	Tonne/m^2 of project area	**–**	0.001	–100.0%

Compliance with laws and regulations

During the reporting period, the Group strictly abides by laws and regulations in the PRC related to environment, including but not limited to the following:

- the Law on Prevention and Control of Pollution from Environmental Noise,
- the Law on Environmental Protection,
- the Law on the Prevention and Control of Solid Waste Pollution,
- the Law on the Prevention and Control of Air Pollution,
- the 13th Five-Year Plan for Controlling Greenhouse Gas Emissions,
- the Law on Prevention and Control of Environmental Pollution by Solid Wastes; and
- the Regulations of Guangdong Province on the Prevention of Environmental Pollution by Solid Wastes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL ASPECTS – continued

Use of Resources

Increasing efficiency in resource use is also an environmental protection issue to which the Group has attached great importance. In order to fulfil its corporate environmental obligations, the Group actively raises energy efficiency in its daily operation. Meanwhile, we also review and assess the efficiency and effectiveness of our environmental protection plans to reduce energy consumption and facilitate us in maintaining a good balance between environmental protection and business growth.

The Group has established the Guideline on Conserving Energy and Reducing Consumption and proactively implemented the following energy-saving and resource consumption measures. The major resources consumed and corresponding conservation measures are as follows:

Resources	Energy-saving and resource consumption measures
Electricity	• Select energy-saving products when purchasing new electric appliances • Switch off unused electric appliances, lights and machinery • Turn on the air-conditioner only when the temperature is above 26ºC
Raw materials and ancillary materials for production	• Establish policies and procedures to control the material procurement, inspection, storage, stock in and out process • Set material consumption quotas and continuously improve the utilization rates to reduce material losses
Water	• Reuse water in industrial processes • Prevent water leakage by reinforcing maintenance work of water facilities • Revamp the production process by adopting of non-water consumption method • Immediately stop and report any wasteful water practices
Paper	• Introduce paperless office • Make use of both sides of the paper whenever it is feasible

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL ASPECTS – continued

Use of Resources – continued

The consumption data recorded for the year ended 31 December 2024 is as below:

Resources	Unit	2024	2023	Percentage changed
Energy consumption				
Non-renewable fuel (direct)	kWh	**78,851**	73,436	+7.4%
Purchase of energy (indirect)				
– Electricity	kWh	**1,347,584**	1,465,558	–8.0%
Total energy consumption	kWh	**1,426,434**	1,538,994	–7.3%
Total energy consumption intensity	kWh /m^2 of project area	**238.2**	257.0	–7.3%
Water	m^3	**2,962**	17,099	–82.7%
Water consumption	m^3/m^2 of project area	**0.5**	2.9	–82.8%

Water and sewage treatment

The Group has established the Guidelines on Wastewater Discharge Management to monitor wastewater generated from the factory and office areas. Wastewater that contains chemicals substances is stored separately. Designated personnel are assigned to conduct regular inspections on the maintenance of pipelines to prevent water leakage. There were no issues reported in the procurement of applicable water usage throughout the year.

Packaging materials

The packaging materials used by the Group are primarily plastic wrapping films and carton boxes. Despite the use of packaging materials for the Group's products, the Group makes every effort to minimize the resources wastage.

Packaging materials	Unit	2024	2023	Percentage changed
Paper material and carton boxes	tonne	**1.6**	1.6	–
Plastic bags and plastic materials	tonne	**2.8**	2.8	–
Total packing materials used	tonne	**4.4**	4.4	–
Total packaging material consumption intensity	Kg/million of revenue [1]	**24.6**	24.4	+0.8%

Note:

1. To more accurately reflect the actual performance of the Group, the intensity for the reporting period is calculated based on the operating revenue of the Group's dental business, which amounted to HK$178,981,000 in 2024 and HK$179,441,000 in 2023 for the dental business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL ASPECTS – continued

Use of Resources – continued

Emission Reduction Targets

In order to reduce the impact of the Group's business on the environment, the Group has set the following targets for the use of resources, including greenhouse gases, waste, energy and water resources. The Group will review and evaluate its resource usage targets and actual consumption annually.

Types of Resources	Emission Reduction Targets set at FY2021	Results in FY2024 compare to FY2021
Greenhouse gases	Reduce carbon dioxide equivalent emissions by 10% within 5 years	CO_2 equipment emissions reduced by about 39%
Non-hazardous waste	Reduce non-hazardous waste by 10% within 5 years	Non-hazardous wastes reduced by 100%
Energy	Reduce total electricity consumption by 10% within 5 years	Energy consumption reduced by approximately 15%
Water consumption	Reduce total water consumption by 10% within 5 years	Water consumption reduced by 76%

The Environment and Natural Resources

The Group's operations do not involve the use of a large amount of non-renewable energy, forest resources, or have impacts on biodiversity. Therefore, its operations do not significant impacts the environment and natural resources.

To better understand the environmental impacts caused by the Group, the management has established and implemented the Procedures on Environmental Factors Identification and Environmental Impacts Assessment to identify, assess and manage the work processes that may have an impact on the environment. All departments are required to identify the potential environmental impacts caused by their respective daily operations and document them in the Evaluation Form of Identification of Environmental Factors and Environmental Impacts. This evaluation covers areas such as wastewater, waste gas, solid waste, noise, pollutants and energy consumption, which affect surrounding residents. The quality inspection department will assess the evaluation results and establish management goals to reduce environmental impact. Moreover, regarding the discharge of sewage, the Group complies with the Law of the People's Republic of China on the Prevention and Control of Water Pollution.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL ASPECTS – continued

Climate Change

The Group understands that extreme weather conditions, such as rainstorms, floods or heat flows, which may cause damage to the Group's property or significantly impact our business activities, are becoming more common and intense and could potentially affect our operations. The Group's Employee Handbook provides all employees with clear and comprehensive guidance on dealing with typhoons and rainstorm warnings. To mitigate the impacts of climate change, the Group will take the following measures to prepare the Group's employees for extreme weather conditions:

- Review and update the Typhoon Policy within the Employee Handbook annually; and
- Monitor and review significant climate-related risks and opportunities annually.

The processes used to identify, evaluate and manage significant risks (including significant climate-related issues) by the Group are summarised as follows:

Risk Identification	• Identifies risks that may potentially affect the Group's business and operations.
Risk Assessment	• Assesses the risks identified by using the assessment criteria developed by the management; and • Considers the impact and consequence on the business and the likelihood of their occurrence.
Risk Response	• Prioritizes the risks by comparing the results of the risk assessment; and • Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.
Risk Monitoring and Reporting	• Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place; • Revises the risk management strategies and internal control processes in case of any significant changes in the situation; and • Reports the results of risk monitoring to the management and the Board regularly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL ASPECTS – continued

Climate Change – continued

Moreover, the Group will also consider the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**") to strengthen governance processes and incorporate climate-related risks and opportunities into the Group's future risk assessments and business strategies. These include (i) physical risks and (ii) transition risks. We have identified the relevant risks and opportunities below:

Transition risks	Actual or potential impacts	Response measures
Policy and laws • More stringent environmental regulations	• Increased operating costs (Medium)	• Pay close attention to and comply with the policies and regulatory requirements of the countries in which we operate • Regularly review and track updates to relevant regulations. • Actively seek low emission alternative products or services.
Technology • Low carbon transition demands higher requirements for equipment and technology	• High technology costs may increase operating costs of businesses (Medium)	• Closely monitoring the carbon footprint of the operation • Budgeting for R&D expenditure and capital investment
Market • Growing concern over climate change • Shifting market preference towards low-carbon products and clean energy	• Changes in raw material prices and emission requirements leading to higher production costs (Medium)	• Proactive search for low-emission alternative products or services • Regular monitor market-related risks
Reputation • Low carbon image has become an important indicator for stakeholders to assess the impact of energy companies	• Failure to adequately respond to stakeholder expectations for low carbon development may have a negative impact on the Company's reputation and brand image (Short)	• Cater for the public's views on climate change and integrating environmental protection measures into business operations

3. ENVIRONMENTAL ASPECTS – continued

Climate Change – continued

Physical risks	Actual or potential impacts	Response measures
Acute • The intensity and frequency of extreme weather events (e.g. storms, natural disasters and flooding) are increasing significantly	• Disruption of daily production and operations • Disruption of supply chains (Short)	• Clear and comprehensive guidelines on the handling of typhoon and rainstorm warnings have been provided to all staff. • Reduce carbon footprint
Chronic • Extremely unstable weather patterns	• Persistent high temperatures may cause irregular power supply (Long)	• Use emergency generators to generate electricity to minimise the impact of electricity restriction policy on the daily operations of the Group.

Note:
Short: Short term (1-3 years)
Medium Medium term (3-5 years)
Long: Long term (more than 5 years)

Opportunities	Actual or potential impacts	Response measures
Product and services • Technological innovation and process optimisation for green and low carbon products	• Attract more customers who care about sustainable development, thus enhancing competitiveness	• Strengthen research and development of green and low-carbon products • Promote green and low-carbon transformation
Resource efficiency • Adoption of energy-saving and emission-reduction technologies	• Improve resource efficiency	• Reduce the cost of energy consumption through more efficient management of energy use

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS

In order to maintain competitiveness in the industry in the long run, it is essential for Kaisa Health to build a loyal and competent work environment for its employees. At the same time, upholding the giving-back concept, the Group commits to supporting its employees and shows compassion to society.

Employment

The employment contract specifies the terms, including compensation, dismissal, working hours, rest periods and other benefits and welfare for staff. The Employee Handbook highlights important information on policies on compensation, employee benefits, rights on termination, business conduct and leave benefits. Employee Management Policies (《僱員管理政策》) are implemented to regulate the procedures of employee dismissal. To create a harmonious atmosphere and encourage team spirit, the Group organized sports day and employee travelling, providing chances for the employees to get acquainted.

Anti-discrimination and equal opportunity

The Group espouses a strong commitment to non-discrimination and equal opportunities for all, regardless of age, gender, race, disability or marital status, to foster greater employee satisfaction. It seeks to diversify its staff in terms of gender and age to create a balanced professional environment. Moreover, the Group actively encourages diversity among its workforce and warmly welcomes people from any background, effectively bringing the principle of fairness into practice.

Fair Treatment Policy is established to promote employee equality, regardless of our ethnic Group, gender, religious affiliation, or other protected status or classification. Our Anti-Discrimination Requirements ensure employees are free from discrimination in areas such as recruitment, compensation, training, promotion and termination due to race, social class, nationality, age, religion, physical ability, disability, gender, sexual orientation or political affiliation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS – continued

Employment – continued

Anti-discrimination and equal opportunity – continued

According to the Internal Communication Management Requirements (《內部溝通管理規定》), the Group has established upstream communication channels for employees to share their opinions and views. With a people-oriented culture, the Group encourages employees to speak up. All opinions and complaints submitted by employees will be reviewed and handled by management in a transparent and fair manner within 7 working days.

Promotion

The Group motivates our employees with career development opportunities and competitive compensation. The Group formulated the Regulation of Promotion Management (晉升管理規定) to ensure that the promotion process is carried out in a fair and open manner for all employees.

Working hours, rest periods, benefits and welfare

Employees' working hours, rest periods, benefits and welfare, including social security benefits, mandatory provident fund, and labour pension, must comply with employment or labour laws and regulations. Selected benefit programs, including medical coverage, are also provided. The Group also implements a reward scheme for employees and holds gatherings regularly to increase the sense of belongings to the company.

As of 31 December 2024, the Group had 861 staff, with the overall staff turnover rate of approximately 67.7%. The details of our workforce and staff turnover rate of the Group are shown as below:

	No. of staff in 2024	Staff turnover rate in 2024	No. of staff in 2023	Staff turnover rate in 2023
Gender				
Male	398	79.3%	465	89.5%
Female	463	56.6%	428	63.6%
Age group				
18-30	579	72.0%	593	88.1%
31-40	218	62.1%	233	63.7%
41-50	49	49.5%	48	35.6%
51 or above	15	47.1%	19	5.0%
Region				
Guangdong Province, PRC	794	66.7%	825	73.8%
Heilongjiang Province, PRC	55	93.9%	60	134.0%
Hong Kong	9	–	5	61.5%
United States	3	–	3	40.0%
Category				
Full time	855	66.6%	871	74.7%
Part time	6	135.7%	22	272.7%

Note:

In order to improve the comparability of data, the calculation method of staff turnover rate during the reporting period has been updated to: the number of employees lost in the category divided by the average number of employees in that category during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS – continued

Employment – continued

Compliance with laws and regulations

During the year ended 31 December 2024, employment contracts are signed with all employees to ensure the employment practices comply with relevant employment laws and regulations, including but not limited to the following:

- Labour Law of the People's Republic of China,
- Labour Contract Law of People's Republic of China,
- Employment Ordinance of the HKSAR
- Minimum Wage Ordinance
- Mandatory Provident Fund Scheme Ordinance

Health and Safety

Kaisa Health highly values the occupational health and safety of employees with the aim of providing a safe and healthy workplace for our employees. The Group understands that some of our employees are exposed to safety risk due to the nature of their work. This includes working at height and using hazardous chemicals. Our Employee Safety Manual stipulates the basic safety regulations and requires employees of different positions to follow specific safety rules to prevent potential accidents.

In addition to enhancing work safety, the Group also put significant efforts into raising employees' awareness towards emergency incidents. Under the guidance of the Group's Policy on Prevention of Fire Accident (《防火檢查巡查制度》) and Fire Drill Plan (《消防滅火及逃生演習方案計劃》), a series of training and activities such as fire drills are conducted regularly to educate our employees in the event of a fire, as well as to ensure compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS – continued

Health and Safety – continued

Safety training is regularly conducted for employees to promote strong safety awareness. The training is organized in accordance with the Policies on Production Safety Education and Training and Work Injury Prevention Measures. The Guideline on Work Injuries also set out the procedures for handling compensation claims and reporting work injury cases. After every incident, an investigation is carried out, and recommendations or corrective actions are taken if necessary. Management will continue to maintain constant communication with field operations. Going forward, the Group will reinforce the effort and maintain zero accidents and zero injury rate during operations.

Occupational health and safety statistics

	2024	2023	2022
Number of lost days due to work injury	–	–	81.5
Number of work-related fatal accidents	–	–	–
Accident rate of work-related fatal accidents	–	–	–

In order to look after the physical health of the employees, a dust filtration system is installed in the factory and personal protective devices are provided for the employees. Decibel standards are also being set up and noise isolation devices are in place to protect the employees' hearing health from the noises generated during production. Moreover, the Group have established the Policy on Medical Examination (《員工體檢制度》) according to the requirements. All employees receive a pre-job medical examination to ensure that they are competent in their duties. Employees who work in hazardous operations will receive medical examinations annually.

Compliance with laws and regulations

During the reporting period, the Group complied with the laws or regulations relating to the provision of a safe working environment or the protection of employees against occupational hazards, including but not limited to the following:

PRC
- Production Safety Law
- Regulation on Work-Related Injury Insurance of the People's Republic of China
- Insurance Law of the People's Republic of China
- Fire Control Law of the People's Republic of China
- Law of the People's Republic of China on the Prevention and Control of Occupational Diseases

Hong Kong
- Employment Ordinance
- Occupational Safety and Health Ordinance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS – continued

Development and Training

Kaisa Health has always been concerned about the growth of its employees; therefore, it is committed to devoting sufficient resources to training and helping maintain the competitiveness of its employees. To ensure all the employees have received training, our Policy of Human Resource Management stipulates that every department must prepare an annual staff training plan based on their operation needs.

During the reporting period, employee trainings, covering areas such as pre-job training, compliance and law and regulation courses, management skills improvement, quality control management and technical skills training have been organised.

	Percentage of Employees Receiving Training in 2024	Average Training Hours in 2024	Percentage of Employees Receiving Training in 2023	Average Training Hours in 2023
Gender				
Male	78.9%	15.8	74.0%	20.7
Female	73.2%	22.1	78.0%	25.0
Job position				
Senior management	75.0%	48.3	100.0%	48.3
Management	100.0%	65.3	100.0%	35.1
General staff and labour	74.1%	14.4	74.0%	16.8

Labour Standards

The Group is committed to upholding the labour rights of staff and has established a compliant mechanism for staff to report any labour violations. The Policy on Prohibition of Child Labour prohibits the employment of staff members under legal working age. During recruitment, identity cards and health certificates are verified before the job interview to prevent hiring persons under 18. The Group's policy is to disqualify the person from employment if they are found to be hired against the requirements of the Labour Contract Law.

Employees are paid according to the overtime wage rate when overtime work is required. Suppose there are any violations of the laws and regulations related to labour standards. In that case, the Group will penalize the responsible personnel based on the severity of each incident, analyse the causes of such problems, and then review, update and adjust the existing system or management methods.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS – continued

Labour Standards – continued

During the year ended 31 December 2024, no labour disputes between the Company and its staff have been recorded.

Compliance with laws and regulations

The Group has strictly complied with the laws and regulations related to protecting the lawful rights of employees as well as strictly prohibiting the employment of persons under the age of 18, which mainly includes the following:

- Labour Law
- Labour Contract Law
- Law on Protection of Minors
- Provisions on the Prohibition of Using Child Labour

Supply Chain Management

The stable development of the Group's business relies on the support of suppliers and business partners, as it attaches high importance to supply chain management to maintain our service quality and business integrity. The Group has formulated the supplier selection criteria and procurement procedures to select suppliers that can uphold the highest quality in order to minimise product deficiencies and impacts on the environment and society.

All suppliers are requested to sign the Supplier's/Subcontractor's Letter of Undertaking on Social Responsibility Management (《供應商／分包商社會責任管理承諾書》) ("**Letter of Undertaking**") which set out our requirements on suppliers in respect of environmental protection and labour standards.

Suppliers are also required to complete a Questionnaire on Environmental Factors of Related Parties to identify the environmental impacts of their operations and their relevant actions. Performance reviews are conducted to ensure the quality of their products or services. Suppliers who do not meet the standards undergo re-evaluation before further business dealings.

Products and services with the least negative environmental impact, such as recycling and environmentally friendly materials, are preferred during the supplier selection process. Suppliers with ISO14001 environmental management system certification, ISO9001 quality management certification, occupational health and safety management system certification, and other industry qualifications are prioritized.

During the reporting period, the Group worked with 130 suppliers in China.

Product Responsibility

With the aim of providing customers with high-quality and internationally recognized products, the Group has implemented a series of quality control measures to ensure all products sold to customers are safe and up to standard.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS – continued

Product Responsibility – continued

Advertising and product labelling

The Group has established the Policy of Advertising Management (《廣告管理規定》) to ensure that relevant government departments approve advertisement documents in accordance with the requirements of the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) before publishing. The Group's Label Management Regulations (《標籤管理規定》) state the requirements for the design, use, keeping, distribution, and destruction of product labels. The Research and Development ("**R&D**") department is responsible for designing all labels for new products according to relevant requirements and submitting them to the Quality Control ("**QC**") department for inspection.

Customers' satisfaction and feedback

The Group's Customer Satisfaction and Feedback Management Procedures (《客戶滿意及回饋管理程序》) stipulate the procedures for the follow-up and handling of problems encountered by customers when using the products. Customer satisfaction surveys are also conducted annually to improve product and service quality. The Guideline on Handling Client Complaints (《客戶投訴處理規定》) has been established in compliance with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), ensuring all customers' complaints are handled properly and timely.

During the reporting period, the Group received 124 complaints about its products, representing a complaint rate of 0.026%. Through active communication and negotiation with the customers by email, product replacements were completed for the customers and the related problems were resolved properly.

Product quality management

It is the obligation of the Group to ensure the quality of our products and protect the interests of consumers. The quality control department conducts quality inspections throughout the entire production process and before finished goods are dispatched.

All these quality inspection control measures are clearly defined in our Quality Inspection Standards for Raw Materials (《原材料品質檢查標準》), Procedures for Production Process Management (《生產過程管理程序》), Control Procedures for Monitoring and Measuring Process and Products (《過程和產品的監視和測量控制程序》) and Standards for Finished Products (《成品檢驗標準》). The Procedures for Handling Defect Products (《不合格品管理程序》) also specifies the process of handling defective products.

The Group has established Product Recall Procedures (《醫療器械召回管理程序》) to ensure all the recalled products are handled in a timely manner. During the reporting period, no products were recalled for health and safety reasons, and no complaints related to our products and services have been received.

Confidentiality

The Group requires that all customers' information must be kept confidential. There are also specific guidelines on access rights setting, and procedures for using, keeping, and destroying different types of customer information to prevent customer data leakage. In addition, each employee is required to sign a confidentiality agreement to safeguard the company's confidential information. The department heads are responsible for reviewing reports from employees and implementing confidentiality measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS – continued

Product Responsibility – continued

Confidentiality – continued

In accordance with the Regulations on Privacy Management of Customers' Information (《客戶資訊保密管理規定》), the Group takes all necessary steps to ensure the data of its employees, customers, and suppliers are stored securely and kept confidential. The Group is strictly committed to complying with the Personal Data (Privacy) Ordinance and adheres to the relevant regulations in the collection, disclosure, usage, retention, and storage of data to ensure the integrity and safety of data. The information of customers is only collected based on necessity. We also regularly review our data management and provide relevant training to our employees.

Intellectual Property

The popularity and reputation of trademarks are used to promote products and stimulate production, aiming to continuously improve the economic and social benefits of the Group. The Group has also formulated the "Trademark Management System" (《商標管理制度》) to ensure the timely and correct use of domestic and international trademark registrations. The Group also considers using new project trademarks during project development and applies for trademark registration. Additionally, non-disclosure agreements and non-competition agreements have been signed with employees and suppliers to protect against intellectual property infringement.

Compliance with laws and regulations

During the year ended 31 December 2024, the Group complied with laws and regulations that significantly impact the Group concerning health and safety, labelling and privacy matters relating to products. This included, but was not limited to:

- Law of the People's Republic of China on the Protection of Consumer Rights and Interests
- Product Quality Law of the People's Republic of China
- Advertising Law of the People's Republic of China
- Trademark Law of the People's Republic of China
- Implementation Rules of the Law of the People's Republic of China on Trademark
- the Administrative Measures for Printing of Trademarks

Anti-Corruption

The Group is aware that any events of corruption will bring irreparable damage to the Group; therefore, the Group upholds a high standard of business integrity throughout its operations. A system with good moral integrity and an anti-corruption mechanism is seen as the cornerstone of the sustainable and healthy development of the Group.

Whistleblowing procedure

The Group has formulated an Anti-Corruption Policy and Integrity Agreement that specifies the requirements for preventing, detecting, and reporting fraud, such as deception, bribery, extortion, corruption, embezzlement, misappropriation, false representation, collusion, and money laundering. Employees are strongly encouraged to promptly report suspicious activity to their direct supervisor, senior management, or the Audit Committee while preserving anonymity through suggestion boxes and emails. The Company shall take due care in responding to all reports of suspected cases of fraud and conduct thorough investigations with the utmost confidentiality. Corrective actions and disciplinary measures (including dismissal in certain instances) shall be imposed expeditiously if required. All suspicious transactions detected from the investigations shall be timely reported to the relevant authority by the senior management or the Audit Committee. The whistleblower would be protected and rewarded.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. SOCIAL ASPECTS – continued

Anti-Corruption – continued

Anti-money laundering

The Group strictly implements a series of policies and procedures to prevent and detect money laundering and terrorist financing. The following measures have been taken to prevent and detect money laundering and terrorist financing:

- reports any suspicious transactions to the relevant government department;
- maintain only essential information of employees, customers and suppliers;
- makes payments only by cheque or bank transfer; and
- provide professional training relating to current legislation and practices to employees.

Anti-corruption trainings

The Group has organized online anti-corruption training materials for directors and employees to enhance their awareness of integrity and self-discipline, aiming to eliminate violations of regulations and disciplines at the ideological level. The training is organized and presented by our legal department.

During the year 2024, no legal cases associated with corrupt practices were brought against the Group or our employees.

Compliance with laws and regulations

During the year ended 31 December 2024, the Group complied with the laws and regulations relating to dishonest and corrupt activities, including but not limited to the following:

PRC	• Interim Provisions on Banning Commercial Bribery • Criminal law • Anti-Unfair Competition Law
Hong Kong	• Independent Commission Against Corruption Ordinance • Prevention of Bribery Ordinance of Hong Kong • Anti-Money Laundering and Counter-Terrorist Financing Ordinance

Community Investment

Kaisa Health realises that its responsibility is not only to contribute to society and the economy but also to understand the needs of the communities in which it operates, aiming to build a healthy and vibrant community for the public. The Group actively fulfils its social responsibilities as a corporate citizen. The Group has always encouraged employees to participate in environmental protection and charity activities during work and in their spare time. In the future, the Group will continue to seek opportunities to cooperate with local charities and organize different activities to contribute to the society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Status	Section
A. Environment			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and soil, generation of hazardous and non-hazardous wastes, etc.		Disclosed	Environmental Aspects
KPI A1.1	Types of emissions and respective emission data.	Disclosed	Environmental Aspects
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspects
KPI A1.3	Hazardous wastes generated in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspects
KPI A1.4	Non-hazardous wastes generated in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspects
KPI A1.5	Description of the emissions targets and the steps taken to achieve them.	Disclosed	Environmental Aspects
KPI A1.6	Description of treatment of hazardous and non-hazardous wastes, and description of the waste reduction targets and the steps taken to achieve them.	Disclosed	Environmental Aspects
Aspect A2: Use of Resources			
General Disclosure Policies on efficient use of resources, including energy, water and other raw materials. Notes: The resources can be used for production, storage, transportation, buildings, electronic devices etc.		Disclosed	Environmental Aspects
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspects
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspects
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	Environmental Aspects
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed	Environmental Aspects
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Environmental Aspects

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. HKEX ESG REPORTING GUIDE CONTENT INDEX – continued

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Status	Section
Aspect A3: Environmental and Natural Resources			
General disclosure Policies on minimising the issuer's significant impact on environmental and natural resources		Disclosed	Environmental Aspects
KPI A3.1	Description of the significant impacts of activities on environmental and natural resources and the actions taken to manage them.	Disclosed	Environmental Aspects
Aspect A4: Climate Change			
General Disclosure Policies on identifying and responding to the material climate-related matters that have or may have an impact on the issuer.		Disclosed	Environmental Aspects
KPI A4.1	Description of material climate-related matters that have or may have an impact on the issuer, and the countermeasures.	Disclosed	Environmental Aspects
B. The Society			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Disclosed	Social Aspects
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	Social Aspects
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Social Aspects
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Disclosed	Social Aspects
KPI B2.1	Number and rate of work-related fatalities.	Disclosed	Social Aspects
KPI B2.2	Lost days due to work injury.	Disclosed	Social Aspects
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	Social Aspects

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. HKEX ESG REPORTING GUIDE CONTENT INDEX – continued

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Status	Section
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work Description of training activities.		Disclosed	Social Aspects
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	Social Aspects
KPI B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Social Aspects
Aspect B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing use of child labour or forced labour.		Disclosed	Social Aspects
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	Social Aspects
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	Social Aspects
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing the environmental and social risks of the supply chain.		Disclosed	Social Aspects
KPI B5.1	Number of suppliers by geographical region.	Disclosed	Social Aspects
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	Social Aspects
KPI B5.3	Description of the practices for identifying environmental and social risks at each stage of the supply chain, and the relevant implementation and monitoring method.	Disclosed	Social Aspects
KPI B5.4	Description of the practices that facilitate the use of environmentally friendly products and services when selecting suppliers, and the relevant implementation and monitoring method.	Disclosed	Social Aspects

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. HKEX ESG REPORTING GUIDE CONTENT INDEX – continued

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Status	Section
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters in relation to products and services provided and methods of redress.		Disclosed	Social Aspects
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	Social Aspects
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	Social Aspects
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	Social Aspects
KPI B6.4	Description of quality assurance process and recall procedures.	Disclosed	Social Aspects
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	Social Aspects
Aspect B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Disclosed	Social Aspects
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	Social Aspects
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	Social Aspects
KPI B7.3	Description of the anti-corruption training provided to the directors and employees.	Disclosed	Social Aspects
The Society			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Disclosed	Social Aspects
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	Social Aspects
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	Social Aspects

DIRECTORS' REPORT

The directors of Kaisa Health Group Holdings Limited (the "**Company**" and the "**Director(s)**", respectively") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024 (the "**Year**" or "**FY2024**" and the "**Consolidated Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the Year was mainly engaged in the manufacturing and sale of dental prosthetics and implant instruments and provision of sport rehabilitation services. Details of the principal activities of the subsidiaries are set out in note 43 to the Consolidated Financial Statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by principal activities for the Year is set out in note 5 to the Consolidated Financial Statements.

RESULTS AND DIVIDENDS

The financial performance of the Group for the Year and the financial position of the Group as at 31 December 2024 are set out in the Consolidated Financial Statements on pages 75 to 153 of this annual report.

The Board has resolved not to recommend the payment of any dividend for the Year (2023: Nil).

BUSINESS REVIEW

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on pages 5 to 9 of this report.

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 13 to 28.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year and up to the date of this report, as far as the board of Directors (the "**Board**") and management are aware, there was no material breach of or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 154 of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Company's environmental policies and performance are set out in the Environmental, Social and Governance Report on pages 29 to 56 of this annual report.

DIRECTORS' REPORT

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. Employees are provided with a fair and safe workplace where they can maintain a healthy work-life balance, remunerated equitably and competitively, and provided with continuing training and development opportunities to equip them to deliver their best performance and achieve corporate goals. The Group has devoted effort to build up customers' trust on its services and products by listening to their views and opinions, and maintaining high product quality. The Group has maintained good working relationships with suppliers to meet customers' needs in an effective and efficient manner. During the Year, there was no material and significant dispute between the Group and its employees, customers and suppliers.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the sales attributable to the Group's five largest customers was approximately 15.3% with the largest customer accounted for approximately 3.6%; the purchase attributable to the Group's five largest suppliers was approximately 30.9% with the largest supplier accounted for approximately 9.3%.

Neither the Directors, any of their close associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and the "**Listing Rules**", respectively), nor any Shareholders (which/who to the best knowledge of the Directors owned more than 5% of the number of the issued Shares) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

SHARE CAPITAL AND SHARE OPTION

Details of movements in the Company's share capital during the Year are set out in note 33 to the Consolidated Financial Statements.

Details of movements in the Company's share options during the Year are set out in note 34 to the Consolidated Financial Statements.

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 (including treasury shares which the Company did not hold) during the Year.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme in operation for the Year are set out in note 3.2 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, there is no reserves available for distribution to shareholders of the Company. The reserves of the Company only comprises of contributed surplus amounted to HK$24.9 million which is insufficient to cover the accumulated losses of the Company of HK$762.8 million.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS' REPORT

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

Details of movements in property, plant and equipment and right-of-use assets of the Group during the Year are set out in note 15 to the Consolidated Financial Statements.

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors

Mr. Kwok Ying Shing *(Chairman)*
Mr. Luo Jun *(Vice Chairman and Chief Executive Officer)*
Mr. Wu Tianyu *(Co-Vice Chairman) (retired on 14 June 2024)*
Mr. Zhang Huagang *(retired on 14 June 2024)*
Mr. Liu Lihao *(appointed on 22 October 2024)*
Ms. Luo Tingting *(appointed on 22 October 2024)*
Mr. Xie Binhong *(appointed on 22 October 2024)*
Mr. Yu Huiming *(appointed on 22 October 2024)*

Independent non-executive Directors

Dr. Liu Yanwen
Dr. Lyu Aiping
Ms. Li Zhiying

In accordance with the paragraphs 83 & 84 of the bye-laws of the Company (the "**Bye-laws**") Mr. Luo Jun, Dr. Liu Yanwen, Mr. Liu Lihao, Ms. Luo Tingting, Mr. Xie Binhong and Mr. Yu Huiming shall retire from office by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "**AGM**").

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are required to be disclosed are set out below:

1. Mr. Wu Tianyu has been retired as executive Director at the conclusion of the annual general meeting of the Company ("**2024 AGM**") held on 14 June 2024, meanwhile Mr. Wu ceased to be a co-vice chairman of the Board and a member of the Remuneration Committee;

2. Mr. Zhang Huagang has been retired as executive Director at the conclusion of the 2024 AGM;

3. Mr. Kwok Ying Shing, chairman of the Board, has been appointed as a member of the Remuneration Committee with effect from the conclusion of the 2024 AGM; and

4. Mr. Liu Lihao, Ms. Luo Tingting, Mr. Xie Binhong and Mr. Yu Huiming have been appointed as executive Directors with effect from 22 October 2024.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service contract with the Company for a term of three years, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Each of the independent non-executive Directors has entered into letter of appointment with the Company and is appointed for a period of one year commencing on the date of appointment, which shall be automatically extended for another one year upon expiration of the letter of appointment, and subject to re-election at the Company's general meeting, and such letter of appointment could be terminated by giving not less than three months' prior notice in writing. None of the Directors has entered into a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share options disclosures in note 34 to the Consolidated Financial Statements, at no time during the year 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2024, the interests and short positions 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 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

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

Note 1: For further details, please refer to Note 2 to the table under the section headed "INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES".

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.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES – 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 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 report.

Save as disclosed above, as at 31 December 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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are of the view that none of the Directors has competed, or is likely to compete, either directly or indirectly, with the businesses of the Group, nor have they caused any harm to any interests owned by the Company during the Year.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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 Share 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%
KS Holdings 2 Limited (Note 2)	Long position	Trustee	308,000,000	6.11%
Mr. Huang Xiao Gang (Note 3)	Long position	Interest of controlled corporation	472,470,256	9.37%
Gao Lang Limited (Note 3)	Long position	Interest of controlled corporation	472,470,256	9.37%
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%

DIRECTORS' REPORT

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY – continued

Notes:

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 KS Holdings 2 Limited. KS Holdings 2 Limited is the trustee of 308,000,000 Shares under a discretionary trust of which Mr. Kwok Ying Shing is the founder. Under the SFO, KS Holdings 2 Limited and Mr. Kwok Ying Shing is each deemed to be interested in the Shares held by Ying Hua Holdings Limited. 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, Peng Ze (Hong Kong) Limited and Xin Hao (Hong Kong) Limited are the beneficial owners of 133,140,256 Shares and 339,330,000 Shares respectively. Peng Ze (Hong Kong) Limited is wholly owned by Xin Hao (Hong Kong) Limited, which is in turn wholly owned by Peng Ze Limited, which is in turn wholly owned by Gao Lang Limited. Gao Lang Limited is a company incorporated in the BVI and is wholly owned by Mr. Huang Xiao Gang.

4. According to the information available to the Company, ABG II-RYD Limited is wholly owned by Ally Bridge Group Capital Partners II, L.P.. Ally Bridge Group Capital Partners II, L.P.'s general partner is ABG Capital Partners II GP, L.P. and Ally Bridge Group Capital Partners II, L.P. is also 0.54% owned by ABG Capital Partners II GP, L.P.. ABG Capital Partners II GP, L.P. is 50% owned by Mr. Yu Fan and 50% owned by ABG Capital Partners II GP Limited which is wholly owned by Mr. Yu Fan.

Save as disclosed above, as at 31 December 2024, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

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

1. Eligible participants of the Scheme include any full-time or part-time employees, potential employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or has contributed to the Company and/or any of its subsidiaries.

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 shareholder's 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 to each eligible person 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.

DIRECTORS' REPORT

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).

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.

Total Number of Shares Available for Issue under the Scheme

Under the Scheme, and as refreshed by the Refreshed Limit, the maximum total number of options available for grant under the Scheme mandate at the beginning of the financial year 2024 is 504,213,937, representing approximately 10% of the issued Share capital of the Company, and at the end of the financial year 2024 is 504,213,937, representing approximately 10% of the issued Share capital of the Company.

DIRECTORS' REPORT

SHARE OPTION SCHEME – continued

Movement of share options for the Year is as follows:–

Name	Balance as at 1 January 2024	Granted during the year	Exercised during the year	Forfeited during the period	Balance as at 31 December 2024	Exercisable price	Approximate percentage of the issued Share 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 a former Chief Operating Officer of the Group and also a former director of certain subsidiaries of the Company. She is also the spouse of Mr. Wu Tianyu (a former executive director of the Company and its subsidiaries). 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 31 December 2024. Since Ms. Jiang Sisi and Mr. Wu Tianyu resigned as a director of all relevant subsidiaries on 14 October 2024, Share options held by them will be lapsed on 14 October 2025.

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.

DIRECTORS' REPORT

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 Share Option Scheme, neither the Company nor its subsidiaries had any other share option schemes for the Year.

CONNECTED TRANSACTIONS

The Group had entered into the following transactions with connected parties, as defined under the Listing Rules, during the Year and up to the date of this report:

(i) During the Year, the Group had rented a property from Kaisa Group Holdings Ltd. ("**Kaisa Group**") amounted to approximately HK$144,000. Kaisa Group 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 exempted connected transactions of the Company under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above connected transactions and have confirmed that the connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Please refer to the section titled "Related Party Transactions" under note 42 to the Notes to the Consolidated Financial Statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Year.

DIRECTOR'S INTERESTS IN CONTRACTS

Save for the transactions disclosed in the section headed "Connected Transactions" in the Directors' report, no other transaction, arrangement or contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the Year.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISIONS

The bye-laws of the Company provides that the Directors and officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred or omitted in the execution of their duty in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty. During the financial year, the permitted indemnity provisions is in force for the benefit of one or more directors of the Company. The bye-laws of the Company also stipulates that each shareholder agrees to waive any claim or right of action he might have against any Director on account of any action taken by such Director or the failure of such Director to take any action in the performance of his duties for the Company, provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty. Directors liability insurance is in place to protect the Directors and officers of the Company and its subsidiaries against potential costs and liabilities arising from claims brought against the Directors and officers.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received, from each independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are considered by the Remuneration Committee and recommended to the Board's approval, having regard to the Company's operating results, individual performance and comparable market statistics.

For details of remuneration payable to Directors or members of senior management by band, please refer to note 12 "Five Highest Paid Employees" of the notes to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' REPORT

DIVIDEND POLICY

Declaration of dividend depend on the annual performance of the Group and will be assessed by the Board semi-annually.

The amount of any dividends that the Company may declare and pay in the future will be subject to the discretion of the Board and will be based upon the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity position, future expansion plans, amount of retained earnings, distributable reserves and any other conditions that the Directors consider relevant. Any declaration and payment of dividends may also be limited by restrictions under the laws of Bermuda, the Company's constitutional documents, the Listing Rules and any other applicable laws and regulations. The amounts of dividend distributions that the Group has declared and made in the past, if any, are not indicative of the dividends that the Company may pay in the future.

The Directors may recommend a payment of dividends after taking into account the general economic conditions, business cycle of the Group's business and any other internal and external factors that may affect the business and financial performance and position of the Group. Any future declaration of dividends may or may not reflect the historical declarations of dividends and will be at the absolute discretion of the Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the Year and as at the date of this report.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the Shares. Intending holders and investors of the Company's Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the Shares. It is emphasized that none of the Company or its directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of Shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such Shares.

AUDIT COMMITTEE

The Company has established the Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation.

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 report, the Audit Committee comprised three independent non-executive Directors, namely Dr. Liu Yanwen (chairman), Dr. Lyu Aiping and Ms. Li Zhiying.

The Audit Committee met with the management on 24 March 2025 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 audited annual results for the Year, before proposing them to the Board for approval.

DIRECTORS' REPORT

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited has resigned as independent auditor of the Company (the "**Independent Auditor**") with effect from 11 July 2022. The Board has appointed Elite Partners CPA Limited ("**Elite Partners**") as the Independent Auditors to fill the casual vacancy following the resignation of Grant Thornton Hong Kong Limited.

Elite Partners resigned as the Independent Auditor and the Company appointed SFAI (HK) CPA Limited ("**SFAI Hong Kong**") as the Independent Auditor with effect from 25 October 2024 to fill the casual vacancy following the resignation of Elite Partners. The Board has taken the recommendation of its audit committee that a resolution will be proposed at the forthcoming AGM to re-appoint SFAI Hong Kong as the Independent Auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

The Consolidated Financial Statements for the Year have been audited by SFAI Hong Kong.

BY ORDER OF THE BOARD

Luo Jun
Chief Executive Officer
Hong Kong, 24 March 2025

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KAISA HEALTH GROUP HOLDINGS LIMITED
佳兆業健康集團控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Kaisa Health Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 153, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Fair value measurement for financial assets at fair value through profit or loss ("Financial Assets at FVTPL")	
As disclosed in note 19 to the consolidated financial statements, as at 31 December 2024, the Group had Financial Assets at FVTPL amounted to HK$160,261,000. The Group's Financial Assets at FVTPL are stated at their fair values. The application of these valuation techniques and significant unobservable inputs involves significant subjective judgement and assumptions. Changes in the key inputs and assumptions on which the fair value of these assets are based could result in significant fair value change for Financial Assets at FVTPL. We identified the fair value measurement of the Group's Financial Assets at FVTPL as a key audit matter due to its significance to the consolidated financial statements as a whole and the significant judgement involved in the fair value measurements for such financial assets.	Our audit procedures in relation to fair value measurement for Financial assets at FVTPL included, among others, the following: • To understand the key controls over the fair value measurements of Financial Assets at FVTPL; • To evaluate the competence, capabilities and objectivity of the independent professional valuers; • To evaluating the appropriateness of the valuation techniques, inputs and disclosures of the fair value measurement, and • To challenge the key inputs and assumptions with supporting evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGE WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charge with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with in accordance with Section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – continued

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be though to bear on our independence and, where applicable, actions taken to eliminate or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Yan Fai.

SFAI (HK) CPA Limited
Certified Public Accountants

Unit 2, 27/F, Wu Chung House
213 Queen's Road East
Wan Chai, Hong Kong

Lee Yan Fai
Practising Certificate Number: P06078
Hong Kong, 24 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	6	**185,357**	185,882
Cost of sales		**(103,499)**	(104,809)
Gross profit		**81,858**	81,073
Other income, gains and losses. net	7	**5,162**	6,748
Selling and distribution cost		**(47,630)**	(49,465)
Administrative expenses		**(45,960)**	(57,933)
Losses from change in fair value of financial assets at fair value through profit or loss ("FVTPL")	19	**(9,772)**	(21,295)
Gains from change in fair value of financial liabilities at FVTPL	28	**–**	875
Gains on disposal of subsidiaries	35	**–**	69,391
Reversal of (impairment loss) recognised on trade receivables, net	22	**983**	(584)
Impairment loss recognised on other receivables, net	22	**(21,893)**	(4,117)
Reversal of (impairment loss) recognised on amount due from a former director of the Company	24	**1,827**	(773)
Reversal of impairment loss recognised on loan receivable, net	23	**–**	2,631
Research and development expenses		**(12,477)**	(16,835)
Finance costs	8	**(779)**	(3,670)
(Loss) profit before income tax	9	**(48,681)**	6,046
Income tax (expense) credit	10	**(1,919)**	104
(Loss) profit for the year		**(50,600)**	6,150
Other comprehensive (expense) income including reclassification adjustments			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(14,395)**	(9,164)
Reclassification of exchange differences upon disposal of subsidiaries		**–**	10,357
Other comprehensive (expense) income for the year, net of tax		**(14,395)**	1,193
Total comprehensive (expense) income for the year		**(64,995)**	7,343
(Loss) profit for the year attributable to:			
– Owners of the Company		**(46,355)**	7,468
– Non-controlling interests		**(4,245)**	(1,318)
		(50,600)	6,150
Total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		**(60,858)**	7,074
– Non-controlling interests		**(4,137)**	269
		(64,995)	7,343
(Loss) earnings per share	14		
– Basic and diluted (HK$ cents)		**(0.92)**	0.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	15	**12,726**	16,191
Right-of-use assets	15	**9,268**	15,930
Intangible assets	17	**3,073**	3,737
Goodwill	18	**20,217**	20,217
Financial assets at FVTPL	19	**160,261**	193,114
Deferred tax assets	32	**–**	457
		205,545	249,646
Current assets			
Inventories	21	**13,381**	14,236
Trade and other receivables	22	**148,177**	159,343
Amount due from a former director of the Company	24	**–**	6,824
Amounts due from fellow subsidiaries	25	**881**	940
Bank balances and cash	26	**149,609**	174,078
		312,048	355,421
Current liabilities			
Trade and other payables	27	**64,773**	74,080
Lease liabilities	29	**4,206**	7,817
Amount due to a former related party	31	**–**	702
Amounts due to fellow subsidiaries	30	**1,078**	1,114
Amount due to ultimate holding company	30	**216**	72
Taxation payable		**13,755**	18,608
		84,028	102,393
Net current assets		**228,020**	253,028
Total assets less current liabilities		**433,565**	502,674
Non-current liabilities			
Lease liabilities	29	**6,443**	10,182
Deferred tax liabilities	32	**631**	728
		7,074	10,910
Net assets		**426,491**	491,764

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Capital and reserves			
Share capital	33	**6,303**	6,303
Reserves		**424,850**	485,708
Equity attributable to owners of the Company		**431,153**	492,011
Non-controlling interests		**(4,662)**	(247)
Total equity		**426,491**	491,764

The consolidated financial statements from pages 75 to 153 were approved and authorised for issue by the board of directors on 24 March 2025 and are signed on behalf of the board by:

Kwok Ying Shing
Director

Luo Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium* HK$'000	Special reserve* HK$'000 (note (a) below)	Capital reserve* HK$'000 (note (b) below)	Translation reserves* HK$'000 (note (c) below)	Share option reserve* HK$'000 (note (d) below)	Accumulated losses* HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2023	6,303	984,639	1,545	–	(24,365)	10,755	(493,548)	485,329	(14,423)	470,906
Profit (loss) for the year	–	–	–	–	–	–	7,468	7,468	(1,318)	6,150
Other comprehensive (expense) income for the year										
Exchange differences arising on translation of foreign operations	–	–	–	–	(10,751)	–	–	(10,751)	1,587	(9,164)
Reclassification of exchange differences upon disposal of subsidiaries (note 35)	–	–	–	–	10,357	–	–	10,357	–	10,357
Total comprehensive (expense) income for the year	–	–	–	–	(394)	–	7,468	7,074	269	7,343
Recognition of equity-settled share-based payment (note 34)	–	–	–	–	–	875	–	875	–	875
Disposal of subsidiaries (note 35)	–	–	–	–	–	–	–	–	13,182	13,182
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	2	2
Acquisition of additional interest in subsidiaries	–	–	–	(312)	–	–	(955)	(1,267)	723	(544)
As at 31 December 2023 and 1 January 2024	**6,303**	**984,639**	**1,545**	**(312)**	**(24,759)**	**11,630**	**(487,035)**	**492,011**	**(247)**	**491,764**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(46,355)**	**(46,355)**	**(4,245)**	**(50,600)**
Other comprehensive (expense) income for the year										
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(14,503)**	**–**	**–**	**(14,503)**	**108**	**(14,395)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(14,503)**	**–**	**(46,355)**	**(60,858)**	**(4,137)**	**(64,995)**
Deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(278)**	**(278)**
As at 31 December 2024	**6,303**	**984,639**	**1,545**	**(312)**	**(39,262)**	**11,630**	**(533,390)**	**431,153**	**(4,662)**	**426,491**

* The reserves accounts comprise the Group's reserves of HK$424,850,000 (2023: HK$485,708,000) in the consolidated statement of financial position.

Notes:

(a) Special reserve

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.

(b) Capital reserve

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

(c) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of foreign operations.

(d) Share option reserve

The share option reserve represents the reserve relating to the Company's share option scheme.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
Cash flows from operating activities		
(Loss) profit before income tax	(48,681)	6,046
Adjustments for:		
Amortisation of intangible assets	667	801
Amortisation of land use rights	–	42
Depreciation of property, plant and equipment	7,668	10,481
Depreciation of right-of-use assets	6,839	6,563
Losses on disposal of property, plant and equipment	15	441
Gains on termination of leases	(287)	–
Gains on disposal of subsidiaries	–	(69,391)
Gains on deregistration of subsidiaries	(202)	(8)
Interest income	(1,315)	(3,076)
Dividend income from a limited partnership	(1,197)	(154)
(Reversal of) impairment loss recognised on, net:		
– Trade receivables	(983)	584
– Other receivables	21,893	4,117
– Amount due from a former director of the Company	(1,827)	773
– Loan receivable	–	(2,631)
Losses from change in fair value of financial assets at FVTPL	9,772	21,295
Gains from change in fair value of financial liabilities at FVTPL	–	(875)
Finance costs	779	3,670
Share-based payment expenses	–	875
Operating cash flows before movements in working capital	(6,859)	(20,447)
Decrease in inventories	619	4,098
Increase in trade and other receivables	(14,060)	(20,773)
Increase in properties under development	–	(11,241)
(Decrease) increase in trade and other payables	(7,337)	15,293
Net cash used in operations	(27,637)	(33,070)
Income tax paid	(6,412)	(2,750)
Net cash used in operating activities	(34,049)	(35,820)
Cash flows from investing activities		
Proceed on disposal of property, plant and equipment	334	–
Purchase of property, plant and equipment	(4,999)	(10,875)
Purchase of intangible assets	(33)	–
Changes in investment cost of financial assets at FVTPL without changes in ownership percentage	17,690	26,501
Repayment from a former director of the Company	8,598	2,065
Repayment to a former related party	(694)	–
Repayment from loan receivable	–	25,782
Interest received	1,315	2,521
Dividend received from a limited partnership	1,197	154
Advances to fellow subsidiaries	8	2,247
Acquisition of additional interest in subsidiaries	–	(544)
Net cash outflow from disposal of subsidiaries	–	(673)
Net cash generated from investing activities	23,416	47,178

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
Cash flows from financing activities		
Repayments of lease liabilities	**(7,184)**	(7,340)
Advance from ultimate holding company	**144**	–
Interest paid	**(779)**	(1,491)
Net cash used in financing activities	**(7,819)**	(8,831)
Net (decrease) increase in cash and cash equivalents	**(18,452)**	2,527
Cash and cash equivalents at 1 January	**174,078**	173,450
Effect of foreign exchange rate changes	**(6,017)**	(1,899)
Cash and cash equivalents at 31 December, representing bank balance and cash	**149,609**	174,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Kaisa Health Group Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and its principal place of business are disclosed in the *Corporate Information* section to the annual report.

The ultimate holding company of the Company is Kaisa Group Holdings Ltd., which was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") is mainly engaged in the manufacturing and sale of dental prosthetics and implant instruments and provision of sport rehabilitation services. The particulars of its principal subsidiaries are set out in note 43.

These consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 consolidated financial statements:

Amendments to HKFRS 16	Lease liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. APPLICATION OF NEW AND AMENDMENT TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

Amendments to HKFRSs that are mandatorily effective for the current year – continued

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendment to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendment to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[4]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2025.
[3] Effective for annual periods beginning on or after 1 January 2026.
[4] Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of l other new and amendments to HKFRSs will have no material impact on the consolidated financial statement in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements ("HKFRS 18")

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements* ("HKAS 1"). This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7 *Statement of Cash Flows* ("HKAS 7"). Minor amendments to HKAS 7 and HKAS 33 *Earnings* per Share are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of HKFRS 18 is expected to affect the presentation of the consolidated statement of profit or loss and disclosures in the future consolidated financial statements but is not expected to have material impact on the Group's consolidated financial positions and performance. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost except for certain financial instruments that are measured at fair value. The measurement bases are fully described in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described 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
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Basis of consolidation – continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss on disposal is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Business combinations or asset acquisitions – continued

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Business combinations or asset acquisitions – continued

Business combinations – continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount (being the higher of fair value less costs of disposal and value in use) of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Revenue from contracts with customers – continued

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 Leases at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of rental premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Leases – continued

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", as a separate line item in the consolidated statement of financial position. The prepaid lease payments for leasehold land are presented as "Land use rights", as a separate line item in the consolidated statement of financial position under non-current assets and the details of which are described below.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Leases – continued

Lease liabilities – continued

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains and losses, net".

Employee benefits

Retirement benefit costs

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, subject to a ceiling of HK$1,500 per month per head.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The expected cost of bonus plan is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Employee benefits – continued

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payment arrangements

Equity-settled share-based payments

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant nonmarket vesting condition. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Taxation – continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

The Group makes upfront payments to obtain land use rights (which meet the definition of right-of-use assets). The upfront payments of the land use rights are recorded as assets. The depreciation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Impairment on property, plant and equipment, right-of-use assets, land use rights and intangible assets, other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, land use rights and intangible assets with finite useful lives and investments to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, land use rights and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development

Properties under development which are developed in the ordinary course of business are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development are carried at the lower of cost and net realisable value. Development costs comprise specifically identified costs, including land acquisition costs, development expenditure, capitalised borrowing costs and other related expenditures. On completion, the cost of the properties is transferred to completed properties held for sales.

Net realisable value is estimated by the management, taking into account the price ultimately expected to be realised and the anticipated costs to completion.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains a) or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income, gains and losses, net" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including trade and other receivables, amount due from a former director of the Company, amounts due form fellow subsidiaries and bank balance and cash which are subject to impairment assessment under HKFRS 9 *Financial Instruments*. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Impairment of financial assets subject to impairment assessment under HKFRS 9 – continued

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Impairment of financial assets subject to impairment assessment under HKFRS 9 – continued

(i) Significant increase in credit risk – continued

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Impairment of financial assets subject to impairment assessment under HKFRS 9 – continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Impairment of financial assets subject to impairment assessment under HKFRS 9 – continued

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other income, gains and losses, net' line item as part of the 'exchange gains and losses, net';

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, lease liabilities and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other income, gains and losses, net' line item in profit or loss as part of 'exchange gains and losses, net' for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Impairment of financial assets subject to impairment assessment under HKFRS 9 – continued

Financial liabilities and equity – continued

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The description of the Group's impairment policies is set out above.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.2 Material accounting policy information – continued

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares of the Company are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3.2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of investment in 浩易康養服務(深圳)合夥企業(有限合夥) (Haoyi Healthcare Service (Shenzhen) Partnership (Limited Partnership, "Haoyi Partnership") as a financial asset measured at FVTPL

As described in note 19(b), as at 31 December 2024, the Group owns 99.9% limited partnership interests in Haoyi Partnership which in turn holds 99.9% equity interest in 光浩健康諮詢服務(珠海市)有限公司 (Guanghao Health Consulting Services (Zhuhai) Co., Ltd., "Guanghao"). The Haoyi Partnership invested in the 珠海十裡蓮江國際健康城項目 (Zhuhai Shili Lianjiang International Health City project) which are engaged in health care business in the PRC through Guanghao and its subsidiaries. The Group's remains limited partnership interests in Haoyi Partnership and its subsidiaries. The general partner of the Haoyi Partnership is an independent third party who has decision-making authority and power over the relevant activities of the Haoyi Partnership.

The directors of the Company assessed whether either the Group has the practical ability to direct the relevant activities of Haoyi Partnership unilaterally or the Group has the power to exercise significant influence over Haoyi Partnership. In making the judgement, the directors of the Company consider the factors that: (a) the Group is merely a limited partner of Haoyi Partnership; (b) the Group does not have the right to appoint or remove representative in the board of directors or equivalent governing body of Haoyi Partnership; and (c) neither the Group has the practical ability to direct the relevant activities of Haoyi Partnership unilaterally nor has the power to exercise significant influence over Haoyi Partnership. After assessment, the directors of the Company concluded that neither Haoyi Partnership is a subsidiary of the Group nor Haoyi Partnership is an associate of the Group and thus, Haoyi Partnership is accounted for as a financial asset measured at FVTPL under HKFRS 9 *Financial Instruments*.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of financial assets measured at FVTPL

The Group's financial assets at FVTPL are measured at fair value which are based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these financial assets.

As at 31 December 2024, details of the Group's financial assets measured at FVTPL are set out in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Impairment of trade and other receivables

Under HKFRS 9 *Financial Instruments*, the Group makes allowances on items subjects to ECL (including trade and other receivables and deposits (excluding prepayments and prepaid other taxes)) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL of HKFRS 9 *Financial Instruments* and credit losses in the periods in which such estimate has been changed.

As at 31 December 2024, details of the Group's trade and other receivables are set out in note 22.

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the chief operating decision maker ("CODM"), being directors of the Company.

The Group has identified the following reportable segments:

(i) Dental Business – manufacturing of and trading in dental products; and

(ii) Health Care Business – providing service for sport rehabilitation, including postoperative rehabilitation, sports injury rehabilitation, chronic pain, scoliosis, deformity correction, other rehabilitation services and health leisure business.

As described in note 35, during the year ended 31 December 2023, Haoyi Partnership who was mainly engaged in the health leisure business was ceased to be a subsidiary and the Group has reclassified its investment in Haoyi Partnership as a financial asset measured at FVTPL.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

All inter-segment transfers are carried out at arm's length prices.

(a) Segment revenue and results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM, being directors of the Company monitors the revenue, results, assets and liabilities attributable to each reportable segment on the following:

The accounting policies of the reportable segments are the same as the Group's accounting policies as set out in note 3.2.

Segment profit and loss represents the profit and loss earned or incurred by each segment without allocation of central administration costs, certain other income, gains and losses, net, reversal of impairment loss recognised and impairment loss recognised on loan and other receivables and amount due from a former director of the Company. This is the information reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. SEGMENT INFORMATION – continued

(a) Segment revenue and results, assets and liabilities – continued

Segment assets include all assets other than certain prepayments, bank balances and cash held by the respective head offices and deferred tax asset.

Segment liabilities exclude deferred tax liabilities, taxation payable and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

(i) Segment revenue and results

Information regarding the Group's reportable segments revenue and results as provided to the directors of the Company for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 31 December 2023 is set out below.

	Dental Business HK$'000	Health Care Business HK$'000	Total HK$'000
Year ended 31 December 2023			
Revenue			
Revenue from external customers	179,441	6,441	185,882
Results			
Segment profit (loss) before depreciation and amortisation	13,152	(23,861)	(10,709)
Depreciation of:			
– Property, plant and equipment	(7,055)	(3,426)	(10,481)
– Right-of-use assets	(3,117)	(3,446)	(6,563)
Amortisation of land use rights	–	(42)	(42)
Amortisation of intangible assets	(354)	(447)	(801)
Segment profit (loss) before income tax	2,626	(31,222)	(28,596)
Impairment loss recognised on trade receivables, net	(584)	–	(584)
Losses from change in fair value of financial assets at FVTPL	–	(21,295)	(21,295)
Gains from change in fair value of financial liabilities at FVTPL	–	875	875
Gains on disposal of subsidiaries	–	69,391	69,391
Segment profit before income tax	2,042	17,749	19,791
Reversal of impairment loss recognise on loan receivable, net			2,631
Impairment loss recognised on amount due from a former director of the Company			(773)
Impairment loss recognised on other receivables			(4,117)
Unallocated income			14
Unallocated expenses			(11,500)
Profit before income tax			6,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. SEGMENT INFORMATION – continued

(a) Segment revenue and results, assets and liabilities – continued

(i) Segment revenue and results – continued

	Dental Business HK$'000	Health Care Business HK$'000	Total HK$'000
Year ended 31 December 2024			
Revenue			
Revenue from external customers	178,981	6,376	185,357
Results			
Segment profit before depreciation and amortisation	19,306	524	19,830
Depreciation of:			
– Property, plant and equipment	(5,759)	(1,909)	(7,668)
– Right-of-use assets	(4,361)	(2,478)	(6,839)
Amortisation of intangible assets	(354)	(313)	(667)
Segment profit (loss) before income tax	8,832	(4,176)	4,656
Reversal of impairment loss recognised on trade receivables, net	983	–	983
Loss from change in fair value of financial assets at FVTPL	–	(9,772)	(9,772)
Segment profit (loss) before income tax	9,815	(13,948)	(4,133)
Reversal of impairment loss recognised on amount due from a former director of the Company			1,827
Impairment loss recognised on other receivables			(21,893)
Unallocated income			173
Unallocated expenses			(24,655)
Loss before income tax			(48,681)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. SEGMENT INFORMATION – continued

(a) Segment revenue and results, assets and liabilities – continued

(ii) Segment assets and liabilities

Information regarding the Group's reportable segments assets and liabilities as provided to the directors of the Company for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 31 December 2023 is set out below.

	Dental Business HK$'000	**Health Care Business** HK$'000	**Total** HK$'000
As at 31 December 2023			
Reportable segment assets	325,881	277,580	603,461
Deferred tax assets			457
Unallocated assets			1,149
Total assets			605,067
Reportable segment liabilities	(66,117)	(25,681)	(91,798)
Deferred tax liabilities			(728)
Taxation payable			(18,608)
Unallocated liabilities			(2,169)
Total liabilities			(113,303)
As at 31 December 2024			
Reportable segment assets	**304,044**	**211,758**	**515,802**
Unallocated assets			**1,791**
Total assets			**517,593**
Reportable segment liabilities	**(56,837)**	**(17,858)**	**(74,695)**
Deferred tax liabilities			**(631)**
Taxation payable			**(13,755)**
Unallocated liabilities			**(2,021)**
Total liabilities			**(91,102)**

During the year ended 31 December 2024, capital expenditure incurred by Dental Business segment and Health Care Business segment amounted to approximately HK$6,943,000 (2023: approximately HK$8,487,000) and approximately HK$495,000 (2023: approximately HK$10,681,000), respectively.

Other than the above, no other information regarding the Group's reportable revenue and results and reportable segments assets and liabilities as provided to the directors of the Company for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. SEGMENT INFORMATION – continued

(b) Geographical information

The Group's operations are mainly situated in the People's Republic of China (the "PRC") (excluding Hong Kong). Over 90% of the Group's revenue from external customers are located in the PRC (excluding Hong Kong).

The following table provides an analysis of the Group's non-current assets by geographical location of assets.

	Non-current assets	
	2024	2023
	HK$'000	HK$'000
PRC (excluding Hong Kong)	**22,679**	33,118
Others	**22,605**	22,957
	45,284	56,075

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

(c) 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 2024 and 31 December 2023.

6. REVENUE

Revenue represents the amount received and receivable for goods sold and services provided by the Group to outside customers, less discounts, returns and value added tax or other sales taxes.

During the years ended 31 December 2024 and 31 December 2023, the Group's operating activities are attributable to two operating segments focusing on the operation of:

- Manufacturing and sale of dental prosthetics and implant instruments (i.e. "Dental business"); and
- Provision of sport rehabilitation services, including postoperative rehabilitation, sports injury rehabilitation, chronic pain, scoliosis, deformity correction, other rehabilitation services and health leisure services (i.e. "Health care business")

(a) Disaggregation of revenue from contracts with customers

(i) ***The Group derives revenue from the transfer of goods and services by categorise of major product lines and business.***

	2024	2023
	HK$'000	HK$'000
Revenue from contracts with customers		
Dental Business		
Manufacturing and sales of dental prosthetics and implant instruments	**178,981**	179,441
Health Care Business		
Provision of sport rehabilitation services and health leisure services	**6,376**	6,441
	185,357	185,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. REVENUE – continued

(a) Disaggregation of revenue from contracts with customers – continued

(ii) The Group derives revenue from the transfer of goods and services by timing of revenue recognition

	2024 **HK$'000**	2023 HK$'000
Revenue from contracts with customers		
– At a point in time:		
Dental Business		
Manufacturing and sales of dental prosthetics and implant instruments	**178,981**	179,441
Health Care Business		
Provision of sport rehabilitation services and health leisure services	**6,376**	6,441
	185,357	185,882

(iii) The Group derives revenue from the transfer of goods and services by geographical markets

Information about the Group derives revenue from the transfer of goods and services by geographical markets is set out in note 5.

(b) Contract balances

		As at 31 December		As at 1 January
	Notes	**2024** **HK$'000**	2023 HK$'000	2023 HK$'000
Trade receivables	22	**112,573**	103,306	82,814
Less: Allowances		**(1,372)**	(2,413)	(2,048)
		111,201	100,893	80,766
Contract liabilities	27	**2,990**	2,536	981

Details of the Group's trade receivables and contact liabilities are set out in notes 22 and 27, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. REVENUE – continued

(c) Performance obligations for contracts with customers and revenue and other income recognition policies

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

The Group's revenue is measured based on the consideration specified in a contract with a customer, less discounts, returns and value added tax or other sales taxes.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the manufacturing of and sale of dental prosthetics and implant instruments and provision of sport rehabilitation services health leisure services. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

The Group's performance obligations for contracts with customers and revenue and other income recognition policies are as follows:

Revenue from contracts with customers

(i) Revenue from manufacturing and sale of dental prosthetics and implant instruments

Revenue from manufacturing of and trading of goods generally includes only one performance obligation. The Group has concluded that revenue from manufacturing of and trading of goods is recognised at the point in time when control of the products is transferred to the customer, generally when the products are delivered to and the risks of obsolescence and loss have been transferred to customer.

The Group enters into sales contracts with customers for each transaction. Revenue from the manufacturing of and trading of goods is recognised based on the price specified in the contract when the goods are delivered and titles have passed and services are provided. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Delivery occurs when the products have been shipped to the specific location in accordance with the contracts with the customers.

No significant financing component is deemed present as the sales are made with a credit term ranging from 30 days to 90 days to its customers, except for certain well-established customers, where the terms are extended to 360 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. REVENUE – continued

(c) Performance obligations for contracts with customers and revenue and other income recognition policies – continued

Revenue from contracts with customers – continued

(ii) Revenue from provision of sport rehabilitation services, including postoperative rehabilitation, sports injury rehabilitation, chronic pain, scoliosis, deformity correction, other rehabilitation services and health leisure services

The Group provides sport rehabilitation services, including postoperative rehabilitation, sports injury rehabilitation, chronic pain, scoliosis, deformity correction, other rehabilitation services and health leisure services to its customers through its self-owned clinics for a fixed and non-refundable fee and is, generally within one month to one year. The sport rehabilitation services fees are generally paid in advance and in full during the registration of each service contract which must occur prior to the attending the first course of service, and are initially recorded as contract liabilities. The portion of service payments received from customers but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability and details of which are set out in note 27.

Pursuant to the terms of the service contracts with the customers, each of the service contracts contain a number of services determined and conducted by the Group with a specified service period of time, generally within 12 months for specified types of services determined and conducted by the Company. The customers will not receive any compensation or refund for any withdrawal or unattended the services subsequent to the expiry of the service period.

Each of the service contract includes a number of services and each of the course of service is considered as a single performance obligation. The Group estimates the consideration to be earned and recognised revenue related to each course of service when the related service is rendered. Thus, the directors have determined that revenue from provision of such sport rehabilitation services is recognised at the point in time upon the completion on a course of service basis, being when performance obligation of the Group is fulfilled and the customers receive and accept the services. Revenues are recognised when promised services are delivered to the Group's customers in an amount of consideration to which the Group expects to be entitled to in exchange for those services.

Other income

(i) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(ii) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(iii) Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same period in which the expenses are incurred.

Further information about the Group's accounting policies relating to revenue from contracts with customers is provided in note 3.2 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. REVENUE – continued

(d) Translation price allocated to remaining performance obligation

The Group has applied practical expedient in paragraph 121 of HKFRS 15 *Revenue from Contracts with Customers*, to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date due to the majority of the Company's revenue contracts are short-term contracts and have a duration of less than one year, the practical expedient for contracts with durations of one year or less is applied and therefore the effect of the time value of money is not considered.

7. OTHER INCOME, GAINS AND LOSSES, NET

	2024 HK$'000	2023 HK$'000
Bank interest income	1,315	2,521
Interest income on loan receivable	–	555
Dividend income from a limited partnership	1,197	154
Losses on disposal of property, plant and equipment	(15)	(441)
Government subsidies (note below)	926	2,279
Gain on deregistration of subsidiaries	202	8
Gain on termination of leases	287	–
Exchange gains and losses, net	349	110
Others	901	1,562
	5,162	6,748

Note: The Group has subsidies receipts or receivables from a provincial government in the PRC for its research and development activities. There were no unfulfilled conditions and other contingencies attaching to government subsidy that has been recognised.

8. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest charges on:		
– Lease liabilities	779	1,491
– Others	–	5,187
	779	6,678
Less: Amounts capitalised in the cost of qualifying assets	–	(3,008)
	779	3,670

Note: During the year ended 31 December 2023, the borrowing costs have been capitalised at a rate of 10.25% per annum for the year. Since the Group's property under development was disposed upon the disposal of subsidiaries in prior year and thus, no borrowing cost capitalised by the Group subsequently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. (LOSS) PROFIT BEFORE INCOME TAX

(Loss) profit before income tax has been arrived at after charging (crediting):

	2024 HK$'000	2023 HK$'000
Staff cost, including directors' remuneration		
– Staff salaries and allowances	102,774	105,833
– Performance bonus	6,892	6,000
– Equity-settled share-based payment expenses	–	875
– Contributions to defined contribution retirement schemes	4,123	6,897
	113,789	119,605
(Reversal of) impairment loss recognised on, net		
– Trade receivables	(983)	584
– Other receivables	21,893	4,117
– Amount due from a former director of the Company	(1,827)	773
– Loan receivable	–	(2,631)
	19,083	2,843
Depreciation and amortisation on:		
– Intangible assets (included in cost of sales)	667	801
– Land use rights	–	42
– Property, plant and equipment	7,668	10,481
– Right-of-use assets	6,839	6,563
	15,174	17,887
Others:		
Auditor's remuneration	1,200	1,270
Cost of sales	103,499	104,809
Short-term leases with lease term less than 12 months	2,300	1,040
Research and development expenses	12,477	16,835
Losses on disposal of property, plant and equipment	15	441

10. INCOME TAX EXPENSE (CREDIT)

	2024 HK$'000	2023 HK$'000
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	1,559	186
	1,559	186
Deferred tax expense (note 32)	360	(290)
	1,919	(104)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. INCOME TAX EXPENSE (CREDIT) – continued

Overseas income tax

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any income tax under these jurisdictions for both years.

Hong Kong Profit Tax

Under the Hong Kong two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits during the years ended 31 December 2024 and 31 December 2023.

PRC Enterprise Income Tax

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.

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 26 December 2024 and was registered with the local tax authority to be eligible to a concessionary tax rate of 15% for three years from 2024 to 2026.

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 2024 and 31 December 2023.

Income tax expense (credit) for the year is reconciled to (loss) profit before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2024 **HK$'000**	2023 HK$'000
(Loss) profit before income tax	**(48,681)**	6,046
Tax charge at applicable tax rate at 25%	**(12,170)**	1,512
Tax effect of income not taxable for tax purpose	**(1,682)**	(34,455)
Tax effect of expenses not deductible for tax purpose	**10,559**	27,505
Tax effect of Super Deduction on research and development expenses	**(2,864)**	(4,040)
Tax effect of temporary difference not recognised	**–**	(57)
Tax effect of tax losses not recognised	**8,076**	9,431
Income tax expense (credit) for the year	**1,919**	(104)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees HK$'000	Basic salaries and allowances HK$'000	Performance related incentive bonus HK$'000	Equity-settled share-based payment expenses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2023						
Executive directors						
Mr. Kwok Ying Shing	100	–	–	–	5	105
Mr. Luo Jun (Chief Executive Officer)	570	1,234	–	247	18	2,069
Mr. Wu Tianyu (note (i) below)	–	7,868	6,000	124	80	14,072
Mr. Zhang Huagang (note (i) below)	–	700	–	308	14	1,022
Independent non-executive directors						
Dr. Liu Yanwen	250	–	–	37	–	287
Dr. Lyu Aiping	250	–	–	37	13	300
Ms. Li Zhiying	250	–	–	–	–	250
	1,420	9,802	6,000	753	130	18,105
Year ended 31 December 2024						
Executive directors						
Mr. Kwok Ying Shing	**100**	**–**	**–**	**–**	**5**	**105**
Mr. Luo Jun (Chief Executive Officer)	**420**	**1,199**	**–**	**–**	**18**	**1,637**
Mr. Wu Tianyu (note (i) below)	**–**	**7,798**	**6,892**	**–**	**56**	**14,746**
Mr. Zhang Huagang (note (i) below)	**–**	**321**	**–**	**–**	**9**	**330**
Mr. Liu Lihao (note (ii) below)	**19**	**–**	**–**	**–**	**–**	**19**
Ms. Luo Tingting (note (ii) below)	**19**	**–**	**–**	**–**	**–**	**19**
Mr. Xie Binhong (note (ii) below)	**19**	**–**	**–**	**–**	**–**	**19**
Mr. Yu Huiming (note (ii) below)	**19**	**111**	**–**	**–**	**3**	**133**
Independent non-executive directors						
Dr. Liu Yanwen	**250**	**–**	**–**	**–**	**–**	**250**
Dr. Lyu Aiping	**250**	**–**	**–**	**–**	**13**	**263**
Ms. Li Zhiying	**250**	**–**	**–**	**–**	**–**	**250**
	1,346	**9,429**	**6,892**	**–**	**104**	**17,771**

Notes:

(i) Mr. Wu Tianyu and Mr. Zhang Huagang were retired as executive directors on 14 June 2024.

(ii) Mr. Liu Lihao, Ms. Luo Tingting, Mr. Xie Binhong and Mr. Yu Huiming were appointed as executive directors on 22 October 2024.

The performance related incentive bonus payment is determined with reference to the operating results and individual performance for each year by the board of directors of the Company.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – continued

There was no arrangement under which a director or the Chief Executive Officer waived or agreed to waive any remuneration during the year. In addition, there was no inducement paid for directors to join the Group and no compensation for the loss of office as a director in connection with the management of the affairs of any member of the Group.

During the year, no share options were granted to directors. Details of the share option scheme are set out in note 34 to the Group's consolidated financial statements.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group during the year included three (2023: three) directors, details of whose remunerations are set out in note 11. The details of the remaining two (2023: two) highest paid employees who are not a director or chief executive of the Company are as follows:

	2024 **HK$'000**	2023 HK$'000
Staff salaries and allowances	**8,017**	7,629
Equity-settled share-based payment expenses	**–**	179
Contributions to defined contribution retirement schemes	**116**	97
	8,133	7,905

The emoluments were within the following bands:

	2024	2023
Nil to HK$1,000,000	**1**	1
HK$6,500,001 to HK$7,000,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–

There was no arrangement under which five highest paid individuals waived or agreed to waive any remuneration during the year. In addition, there was no inducement paid for five highest paid individuals to join the Group and no compensation for the loss of office in connection with the management of the affairs of any member of the Group.

13. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2024 and 31 December 2023, nor has any dividend been proposed since the end of the reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. (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:

	2024 HK$'000	2023 HK$'000
(Loss) profit for the year attributable to owners of the Company	(46,355)	7,468

Number of shares

	2024 (number of shares '000)	2023
Weighted average number of ordinary shares in issue during the year	5,042,139	5,042,139

The diluted (loss) earnings per share for the years ended 31 December 2024 and 31 December 2023 and 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 2024 and 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

	Leasehold improvements HK$'000	Moulds, plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Right-of-use assets – properties HK$'000	Total HK$'000
Cost								
As at 1 January 2023	14,159	58,358	20,004	1,492	4,015	98,028	50,216	148,244
Additions	369	9,228	1,274	4	–	10,875	8,293	19,168
Disposals	–	(6,115)	(1,789)	–	–	(7,904)	(750)	(8,654)
Disposal of subsidiaries (note 35)	–	(27,638)	(3,099)	(73)	(3,093)	(33,903)	(15,441)	(49,344)
Exchange realignment	(403)	(1,588)	(549)	(2)	(104)	(2,646)	(1,578)	(4,224)
As at 31 December 2023 and 1 January 2024	14,125	32,245	15,841	1,421	818	64,450	40,740	105,190
Additions	83	3,075	721	–	1,120	4,999	2,406	7,405
Disposals	(617)	(3,668)	(1,388)	–	–	(5,673)	(8,863)	(14,536)
Exchange realignment	(454)	(1,050)	(503)	–	(50)	(2,057)	(1,191)	(3,248)
As at 31 December 2024	**13,137**	**30,602**	**14,671**	**1,421**	**1,888**	**61,719**	**33,092**	**94,811**
Accumulated depreciation and impairment								
As at 1 January 2023	11,059	47,938	15,756	637	3,174	78,564	29,854	108,418
Provided for the year	1,099	7,038	2,202	142	–	10,481	6,563	17,044
Elimination on disposals	–	(5,702)	(1,761)	–	–	(7,463)	(750)	(8,213)
Elimination upon disposal of subsidiaries (note 35)	–	(25,116)	(2,955)	(69)	(3,093)	(31,233)	(10,016)	(41,249)
Exchange realignment	(321)	(1,255)	(431)	(2)	(81)	(2,090)	(841)	(2,931)
As at 31 December 2023 and 1 January 2024	11,837	22,903	12,811	708	–	48,259	24,810	73,069
Provided for the year	708	4,988	1,830	142	–	7,668	6,839	14,507
Elimination on disposals	(617)	(3,538)	(1,169)	–	–	(5,324)	(7,025)	(12,349)
Exchange realignment	(392)	(785)	(433)	–	–	(1,610)	(800)	(2,410)
As at 31 December 2024	**11,536**	**23,568**	**13,039**	**850**	**–**	**48,993**	**23,824**	**72,817**
Carrying values:								
As at 31 December 2024	**1,601**	**7,034**	**1,632**	**571**	**1,888**	**12,726**	**9,268**	**21,994**
As at 31 December 2023	2,288	9,342	3,030	713	818	16,191	15,930	32,121

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis on the following bases:

Leasehold improvements	Over the remaining unexpired terms of the leases or 5 years, whichever is shorter
Moulds, plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Right-of-use assets – Properties	Over the shorter of its estimated useful life and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS – continued

Right-of-use assets – Properties

For both years, the Group leases working areas including shops for Health Care Business, factory for Dental business, staff quarters and the head office in the PRC for its operations. Lease contracts are entered into for fixed term of 2 to 7 years (2023: 2 to 8 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2024, the total short-term leases with lease term less than 12 months was HK$2,300,000 (2023: HK$1,040,000).

16. LAND USE RIGHTS

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

	HK$'000
As at 1 January 2023	3,745
Amortisation	(42)
Disposal of subsidiaries (note 35)	(3,610)
Exchange realignment	(93)
As at 31 December 2023, 1 January 2024 and 31 December 2024	–

The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

The Group's land use rights were disposed upon the disposal of subsidiaries for the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. INTANGIBLE ASSETS

	Trademarks and patents HK$'000	Computer software HK$'000	Total HK$'000
Cost			
As at 1 January 2023	35,687	3,485	39,172
Exchange realignment	–	(99)	(99)
As at 31 December 2023 and 1 January 2024	35,687	3,386	39,073
Addition	–	33	33
Exchange realignment	–	(112)	(112)
As at 31 December 2024	**35,687**	**3,307**	**38,994**
Amortisation and impairment			
As at 1 January 2023	32,680	1,913	34,593
Provide for the year	354	447	801
Exchange realignment	–	(58)	(58)
As at 31 December 2023 and 1 January 2024	33,034	2,302	35,336
Provide for the year	354	313	667
Exchange realignment	–	(82)	(82)
As at 31 December 2024	**33,388**	**2,533**	**35,921**
Carrying values			
As at 31 December 2024	**2,299**	**774**	**3,073**
As at 31 December 2023	2,653	1,084	3,737

The amortisation charge for the year is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

The Group's intangible assets have finite useful lives. The amortisation of the Group's intangible assets is recognised over the useful life of the intangible assets as an expense on a straight-line basis on the following bases:

Trademarks and patents	8.7 to 10 years
Computer software	3 years

18. GOODWILL

	2024 HK$'000	2023 HK$'000
Cost		
As at 1 January and 31 December	**351,022**	351,022
Accumulated impairment		
As at 1 January and 31 December	**(330,805)**	(330,805)
	20,217	20,217

The goodwill arose as part of business combinations in prior years and were determined at the respective acquisition dates, being the differences between the purchase considerations and the fair values of net identifiable assets of acquirees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. GOODWILL – continued

The Group's goodwill is mainly attributable to the following CGUs which are mainly relating to the Dental Business of the Group:

	2024 HK$'000	2023 HK$'000
Goodwill attributable to the following CGUs:		
– Basic Dental Implant Systems, Inc. ("Dental Implant")	20,217	20,217
– On Growth Global Development Limited ("On Growth")	–	–
	20,217	20,217

Impairment test for goodwill

The Group engages an independent professional qualified valuer to perform the impairment assessment of the Group's goodwill as at the end of the reporting date.

In determining the impairment assessments, the management of the Company is responsible to determine the appropriateness of valuation techniques and inputs for the impairment assessments. The management works closely with the independent professional qualified valuer to establish the appropriate valuation techniques, key assumptions, inputs and data to the model.

Details of the valuation method, key assumptions, the inputs and data are set out below:

Dental Implant

The recoverable amount of the CGU for Dental Implant has been determined by value-in-use ("VIU") calculation. The calculation uses cash flow projections based on five-year financial budgets approved by the management. Cash flows beyond the five-year period are extrapolated using 2% (2023: 2.2%) growth rate. A pre-tax discount rate of 22.09% (2023: 24.19%) is used for this CGU and derived using risk-free rate, the market return and CGU specific risk factors. The average gross margin and net margin of the CGU during forecast period are 59% and 28% (2023: 65% and 26%) respectively.

Management determines growth rate of revenue and gross margin of Dental Implant based on past performance and its expectations for the market development. The terminal growth rate applied beyond the budget period is estimated based on industry forecast. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

As at 31 December 2024 and 31 December 2023, the recoverable amount of the CGU in Dental Implant is higher than its carrying amount and thus, no impairment was recognised for both years.

On Growth

The management considers that since the unsatisfactory financial performance of the operation and business of On Growth, the recoverable amount of the CGU in On Growth is lower than its carrying amount and thus, the entire amount of the goodwill was fully impaired in prior years.

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For the year ended 31 December 2024

19. FINANCIAL ASSETS AT FVTPL

	Notes	2024 HK$'000	2023 HK$'000
Investment in Financial assets at FVTPL:			
Limited partnership interests			
– Zhuhai Partnership	(a)	**116,919**	144,025
– Haoyi Partnership	(b)	**43,342**	49,089
		160,261	193,114

The directors of the Company consider that neither the Group has the practical ability to direct the relevant activities of two limited partnership entities unilaterally nor has the power to exercise significant influence over these limited partnership entities and further, the Company intends to hold these investments for long term strategic purposes and thus, these two limited partnership entities are accounted for as financial assets at FVTPL.

Notes:

(a) Zhuhai Partnership

The amount represents 5.51% equity interest in 珠海金鎰銘股權投資基金合夥企業(有限合夥) (Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.), "Zhuhai Partnership") which was owned by 深圳達逸臻科技有限公司 (Shenzhen Dayizhen Technology Co., Ltd., "Shenzhen Dayizhen") which was 100% owned by 深圳盈都科技有限公司 (Shenzhen Yingdou Technology Co., Ltd., "Shenzhen Yingdou"). Zhuhai 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.

On 20 July 2021, 21 July 2021 and 31 August 2021, the Group and Shenzhen Yingdou entered into three transfer agreements respectively. Pursuant to these agreements, Shenzhen Yingdou had transferred of an aggregate of 5.51% limited partnership interest in Zhuhai Partnership to the Group, at a consideration of RMB180,000,000 (equivalent to HK$220,410,000) through certain contractual arrangements.

As the Group is regarded as a foreign investor, the Group and Shenzhen Yingdou have entered into certain contractual arrangements (the "Contractual Arrangements") to execute the transfer.

Under the Contractual Arrangements, the cooperation agreements and the variable interest entity 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, Shenzhen Yingdou and 深圳達逸臻科技有限公司 (Shenzhen Dayizhen Technology Co., Ltd., "Shenzhen Dayizhen"), a special purpose vehicle established by Shenzhen Yingdou, which enable the Group to:

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

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

Though the Group does not have any equity interest in Shenzhen Dayizhen. However, as a result of the Contractual Arrangements, the directors of the Company consider that the Group has power over Shenzhen Dayizhen and has rights to variable returns from its involvement with Shenzhen Dayizhen and has the ability to affect those returns through its power over Shenzhen Dayizhen. After assessment, the directors concluded that the terms of the Contractual Arrangements have in substance to enable the Group has control over Shenzhen Dayizhen as a result of the Contractual Arrangements and other measures and accordingly, the Company regards Shenzhen Dayizhen as a consolidated structured entity of the Group under HKFRSs. The Group has consolidated the financial information of Shenzhen Dayizhen in the Group's consolidated financial statements since year 2021.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shenzhen Dayizhen and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Shenzhen Dayizhen. In the opinion of the directors of the Company, based on the advice of its legal counsel, the Contractual Arrangements are in compliance with the existing PRC laws and regulations are valid, binding and legally enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. FINANCIAL ASSETS AT FVTPL – continued

Notes: – continued

(b) Haoyi Partnership

As at 31 December 2024, the Group has equity interests in a limited partnership, namely Haoyi of which its business is focusing on health care business in the PRC.

During the year ended 31 December 2023, the Group entered into a sale and purchase agreement with an independent third party to dispose some of its equity interests in Haoyi, of which the disposal was completed during the year ended 31 December 2023. Upon the completion of the disposal, the Group has become just a limited partner in investment in Haoyi with no control, joint control or significant influence over the relevant activities of Haoyi and its subsidiaries. The purchaser who has been appointed as the general partner of the limited partnership has the power to direct the relevant activities of Haoyi and its subsidiaries. In addition, since there is no representative on the board of directors or equivalent governing body of the investee, the Group has not participated in operating and financing activities. Accordingly, Haoyi and its subsidiaries ceased to be the subsidiaries of the Group after the disposal and have been classified as financial assets at FVTPL. Details of the disposal of subsidiaries are set out in note 35 to the consolidated financial statements.

For the details of the Disposal, please refer to the announcements date 4 May 2023.

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For the year ended 31 December 2024

19. FINANCIAL ASSETS AT FVTPL – continued

Fair value measurement of financial assets at FVTPL

The Group has engaged an independent professional qualified valuer, Hong Kong Appraisal Advisory Limited to perform the fair value valuation all of its financial assets at FVTPL as at the end of the reporting date.

In determining the fair value of the financial assets at FVTPL, the management of the Company discussed with the independent valuer regarding the appropriateness of valuation techniques and inputs and assumptions for fair value measurements selected by the valuer. The fair value measurement requires the use of unobservable inputs and are within Level 3 of the fair value hierarchy.

Details of the movements of the Group's financial assets at FVTPL are set out below:

	2024 HK$'000	2023 HK$'000
As at 1 January	193,114	200,280
Recognition of financial assets at FVTPL upon the Disposal (note 35)	–	45,901
Changes in investment cost	(17,690)	(26,501)
Change in fair value recognised in profit or loss	(9,772)	(21,295)
Exchange realignment	(5,391)	(5,271)
As at 31 December	160,261	193,114

Details of the valuation methods, key assumptions, inputs and data are set out in note 39.3 to the consolidated financial statements.

20. PROPERTIES UNDER DEVELOPMENT

	HK$'000
Aa at 1 January 2023	124,571
Additions	14,249
Disposal of subsidiaries (note 35)	(135,193)
Exchange realignment	(3,627)
As at 31 December 2023, 1 January 2024 and 31 December 2024	–

21. INVENTORIES

	2024 HK$'000	2023 HK$'000
Raw materials	12,353	11,412
Finished goods	1,028	2,824
	13,381	14,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. TRADE AND OTHER RECEIVABLES

	Notes	**2024 HK$'000**	2023 HK$'000 (Restated)
Trade receivables	(a)	**112,573**	103,306
Less: Impairments		**(1,372)**	(2,413)
		111,201	100,893
Other receivable relating to for acquisition of land use right	(b)	**21,202**	21,924
Other receivables		**39,981**	40,708
Prepayments		**3,014**	1,837
Other deposits		**1,771**	1,798
Other receivables, prepayments and deposits		**65,968**	66,267
Less: Impairments	(c)	**(28,992)**	(7,817)
		36,976	58,450
		148,177	159,343

Notes:

(a) Trade receivables

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

	2024 HK$'000	2023 HK$'000
0 – 90 days	**57,282**	42,457
91 – 180 days	**27,105**	10,850
181 – 365 days	**20,003**	10,126
Over 1 year	**6,811**	37,460
	111,201	100,893

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

The movements in the impairment of trade receivables are as follows:

	2024 HK$'000	2023 HK$'000
Trade receivables		
As at 1 January	**2,413**	2,048
Recognised during the year	**1,098**	1,595
Reversed during the year	**(2,081)**	(1,011)
Exchange realignment	**(58)**	(219)
As at 31 December	**1,372**	2,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. TRADE AND OTHER RECEIVABLES – continued

Notes: – continued

(b) Other receivables, prepayments and deposits

Included in the Group's other receivables, prepayments and deposits, an amount of HK$21,202,000 (2023: HK$21,924,000) 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 Jiaxu Health Services Co., Ltd.* (上海佳煦健康服務有限公司), ("Shanghai Jiaxu").

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.* (上海佳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 during the year ended 31 December 2023 which expected by the management to be fully refunded to the Group in 2024. However, the counterparty did not settle the amount in 2024 and up to the date when the consolidated financial statements were authorised for issue. The amount of RMB20,000,000 was fully impaired during the current year.

Details of the impairment assessment are set out in note 39.2 to the consolidated financial statements.

(c) The movements in the impairment of other receivables are as follows:

	2024 HK$'000	2023 HK$'000
Other receivables		
As at 1 January	**7,817**	3,959
Recognised during the year	**21,893**	4,117
Exchange realignment	**(718)**	(259)
As at 31 December	**28,992**	7,817

Details of the impairment assessment of trade and other receivables are set out in note 39.2(b) to the consolidated financial statements.

(d) Others

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

23. LOAN RECEIVABLE

Details of the movements of loan receivable are set out below:

	HK$'000
As at 1 January 2023	21,968
Repayments	(25,782)
Reversal of impairment loss	2,631
Effective interest	555
Exchange realignment	628
As at 31 December 2023, 1 January 2024 and 31 December 2024	**–**

* *For identification purpose only*

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For the year ended 31 December 2024

23. LOAN RECEIVABLE – continued

The movements in the impairment of loan receivable are as follows:

	HK$'000
As at 1 January 2023	2,559
Reversal during the year	(2,631)
Exchange realignment	72
As at 31 December 2023, 1 January 2024 and 31 December 2024	**–**

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

The Group did not grant any new loan during the year ended 31 December 2024.

24. AMOUNT DUE FROM A FORMER DIRECTOR OF THE COMPANY

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

The amount is due from a former director of the Company, Mr. Wu Tianyu ("Mr. Wu", the executive director of the Company who was retired on 14 June 2024), and the maximum amount outstanding during the year ended 31 December 2024 was HK$1,827,000 (2023: HK$8,651,000).

The amount was fully repaid during the year ended 31 December 2024.

The movements in the impairment of amount due from a former director of the Company are as follows:

	2024 HK$'000	2023 HK$'000
As at 1 January	**1,827**	1,054
Recognised during the year	**–**	773
Reversal during the year	**(1,827)**	–
As at 31 December	**–**	1,827

25. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

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

In respect of the amounts due from fellow subsidiaries, the directors of the Company consider that there has been no significant increase in credit risk nor default because the amounts were insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

26. BANK BALANCES AND CASH

Bank balances included short term deposit carry interest at market rates which ranges from 0.001% to 1.35% (2023: 0.001% to 0.25%) per annum.

As at 31 December 2024, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$100,706,000 (2023: HK$105,017,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the relevant group entities:

	2024 HK$'000	2023 HK$'000
United States dollar	4,077	32,497

27. TRADE AND OTHER PAYABLES

	Notes	2024 HK$'000	2023 HK$'000
Trade payables	(a)	5,552	26,773
Receipts in advance		25,058	388
Other payables	(b)	20,688	31,179
Accrued charges	(c)	10,485	13,204
Contract liabilities	(d)	2,990	2,536
		64,773	74,080

Notes:

(a) Trade payables

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

	2024 HK$'000	2023 HK$'000
0 – 90 days	5,179	24,154
91 – 180 days	295	1,086
Over 180 days	78	1,533
	5,552	26,773

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

(b) Other payables

The amounts mainly include value added tax and other tax payables in the PRC.

(c) Accrued charges

The amounts mainly include accrued staff salaries and allowances, contributions to defined contribution retirement schemes and consultancy fees for dental and health care projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

27. TRADE AND OTHER PAYABLES – continued

Notes: – continued

(d) Contract liabilities

The amounts represent prepayments received from medical services under the Health Care Business segment. When the Group receives a prepayment before the commencement of medical services, this will give rise to a contract liability at the inception of a contract until the revenue recognised on the service could cover the amount of the deposit. The contract liabilities represent receipts in advance for the medical services and are expected to be recognised as revenue within one year.

The movements in the contract liabilities are as follows:

	HK$'000
As at 1 January 2024	2,536
Additions	6,772
Revenue recognised for the year	(6,318)
As at 31 December 2024	**2,990**

(e) Others

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.

28. OTHER FINANCIAL LIABILITIES

The other financial liabilities (the "Other Financial Liabilities") amounts comprise of: (a) Financial liabilities at FVTPL – Put option liability; and (b) Financial liabilities measured at amortised cost – Other financial liabilities

(a) Financial liabilities at FVTPL – Put option liability

Details of the movements of financial liabilities at FVTPL – Put option liability are set out below:

	HK$'000
As at 1 January 2023	39,936
Change in fair value recognised in profit or loss	(875)
Disposal of subsidiaries (note 35)	(38,084)
Exchange realignment	(977)
As at 31 December 2023, 1 January 2024 and 31 December 2024	**–**

On 31 May 2021, the Group, Zhuhai Shili Lianjiang Agricultural Tourism Development Co., Ltd.* (珠海十里蓮江農業旅遊開發有限公司) ("Zhuhai Shili Lianjiang Development"), and Sinochem Investment Management (Tianjin) Co., Ltd.* (中能化投資管理(天津)有限公司) ("Sinochem"), entered into the Capital Contribution Agreement, pursuant to which, among others, Sinochem agreed to make a capital contribution of RMB65,600,000 ("Capital Contribution") in cash to Zhuhai Shili Lianjiang Health Care Development Co., Ltd.* (珠海十里蓮江健康產業發展有限公司) ("Zhuhai Shili Lianjiang Health Care") being an investee of Haoyi, out of which an amount of RMB43,870,000 and RMB21,730,000 were contributed to the registered capital and capital reserve of Zhuhai Shili Lianjiang Health Care, respectively in July 2021.

* *For identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. OTHER FINANCIAL LIABILITIES – continued

(a) Financial liabilities at FVTPL – Put option liability – continued

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

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

(b) Financial liabilities measured at amortised cost – Other financial liabilities

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

	HK$'000
As at 1 January 2023	60,817
Interest expense (note 8)	5,187
Disposal of subsidiaries (note 35)	(64,293)
Exchange realignment	(1,711)
As at 31 December 2023, 1 January 2024 and 31 December 2024	**–**

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.

佳兆業集團(深圳)有限公司 (Kaisa Group (Shenzhen) Co., Ltd.), 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.

As described in note 35, 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, being an investor of Zhuhai Shili Lianjiang Health Care. Pursuant to the sale and purchase agreement, the Purchaser agreed to undertake the Group's obligations regarding the abovementioned Profit Guarantee. Accordingly, upon the completion of the Disposal which took place during the year ended 31 December 2023, the Group has derecognised the Other Financial Liabilities.

Details of the Disposal have been disclosed in note 35 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. LEASE LIABILITIES

The following table presents the remaining contractual maturities of the Group's lease liabilities regarding leasing of leases various offices premises, staff quarters and workings areas (i.e. factory and kitchen) and agricultural land in the PRC for its operations as at the end of the reporting periods:

	2024 **HK$'000**	2023 HK$'000
Lease liabilities payable:		
– Within one year	**4,206**	7,817
– After 1 year but within 2 years	**2,513**	4,161
– After 2 years but within 5 years	**3,930**	6,021
	10,649	17,999
Less: Amount due for settlement with 12 months shown under current liabilities	**(4,206)**	(7,817)
Amount due for settlement after 12 months shown under non-current liabilities	**6,443**	10,182

As at 31 December 2024, lease liabilities amounting to HK$10,649,000 (2023: HK$17,999,000) are effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2024, the total cash outflows for the leases are HK$10,263,000 (2023: HK$9,871,000), of which the cash outflows amounting to HK$144,000 (2023: HK$144,000) are made to the ultimate holding company, Kaisa Group Holdings Ltd..

30. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

31. AMOUNT DUE TO A FORMER RELATED PARTY

The amount represents the amount due to Ms. Jiang Sisi, the spouse of former director of the Company, Mr. Wu.

The amount is insecured, interest-free and repayable on demand. The amount was fully repaid during the year ended 31 December 2024.

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32. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities recognised and movements during the current and prior reporting periods are as follows:

	Deferred tax liabilities – Fair value adjustments on intangible assets acquired in business combinations HK$'000	**Deferred tax assets – Other temporary differences** HK$'000	**Total** HK$'000
As at 1 January 2023	(825)	264	(561)
Charged to profit or loss for the year (note 10)	97	193	290
As at 31 December 2023 and 1 January 2024	(728)	457	(271)
Charged to profit or loss for the year (note 10)	97	(457)	(360)
As at 31 December 2024	**(631)**	**–**	**(631)**

As at 31 December 2024, the Group has unused tax losses of HK$227,253,000 (2023: HK$213,451,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$432,000 that will expire in 2031 (2023: HK$15,439,000 that will expire in 2030).

As at 31 December 2024, the Group has unremitted earnings for certain subsidiaries amounting to HK$239,875,000 (2023: HK$240,960,000). No deferred tax liability has been recognised in respect of these unremitted earnings because the Company controls the dividend policy of these subsidiaries, and it is not probable that the temporary differences will reverse in the foreseeable future.

33. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.00125 each:		
Authorised:		
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**160,000,000,000**	**200,000**
Issued and fully paid:		
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**5,042,139,374**	**6,303**

There were no movements in the authorised and issued share capital for both years.

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For the year ended 31 December 2024

34. SHARE OPTIONS

Pursuant to an ordinary resolution passed in the Company's special general meeting on 8 June 2015, the Company approved and adopted a share option scheme (the "Scheme") for a period of 10 years commencing from 8 June 2015 as incentive or reward for the grantees for their contribution or potential contribution to the Group.

Under the Scheme, the Company may grant options to eligible participant which includes any full-time or parttime employees, consultants, 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, and any related entity participants or service providers who, in the sole opinion of the board of directors, will contribute or has contributed to the Company and/or any of its subsidiaries.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, and any related entity participants or service providers, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

The exercisable period of the options granted are determined by the board of directors of the Company at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, the Company may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in aggregate, nominal amount of 10% of the issued share capital of the Company at the date of approval of the Scheme. The Scheme limit may be increased from time to time to 10% of the shares in issue as at the date of such shareholders' approval. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time.

As at 31 December 2024, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 142,000,000 (2023: 142,000,000), representing 2.8% (2023: 2.8%) of the shares of the Company in issue at that date.

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34. SHARE OPTIONS – continued

The fair values of share options were calculated using Binomial Option Pricing Model based on following data:

Grant date	22 July 2020
Share price at grant date	HK$0.144
Exercise price	HK$0.196
Expected volatility	63.68%
Expected life	10 years
Risk-free rate	0.396%
Expected dividend yield	0.00%
Early exercise multiples	
– Director and its associate	2.8x
– Employees or consultants	2.8x

The Binomial Option Pricing Model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. The expected volatility was determined with reference to the historical volatilities of the Company's share prices over the last five years. The expected dividend yield was based on the historical dividend yields of the Company. The value of an option varies with different variables of certain subjective assumptions.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercisable period	Exercise price
2020	22.7.2020	22.7.2020 – 21.7.2023	22.7.2021 – 21.7.2030	HK$0.196

A summary of the movements of the number of share options under the Scheme during the years is as follows:

Type of participant	Option type	Outstanding at 1 January 2023	Outstanding at 31 December 2023 and 1 January 2024	**Outstanding at 31 December 2024**
Mr. Zhang Huagang (note (i) below)	22 July 2020	50,000,000	50,000,000	**50,000,000**
Mr. Luo Jun	22 July 2020	40,000,000	40,000,000	**40,000,000**
Mr. Wu Tianyu (note (ii) below)	22 July 2020	20,000,000	20,000,000	**20,000,000**
Dr. Liu Yanwen	22 July 2020	6,000,000	6,000,000	**6,000,000**
Dr. Lyu Aiping	22 July 2020	6,000,000	6,000,000	**6,000,000**
Ms. Jiang Sisi	22 July 2020	10,000,000	10,000,000	**10,000,000**
Employee	22 July 2020	10,000,000	10,000,000	**10,000,000**
		142,000,000	142,000,000	**142,000,000**
Exercisable at the end of the year		100,000,000	142,000,000	**142,000,000**
Weighted average exercise price		HK$0.196	HK$0.196	**HK$0.196**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

34. SHARE OPTIONS – continued

Notes:

(i) Mr. Zhang Huagang, 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.

The Group recognised a share-based payment expenses of Nil during the year ended 31 December 2024 since the share options has been vested in 2023.

The Group recognised a share-based payment expense in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023:

	2023 HK$'000
Directors	753
Employees	122
	875

Since all the share options have been vested in prior years and thus, the Company did not recognise any share-based payment expense for the year ended 31 December 2024.

35. DISPOSAL OF SUBSIDIARIES

On 4 May 2023, an indirect wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser"), being the Purchaser to dispose certain of its equity interests in Haoyi Partnership and Guanghao (i.e. the "Disposal Group") at the cash consideration of RMB100,000 (equivalent to approximately HK$110,000) (the "Disposal"). The Purchaser agreed to undertake the obligations arising from the Other Financial Liabilities as detailed in note 28. Upon the Disposal, the Group ceased to be the general partner of Haoyi Partnership which has the power to direct the relevant activities of Haoyi Partnership and its subsidiaries, resulting from the Group losing control over the Disposal Group.

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

For the details of the Disposal, please refer to the announcement dated 4 May 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. DISPOSAL OF SUBSIDIARIES – continued

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

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	2,670
Right of use assets	5,425
Land use rights	3,610
Properties under development	135,193
Inventories	152
Other receivables	1,663
Bank balances and cash	783
Other payables	(59,934)
Other financial liabilities	(102,377)
Lease liabilities	(13,819)
Amounts due to subsidiaries of the Group	(5,060)
Amounts due to fellow subsidiaries of the Group	(293)
Amount due to a non-controlling shareholder of Disposal Group	(14,932)
Net liabilities disposed of	(46,919)
Gain on Disposal of the Disposal Group:	
Consideration received	110
Reclassification of financial assets at FVTPL	45,901
Net liabilities disposed of	46,919
Non-controlling interests	(13,182)
Reclassification of cumulative translation reserve upon Disposal of Disposal Group	(10,357)
Gain on Disposal	69,391
Net cash outflow arising on the Disposal:	
Cash consideration	110
Less: Bank balances and cash	(783)
	(673)

36. LEASE COMMITMENTS

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

	2024 HK$'000	2023 HK$'000
Within one year	**2,089**	1,895

As at 31 December 2024 and 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 leases exemption under HKFRS 16 *Leases*.

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37. DEFINED CONTRIBUTION RETIREMENT PLANS

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance (the "Ordinance"). The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately upon the completion of service in the relevant service period. There is no forfeited contribution that may be used by the Group to reduce the existing levels of contributions.

The Group's PRC subsidiaries also participate in defined contribution retirement schemes covering its full-time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. There is no forfeited contribution that may be used by the Group to reduce the existing levels of contributions.

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The management of the Group reviews the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buyback as well as debt raising.

The net debt to equity ratio defined and calculated by the Group as other financial liabilities less cash and cash equivalents expressed as a percentage of total equity. The ratio is not presented as the Group has no net debt at 31 December 2024 and 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS

39.1 Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
Financial assets measured at amortised cost:		
Trade and other receivables	**145,163**	157,506
Amount due from a former director of the Company	**–**	6,824
Amounts due from fellow subsidiaries	**881**	940
Bank balances and cash	**149,609**	174,078
	295,653	339,348
Financial assets measured at FVTPL:		
Limited partnership interests	**160,261**	193,114
	455,914	532,462
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**36,725**	71,156
Amounts due to fellow subsidiaries	**1,078**	1,114
Amount due to ultimate holding company	**216**	72
Amount due to a former related party	**–**	702
Lease liabilities	**10,649**	17,999
	48,668	91,043

39.2 Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, limited partnership interests, loan receivable, amount due from a former director of the Company, amounts due from/to fellow subsidiaries, bank balances and cash, trade and other payables, amount due to ultimate holding company and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Interest rate risk

As at 31 December 2024, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and lease liabilities (2023: fixed-rate bank deposits and lease liabilities). It is the Group's policy to keep its loans at fixed rates of interest so as to minimise its exposures on interest rate movements.

The Group is also exposed to cash flow interest rate risk relating to the Group's variable-rate bank deposits. In management's opinion, the sensitivity analysis is unrepresentative as the cash flow interest rate risk is not significant to the consolidated financial statements.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS – continued

39.2 Financial risk management objectives and policies – continued

(a) Market risk – continued

(ii) Foreign currency risk

Several subsidiaries of the Company have foreign currency bank balances and trade receivables that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are disclosed in respective notes. As at 31 December 2024 and 2023, the Group is mainly exposed to exchange rate fluctuations of United States dollar ("USD"). As Hong Kong dollar is pegged to USD, hence, the Group's foreign currency exposure against USD is not significant.

The same% depreciation in the group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's profit/loss for the year and equity but of opposite effect.

(b) Credit risk

As at 31 December 2024 and 31 December 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

(i) Trade receivables

The Group's credit risk is primarily attributable to its trade receivables. At as 31 December 2024, the Group has concentration of credit risk on certain trade receivables as 4% (2023: 1%) and 9% (2023: 7%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality based on the good payment history of the related debtors from historical experience. For the years ended 31 December 2024 and 2023, the Group assesses ECL under HKFRS 9 *Financial Instruments* on trade receivables by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies. The loss rates are adjusted to reflect forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At the end of each reporting period, the loss rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS – continued

39.2 Financial risk management objectives and policies – continued

(b) Credit risk – continued

(i) Trade receivables – continued

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables as at 31 December 2024 and 2023 was determined as follows:

	Current HK$'000	Within 3 months past due HK$'000	Over 3 months but less than 6 months past due HK$'000	Over 6 months but less than 1 year past due HK$'000	Over 1 year past due HK$'000	Total HK$'000
As at 31 December 2023						
ECL rate	0%	0.6%	1.2%	8.5%	27.9%	
Gross carrying amount – trade receivables	82,080	5,939	3,779	4,498	7,010	103,306
Lifetime ECL	–	34	44	381	1,954	2,413
As at 31 December 2024						
ECL rate	**0%**	**0.5%**	**1.8%**	**9.6%**	**38.1%**	
Gross carrying amount – Trade receivables	**48,381**	**40,357**	**16,654**	**6,583**	**598**	**112,573**
Lifetime ECL	**–**	**216**	**295**	**633**	**228**	**1,372**

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, bank balances and cash, amount due from a former director of the Company and amounts due from fellow subsidiaries. In order to minimise the credit risk of other receivables and amounts due from fellow subsidiaries, the management would make periodic collective and individual assessment on the recoverability of other receivables and amounts due from fellow subsidiaries based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards the credit risk of other receivables, amounts due from fellow subsidiaries are considered to be low.

Besides, the Group's management is of opinion that there is no significant increase in credit risk on amounts due from fellow subsidiaries since the amount was insignificant and thus, ECL recognised is based on 12-month ECL and is close to zero.

For other receivable, the Group assessed the ECL by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that there are objective evidences of impairment at the reporting date. An ECL allowance of approximately HK$668,000 relating to the outstanding balance of approximately RMB39,981,000 was recognised for the year ended 31 December 2024 (2023: HK$3,686,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS – continued

39.2 Financial risk management objectives and policies – continued

(b) Credit risk – continued

(ii) Other financial assets at amortised cost – continued

Relating to the remaining balance of other receivable of approximately RMB21,202,000 (2023: RMB21,924,000), in prior year, the management of the Company assessed that the expected loss rate for the counterparty was low. The management assessed that the expected loss rate for the receivable from the counterparties are immaterial and consider it to have a low credit risk and thus, no allowance provision for the receivable was recognised for the year ended 31 December 2023. However, the management consider that there was a significant increase in credit risks of the receivable from the counterparty due to the no settlement in 2024 and considered the current economic environment in real estate sector in the PRC and the financial condition of the counterparty and thus, an ECL allowances amounted to HK$21,225,000 was charged to profit or loss for the year ended 31 December 2024.

During the year ended 31 December 2024, the movements for ECL allowance of other receivables are as follows:

		ECL allowance		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023	–	7,817	–	7,817
Transfer	–	(431)	431	–
Recognised during the year	–	668	21,225	21,893
Exchange realignment	–	(264)	(454)	(718)
As at 31 December 2024	**–**	**7,790**	**21,202**	**28,992**

For amount due from a former director of the Company, the Group assessed the ECL by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the credit risk is not low given the repayment from the director has been reducing in recent years. Accordingly, as at 31 December 2023, a Stage 2 ECL allowance of approximately HK$1,827,000 was recognised and the loss rate is approximately 21.12%. Since the amount was fully settled during the year ended 31 December 2024 and a reversal of ECL allowance was credited to profit or loss for the year.

The credit risks on bank balances and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS – continued

39.2 Financial risk management objectives and policies – continued

(c) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

As at 31 December 2024 and 31 December 2023, the Group does not have any unutilised bank loan facilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2023						
Trade and other payables	71,156	–	–	–	71,156	71,156
Lease liabilities	8,919	5,248	6,366	–	20,533	17,999
Amount due to a former related party	702	–	–	–	702	702
Amounts due to fellow subsidiaries	1,114	–	–	–	1,114	1,114
Amount due to ultimate holding company	72	–	–	–	72	72
	81,963	5,248	6,366	–	93,577	91,043
As at 31 December 2024						
Trade and other payables	**36,725**	**–**	**–**	**–**	**36,725**	**36,725**
Lease liabilities	**4,618**	**2,776**	**4,156**	**–**	**11,550**	**10,649**
Amounts due to fellow subsidiaries	**1,078**	**–**	**–**	**–**	**1,078**	**1,078**
Amount due to ultimate holding company	**216**	**–**	**–**	**–**	**216**	**216**
	42,637	**2,776**	**4,156**	**–**	**49,569**	**48,668**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS – continued

39.3 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 measure 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 unobservable inputs for the asset or liability.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2023				
Recurring fair value measurement				
Financial assets at FVTPL:				
Limited partnership interests	–	–	193,114	193,114
As at 31 December 2024				
Recurring fair value measurement				
Financial assets at FVTPL:				
Limited partnership interests	**–**	**–**	**160,261**	**160,261**

During the years ended 31 December 2024 and 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS – continued

39.3 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 values of financial assets and financial liabilities at FVTPL are as follows:

Financial instruments at FVTPL	Valuation techniques	Amount	Range	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Financial asset at FVTPL – Limited partnership interests					
Zhuhai Partnership	Market approach	HK$116,919,000 (2023: HK$144,025,000)	0.63 – 10.26 (2023: 0.67 – 6.67)	Price to sales multiples of comparable companies	Increase/(decrease) in multiples would result in increase/(decrease) in fair value
			16.42 – 38.45 (2023: 21.67 – 38.94)	Price to earnings multiples of comparable companies	Increase/(decrease) in multiples would result in increase/(decrease) in fair value
			10.25% – 20.5% (2023: 10.25% – 20.5%)	Discount for lack of marketability ("DLOM")	Increase/(decrease) in DLOM would result in (decrease)/increase in fair value
Haoyi Partnership	Income approach	HK$43,342,000 (2023: HK$49,089,000)	HK$10,954 – HK$23,322 (2023: HK$11,327 – HK$24,116)	Estimated selling price taking into amount the management's experience with reference to the independent qualified valuer's knowledge of market conditions of the specific industries	Higher the selling price would increase fair value of the financial assets
			27.3% (2023: 27.3%)	DLOM	Increase/(decrease) in DLOM would result in (decrease)/increase in fair value

The movements for the both years in the balance of Level 3 fair value measurements are disclosed in note 19.

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 consolidated financial statements approximate their fair values as at 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below shows details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities

	Lease liabilities HK$'000	Amount due to a non-controlling shareholder of a subsidiary HK$'000	Other financial liabilities HK$'000	Total HK$'000
Year ended 31 December 2023				
At as 1 January 2023	31,872	15,318	100,753	147,943
Cash-flows:				
Capital element of lease rental paid	(7,340)	–	–	(7,340)
Interest element of lease rental paid	(1,491)	–	–	(1,491)
Non-cash:				
Interest charges	1,491	–	5,187	6,678
Entering into new leases	8,293	–	–	8,293
Change in fair value recognised in profit or loss	–	–	(875)	(875)
Disposal of subsidiaries	(13,819)	(14,932)	(102,377)	(131,128)
Exchange realignment	(1,007)	(386)	(2,688)	(4,081)
As at 31 December 2023 and 1 January 2024	17,999	–	–	17,999
Cash-flows:				
Capital element of lease rental paid	(7,184)	–	–	(7,184)
Interest element of lease rental paid	(779)	–	–	(779)
Non-cash:				
Interest charges	779	–	–	779
Termination of lease	(2,125)	–	–	(2,125)
Entering into new leases	2,406	–	–	2,406
Exchange realignment	(447)	–	–	(447)
As at 31 December 2024	**10,649**	**–**	**–**	**10,649**

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows.

During the year ended 31 December 2024, the Group entered into certain lease agreements in which additions to right-of-use assets and lease liabilities amounting to HK$2,406,000 (2023: HK$8,293,000) were recognised at the lease commencement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2024 HK$'000	2023 HK$'000
Non-current asset			
Interests in subsidiaries		–	–
Current assets			
Prepayments		707	240
Amounts due from subsidiaries		264,707	255,648
Bank balances and cash		1,084	908
		266,498	256,796
Current liability			
Other payables and accrued charges		1,805	2,168
Net current assets		264,693	254,628
Total assets less current liabilities/Net assets		264,693	254,628
Capital and reserves			
Share capital	33	6,303	6,303
Reserves		258,390	248,325
Total equity		264,693	254,628

Movement in the Company's reserves

	Share premium HK$'000	**Share option reserve** HK$'000	**Contributed surplus** (note) HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
As at 1 January 2023	984,639	10,755	24,930	(763,982)	256,342
Loss for the year	–	–	–	(8,892)	(8,892)
Recognition of equity-settled share-based payment (note 34)	–	875	–	–	875
As at 31 December 2023 and 1 January 2024	984,639	11,630	24,930	(772,874)	248,325
Profit for the year	–	–	–	10,065	10,065
As at 31 December 2024	**984,639**	**11,630**	**24,930**	**(762,809)**	**258,390**

Note: The amount 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. RELATED PARTY TRANSACTIONS

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

	2024 HK$'000	2023 HK$'000
Nature of transactions		
Lease payment paid to Kaisa Group Holdings Ltd. (note)	144	144

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 of the Annual Report for further details.

Key management personnel compensation represents the amounts paid to the directors and the five highest paid individuals as set out in notes 11 and 12, respectively

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

43. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

As at 31 December 2024, particulars of the principal subsidiaries are as follows, with the correspondence comparative information.

Name of subsidiary	Type of legal entity	Place of incorporation/ establishment/ operations	Particulars of issued and paid up capital/ registered capital	Effective equity interest attributable to the Group		Principal activities
				2024	2023	
On Growth Global Development Limited	Limited liability company	BVI	USD100	100%	100%	Investment holding
Royal Dental Laboratory Limited	Limited liability company	Hong Kong	HK$1	100%	100%	Investment holding
深圳市金悠然科技有限公司	Limited liability company	PRC	RMB42,000,000	100%	100%	Manufacture of and trading in dental prosthetics
United Noble Development Limited	Limited liability company	Hong Kong	HK$100	100%	100%	Investment holding of loan receivable
Huge Profit Group Limited	Limited liability company	Hong Kong	HK$1	100%	100%	Investment holding
美加健康貿易(深圳)有限公司	Limited liability company	PRC	RMB20,000,000	100%	100%	Trading in dental prosthetics and medical technology development
美加健康科技(深圳)有限公司	Limited liability company	PRC	RMB20,000,000	100%	100%	Medical consultation and medical technology development
美加健康服務(深圳)有限公司	Limited liability company	PRC	RMB100,000,000	100%	100%	Medical consultation
深圳醫佳普通專科門診部	Limited liability company	PRC	RMB500,000	100%	100%	Provision of medical services
深圳佳康康復醫學科門診部	Limited liability company	PRC	RMB1,000,000	100%	100%	Provision of medical services
深圳佳醫普通專科門診部	Limited liability company	PRC	RMB1,000,000	100%	100%	Provision of medical services
和晟健康科技(海口)有限公司	Limited liability company	PRC	RMB10,000,000	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

43. PARTICULARS OF SUBSIDIARIES – continued

(a) General information of subsidiaries – continued

Name of subsidiary	Type of legal entity	Place of incorporation/ establishment/ operations	Particulars of issued and paid up capital/ registered capital	Effective equity interest attributable to the Group		Principal activities
				2024	2023	
Basic Dental Implant Systems, Inc.	Limited liability company	USA	USD1,000	100%	100%	Trading of dental implant instruments
東莞市金悠然科技有限公	Limited liability company	PRC	RMB5,000,000	100%	100%	Trading in dental prosthetics
鶴崗市金悠然科技有限公司	Limited liability company	PRC	RMB2,600,000	100%	100%	Trading in dental prosthetics
深圳達逸臻科技有限公司	Limited liability company	PRC	RMB10,000,000	100%	100%	Investment holding

Notes:

(i) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(ii) None of the subsidiaries had any debt securities subsisting as at 31 December 2024 and 2023 or at any time during the years.

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group in which the principal activities of those subsidiaries are investment holding and inactive.

44. EVENTS AFTER THE END OF REPORTING PERIOD

Saved as disclosed elsewhere in the consolidated financial statements, the Group did not have any significant events after the end of the reporting period.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	183,810	209,626	191,499	185,882	**185,357**
(Loss)/profit before income tax	(41,473)	11,203	(170,963)	6,046	**(48,681)**
Income tax (expense)/credit	778	(23,526)	(1,169)	104	**(1,919)**
(Loss)/profit for the year	(40,695)	(12,323)	(172,132)	6,150	**(50,600)**
(Loss)/profit for the year attributable to owners of the Company	(39,692)	2,359	(123,318)	7,468	**(46,355)**
Loss for the year attributable to non-controlling interests	(1,003)	(14,682)	(48,814)	(1,318)	**(4,245)**
	(40,695)	(12,323)	(172,132)	6,150	**(50,600)**

	As at 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	757,539	971,333	767,598	605,067	**517,593**
Total liabilities	(110,038)	(288,489)	(296,692)	(113,303)	**(91,102)**
Net assets	647,501	682,844	470,906	491,764	**426,491**
Attributable to:					
Owners of the Company	636,516	651,117	485,329	492,011	**431,153**
Non-controlling interests	10,985	31,727	(14,423)	(247)	**(4,662)**
	647,501	682,844	470,906	491,764	**426,491**