



Honliv Healthcare Management Group Company Limited

宏力醫療管理集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9906

INTERIM REPORT 2022





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DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

“Audit Committee”	the audit committee of the board
“Board” or “Board of Directors”	the board of Directors
“BVI”	the British Virgin Islands
“Chairman”	the chairman of our Board
“Corporate Governance Code”	the “Corporate Governance Code” as contained in Appendix 14 to Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company” or “our Company”	Honliv Healthcare Management Group Company Limited (宏力醫療管理集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 January, 2016
“Concert Party Agreement”	a concert party agreement between Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock and Rubrical Investment dated 10 December 2019
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company or any one of them
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “our”, “we”, or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Henan Honliv Hospital” or “the Hospital” or “our Hospital”	Henan Honliv Hospital Co., Ltd.* (河南宏力醫院有限公司), a limited liability company established in the PRC on 24 May, 2004
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Listing”	the listing of the shares on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Date”	13 July 2020, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 24 June 2020
“Reporting Period”	for the six months ended 30 June 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Rubrical Investment”	Rubrical Investment Limited, a company incorporated in the BVI on 17 November 2015, wholly owned by Mr. Qin Hongchao, and a Controlling Shareholder and hence a connected person of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) with par value of HK\$0.0001 each in the capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the written resolutions of the Shareholders of the Company passed on 17 June 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sunny Rock”	Sunny Rock Capital Limited, a company incorporated in the BVI on 17 November 2015, wholly owned by Mr. Qin Yan, a Controlling Shareholder, and hence a connected person of the Company
“2022 RSU Scheme”	the restricted share unit scheme adopted by the Board on 22 August 2022
“%”	per cent

* Denotes English translation of the Chinese names of companies, entities, laws or regulation and is provided for identification purposes only

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Qin Yan (秦岩) (*President and Chairman*)

Dr. Teng Qingxiao (滕清曉)

Mr. Wang Zhongtao (王忠濤)

NON-EXECUTIVE DIRECTOR:

Mr. Qin Hongchao (秦紅超)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Zhao Chun (趙淳)

Mr. Sun Jigang (孫冀剛)

Mr. Jiang Tianfan (江天帆)

AUDIT COMMITTEE

Mr. Sun Jigang (孫冀剛) (*Chairman*)

Mr. Zhao Chun (趙淳)

Mr. Jiang Tianfan (江天帆)

REMUNERATION COMMITTEE

Mr. Jiang Tianfan (江天帆) (*Chairman*)

Mr. Zhao Chun (趙淳)

Mr. Sun Jigang (孫冀剛)

NOMINATION COMMITTEE

Mr. Zhao Chun (趙淳) (*Chairman*)

Mr. Sun Jigang (孫冀剛)

Mr. Jiang Tianfan (江天帆)

REGISTERED OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 8, Bo Ai Road (South)
Changyuan County
Henan Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Qin Yan (秦岩)

Ms. Hui Yin Shan (許燕珊)

JOINT COMPANY SECRETARY

Ms. Wang Xiaoyang (王曉陽)

Ms. Hui Yin Shan (許燕珊)

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISER

As to Hong Kong law:
O'Melveny & Myers
31/F, AIA Central
1 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East, Wanchai,
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

In Hong Kong:

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

In the PRC:

Industrial and Commercial Bank of China Limited,
Changyuan County Branch
111 Gui Ling Avenue
Changyuan County
Xinxiang City
Henan Province
PRC

WEBSITE

www.honlivhp.com

STOCK CODE

9906

LISTING DATE

13 July 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW AND OUTLOOK

With the changing trends of the COVID-19 pandemic, more precise and efficient prevention and control policies and measures were implemented in 2022. The volume of healthcare services offered by medical and healthcare institutions across the country, especially by private hospitals, has grown significantly. Under the prevention and control measures of the pandemic, the medical and health system reform has accelerated. Medical and healthcare institutions shifted their focus from disease management to national health management. Hospital management changed from qualitative to quantitative management and from results management to process management. The centralised procurement of drugs and medical consumables became normalized and will gradually cover more categories of drugs and medical consumables. Healthcare service pricing mechanism will be adjusted, while diversified payment methods for healthcare insurance, including Diagnosis-Related Group (DRG)/Diagnosis-Intervention Packet (DIP), have been gradually adopted. As the aging of society has become inevitable, healthcare services for the aging society have received more and more attention. These reform measures and social development needs have a profound impact on the development direction of our Hospital. Looking ahead, the Group expects to:

1. Focus on its principal businesses to enhance core competitiveness, bolster brand influence, and ensure patient satisfaction throughout the healthcare services process.
2. Step up efforts on talent training, strengthen the mechanism of joint talent training by our Hospital and schools in the region, and build a healthcare team with reasonable talent composition, high professionalism standards and strong service awareness, in order to better serve the growing number of patients and lay a good foundation for the sustainable and healthy development of our Hospital.
3. Develop application software according to the actual clinical needs through our information technology team, and structure and standardise the healthcare service process to increase service efficiency.
4. Encourage clinical academic research, the publication of academic papers and the transformation of research achievements into productivity, strengthen academic exchanges at home and abroad, and introduce cutting edge medical technologies and precision instruments that are advanced, safe, effective and economical, in order to provide patients with high-quality healthcare services.
5. Adapt to the latest development of healthcare management, and study relevant healthcare policies, popularize knowledge of health economics, take active measures to deal with the changes in medical practices brought about by the reform of healthcare insurance payment methods, study the characteristics of healthcare service needs in the aging society, expand the business scope, and optimise the service chain.
6. Enhance compliance awareness, comply with various regulatory systems in the industry, comply with the Code for Listed Companies, optimise corporate governance, and ensure healthcare quality and safety.
7. Actively seek investment targets and expand the business size of the Group through new projects, provision of management services, etc., with a view to achieving its development goals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2022, the Group's consolidated revenue for the six months ended 30 June 2022 is RMB374.7 million, representing an increase of RMB88.3 million or 30.8% compared to the consolidated revenue of RMB286.4 million for the six months ended 30 June 2021. The increase is primarily due to the rise in revenue generated from treatments and general hospital services and pharmaceutical sales. This is largely because (i) new diagnostic devices were added after the first-phase building was put into use, which provided a more comprehensive and reliable diagnostic basis for clinical practices; (ii) the Group optimised the information-based diagnosis and treatment process, shortening the waiting time; (iii) the Group expanded the area of healthcare rooms and beautified the medical environment; (iv) the introduction of talents and the application of new technologies have improved the quality of medical care. Patient experience has been improved and service volume has increased significantly. It demonstrates the Group's strong ability to resist risks.

Hospital Services

Henan Honliv Hospital provides hospital services on behalf of the Group. During the Reporting Period, (i) the total number of inpatient visits was 24,863 (for the six months ended 30 June 2021: 20,822), representing a year-on-year increase of 19.4%; (ii) the average spending per inpatient visit was RMB7,289.2 (for the six months ended 30 June 2021: RMB6,552.5), representing a year-on-year increase of 11.2%; (iii) the average spending per outpatient visit was RMB300.7 (for the six months ended 30 June 2021: RMB255.3), representing a year-on-year increase of 17.8%; and (iv) the total number of outpatient visits was 643,476 (for the six months ended 30 June 2021: 587,413), representing a year-on-year increase of 9.5%.

The following table sets out certain key operating information of the Group's hospital services for the periods indicated:

	Six months ended 30 June		
	2022	2021	Change %
Outpatient visits	643,476	587,413	9.5
Average spending per outpatient visit (RMB)	300.7	255.3	17.8
Inpatient visits	24,863	20,822	19.4
Average spending per inpatient visit (RMB)	7,289.2	6,552.5	11.2
Number of beds in operation as of the end of the relevant period	1,500	1,500	0.0
Average length of stay per inpatient visit (days)	9.7	10.5	(7.6)
Number of surgeries	5,661	4,353	30.0

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operating results in the first half of 2022 grew significantly compared to the same period of last year. The Group mainly adopted the following strategies to drive up revenue for hospital services:

- (i) Building an intelligent hospital based on the information system to improve work efficiency and healthcare quality, and introducing multiple services such as self-service test report issuance to constantly improve patient experience;
- (ii) Setting a multidisciplinary team (MDT) outpatient department and a special need outpatient department to provide one-stop, one-to-one healthcare services; launching home care services to extend the nursing care service chain;
- (iii) Improving the professional skills of technicians through training inside and outside the Hospital and other ways; making full use of policies on talent introduction and talent assistance to strengthen the ability to diagnose and treat severe and difficult cases; exploring the model of joint talent training by the Hospital and schools to reserve new forces for the development of the Hospital;
- (iv) Carrying out scopic surgeries and examinations to create a minimally invasive and painless diagnosis and treatment service chain;
- (v) Actively participating in the normal prevention and control of COVID-19 by carrying out socialised nucleic acid tests and vaccination, etc; and
- (vi) Fully adapting to various policies such as the reform of healthcare insurance payment methods to increase revenue and reduce expenditure.

Pharmaceutical Sales

The Group's pharmaceutical sales mainly come from the direct sales of drugs to patients, and the revenue from pharmaceutical sales within the Reporting Period is RMB136.5 million (for the six months ended 30 June 2021: RMB99.2 million), representing a year-on-year increase of 37.6%.

Continuously improving the level of academic research

As a medical institution dedicated to ensuring human health, the Group constantly explores in the fields of medical research and hospital management. In the first half of 2022, the Group's hospital published 16 medical research papers, including 2 at the national level and 9 at the provincial level. During the Reporting Period, the Group has had the following research achievements:

- (i) in February 2022, the Henan Provincial Department of Science and Technology recognised Henan Honliv Hospital as the Henan Provincial Engineering Technology Research Centre for Early Diagnosis and Early Treatment of Gastrointestinal Tumours, which provides a good platform for the research and achievement transformation in the prevention, early diagnosis and treatment of digestive tract tumours.
- (ii) 11 information management systems independently developed by Henan Honliv Hospital, such as the Comprehensive Operation and Maintenance Platform and the Comprehensive Payment Platform, were certified as scientific and technological achievements by the Henan Provincial Department of Science and Technology in March 2022, involving intelligent management at all stages and aspects of healthcare services, including prescription review, single disease, vaccination, meals, pre-hospital care, aggregate payment, as well as comprehensive operation and maintenance. The aim is to build an intelligent hospital, increase work efficiency and ensure healthcare quality.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) In April 2022, the Henan Medical Association granted the third prize of Henan Medical Science and Technology Award for the Hospital's programme concerning the clinical characteristics and prognosis of triple-negative breast cancer patients with postoperative initial visceral metastasis.

In order to improve the overall diagnosis and treatment level and management capability, the Group invited well-known experts in the medical field to attend case discussions, special lectures and other activities, which not only allow patients to enjoy high-quality healthcare resources, but also provide a good learning opportunity for its technicians. This further improves the precision diagnosis and treatment ability of the Hospital. The Group will provide patients with better services by improving its scientific research capabilities.

Impact of COVID-19 Pandemic

During the Reporting Period, the COVID-19 pandemic still shows clustered outbreaks, and the pandemic prevention and control measures still have not been relaxed.

The Directors are currently focusing on various possible cost control plans and will continue to pay attention to the impact of the COVID-19 pandemic on our operating and financial performance, as well as closely monitoring our financial and liquidity position. The Directors believe that the COVID-19 pandemic only brings about temporary adverse impacts on operation and finance, and will not cause material adverse effects on our ongoing business operation and sustainable development.

However, our management cannot guarantee that COVID-19 pandemic will not have material adverse effects on our operating results.

FINANCIAL REVIEW

Revenues and Costs

During the Reporting Period, we generated our revenue from: (i) the provision of treatments and general healthcare services, including the sales of medical consumables and the provision of ancillary hospital services; and (ii) the sales of pharmaceuticals to our patients, including both inpatients and outpatients. The following table sets forth the breakdown of our revenue for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
	(Unaudited)		(Unaudited)	
Treatments and general healthcare services	238,292	63.6%	187,213	65.4%
Pharmaceutical sales	136,450	36.4%	99,191	34.6%
Total	374,742	100.0%	286,404	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated from the operation of Henan Honliv Hospital accounts for a large majority of our revenue. Revenue from our hospital can also be further categorised by source into revenue from the provision of healthcare services to inpatients and outpatients. The following table sets forth a breakdown of revenue of our hospital by source for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	(RMB'000) (Unaudited)	% of revenue	(RMB'000) (Unaudited)	% of revenue
Inpatient healthcare services	181,231	48.4%	136,436	47.6%
Outpatient healthcare services	193,511	51.6%	149,968	52.4%
Total	374,742	100.0%	286,404	100.0%

The following table sets forth a breakdown of the number of patient visits and the average spending per patient visit by segment for the periods indicated:

	Six months ended 30 June	
	2022	2021
Outpatient visits	643,476	587,413
Average spending per outpatient visit (RMB)	300.7	255.3
Inpatient visits	24,863	20,822
Average spending per inpatient visit (RMB)	7,289.2	6,552.5
Number of beds in operation as of the end of the relevant period	1,500	1,500

Our revenue from treatments and general healthcare services and pharmaceutical sales in aggregate grew by 30.8% from RMB286.4 million for the six months ended 30 June 2021 to RMB374.7 million for the six months ended 30 June 2022. The growth is largely because of an increase in the number of outpatient and inpatient visits and the average spending per patient visit.

Our revenue from inpatient healthcare services increased by 32.8% from RMB136.4 million for the six months ended 30 June 2021 to RMB181.2 million for the six months ended 30 June 2022. The growth is largely because of an increase in the number of inpatient visits and the average spending per inpatient visit.

Our revenue from outpatient healthcare services increased by 29.0% from RMB150.0 million for the six months ended 30 June 2021 to RMB193.5 million for the six months ended 30 June 2022. The growth is largely because of an increase in the number of outpatient visits and the average spending per outpatient visit.

Cost of Sales

Our cost of sales consists of the cost of employee benefits for doctors and other medical professionals, the cost of pharmaceuticals, the cost of medical consumables, the expenses on depreciation and amortisation, utilities, maintenance and offices, and other costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Our cost of sales rose by 33.1% from RMB218.7 million for the six months ended 30 June 2021 to RMB291.2 million for the six months ended 30 June 2022, mainly due to (i) a year-on-year increase of RMB34.2 million in the cost of pharmaceuticals during the six months ended 30 June 2022; (ii) a year-on-year increase of RMB13.1 million in the cost of medical consumables during the six months ended 30 June 2022; and (iii) a year-on-year rise of RMB9.8 million in the expenses on depreciation and amortisation during the six months ended 30 June 2022; (iv) a year-on-year growth of RMB5.6 million in the expenses on utilities, maintenance and offices during the six months ended 30 June 2022; (v) a year-on-year growth of RMB5.0 million in the cost of employee benefits during the six months ended 30 June 2022; and (vi) during the six months ended 30 June 2022, an impairment of property, plant and equipment increased by 4.5 million as compared to that for the six months ended 30 June 2021, which was mainly related to initial design cost of a building under the construction in progress, the construction plan of which was ceased in the first half year of 2022, and relevant impairment provision was provided against its carrying amount.

Gross Profit and Gross Profit Margin

Our gross profit rose by 23.5% from RMB67.7 million for the six months ended 30 June 2021 to RMB83.6 million for the six months ended 30 June 2022, and our gross profit margin shrank from 23.6% for the six months ended 30 June 2021 to 22.3% for the six months ended 30 June 2022, largely because of an increase in the cost of pharmaceuticals and the labour cost, a rise in the cost of medical consumables, operating cost like utilities expenses, and the expenses on depreciation due to the operation of the first-phase building during the Reporting Period, which resulted in a higher growth in the cost of sales than in sales revenue.

Other Expense

Our other expense consists of depreciation of our investment properties. Our other expense remained stable during the Reporting Period.

Administrative Expenses

Our administrative expenses primarily consist of employee benefits expenses for administrative personnel, depreciation and amortisation, utilities, maintenance and office expenses and other expenses.

Our administrative expenses rose by 7.9% from RMB32.6 million for the six months ended 30 June 2021 to RMB35.2 million for the six months ended 30 June 2022, primarily due to a rise in the cost of employee benefits.

Financial Costs — Net

Our net financial costs dropped by 99.8% from RMB8.3 million for the six months ended 30 June 2021 to RMB0.02 million for the six months ended 30 June 2022, primarily due to a decrease in interest expense as a result of the repayment of some borrowings and an increase in exchange gains during the Reporting Period.

Income Tax Expense

Our income tax expense grew by 30.6% from RMB7.2 million for the six months ended 30 June 2021 to RMB9.4 million for the six months ended 30 June 2022, primarily due to an increase in our profit before tax.

Profit for the Period and Net Profit Margin

For the foregoing reasons, our profit for the period surged by 62.0% from RMB20.0 million for the six months ended 30 June 2021 to RMB32.5 million for the six months ended 30 June 2022. Our net profit margin stood at 8.7% for the six months ended 30 June 2022, versus 7.0% for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION OF ITEMS IN THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Net Current Liabilities

Our net current liabilities slumped by 81.1% from RMB65.4 million as at 31 December 2021 to RMB12.3 million as at 30 June 2022. This is largely because of the cash inflows generated from our operating activities.

Inventories

Our inventories plummeted by 36.5% from RMB27.1 million as at 31 December 2021 to RMB17.2 million as at 30 June 2022. This is primarily due to the fact that the inventories reserved for the spring festival at the end of 2021 have been used up.

Trade Receivables

Our trade receivables climbed by 63.7% from RMB34.5 million as at 31 December 2021 to RMB56.5 million as at 30 June 2022, largely because of an increase in revenue and the slightly slow settlement of receivables from social insurance administration.

Other Receivables and Prepayments

Our other receivables and prepayments dropped from RMB1.9 million as at 31 December 2021 to RMB1.0 million as at 30 June 2022. The balance during the Reporting Period fell by RMB0.9 million, primarily due to a decline in the prepayments for utilities expenses.

Indebtedness

Our borrowings dropped from RMB187.0 million as at 31 December 2021 to RMB160.0 million as at 30 June 2022. The balance during the Reporting Period fell by RMB27.0 million. This is mainly because we repaid part of the loans during the Reporting Period.

Trade and Notes Payables

Our trade and notes payables went down from RMB106.1 million as at 31 December 2021 to RMB100.9 million as at 30 June 2022. The balance during the Reporting Period fell by RMB5.2 million. This is mainly due to the payment of a portion of trade payables.

Accruals, Other Payables and Provisions

There were no material changes in our accruals, other payables and provisions during the Reporting Period.

Contingent Liabilities

As at 30 June 2022, we had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

Lease Liabilities

As at 30 June 2022, our lease liabilities in respect of our leased properties amounted to approximately RMB2.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

The following table sets forth information relating to the consolidated statements of cash flows for the periods indicated:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash generated from operating activities	40,796	32,582
Net cash used in investing activities	(4,642)	(17,582)
Net cash used in financing activities	(32,468)	(28,995)
Net increase/(decrease) in cash balances	3,686	(13,995)

Net Cash Generated from Operating Activities

Our net cash generated from operating activities rose from RMB32.6 million for the six months ended 30 June 2021 to RMB40.8 million for the six months ended 30 June 2022, which was primarily attributed to (i) an increase in cash flows from operating activities due to a growth in our operating profit for the current period; and (ii) the income tax payment of RMB10.9 million in the first half of 2022 partially offsetting the cash flows from operating activities that grew as a result of the increase in operating profit.

Net Cash Used in Investing Activities

Our net cash used in investing activities fell from RMB17.6 million for the six months ended 30 June 2021 to RMB4.6 million for the six months ended 30 June 2022, which was primarily attributed to a year-on-year decrease of RMB13.1 million in payments for purchases of properties, plants and equipment for the six months ended 30 June 2022.

Net Cash Used in Financing Activities

Our net cash used in financing activities grew from RMB29.0 million for the six months ended 30 June 2021 to RMB32.5 million for the six months ended 30 June 2022, mainly due to the repayment of borrowings of RMB27.0 million during the Reporting Period.

Financial Instruments

Our financial instruments consist of trade receivables, other receivables, cash and cash equivalents, bank borrowings, trade and notes payables and other payables. The management of the Company manages and monitors these exposures to ensure that effective measures are implemented in a timely manner.

Exposure to Fluctuation in Exchange Rates

We deposit certain of our financial assets in foreign currencies, which mainly involve risks of fluctuations in the exchange rate of HKD and USD against RMB. We are exposed to foreign exchange risks accordingly.

We did not use any derivative financial instruments to hedge against our exposure to currency risks during the six months ended 30 June 2022. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Liability-to-Asset Ratio

As at 30 June 2022, our liability-to-asset ratio (total liabilities divided by total assets) was 37.9% (as at 31 December 2021: 41.1%).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

Long Position in Shares of the Company

As at 30 June 2022, the interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) The Company

Name of Director	Long/Short Positions	Nature/ Capacity of Interest	Number of shares/ underlying shares held	Percentage of Shareholding ⁽¹⁾
Mr. Qin Yan	Long position	Interest in a controlled corporation ⁽²⁾	310,788,450	51.80%
	Long position	Interest held jointly with another person ⁽⁴⁾	133,195,050	22.20%
Mr. Qin Hongchao ⁽³⁾	Long position	Interest in a controlled corporation ⁽³⁾	133,195,050	22.20%
	Long position	Interest held jointly with another person ⁽⁴⁾	310,788,450	51.80%

(ii) Associated Corporation (within the meaning of the SFO)

Name of Director	Name of Associated Corporation	Nature/Capacity of Interest	Class of shares in which interested	Number of shares held	Percentage of Shareholding ⁽⁵⁾
Mr. Qin Yan	Sunny Rock Capital Limited	Beneficial Owner ⁽²⁾	Ordinary	1	100%

Notes:

- (1) As at the date of this interim report, the Company issued 600,000,000 Shares.
- (2) Sunny Rock, a company wholly-owned by Mr. Qin Yan, holds 310,788,450 Shares of the Company. Accordingly, Mr. Qin Yan is deemed to be interested in such shares held by Sunny Rock by virtue of Part XV of the SFO.
- (3) Rubrical Investment, a company wholly-owned by Mr. Qin Hongchao, holds 133,195,050 Shares of the Company. Accordingly, Mr. Qin Hongchao is deemed to be interested in such shares held by Rubrical Investment by virtue of Part XV of the SFO.
- (4) Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock, and Rubrical Investment are concert parties under the Concert Party Agreement. Therefore, under the SFO, each of Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock, and Rubrical Investment is deemed to be interested in the aggregate equity interests of all the concert parties.
- (5) As at the date of this interim report, Sunny Rock issued 1 share.

OTHER INFORMATION

Save as disclosed above, as at the date of this interim report, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

To the best knowledge of Directors, as at 30 June 2022, the following persons (other than Directors or chief executives of the Company), are directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Long/Short Positions	Nature/ Capacity of Interest	Number of Shares	Percentage of Shareholding ⁽¹⁾
Cao Jinming	Long Position	Interest of spouse ⁽²⁾	443,983,500	74.00%
Rubrical Investment	Long Position	Beneficial owner	133,195,050	22.20%
	Long Position	Parties acting in concert/ Interest in controlled corporations ⁽⁴⁾	310,788,450	51.80%
Sun Mingyan	Long Position	Interest of spouse ⁽³⁾	443,983,500	74.00%
Sunny Rock	Long Position	Beneficial owner	310,788,450	51.80%
	Long Position	Parties acting in concert/ Interest in controlled corporations ⁽⁴⁾	133,195,050	22.20%
HWABAO TRUST CO., LTD	Long Position	Trustee	50,888,000	8.48%
HWABAO OVERSEAS INVESTMENT SERIES 2 NO 42-16 QDII SINGLE MONEY TRUST	Long Position	Trustee	50,888,000	8.48%
Changyuan City Investment Group Co., Ltd.*	Long Position	Beneficial owner	50,888,000	8.48%

Notes:

- (1) As at the date of this interim report, the Company issued 600,000,000 Shares.
- (2) Ms. Cao Jinming is the spouse of Mr. Qin Hongchao, and is deemed to be interested in the same number of Shares by virtue of the SFO.
- (3) Ms. Sun Mingyan is the spouse of Mr. Qin Yan, and is deemed to be interested in the same number of Shares by virtue of the SFO.
- (4) Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock, and Rubrical Investment are concert parties under the Concert Party Agreement. Therefore, under the SFO, each of Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock, and Rubrical Investment is deemed to be interested in the aggregate equity interests of all the concert parties.

* English translation is for identification purpose only.

Save as disclosed above, as at the date of this interim report, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register which is required to be kept under section 336 of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has conditionally approved and adopted a Share Option Scheme on 17 June 2020. The principal terms of the Share Option Scheme are prepared in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations. A summary of the principal terms of which are set out in the section headed "E. Share Option Scheme" in Appendix V to the Prospectus.

As at the date of this interim report, no options were granted or agreed to be granted, exercised, canceled or lapsed by the Company under the Share Option Scheme.

USE OF PROCEEDS

In connection with the Global Offering, 150,000,000 shares with a nominal value of HK\$0.0001 each were issued at a price of HK\$2.10 per share raising net proceeds of approximately HK\$264.8 million, after deduction of the underwriting fees and related expenses by the Company in connection with the Global Offering. The Group will apply such proceeds in a manner consistent with the intended use of proceeds as set out in the Prospectus.

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at 30 June 2022:

Business objective as stated in the Prospectus	Percentage to total amount %	Net proceeds HK\$ million	Utilised proceeds as at 30 June 2022 HK\$ million	Unutilised proceeds as at 30 June 2022 HK\$ million	Expected timeline for unutilized amount
Finance the ramp up of the Company's first-phase building	29.5	78.0	78.0	0.0	By the end of 2021
Expand the Company's business by acquiring hospitals	26.1	69.2	0.0	69.2	By the end of 2023
Repay the Company's general borrowings, particularly the outstanding loans from two banks of RMB63.0 million	15.0	39.8	12.2	27.6	By the end of 2023
Working capital and other general corporate purposes	10.0	26.5	26.5	0.0	By June 2021
Purchase medical equipment and improve and upgrade the Company's information technology systems	8.0	21.3	21.3	0.0	By June 2023
Develop the Company's pharmaceutical supply chain business	6.3	16.7	0.0	16.7	By the end of 2023
Employee recruitment and training	5.0	13.3	13.3	0.0	By June 2023
	100	264.8	151.3	113.5	

Note:

The timeline is based on the Company's estimation of its business needs as of the date of this interim report and is subject to change so long as it is deemed to be in the best interests of the Company and to the extent permitted by applicable laws and regulations.

OTHER INFORMATION

As at 30 June 2022, the net proceeds from the Global Offering not yet utilized were deposited into short-term demand deposits in the Company's account at one of the receiving banks as disclosed in the Prospectus.

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at the date of this report as required under the Listing Rules of the Stock Exchange.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Our Company has adopted the 2022 RSU Scheme on 22 August 2022 (further details of which are set forth in the Company's announcements dated 22 August 2022 and 23 August 2022). As at the date of this interim report, no restricted share units had been granted under the 2022 RSU Scheme. Save as disclosed above, as at the date of this interim report, there were no other material events after the Reporting period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, save as provisions addressed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The chairman and chief executive officer of the Company are held by Mr. Qin Yan who has extensive experience in the industry. The Board believes that Mr. Qin Yan can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangement when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they had complied with the requirements as set out in the Model Code during the Reporting Period.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

Mr. Zhao Chun has been appointed as an independent non-executive director of Hygeia Healthcare Holdings Co., Limited (stock code: 6078), a company listed on the Main Board of the Stock Exchange, with effect from 6 May 2022.

Save as disclosed above, there were no other changes to the information required to be disclosed by the Directors pursuant to Rule 13.51B of the Listing Rules.

OTHER INFORMATION

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

Save as disclosed in this interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Audit Committee consists of 3 independent non-executive Directors, Mr. Sun Jigang (Chairman), Mr. Zhao Chun and Mr. Jiang Tianfan.

The Group's interim results for the six months ended 30 June 2022 have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group's unaudited interim results were prepared in accordance with applicable accounting standards.

In addition, the Company's independent auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,782 as at 30 June 2022 (31 December 2021: 1,719). For the six months ended 30 June 2022, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB90.7 million (as of the six months ended 30 June 2021: approximately RMB84.0 million).

Remuneration is determined with reference to the qualification, experience and work performance, whereas the payment of discretionary bonus is generally subject to work performance, the financial performance of the Group in that particular year and general market conditions.

On behalf of the Board

Honliv Healthcare Management Group Company Limited

Qin Yan

Chairman

22 August 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**To the Board of Directors of
Honliv Healthcare Management Group Company Limited**
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 40, which comprises the interim condensed consolidated balance sheet of Honliv Healthcare Management Group Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	374,742	286,404
Cost of sales	6	(291,171)	(218,739)
Gross profit		83,571	67,665
Administrative expenses	6	(35,205)	(32,619)
Net impairment losses on financial assets	13	(6,654)	—
Other income		243	535
Other (losses)/gains — net		(9)	26
Other expenses		(98)	(98)
Operating profit		41,848	35,509
Finance income		4,916	543
Finance costs		(4,933)	(8,837)
Finance costs — net	7	(17)	(8,294)
Profit before income tax		41,831	27,215
Income tax expense	8	(9,376)	(7,179)
Profit for the period		32,455	20,036
Other comprehensive income		—	—
Total comprehensive income		32,455	20,036
Profit and total comprehensive income attributable to:			
Owners of the Company		32,173	19,823
Non-controlling interests		282	213
		32,455	20,036
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	9	0.05	0.03

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	<i>RMB'000</i> <i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	523,766	540,347
Right-of-use assets	12(a)	80,800	81,134
Investment properties		2,776	2,874
Intangible assets		904	566
Deferred income tax assets		3,950	1,174
Prepayments		3,035	8,429
Total non-current assets		615,231	634,524
Current assets			
Inventories		17,232	27,137
Trade receivables	13	56,458	34,499
Other receivables and prepayments		1,003	1,944
Amounts due from related parties	14	220	–
Restricted deposit	15	2,400	–
Cash and cash equivalents	16	271,950	263,610
Total current assets		349,263	327,190
Total assets		964,494	961,714
EQUITY			
Equity attributable to the owners of the Company			
Share capital		52	52
Reserves		439,389	439,389
Retained earnings		154,558	122,385
Subtotal		593,999	561,826
Non-controlling interests		5,091	4,809
Total equity		599,090	566,635

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	12(b)	1,848	540
Deferred revenue		1,961	1,994
Total non-current liabilities		3,809	2,534
Current liabilities			
Trade and notes payables	17	100,906	106,087
Accruals, other payables and provisions	18	92,300	92,288
Current income tax liabilities		7,460	6,228
Borrowings	19	160,000	187,000
Lease liabilities	12(b)	929	942
Total current liabilities		361,595	392,545
Total liabilities		365,404	395,079
Total equity and liabilities		964,494	961,714

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying note.

The financial information on pages 20 to 40 were approved by the Board of Directors on 22 August 2022 and were signed on its behalf

Qin Yan

Wang Zhongtao

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
(Unaudited)						
Balance at 1 January 2022	52	439,389	122,385	561,826	4,809	566,635
Comprehensive income						
— Profit for the period	—	—	32,173	32,173	282	32,455
Balance at 30 June 2022	52	439,389	154,558	593,999	5,091	599,090
(Unaudited)						
Balance at 1 January 2021	52	435,399	89,760	525,211	4,406	529,617
Comprehensive income						
— Profit for the period	—	—	19,823	19,823	213	20,036
Transactions with owners						
— Appropriation to statutory surplus reserves	—	2,116	(2,116)	—	—	—
Balance at 30 June 2021	52	437,515	107,467	545,034	4,619	549,653

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		51,454	39,262
Interest received		262	–
Income taxes paid		(10,920)	(6,680)
Net cash generated from operating activities		40,796	32,582
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(4,337)	(17,399)
Payments for purchase of intangible assets		(305)	(183)
Net cash used in investing activities		(4,642)	(17,582)
Cash flows from financing activities			
Borrowings from banks		138,000	165,000
Repayments of borrowings from banks and other financial institutions		(165,000)	(181,811)
Principal elements of lease payments		(535)	(765)
Payments of listing expenses		–	(3,262)
Interests paid		(4,933)	(8,157)
Net cash used in financing activities		(32,468)	(28,995)
Net increase/(decrease) in cash and cash equivalents		3,686	(13,995)
Cash and cash equivalents at the beginning of period	16	263,610	302,478
Exchange gains/(losses) on cash and cash equivalents		4,654	(1,179)
Cash and cash equivalents at end of period	16	271,950	287,304

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Honliv Healthcare Management Group Company Limited (the “Company”) was incorporated in the Cayman Islands on 6 January 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the “Group”), are principally engaged in the ownership, operation and management of hospitals in the People’s Republic of China (the “PRC”).

The ordinary shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 July 2020.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and rounded to nearest thousand yuan, unless otherwise stated.

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim financial reporting’.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and any public announcements made by the Company during the six months ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards for the current reporting period.

(a) Going concern

As at 30 June 2022, the Group’s current liabilities exceeded its current assets by RMB12,332,000 and the Group had cash and cash equivalents of RMB271,950,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES *(Continued)*

(a) Going concern *(Continued)*

Management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. A number of measures have been put in place by management to improve the financial position and alleviate the liquidity pressure including:

- Management has been communicating with the banks which are providing existing banking facilities to the Group with a view to proactively managing the renewal of the Group's banking facilities upon maturity and securing additional credit facilities.
- On 16 March 2022 and 17 March 2022, Henan Honliv Hospital Co., Ltd. ("Honliv Hospital") obtained additional loan facilities of RMB200 million from two of the banks. Application of one-year loan drawdowns can be made under these facilities until 16 March 2023 and 17 March 2023 subject to the approval and conditions imposed by the banks. As at the reporting date, the Group has not utilized these additional loan facilities.

Taking into account the Group's future operational performance and the expected future operating cash inflows, and the continuous availability of banking and other facilities, management concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 30 June 2022.

According to the measures above, the directors are satisfied that it is appropriate to prepare the financial information on a going concern basis.

(b) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(c) Impact of standards issued but not yet applied by the Group

There are no new standards, amendments to existing standards or interpretations that are not yet effective and would be expected to have a material impact to the Group.

3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who are responsible for allocating resources and assessing performance of the operating segment and making strategic decisions. The chief operating decision-maker has been identified as the executive directors.

The Group has only one operating segment during the six months ended 30 June 2022, so no segment information was presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as at 31 December 2021.

There have been no changes in the risk management policies since year end.

4.2 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents to meet operating capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total contractual cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
At 30 June 2022					
Borrowings	164,892	–	–	164,892	160,000
Trade and notes payables	100,906	–	–	100,906	100,906
Accruals, other payables and provisions (excluding accrued employee benefits and duty and other tax payable) (<i>note 18</i>)	53,346	–	–	53,346	53,346
Lease liabilities	1,099	1,272	692	3,063	2,777
	320,243	1,272	692	322,207	317,029
At 31 December 2021					
Borrowings	189,345	–	–	189,345	187,000
Trade and notes payables	106,087	–	–	106,087	106,087
Accruals, other payables and provisions (excluding accrued employee benefits and duty and other tax payable) (<i>note 18</i>)	47,472	–	–	47,472	47,472
Lease liabilities	1,025	580	–	1,605	1,482
	343,929	580	–	344,509	342,041

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 REVENUE

The Group's revenue represents the amount received and receivable from provision of treatments and general healthcare service and pharmaceutical sales. Details are as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Nature of revenue recognition		
Treatments and general healthcare service	238,292	187,213
Pharmaceutical sales	136,450	99,191
	374,742	286,404
Timing of revenue recognition		
At a point in time	255,309	191,855
Over time	119,433	94,549
	374,742	286,404

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of Pharmaceuticals	114,869	80,654
Employee benefits expenses	90,692	84,030
Cost of medical consumables	52,688	39,593
Utilities, maintenance fee and office expenses	28,700	22,779
Depreciation and amortization	26,652	16,577
Impairment of property, plant and equipment	4,452	—
Auditors' remuneration		
— Audit services	197	197
— Non-audit services	918	918
Other expenses	7,208	6,610
	326,376	251,358

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 FINANCE COSTS — NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Finance costs:		
Interest expense on bank borrowings	4,848	5,840
Interest expense on lease liabilities	85	123
Interest expense on other borrowings	—	1,695
Net foreign exchange losses	—	1,179
Total finance costs	4,933	8,837
Finance income:		
Net foreign exchange gains	(4,654)	—
Interest income	(262)	(543)
Total finance income	(4,916)	(543)
Finance costs — net	17	8,294

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax		
— PRC corporate income tax	12,153	7,179
Deferred income tax	(2,777)	—
	9,376	7,179

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 EARNINGS PER SHARE**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2022.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	32,173	19,823
Weighted average number of ordinary shares in issue (in thousands)	600,000	600,000
Basic earnings per share (in RMB)	0.05	0.03

(b) Diluted earnings per share

Diluted earnings per share were the same as basic earnings per share as the Group had no potential dilutive shares during the six months ended 30 June 2022.

10 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office equipment and furniture fixtures <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
(Audited)						
At 31 December 2021						
Cost	532,933	251,469	39,072	22,570	37,722	883,766
Accumulated depreciation	(126,144)	(163,600)	(32,474)	(21,201)	–	(343,419)
Net book amount	406,789	87,869	6,598	1,369	37,722	540,347
(Unaudited)						
Six months ended 30 June 2022						
Opening net book amount	406,789	87,869	6,598	1,369	37,722	540,347
Additions	–	3,924	342	227	7,609	12,102
Disposals	–	(8)	(3)	–	–	(11)
Transfers	38,186	1,250	–	–	(39,436)	–
Impairment charge (a)	–	–	–	–	(4,452)	(4,452)
Depreciation charge	(13,388)	(9,480)	(1,213)	(139)	–	(24,220)
Closing net book amount	431,587	83,555	5,724	1,457	1,443	523,766
At 30 June 2022						
Cost	571,119	255,511	38,889	22,797	5,895	894,211
Accumulated depreciation and impairment	(139,532)	(171,956)	(33,165)	(21,340)	(4,452)	(370,445)
Net book amount	431,587	83,555	5,724	1,457	1,443	523,766

- (a) During the six months ended 30 June 2022, an impairment loss of construction in progress amounting to RMB4,452,000 was recognized. The construction in progress was mainly related to initial design cost of a building which was once planned to be built in the future. However, as the directors decided to cease the construction plan of the building in the first half year of 2022, relevant impairment provision was provided against its carrying amount.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 LEASES

(a) Right-of-use assets

	Office <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Total <i>RMB'000</i>
(Audited)			
Year ended 31 December 2021			
Opening net book amount	2,135	81,039	83,174
Additions	1,508	1,054	2,562
Depreciation and amortisation	(2,104)	(2,498)	(4,602)
Closing net book amount	1,539	79,595	81,134
At 31 December 2021			
Cost	6,312	119,146	125,458
Accumulated depreciation and amortisation	(4,773)	(39,551)	(44,324)
Net book amount	1,539	79,595	81,134
(Unaudited)			
Six months ended 30 June 2022			
Opening net book amount	1,539	79,595	81,134
Additions	1,830	–	1,830
Depreciation and amortisation	(964)	(1,200)	(2,164)
Closing net book amount	2,405	78,395	80,800
At 30 June 2022			
Cost	8,142	119,146	127,288
Accumulated depreciation and amortisation	(5,737)	(40,751)	(46,488)
Net book amount	2,405	78,395	80,800

(b) Lease liabilities

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Lease liabilities		
Current	929	942
Non-current	1,848	540
Total	2,777	1,482

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 TRADE RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	67,886	39,273
Less: allowance for impairment of trade receivables (a)	(11,428)	(4,774)
Trade receivables — net	56,458	34,499

- (a) The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. For trade receivables which have significant changes in credit risk, management assessed their expected credit losses on an individual basis. For trade receivables that share same risk characteristics with others, management assessed the expected credit losses on a collective basis. Management identified macroeconomic conditions, industry risks and probabilities of default to which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade receivables based on demand note date was as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Up to 3 months	58,783	30,038
3 to 6 months	2,391	2,141
6 months to 1 year	2,048	2,219
1 to 2 years	53	1,847
2 to 3 years	4,362	2,784
Over 3 years	249	244
	67,886	39,273

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 BALANCES WITH RELATED PARTIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Amounts due from related parties		
Trade in nature		
— Henan Honliv Yishenghuo Co., Ltd.	165	—
— Henan Guxiang No.9 Catering Co., Ltd.	55	—
	220	—

15 RESTRICTED DEPOSIT

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Secured bank deposits	2,400	—

As at 30 June 2022, the balance was restricted deposits held at bank as margin account for notes payables.

16 CASH AND CASH EQUIVALENTS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Cash at bank and other financial institution	268,289	260,418
Cash on hand	3,661	3,192
	271,950	263,610

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 TRADE AND NOTES PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables	98,506	106,087
Notes payables	2,400	–
	100,906	106,087

As at 30 June 2022 and 31 December 2021, the aging analysis of the trade payables based on demand note date was as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables		
Up to 3 months	69,845	83,439
3 to 6 months	18,275	16,194
6 months to 1 year	6,519	1,351
1 to 2 years	570	1,253
2 to 3 years	69	725
Over 3 years	3,228	3,125
	98,506	106,087

18 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Deposit from patients (a)	40,955	38,857
Accrued employee benefits	36,411	42,060
Payables for plant, equipment and software	8,103	5,431
Duty and other tax payable	2,543	2,756
Others	4,288	3,184
	92,300	92,288

(a) Deposit from patients includes refundable deposits in the prepaid smart card issued by Honliv Hospital and other refundable deposits made by the patients of Honliv Hospital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 BORROWINGS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Short-term bank borrowings		
— Secured borrowings (a)	131,000	45,000
— Guaranteed borrowings (b)	29,000	142,000
Total borrowings	160,000	187,000

Secured borrowings for the six months ended 30 June 2022 and year ended 31 December 2021 bore weighted average annual interest rate at 4.96% and 5.20%, respectively.

Guaranteed borrowings for the six months ended 30 June 2022 and year ended 31 December 2021 bore weighted average annual interest rate at 5.24% and 6.00%, respectively.

At 30 June 2022 and 31 December 2021, the Group's borrowings were repayable within one year.

(a) Bank borrowings of the Group which are secured by the following:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Property, plant and equipment and investment properties of the Group (i)	131,000	45,000

(i) Certain secured borrowings with additional guarantees are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Guaranteed by Qin Yan and his close family members	48,000	22,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 BORROWINGS (Continued)

(b) Certain bank borrowings of the Group are unsecured but guaranteed as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
The Group	29,000	112,000
Changyuan City Investment Group Co., Ltd., a shareholder of the Group	—	30,000
	29,000	142,000

20 COMMITMENTS**Capital commitments**

The following is the details of capital expenditure contracted for but not provided in the consolidated financial statements:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Contracted but not provided for — Property, plant and equipment	13,674	13,558

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 RELATED PARTY TRANSACTIONS

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

The following companies are significant related parties of the Group that had transactions and/or balances with the Group.

Name	Relationship with the Group
Henan Guxiang No.9 Catering Co., Ltd. (河南省谷香九號餐飲有限公司)	Entity's key management is the controlling shareholder of the Company
Henan Honliv General Aviation Co., Ltd. (河南宏力通用航空有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Honliv Group Co., Ltd. (河南省宏力集團有限公司)	Entity controlled by a close family member of the controlling shareholders
Henan Honliv Luqiao Co., Ltd. (河南省宏力路橋有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Honliv School (河南省宏力學校有限公司)	Entity controlled by a close family member of the controlling shareholders
Henan Honliv Yishenghuo Co., Ltd. (河南省宏力一生活有限公司)	Entity controlled by the controlling shareholder

The following significant transactions were carried out between the Group and its related parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 RELATED PARTY TRANSACTIONS (Continued)**(a) Transactions with related parties****Continuing transactions**

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Medical examination service provided to related parties		
— Henan Honliv Luqiao Co., Ltd.	1	—
— Henan Honliv Group Co., Ltd.	—	12
	1	12
Sales of medical materials to		
— Henan Honliv school	31	—
Rental services provided to		
— Henan Honliv Yishenghuo Co., Ltd.	158	101
— Henan Guxiang No.9 Catering Co. Ltd.	52	34
	210	135
	242	147
Purchase of rental services from		
— Henan Honliv Group Co., Ltd.	290	290
Purchase of goods from		
— Henan Guxiang No.9 Catering Co., Ltd.	70	—
— Henan Honliv Yishenghuo Co., Ltd.	11	109
	81	109
	371	399

- (i) The Group provided parking space to Henan Honliv General Aviation Co., Ltd. on a free basis for the six months ended 30 June 2022 and 30 June 2021.
- (ii) Certain bank borrowings of the Group were guaranteed by related parties. Details of which are disclosed in the note 19 above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Period/Year-end balances arising from sales of services

Balances with related parties as at 30 June 2022 and 31 December 2021 were disclosed in note 14.

(c) Key management compensation

Key management includes directors (executive and non-executive) and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages and salaries	1,666	1,201
Contributions to pension plans	19	19
Welfare and other expenses	31	12
	1,716	1,232

22 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company has adopted the restricted share unit scheme (the "2022 RSU Scheme") on 22 August 2022. As at the date of this report, no restricted share units had been granted under the 2022 RSU Scheme.