



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

2023





CONTENTS

Definitions	2
Corporate Information	4
Management Discussion and Analysis	6
Other Information	14
Report on Review of Interim Financial Information	26
Interim Condensed Consolidated Statement of Comprehensive Income	27
Interim Condensed Consolidated Balance Sheet	28
Interim Condensed Consolidated Statement of Changes in Equity	30
Interim Condensed Consolidated Statement of Cash Flows	31
Notes to the Interim Condensed Consolidated Financial Information	32



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
“Chairman”	the chairman of our Board
“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, the Macau Special Administrative Region of the PRC 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”	the 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
“Corporate Governance Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company or any one of them
“Global Offering”	the global offering of the Shares, details of which are set forth in the Prospectus
“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 PRC
“Hong Kong dollars” or “HK dollars” or “HKD” 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” as set out in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 24 June 2020
“Reporting Period”	the six months ended 30 June 2023
“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 share 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
“Subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“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
“US dollars” or “USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“%”	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

2023 is a critical year for the national “14th Five-Year Plan” for “comprehensively promoting the construction of a healthy China”. The reform of the medical and healthcare system continues to make great efforts, and focusing on improving the level of medical and healthcare services is the key task of the year. The reform in medical insurance payment methods has been implemented, which, being based on DRG/DIP payment, has restructured the management model of medical institutions. Hospital management needs to accept new concepts, abandon old thinking, and explore new models. At present, the domestic economy is not strong and demand is still insufficient, but we still firmly believe that, in the context of comprehensively promoting the construction of a healthy China, life sciences and healthcare will usher in major development, because after the pandemic, the public has placed greater importance on health and pandemic prevention, and the expansion of demand will promote the prosperity and development of the health industry. Looking ahead, the Group expects to:

1. focus on improving medical quality and ensuring medical safety, explore the management model after the reform in medical insurance payment methods, place equal emphasis on scale expansion and refined management, and make full use of advanced information technology and other means to reduce consumption and increase efficiency;
2. expand the types and scope of main business services, improve the service chain, mutual support of multiple disciplines, balanced development of multiple centres, strengthen core competitiveness, enhance brand influence, and ensure patient satisfaction throughout the entire process of healthcare services;
3. explore a new model of talent training and incentives under the new situation, and highlight the training mechanism, quality improvement, assessment and evaluation, so as to provide a platform for outstanding talents to show their ambition;
4. fully respond to work needs, independently develop application software that is highly compatible with actual work, reduce management costs and improve medical experience;
5. strengthen academic exchanges and cooperation, fully absorb and utilize advanced management and medical technologies at home and abroad, improve the Group’s ability to solve complex problems, and create a medical highland in the region;
6. focus on clinical application-oriented academic research, enhance innovation capability, and empower hospitals for high-quality development;
7. enhance compliance awareness, attach importance to intellectual property rights, comply with various regulatory systems in the industry, abide by the code of listed companies, optimize corporate governance, and ensure medical quality and safety; and
8. actively search for investment targets, expand the Group’s business scale through various means such as new creation and output management, so as to achieve the goal of group development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2023, the Group's consolidated revenue for the six months ended 30 June 2023 amounted to RMB370.5 million, representing a decrease of RMB4.3 million or 1.1% as compared with the consolidated revenue of RMB374.7 million for the six months ended 30 June 2022. It was mainly due to a slight decrease in annual revenue as the DIP (Disease Inpatient Payment) payment method after the reform of the health insurance payment method limited the diagnostic and treatment costs for inpatients.

Hospital Services

Henan Honliv Hospital provides hospital services on behalf of the Group. During the Reporting Period: (i) the total number of inpatient visits amounted to 27,620 (six months ended 30 June 2022: 24,863), representing a year-on-year increase of 11.09%; (ii) the average cost of inpatient visits amounted to RMB6,409.5 (six months ended 30 June 2022: RMB7,289.2), representing a year-on-year decrease of 12.07%; (iii) the total number of outpatient visits amounted to 707,008 (six months ended 30 June 2022: 643,476), representing a year-on-year increase of 9.87%; and (iv) the average cost of outpatient visits amounted to RMB273.6 (six months ended 30 June 2022: RMB300.7), representing a year-on-year decrease of 9.01%.

The increase in the number of outpatient visits and inpatient visits was mainly due to the continuous improvement of diagnostic and treatment technologies in our hospital, with greater ability to solve complex problems; the updating and improvement of medical diagnostic and treatment equipment and technologies, which can provide more support for the diagnosis of illnesses; the increasingly wide coverage of medical service items, which can meet the personalized needs of patients; the simultaneous development of nursing care services towards specialization and living, which can greatly alleviate patients' anxiety and enhance spiritual satisfaction; and quicker and more convenient settlements supported by information technology, minimizing time costs.

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

	Six months ended 30 June		
	2023	2022	Change %
Outpatient visits	707,008	643,476	9.9
Average spending per outpatient visit (RMB)	273.6	300.7	(9.0)
Inpatient visits	27,620	24,863	11.1
Average spending per inpatient visit (RMB)	6,409.5	7,289.2	(12.1)
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)	8.9	9.7	(8.2)
Number of surgeries	6,118	5,661	8.1

MANAGEMENT DISCUSSION AND ANALYSIS

Under the new policy on healthcare insurance, the Group's operating efficiency in the first half of 2023 still recorded a relatively substantial increase in outpatient visits and inpatient visits as compared with the corresponding period last year, with a slight decrease in consolidated revenue for the year on a stable basis. The key revenue-driven strategies for the Group's hospital services are to:

1. carry out various quality control activities with medical safety as the main line of emphasis to improve the quality of medical care;
2. carry out extensive publicity activities on the prevention and treatment of chronic diseases to raise residents' awareness of chronic diseases;
3. actively promote new technologies within the hospital and promote co-operation and exchanges among various professional disciplines;
4. work closely with high-level hospitals to make up for shortcomings in various forms such as remote consultation and building collaborative units;
5. develop nursing services in the directions of specialized and life-like care, so that patients can have their spiritual needs met during the whole process of diagnosis and treatment;
6. actively participate in national medical competitions and achieve remarkable honours, which enhanced the reputation of the Group; for example, the Group's lung cancer MDT team won third place in the national final of the "Example in the County — Lung Cancer MDT Diagnosis and Treatment Standard Practice Sharing Competition" and won second place in the national final of the "Breathing County Peak — China County Respiratory Chronic Disease Case Style Competition";
7. create a strong medical research atmosphere and enhance the development momentum;
8. use various social media platforms to establish professional medical information distribution channels to effectively disseminate professional knowledge and enhance the brand image;
9. give full play to the advantages of information technology, so that patients can conveniently realize all kinds of settlements without leaving their wards, thus saving time costs; and
10. fully adapt to various policies such as the reform of health insurance payment methods to increase revenue and save costs.

Pharmaceutical Sales

The Group's pharmaceutical sales were mainly derived from direct sales of pharmaceutical products to patients. Revenue from pharmaceutical sales for the Reporting Period amounted to RMB141.9 million (six months ended 30 June 2022: RMB136.5 million), representing a year-on-year of increase of 4.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

Continuously Improving Academic and Scientific Research Levels and Enhancing Development Strengths

As a medical institution dedicated to ensuring human health, the Group has been exploring the field of medical scientific research and hospital management. In the first half of 2023, the Group's hospital published 17 medical scientific research papers and deeply participated in the research of related medical and nursing care technologies, such as:

1. members of the Group's CCC team participated in the translation of the seventh edition of Essentials of Nursing Informatics (《護理信息學》) published by China Science and Technology Press; and
2. in March 2022, ten information management systems independently developed by the Group, represented by "Intelligent Cloud Pathology System V1.0" and "Settlement Management System Bedside Ward V1.0", were recognized by the Department of Science and Technology of Henan Province as scientific and technological achievements.

In order to improve the overall diagnosis and treatment level and management ability, the Group has formed a good academic atmosphere of comparing, learning, catching up, surpassing and helping, spreading medical knowledge and updating management concepts by organizing academic salons, speeches, promotional seminars, etc., which has prompted a large number of medical newcomers to stand out, and many of them have gained remarkable achievements in national and provincial competitions.

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 period indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000 (Unaudited)	% of revenue	RMB'000 (Unaudited)	% of revenue
Treatments and general healthcare services	228,587	61.7	238,292	63.6
Pharmaceutical sales	141,880	38.3	136,450	36.4
Total	370,467	100.0	374,742	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 period indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000 (Unaudited)	% of revenue	RMB'000 (Unaudited)	% of revenue
Outpatient healthcare services	193,437	52.2	193,511	51.6
Inpatient healthcare services	177,030	47.8	181,231	48.4
Total	370,467	100.0	374,742	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	
	2023	2022
Outpatient visits	707,008	643,476
Average spending per outpatient visit (RMB)	273.6	300.7
Inpatient visits	27,620	24,863
Average spending per inpatient visit (RMB)	6,409.5	7,289.2
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 decreased by 1.1% from RMB374.7 million for the six months ended 30 June 2022 to RMB370.5 million for the six months ended 30 June 2023. This was largely because of a decrease in revenue as a result of the decrease in the average spending per inpatient visit.

Our revenue from inpatient healthcare services decreased by 2.3% from RMB181.2 million for the six months ended 30 June 2022 to RMB177.0 million for the six months ended 30 June 2023. This was mainly due to the decrease in inpatient healthcare services revenue as a result of the decrease in the average spending per inpatient visit.

Our revenue from outpatient healthcare services decreased by 0.04% from RMB193.5 million for the six months ended 30 June 2022 to RMB193.4 million for the six months ended 30 June 2023. This was mainly due to the decrease in outpatient medical services revenue as a result of the decrease in the average spending per outpatient visit.

Cost of Sales

Our cost of sales consists primarily of employee benefit expenses for doctors and other medical professionals, the cost of pharmaceuticals, the cost of medical consumables, the expenses on depreciation and amortization, utility expenses, maintenance costs, office expenses and other costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Our cost of sales rose by 3.2% from RMB291.2 million for the six months ended 30 June 2022 to RMB300.5 million for the six months ended 30 June 2023, mainly due to (i) a year-on-year growth of RMB12.6 million in the cost of employee benefits during the six months ended 30 June 2023; (ii) a year-on-year increase of RMB3.1 million in the cost of pharmaceuticals during the six months ended 30 June 2023; (iii) a year-on-year rise of RMB2.7 million in the expenses on depreciation and amortisation during the six months ended 30 June 2023; and (iv) a year-on-year decrease of RMB6.6 million in the cost of medical consumables during the six months ended 30 June 2023.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 16.3% from RMB83.6 million for the six months ended 30 June 2022 to RMB70.0 million for the six months ended 30 June 2023, and our gross profit margin shrank from 22.3% for the six months ended 30 June 2022 to 18.9% for the six months ended 30 June 2023, largely because of an increase in the sales cost including the labour cost as well as the fixed cost such as the depreciation and amortization, while the revenue growth remaining stable during the Reporting Period.

Other Expenses

Our other expenses consisted of depreciation of our investment properties. Our other expenses remained stable during the Reporting Period.

Administrative Expenses

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

Our administrative expenses rose by 4.9% from RMB35.2 million for the six months ended 30 June 2022 to RMB36.9 million for the six months ended 30 June 2023, primarily due to a rise in the cost of employee benefits.

Financial Costs — Net

Our net financial costs increased from RMB0.02 million for the six months ended 30 June 2022 to RMB1.6 million for the six months ended 30 June 2023, primarily due to a decrease in the amount of foreign currencies held and an decrease in exchange gains arising from exchange rate fluctuation during the Reporting Period.

Income Tax Expense

Our income tax expense dropped by 18.9% from RMB9.4 million for the six months ended 30 June 2022 to RMB7.6 million for the six months ended 30 June 2023, primarily due to a decrease in our profit before tax.

Profit for the Period and Net Profit Margin

For the foregoing reasons, our profit for the period declined by 24.5% from RMB32.5 million for the six months ended 30 June 2022 to RMB24.5 million for the six months ended 30 June 2023. Our net profit margin stood at 8.7% and 6.6% for the six months ended 30 June 2022 and the six months ended 30 June 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION OF ITEMS IN THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Net Current Liabilities

Our net current liabilities slumped by 53.5% from RMB44.2 million as at 31 December 2022 to RMB20.6 million as at 30 June 2023. This was largely because of the cash inflows generated from our operating activities.

Inventories

Our inventories plummeted by 39.7% from RMB29.5 million as at 31 December 2022 to RMB17.8 million as at 30 June 2023. This was primarily due to the fact that the inventories reserved for the spring festival at the end of 2022 had been used up.

Trade Receivables

Our trade receivables grew by 20.7% from RMB47.4 million as at 31 December 2022 to RMB57.2 million as at 30 June 2023, largely because of the slightly slow settlement of receivables from social insurance administration.

Other Receivables and Prepayments

Our other receivables and prepayments dropped from RMB1.2 million as at 31 December 2022 to RMB1.0 million as at 30 June 2023. The balance during the Reporting Period fell by RMB0.2 million, primarily due to a decline in the prepayments for utilities expenses.

Borrowings

Our borrowings climbed from RMB141.0 million as at 31 December 2022 to RMB169.1 million as at 30 June 2023. The balance during the Reporting Period increased by RMB28.1 million, which was mainly because we raised part of new loans during the Reporting Period.

Trade Payables

Our trade payables increased from RMB101.9 million as at 31 December 2022 to RMB108.9 million as at 30 June 2023. The balance during the Reporting Period grew by RMB7.0 million, which was mainly due to the decrease in the trade payables paid during the Reporting Period.

Accruals, Other Payables and Provisions

Our accruals, other payables and provisions decreased from RMB122.3 million as at 31 December 2022 to RMB103.7 million as at 30 June 2023. The balance during the Reporting Period decreased by RMB18.7 million, which was mainly due to the decrease in advance receipts from the Social Insurance Bureau for medical insurance.

Contingent Liabilities

As at 30 June 2023, we had no significant contingent liabilities or guarantees that would have a material impact on the financial condition or operation of the Group.

Lease Liabilities

As at 30 June 2023, our lease liabilities in respect of our leased properties amounted to approximately RMB1.8 million.

Charge on Asset

As at 30 June 2023, property, plant and equipment of our Group with the carrying amounts of RMB23.7 million and investment properties with the carrying amounts of RMB1.7 million have been pledged for borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash generated from operating activities	46,409	40,796
Net cash used in investing activities	(37,794)	(4,642)
Net cash generated from/(used in) financing activities	9,479	(32,468)
Net increase in cash and cash equivalents	18,094	3,686

Net Cash Generated from Operating Activities

Our net cash generated from operating activities rose from RMB40.8 million for the six months ended 30 June 2022 to RMB46.4 million for the six months ended 30 June 2023, which was primarily attributed to (i) an increase in cash flows from operating activities due to a growth in our operating profit and a decrease in the payment of trade payables for the current period; and (ii) the income tax payment of RMB7.1 million in the first half of 2023 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 surged from RMB4.6 million for the six months ended 30 June 2022 to RMB37.8 million for the six months ended 30 June 2023, which was primarily attributed to a year-on-year increase of RMB33.2 million in payments for purchases of properties, plants and equipment for the six months ended 30 June 2023.

Net Cash Generated from Financing Activities

Our cash generated from financing activities amounted to RMB9.5 million for the six months ended 30 June 2023, as compared to RMB32.5 million of cash flow used in financing activities for the six months ended 30 June 2022. Such cash generated from financing activities in the first half of 2023 was mainly due to the new borrowings of RMB28.1 million, whereas cash used in financing activities for the six months ended 30 June 2022 was mainly due to the repayment of borrowings of RMB27.0 million and payment of interest of RMB4.9 million.

Financial Instruments

Our financial instruments consist of trade receivables, other receivables, cash and cash equivalents, borrowings, trade 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 2023. 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.

Gearing Ratio

As at 30 June 2023, our liability-to-asset ratio (total liabilities divided by total assets) was 41.1% (as at 31 December 2022: 40.7%).

OTHER INFORMATION

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

Long Position in Shares of the Company

As at 30 June 2023, the interests and short positions of Directors and chief executive 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 2023, the following persons (other than Directors or chief executive 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%
THE CORE TRUST COMPANY LIMITED	Long Position	Trustee ⁽⁵⁾	36,128,000	6.02%
TCT (BVI) Limited	Long Position	Interest in controlled corporation ⁽⁵⁾	36,128,000	6.02%

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.
- (5) On 25 May 2023, Planet Hive Limited, the nominee to the trustee of the share incentive scheme of the Company, purchased 960,000 shares of the Company. Planet Hive Limited is wholly-owned by TCT (BVI) Limited, which, in turn, is wholly owned by THE CORE TRUST COMPANY LIMITED.

* English translation is for identification purpose only.

OTHER INFORMATION

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.

SHARE INCENTIVE SCHEMES

Share Option Scheme

The Company has conditionally approved and adopted the Share Option Scheme on 17 June 2020, which will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. The following is a summary of the principal terms of the Share Option Scheme.

(a) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares:

- (i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and
- (ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of these classes of participants shall not, by itself, unless the Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to the participant's contribution to the development and growth of the Group.

(c) Maximum number of Shares

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company.

OTHER INFORMATION

- (ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit representing 60,000,000 Shares (the “**General Scheme Limit**”), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.
- (iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, the Company may seek separate Shareholders’ approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the “**Individual Limit**”). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) Grant of options to connected persons

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

OTHER INFORMATION

Where any grant of options to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates 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 in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by the Shareholders in a general meeting. The Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in a general meeting.

(f) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any Business Day falling within the period before Listing); and
- (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.

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

2022 RSU Scheme

The Company has adopted the 2022 RSU Scheme by a board resolution on 22 August 2022. The following is a summary of the principal terms of the 2022 RSU Scheme.

(a) Purpose of the 2022 RSU Scheme

The purposes of the 2022 RSU Scheme are to recognize and motivate the contributions made by Participants of the 2022 RSU Scheme (as defined below) and give incentives thereto in order to retain them, as well as to attract suitable personnel for further development of the Group.

OTHER INFORMATION

(b) **Participants**

Participants of the 2022 RSU Scheme includes employees or officers (including executive, non-executive and independent non-executive Directors) of the Group, including any prospective employees (who receives the Grant as an inducement to join the Group) (collectively, the **"Participant(s)"**).

(c) **Awards**

The 2022 RSU Scheme is subject to the administration of the 2022 ESOP scheme management committee (the **"Committee"**) as appointed by the Board. The Committee may at any time during the term of the 2022 RSU Scheme make an offer of the grant (the **"Grant(s)"**) of an award (the **"Award(s)"**) of conditional rights to either Shares or equivalent value of cash (the **"RSU(s)"**) to any selected Participant at its absolute discretion. A Grant shall be made to a Participant by a notice of Grant setting out, among other things, the terms and conditions of such Grant. Any Grant to any Director, chief executive or substantial shareholder of the Group must first be approved by the independent non-executive Directors of the Company. If a Participant accepts the Grant, he/she is required to sign the acceptance notice and return it to the Company within the period specified and in a manner prescribed in the notice of Grant. Each Participant shall pay RMB1.00 as the award price to accept the Awards granted to such Participant.

(d) **Term**

The 2022 RSU Scheme shall remain valid and effective until the termination date, which shall be on the earlier of (i) the expiry of the period of 10 years from 22 August 2022; or (ii) such date of early termination as determined by the Board or Committee provided that no further RSUs will be offered after such termination but in all other respects the provisions of the 2022 RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the 2022 RSU Scheme and which remain unvested immediately prior to the termination of the operation of the 2022 RSU Scheme.

(e) **Vesting**

Subject to compliance with the requirements of the Listing Rules, the Committee has the sole discretion to determine, adjust and re-determine if deemed necessary or desirable by the Committee, the vesting period and vesting conditions for any grant of Award(s) to a Participant who accepts a Grant (the **"Grantee"**) in accordance with the terms of the 2022 RSU Scheme. All of such vesting conditions (including payment of any exercise price) and periods (including the vesting date) shall be set out in the relevant notice of Grant issued to each Grantee. The Committee may determine at its sole discretion, the exercise price as may be applicable to each RSU.

For the purposes of vesting of the RSU(s), the Committee may direct and procure the trustee (the **"Trustee"**) of the 2022 RSU Scheme to release from the underlying trust (the **"Trust"**) of the 2022 RSU Scheme the RSU(s) to the Grantee by transferring the number of the RSUs to the Grantee in such manner as determined by it from time to time, subject to the restrictions disclosed below. The Committee will send a vesting notice to the relevant Grantee and upon receiving such notice, the Grantee must execute certain documents set out in such notice for the purposes of vesting of the RSU(s). The Committee shall thereafter inform the Trustee of the number of the RSU(s) or the amount of cash equivalent being transferred, paid and/or released to the Grantee in the manner as determined by the Committee.

An unvested RSU shall lapse and be cancelled automatically upon certain events, including the termination of the Grantee's employment or service with the Company. The Committee may in its absolute discretion decide that any RSU shall not be cancelled or determined subject to such conditions or limitations as the Committee may decide. In certain circumstances such as when the Grantee's employment or services with the Group is terminated for cause, the Company shall have a right to instruct the Trustee to repurchase the Shares from the Grantee at the higher of (1) the par value of the Shares on the date the RSUs were granted; and (2) the exercise price (if any) paid by the Grantee for vesting of the relevant RSUs.

OTHER INFORMATION

(f) **Restriction on Grant of Awards**

A Grant must not be made after inside information has come to the Company's knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, no Award may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. Such period will cover any period of delay in the publication of a results announcement.

Where any Award is proposed to be granted to a Director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (i) sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

In the course of administering the 2022 RSU Scheme, the Committee will also comply with the applicable provisions of the Model Code and applicable rules on insider dealing. The Committee who is in possession of unpublished inside information shall not give instructions to the Trustee to acquire any Shares for the Scheme.

(g) **Maximum Limit**

The aggregate amount of existing Shares to be purchased by the Trustee under the Scheme shall not exceed 5% of the Company's total issued share capital as of 22 August 2022 (being no more than 30,000,000 Shares). The Shares acquired for the share pool will be funded out of the Company's resources. The maximum number of Shares which may be subject to an Award or Awards to a selected Participant shall not in aggregate exceed 1% of the total issued share capital of the Company as of 22 August 2022.

At no time shall the Trustee be holding more than 10% of the total number of Shares in issue from time to time. The Shares held by the Trustee will be regarded as public float unless the Trustee becomes a core connected person of the Company or would otherwise cease to be regarded as member of the public under the Listing Rules.

As of the date of this interim report, no RSUs had been granted under the 2022 RSU Scheme.

2023 RSU Scheme

The Company has adopted the 2023 RSU Scheme by a board resolution on 9 May 2023. The following is a summary of the principal terms of the 2023 RSU Scheme.

(a) **Purpose of the 2023 RSU Scheme**

The purposes of the 2023 RSU Scheme are to recognize and motivate the contributions made by Participants of the 2023 RSU Scheme (as defined below) and give incentives thereto in order to retain them, as well as to attract suitable personnel that promotes the growth of any Acquired Entity (defined below).

OTHER INFORMATION

(b) **Participants**

Participants of the 2023 RSU Scheme includes employees of any entity(ies) or hospital(s) to be acquired by the Group since the adoption of the 2023 RSU Scheme until the expiry of the term of the 2023 RSU Scheme (“**Acquired Entity(ies)**”) (collectively, the “**Participant(s)**”).

(c) **Awards**

The 2023 RSU Scheme is subject to the administration of the 2023 Restricted Share Unit Scheme management committee (the “**Committee**”) as appointed by the Board. The Committee may at any time during the term of the 2023 RSU Scheme make an offer of the grant (the “**Grant(s)**”) of an award (the “**Award(s)**”) of conditional rights to either Shares or equivalent value of cash (the “**RSU(s)**”) to any selected Participant at its absolute discretion. A Grant shall be made to a Participant by a notice of Grant setting out, among other things, the terms and conditions of such Grant. Any Grant to any Director, chief executive or substantial shareholder of the Group must first be approved by the independent non-executive Directors of the Company. If a Participant accepts the Grant, he/she is required to sign the acceptance notice and return it to the Company within the period specified and in a manner prescribed in the notice of Grant. Each Participant shall pay RMB1.00 as the award price to accept the Awards granted to such Participant.

(d) **Term**

The 2023 RSU Scheme shall remain valid and effective until the termination date, which shall be on the earlier of (i) the expiry of the period of 10 years from 9 May 2023; or (ii) such date of early termination as determined by the Board or Committee provided that no further RSUs will be offered after such termination but in all other respects the provisions of the 2023 RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the 2023 RSU Scheme and which remain unvested immediately prior to the termination of the operation of the 2023 RSU Scheme.

(e) **Vesting**

Subject to compliance with the requirements of the Listing Rules, the Committee has the sole discretion to determine, adjust and re-determine if deemed necessary or desirable by the Committee, the vesting period and vesting conditions for any grant of Award(s) to a Participant who accepts a Grant (the “**Grantee**”) in accordance with the terms of the 2023 RSU Scheme. All of such vesting conditions (including payment of any exercise price) and periods (including the vesting date) shall be set out in the relevant notice of Grant issued to each Grantee. The Committee may determine at its sole discretion, the exercise price as may be applicable to each RSU.

For the purposes of vesting of the RSU(s), the Committee may direct and procure the trustee (the “**Trustee**”) of the 2023 RSU Scheme to release from the underlying trust (the “**Trust**”) of the 2023 RSU Scheme the RSU(s) to the Grantee by transferring the number of the RSUs to the Grantee in such manner as determined by it from time to time, subject to the restrictions disclosed below. The Committee will send a vesting notice to the relevant Grantee and upon receiving such notice, the Grantee must execute certain documents set out in such notice for the purposes of vesting of the RSU(s). The Committee shall thereafter inform the Trustee of the number of the RSU(s) or the amount of cash equivalent being transferred, paid and/or released to the Grantee in the manner as determined by the Committee.

An unvested RSU shall lapse and be cancelled automatically upon certain events, including the termination of the Grantee’s employment or service with the Company. The Committee may in its absolute discretion decide that any RSU shall not be cancelled or determined subject to such conditions or limitations as the Committee may decide. In certain circumstances such as when the Grantee’s employment or services with the Group is terminated for cause, the Company shall have a right to instruct the Trustee to repurchase the Shares from the Grantee at the higher of (1) the par value of the Shares on the date the RSUs were granted; and (2) the exercise price (if any) paid by the Grantee for vesting of the relevant RSUs.

OTHER INFORMATION

(f) *Restriction on Grant of Awards*

A Grant must not be made after inside information has come to the Company's knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, no Award may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. Such period will cover any period of delay in the publication of a results announcement.

Where any Award is proposed to be granted to a Director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (i) sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

In the course of administering the 2023 RSU Scheme, the Committee will also comply with the applicable provisions of the Model Code and applicable rules on insider dealing. The Committee who is in possession of unpublished inside information shall not give instructions to the Trustee to acquire any Shares for the Scheme.

(g) *Maximum Limit*

The aggregate amount of existing Shares to be purchased by the Trustee under the Scheme shall not exceed 5% of the Company's total issued share capital as of 9 May 2023 (being no more than 30,000,000 Shares). The Shares acquired for the share pool will be funded out of the Company's resources. The maximum number of Shares which may be subject to an Award or Awards to a selected Participant shall not in aggregate exceed 1% of the total issued share capital of the Company as of 9 May 2023.

At no time shall the Trustee be holding more than 10% of the total number of Shares in issue from time to time. The Shares held by the Trustee will be regarded as public float unless the Trustee becomes a core connected person of the Company or would otherwise cease to be regarded as member of the public under the Listing Rules.

As of the date of this interim report, no RSUs had been granted under the 2023 RSU Scheme.

CHANGE IN 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.

OTHER INFORMATION

For reasons set out in the paragraph below headed “Reasons for the Proposed Change”, the Board resolved to change the use of the unutilised net proceeds by reallocating HK\$16.7 million originally allocated for the development of the Company’s pharmaceutical supply chain business for the construction of a postnatal care centre.

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at 30 June 2023 and as at the date of this interim report, as well as the proposed revised allocation of the net proceeds:

Business objective	Percentage to total amount as disclosed in the Prospectus (%)	Planned use of Net Proceeds in the Prospectus (HK\$ million)	Utilised proceeds as at 30 June 2023 (HK\$ million)	Utilised Net Proceeds as at the date of this interim report (HK\$ million)	Unutilised Net Proceeds as at the date of this interim report (HK\$ million)	Proposed application of the Unutilised Net Proceeds (HK\$ million)	Expected timeline for Unutilised Net Proceeds
(i) Finance the ramp up of the Company’s first-phase building	29.5	78.0	78.0	78.0	0.0	–	By the end of 2021
(ii) Expand the Company’s business by acquiring hospitals	26.1	69.2	0.0	0.0	69.2	69.2	By the end of 2023
(iii) Repay the Company’s general borrowings, particularly the outstanding loans from two banks with an aggregate principal amount of RMB63.0 million	15	39.8	39.8	39.8	0.0	–	By the end of 2023
(iv) Working capital and other general corporate purposes	10	26.5	26.5	26.5	0.0	–	By June 2021
(v) Purchase medical equipment and improve and upgrade the Company’s information technology systems	8	21.3	21.3	21.3	0.0	–	By June 2023
(vi) Develop the Company’s pharmaceutical supply chain business	6.3	16.7	0.0	0.0	16.7	–	–
(vii) Employee recruitment and training	5	13.3	13.3	13.3	0.0	–	By June 2023
(viii) Construct a postnatal care centre	–	–	–	–	–	16.7	By the end of 2023
Total	100	264.8	178.9	178.9	85.9	85.9	

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.

Except for the change above, there is no other change in use of the net proceeds.

OTHER INFORMATION

REASONS FOR THE PROPOSED CHANGE

The postnatal care service industry is an emerging health service industry that provides healthcare services for postnatal mothers and babies. The industry is currently at a high-growth stage with tremendous market potential in future. As the market for postnatal care service is thriving in the PRC, the Board considered that it is profitable for the Company to construct a postnatal care centre and provide relevant services. The Board also confirms that such changes are in line with the overall business strategy of providing high-quality healthcare service and capturing growth opportunities. Through the provision of postnatal care services, we extend our service and support to patients from our gynecology department throughout the post-birth period. Therefore, the Board resolved to utilize the unutilised net proceeds on constructing a postnatal care centre.

The Directors confirm that there are no material changes in the nature of the business of the Group. The Directors consider that the change of use of the unutilised net proceeds will allow the Company to deploy its financial resources more effectively and is in the interests of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group. To strive for better business performance of the Group, the Directors will continuously assess the changing market conditions and may revise or amend the use of the unutilised net proceeds where necessary.

As at 30 June 2023, the net proceeds from the Global Offering not yet utilised 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.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSALS

The Group did not make any significant investment or material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the Reporting Period.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there were no material events after the Reporting period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, save as provision addressed below, the Company has complied with all the applicable code provisions as set out in part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Code provision C.2.1 of part 2 of the Corporate Governance Code 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.

OTHER INFORMATION

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.

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, namely Mr. Sun Jigang (Chairman), Mr. Zhao Chun and Mr. Jiang Tianfan.

The Group's interim results for the six months ended 30 June 2023, and this interim report, 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 2023.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees was approximately 1,886 as at 30 June 2023 (30 June 2022: 1,782). For the six months ended 30 June 2023, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB107.4 million (six months ended 30 June 2022: approximately RMB90.7 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.

The Company has adopted the Share Option Scheme on 17 June 2020 (further details of which are set forth in the section headed "Share Incentive Schemes — Share Option Scheme" in this report). The Company has also adopted the 2022 Restricted Share Unit Scheme on 22 August 2022 (further details of which are set forth in the section headed "Share Incentive Schemes — 2022 RSU Scheme" in this report, and the Company's announcements dated 22 August 2022 and 23 August 2022), and the 2023 Restricted Share Unit Scheme on 9 May 2023 (further details of which are set forth in the section headed "Share Incentive Schemes — 2023 RSU Scheme" in this report, and the Company's announcement dated 9 May 2023) (collectively, the "**RSU Schemes**"). During the Reporting Period, no restricted share units had been awarded under the Share Option Scheme or the RSU Schemes.

On behalf of the Board

Honliv Healthcare Management Group Company Limited

Qin Yan

Chairman

25 August 2023

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 27 to 48, 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 2023 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 selected 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” issued by the Hong Kong Institute of Certified Public Accountants. 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, 25 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	370,467	374,742
Cost of sales	6	(300,517)	(291,171)
Gross profit		69,950	83,571
Administrative expenses	6	(36,932)	(35,205)
Net impairment losses on financial assets		676	(6,654)
Other income		231	243
Other expenses		(98)	(98)
Other losses — net		(144)	(9)
Operating profit		33,683	41,848
Finance income		1,657	4,916
Finance costs		(3,237)	(4,933)
Finance costs — net	7	(1,580)	(17)
Profit before income tax		32,103	41,831
Income tax expense	8	(7,604)	(9,376)
Profit for the period		24,499	32,455
Other comprehensive income		—	—
Total comprehensive income		24,499	32,455
Profit and total comprehensive income attributable to:			
Owners of the Company		24,263	32,173
Non-controlling interests		236	282
		24,499	32,455
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	0.04	0.05

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 2023	31 December 2022
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	502,236	507,754
Right-of-use assets	12	77,388	79,098
Investment properties		1,749	2,678
Intangible assets		671	648
Deferred income tax assets	13	3,916	6,878
Prepayments	16	21,407	4,690
Total non-current assets		607,367	601,746
Current assets			
Inventories	14	17,799	29,500
Trade receivables	15	57,160	47,358
Other receivables and prepayments	16	1,029	1,196
Amounts due from related parties	17	208	–
Cash and cash equivalents	18	274,350	255,238
Total current assets		350,546	333,292
Total assets		957,913	935,038
EQUITY			
Equity attributable to the owners of the Company			
Share capital		52	52
Reserves		366,759	382,004
Retained earnings		191,673	167,410
Subtotal		558,484	549,466
Non-controlling interests		5,441	5,205
Total equity		563,925	554,671

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	21	20,322	–
Lease liabilities		667	983
Deferred revenue		1,895	1,928
Total non-current liabilities		22,884	2,911
Current liabilities			
Trade payables	19	108,865	101,907
Accruals, other payables and provisions	20	103,651	122,335
Current income tax liabilities		8,650	11,074
Borrowings	21	148,757	141,000
Lease liabilities		1,181	1,140
Total current liabilities		371,104	377,456
Total liabilities		393,988	380,367
Total equity and liabilities		957,913	935,038

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

The financial information on pages 27 to 48 were approved by the Board of Directors on 25 August 2023 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 2023	52	382,004	167,410	549,466	5,205	554,671
Comprehensive income						
— Profit for the period	—	—	24,263	24,263	236	24,499
Transactions with owners						
— Acquisition of shares for the Employee Share Schemes	—	(15,245)	—	(15,245)	—	(15,245)
Balance at 30 June 2023	52	366,759	191,673	558,484	5,441	563,925
(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

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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		52,993	51,454
Interest received		482	262
Income taxes paid		(7,066)	(10,920)
Net cash generated from operating activities		46,409	40,796
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(37,496)	(4,337)
Payments for purchase of intangible assets		(298)	(305)
Net cash used in investing activities		(37,794)	(4,642)
Cash flows from financing activities			
Borrowings from banks and other financial institution		143,410	138,000
Repayments of borrowings from banks and other financial institutions		(115,331)	(165,000)
Acquisition of shares for the Employee Share Schemes		(15,088)	–
Principal elements of lease payments		(275)	(535)
Interests paid		(3,237)	(4,933)
Net cash generated from/ (used in) financing activities		9,479	(32,468)
Net increase in cash and cash equivalents		18,094	3,686
Cash and cash equivalents at the beginning of period	18	255,238	263,610
Effects of exchange rate changes on cash and cash equivalents		1,018	4,654
Cash and cash equivalents at end of period	18	274,350	271,950

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 Act, Cap.22 (Act 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 2023 has been prepared in accordance with Hong Kong Accounting standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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 2022, 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 2023.

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 2023, the Group’s current liabilities exceeded its current assets by RMB20,558,000 and the Group had cash and cash equivalents of RMB274,350,000.

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 27 February 2023, Henan Honliv Hospital Co., Ltd. (“Honliv Hospital”) obtained additional loan facilities of RMB60 million from one of its existing banks. Application of one-year loan drawdowns can be made under this facility until 27 February 2024 subject to the approval and conditions imposed by the bank. As at the reporting date, the Group has not utilized this additional loan facility.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

(a) Going concern *(Continued)*

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 would 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 2023.

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

The adoption of the following new and amended standards does not have significant impact on the financial performance and positions of the Group and also the presentation of this interim financial information.

		Effective Date
<ul style="list-style-type: none"> • HKFRS 17 	<ul style="list-style-type: none"> • Insurance Contracts • Amendments to HKFRS 17 • Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information 	1 January 2023
<ul style="list-style-type: none"> • Amendments to HKAS 1 and HKFRS Practice Statement 2 	Disclosure of Accounting Policies	1 January 2023
<ul style="list-style-type: none"> • Amendments to HKAS 8 	Definition of Accounting Estimates	1 January 2023
<ul style="list-style-type: none"> • Amendments to HKAS 12 	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

(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 2023, 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 2022.

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 2023					
Borrowings	154,574	12,847	8,960	176,381	169,079
Trade payables	108,865	–	–	108,865	108,865
Accruals, other payables and provisions (excluding accrued employee benefits and duty and other tax payable) (<i>note 20</i>)	69,895	–	–	69,895	69,895
Lease liabilities	1,272	692	–	1,964	1,848
	334,606	13,539	8,960	357,105	349,687
At 31 December 2022					
Borrowings	142,800	–	–	142,800	141,000
Trade payables	101,907	–	–	101,907	101,907
Accruals, other payables and provisions (excluding accrued employee benefits and duty and other tax payable) (<i>note 20</i>)	89,425	–	–	89,425	89,425
Lease liabilities	1,272	692	346	2,310	2,123
	335,404	692	346	336,442	334,455

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Nature of revenue recognition		
Treatments and general healthcare service	228,587	238,292
Pharmaceutical sales	141,880	136,450
	370,467	374,742
Timing of revenue recognition		
At a point in time	246,509	255,309
Over time	123,958	119,433
	370,467	374,742

During the six months ended 30 June 2023, the Group performed a reassessment on the estimation of revenue in relation to variable consideration. Up to 30 June 2023, the Group recognised the net amount of deduction of approximately RMB9,199,000 (six months ended 30 June 2022: Nil) as a reduction of revenue on a cumulative basis.

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of pharmaceuticals	118,007	114,869
Employee benefits expenses	107,422	90,692
Cost of medical consumables	46,072	52,688
Depreciation and amortization	28,880	26,652
Utilities, maintenance fee and office expenses	26,659	28,700
Auditor's remuneration		
— Audit and related services	980	1,115
Impairment of property, plant and equipment	—	4,452
Other expenses	9,429	7,208
	337,449	326,376

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 FINANCE COSTS — NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance costs:		
Interest expense on bank borrowings	3,099	4,848
Interest expense on lease liabilities	72	85
Interest expense on other borrowings	66	—
Total finance costs	3,237	4,933
Finance income:		
Net foreign exchange gains	(1,175)	(4,654)
Interest income	(482)	(262)
Total finance income	(1,657)	(4,916)
Finance costs — net	1,580	17

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
— the PRC corporate income tax	4,642	12,153
Deferred income tax	2,962	(2,777)
	7,604	9,376

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 outstanding ordinary shares in issue during the six months ended 30 June 2023. Treasury shares held for the 2022 restricted share unit scheme and the 2023 restricted share unit scheme (together, the "Employee Share Schemes") are excluded from the weighted average number of outstanding ordinary shares in issue for purposes of calculating basic earnings per share.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (RMB'000) (i)	24,263	32,173
Weighted average number of ordinary shares in issue (in thousands)	568,620	600,000
Basic earnings per share (in RMB)	0.04	0.05

- (i) During the six months ended 30 June 2023, an independent trustee purchased 6,130,000 shares for the purpose of the Employee Share Schemes (six months ended 30 June 2022: nil). As of 30 June 2023, the accumulated number of shares purchased by the independent trustee for the purpose of the Employee Share Schemes was 36,128,000 (30 June 2022: nil). As at 30 June 2023, no shares were granted under the Employee Share Schemes.

(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 2023.

10 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2023 (30 June 2022: 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 2022						
Cost	571,592	263,942	39,167	21,257	1,304	897,262
Accumulated depreciation	(152,767)	(182,691)	(34,121)	(19,929)	–	(389,508)
Net book amount	418,825	81,251	5,046	1,328	1,304	507,754
(Unaudited)						
Six months ended 30 June 2023						
Opening net book amount	418,825	81,251	5,046	1,328	1,304	507,754
Additions	–	18,009	1,860	170	512	20,551
Disposals	–	(2)	(3)	–	–	(5)
Transfers from investment properties (a)	831	–	–	–	–	831
Depreciation charge	(14,571)	(10,995)	(1,196)	(133)	–	(26,895)
Closing net book amount	405,085	88,263	5,707	1,365	1,816	502,236
At 30 June 2023						
Cost	573,473	281,576	40,894	21,390	1,816	919,149
Accumulated depreciation	(168,388)	(193,313)	(35,187)	(20,025)	–	(416,913)
Net book amount	405,085	88,263	5,707	1,365	1,816	502,236

- (a) Part of investment properties has been changed to internal use in 1 June 2023. Accordingly, these properties have been reclassified as the Group's property, plant and equipment since then.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 LEASES

Right-of-use assets

	Office <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Total <i>RMB'000</i>
(Audited)			
At 31 December 2022			
Cost	3,338	119,146	122,484
Accumulated depreciation and amortisation	(1,452)	(41,934)	(43,386)
Net book amount	1,886	77,212	79,098
(Unaudited)			
Six months ended 30 June 2023			
Opening net book amount	1,886	77,212	79,098
Depreciation and amortisation	(519)	(1,191)	(1,710)
Closing net book amount	1,367	76,021	77,388
At 30 June 2023			
Cost	3,338	119,146	122,484
Accumulated depreciation and amortisation	(1,971)	(43,125)	(45,096)
Net book amount	1,367	76,021	77,388

13 DEFERRED INCOME TAX

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	3,916	6,878
	3,916	6,878

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets during the period is as follows:

	Provision for receivables RMB'000
Deferred tax assets	
At 1 January 2023	6,878
Charged to the profit or loss	(2,962)
At 30 June 2023	3,916

14 INVENTORIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Pharmaceuticals	15,292	26,426
Medical consumables and others	2,507	3,074
	17,799	29,500

15 TRADE RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	63,221	54,095
Less: allowance for impairment of trade receivables	(6,061)	(6,737)
Trade receivables — net	57,160	47,358

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 TRADE RECEIVABLES (Continued)

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade receivables based on demand note date was as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 3 months	23,752	33,858
3 to 6 months	1,952	11,014
6 months to 1 year	32,285	3,492
1 to 2 years	611	1,071
2 to 3 years	–	1,632
Over 3 years	4,621	3,028
	63,221	54,095

16 OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current		
Prepayments of utilities expenses	861	1,034
Other receivables	168	162
	1,029	1,196
Non-current		
Prepayments for purchase of machinery	20,835	4,660
Prepayments for leasehold improvement	542	–
Prepayments for construction	30	30
	21,407	4,690
	22,436	5,886

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 BALANCES WITH RELATED PARTIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amounts due from related parties		
Trade in nature		
— Henan Honliv Yishenghuo Co., Ltd.	153	—
— Henan Guxiang No.9 Catering Co., Ltd.	55	—
	208	—

18 CASH AND CASH EQUIVALENTS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash at bank and other financial institutions	271,024	252,065
Cash on hand	3,326	3,173
	274,350	255,238

19 TRADE PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	108,865	101,907

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 TRADE PAYABLES *(Continued)*

As at 30 June 2023 and 31 December 2022, the aging analysis of the trade payables based on demand note date was as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables		
Up to 3 months	82,009	72,960
3 to 6 months	18,829	18,399
6 months to 1 year	3,418	2,899
1 to 2 years	1,091	2,875
2 to 3 years	433	954
Over 3 years	3,085	3,820
	108,865	101,907

20 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deposit from patients (a)	47,329	45,554
Accrued employee benefits	30,365	22,644
Advance from Medical Insurance	13,980	38,108
Duty and other tax payable	3,391	10,266
Payables for plant and equipment	4,309	4,537
Others	4,277	1,226
	103,651	122,335

(a) Deposit from customers includes refundable deposits made by the customers through prepaid smart cards issued by Honliv Hospital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current		
Other borrowings (c)	20,322	–
Current		
Short-term bank borrowings		
— Secured borrowings (a)	109,000	112,000
— Guaranteed borrowings (b)	29,000	29,000
	138,000	141,000
Other borrowings (c)	10,757	–
	148,757	141,000
Total borrowings	169,079	141,000

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Property, plant and equipment of the Group (i)	109,000	112,000

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Guaranteed by the Group, Henan Honliv Group Co., Ltd., Qin Yan and his close family members	79,000	56,000
Guaranteed by Qin Yan and his close family members	–	26,000
	79,000	82,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 BORROWINGS (Continued)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
The Group	29,000	29,000

(c) Other borrowings:

(i) Other borrowings are secured by machinery and equipment with additional guarantees are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Guaranteed by the Group, Qin Yan and his close family members	31,079	–

Other borrowings for the six months ended 30 June 2023 bore weighted average annual interest rates ranging from 7.55% to 8.8%. The other borrowings were used for purchase of machinery and equipment amounting to RMB31.4 million. As of 30 June 2023, part of the machinery and equipment of RMB3.4 million was delivered and recognised in property, plant and equipment and the remainder was still in the procurement process.

(ii) The maturity of other borrowings is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Maturity of other borrowings		
No later than 1 year	10,757	–
Later than 1 year and no later than 2 years	11,645	–
Later than 2 year and no later than 5 years	8,677	–
	31,079	–

22 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 2023 RMB'000	As at 31 December 2022 RMB'000
Contracted but not provided for		
— Property, plant and equipment	22,729	19,230

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are under common control or joint control in the Controlling Shareholders' families. Members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
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 Hongda Constructions Engineering Co., Ltd. (河南省宏大建設工程有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Honliv Advanced Technology Agricultural Development Co., Ltd. (河南省宏力高科技農業發展有限公司)	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 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 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 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. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Medical examination service provided to related parties		
— Henan Hongda Constructions Engineering Co., Ltd.	86	—
— Henan Guxiang No.9 Catering Co. Ltd.	31	—
— Henan Honliv Yishenghuo Co., Ltd.	29	—
— Henan Honliv Advanced Technology Agricultural Development Co., Ltd.	19	—
— Henan Honliv Luqiao Co., Ltd.	—	1
	165	1
Sales of medical materials to		
— Henan Honliv School	22	31
Rental services provided to		
— Henan Honliv Yishenghuo Co., Ltd.	146	158
— Henan Guxiang No.9 Catering Co. Ltd.	52	52
	198	210
	385	242
Purchase of rental services from		
— Henan Honliv Group Co., Ltd.	290	290
Purchase of goods from		
— Henan Honliv Advanced Technology Agricultural Development Co., Ltd.	229	—
— Henan Guxiang No.9 Catering Co., Ltd.	121	70
— Henan Honliv Yishenghuo Co., Ltd.	16	11
	366	81
	656	371

(i) The Group provided parking space to Henan Honliv General Aviation Co., Ltd. on a free basis for the six months ended 30 June 2023 and 30 June 2022.

(ii) Certain bank borrowings of the Group were guaranteed by related parties. Details of which are disclosed in the note 21 above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 RELATED PARTY TRANSACTIONS *(Continued)***(b) Period/Year-end balances arising from sales of services**

Balances with related parties as at 30 June 2023 and 31 December 2022 were disclosed in note 17.

(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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Wages and salaries	1,690	1,666
Contributions to pension plans	19	19
Welfare and other expenses	345	31
	2,054	1,716