



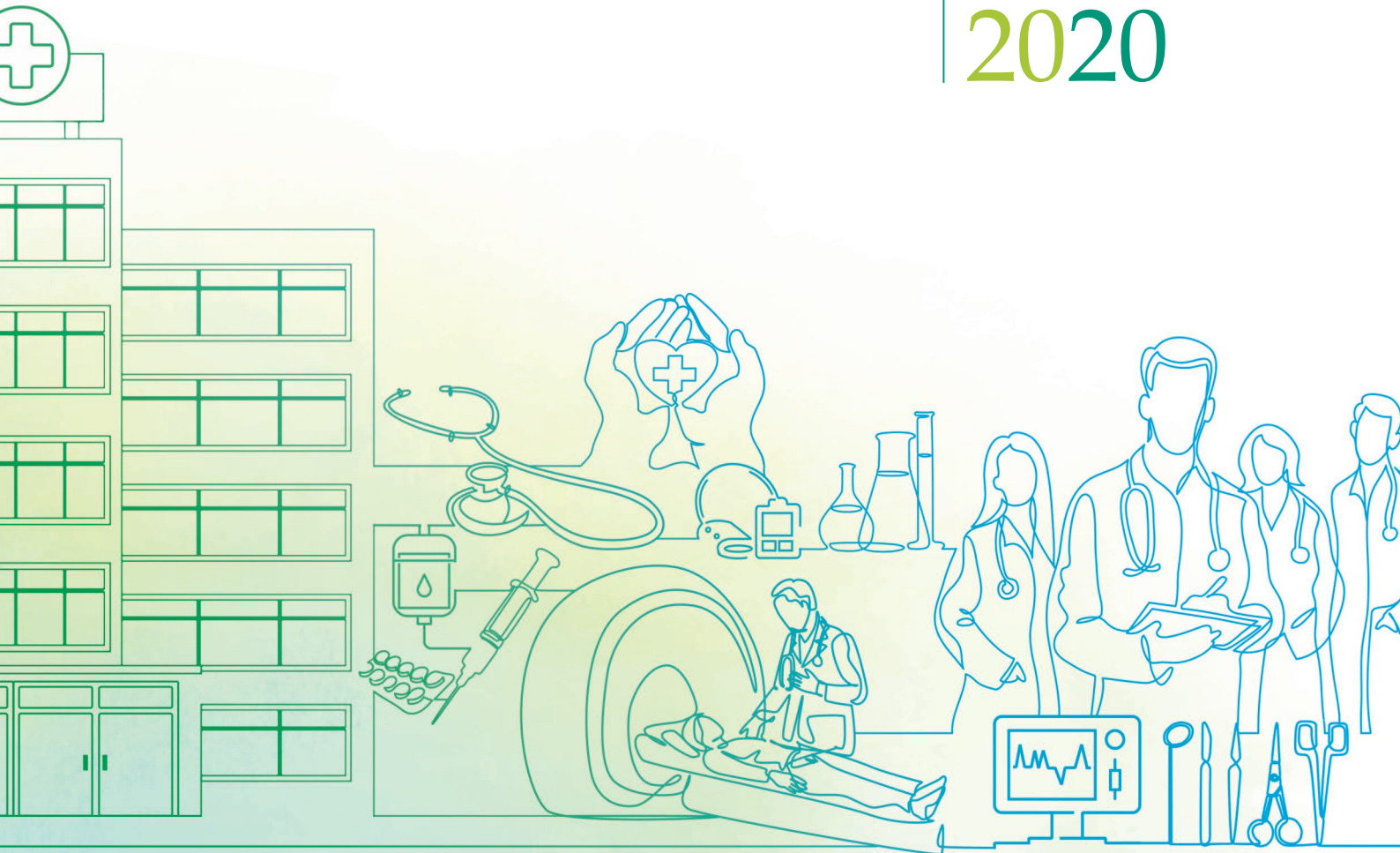
Honliv Healthcare Management Group Company Limited

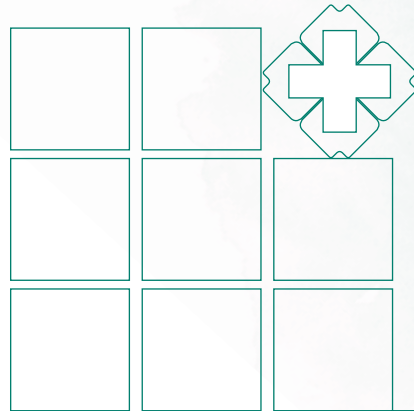
宏力醫療管理集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9906

INTERIM REPORT 2020





HONLIV HEALTHCARE MANAGEMENT GROUP COMPANY LIMITED + INTERIM REPORT 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Qin Yan (秦岩) (*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

HEADQUARTERS 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

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Wang Xiaoyang (王曉陽)
Ms. Lau Jeanie (劉准羽)

AUTHORISED REPRESENTATIVES

Mr. Qin Yan (秦岩)
Ms. Lau Jeanie (劉准羽)

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

LEGAL ADVISER

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

Central China International Capital Limited

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 SHARE REGISTRAR

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

COMPANY WEBSITE

www.honlivhp.com

STOCK CODE

9906

LISTING DATE

13 July 2020



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW AND OUTLOOK

2020 has been a crucial year in the history of China's healthcare reform whereby many policies on supply-side healthcare reform have been gradually put in place and the healthcare system has been improved and some individual hospitals have been eliminated amid the COVID-19 pandemic. The following policies introduced under such complex situation have had a major impact on the direction of the medical service industry:

1. **Medical insurance:** Comprehensive measures (such as the implementation of diagnosis-related groups payment) for the reform of medical insurance payment methods in 2020 will facilitate the guiding role of medical insurance in the allocation of medical resources, the establishment of a hierarchical diagnosis and treatment system, the treatment of critical diseases within counties (大病不出縣), and the healthy development of county-level hospitals.
2. **Pharmaceuticals:** 2019 saw the expansion of centralised pharmaceutical procurement, while 2020 will be a key year for the implementation of this procurement process. This will further reduce operating costs of hospitals and highlight the leading role of medical technology and management in hospital development.
3. **Hospitals:** In 2020, China has put forward new requirements for strengthening the building of smart hospitals on the basis of "internet + hospitals". This shall accelerate the development of "internet + healthcare big data" with growth in internet-based treatment and diagnostics services and hospitals, overturning the traditional medical model.
4. **Acceleration of the close alliance of county-level hospitals:** Regional medical resources will be further integrated and shared. A hierarchical healthcare model will be set up and improved, in which grass-roots hospitals are responsible for providing first-time treatments, patients can be transferred between lower-level and higher-level hospitals, and chronic and acute diseases are treated in different hospitals. With the development of a complete first-, second- and third-tier healthcare system led by Class-III hospitals in counties, county-level healthcare services will be greatly developed.
5. **Possible change to the competitive landscape of the healthcare market by COVID-19 pandemic:** As a public health event, the COVID-19 pandemic has tested the entire healthcare system in China and every hospital within it. The development of the pandemic will affect the survival and development of each and every hospital for a long time.

Guided by healthcare reform policies, the Group proactively promoted group-based operations in the first half of 2020 while continuously enhancing the quality of our healthcare services and improving patients' experience. In the future, we will further build and optimise our healthcare management system, develop our key specialities, and expand our presence across the comprehensive health sector with big data, so as to reinforce the foundation for our fast and sound development and improve our influence in the industry.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2020, the Group's consolidated revenue slightly decreased by 9.8% from RMB271.1 million for the six months ended 30 June 2019 to RMB244.7 million for the six months ended 30 June 2020 (the "Reporting Period"), due to a decrease in revenue generated from treatments and general hospital services and pharmaceutical sales. The year-on-year decrease in consolidated revenue was mainly due to the unexpected outbreak of COVID-19 that affected the global economy.

Hospital Services

Henan Honliv Hospital, which provides hospital services on the behalf of the Group, experienced a certain decline in its operating results due to the COVID-19 pandemic. In particular, during the Reporting Period, (i) the number of inpatient visits totalled 23,515 (six months ended 30 June 2019: 28,760), a year-on-year decrease of 18.2%; (ii) the number of outpatient visits totalled 485,789 (six months ended 30 June 2019: 517,449), a year-on-year decrease of 6.1%. The decrease in the number of inpatient and outpatient visits was mainly because patients with mild symptoms were asked to visit hospitals less frequently due to stricter prevention and control measures against COVID-19, leading to a decrease in the total number of patients; and during the Reporting Period, (iii) the total number of surgeries also decreased to 4,940, a year-on year decrease of 18.4% (six months ended 30 June 2019: 6,055). The above effects to the decline in revenue from hospital services were partially offset by, during the Reporting Period, (i) the increase in the average spending per inpatient visit to RMB5,621.8 (six months ended 30 June 2019: RMB5,367.0), a year-on-year increase of 4.7%; (ii) the increase in the average spending per outpatient visit to RMB229.4 (six months ended 30 June 2019: RMB223.0), a year-on-year increase of 2.9%; and (iii) the increase in the average length of stay per inpatient visit to 9.2 days (six months ended 30 June 2019: 8.8 days), a year-on-year increase of 4.5%. The increase in the average spending per inpatient and outpatient visit and in the average length of stay per inpatient visit were mainly attributable to fewer patients with mild symptoms and more patients with acute and critical symptoms using our hospital services as a result of stricter prevention and control measures against COVID-19.

The following table sets forth certain key operational information relating to the Group's hospital services for the periods indicated:

	Six months ended 30 June		Change %
	2020	2019	
Outpatient visits	485,789	517,449	(6.1)
Average spending per outpatient visit (RMB)	229.4	223.0	2.9
Inpatient visits	23,515	28,760	(18.2)
Average spending per inpatient visit (RMB)	5,621.8	5,367.0	4.7
Number of beds in operation as of the end of the relevant period	1,500	1,500	–
Average length of stay per inpatient visit (days)	9.2	8.8	4.5
Number of surgeries	4,940	6,055	(18.4)



MANAGEMENT DISCUSSION AND ANALYSIS

Although our operating results for the first half of 2020 were impacted by COVID-19, we achieved tangible results in hospital development and specialty development, including:

- (i) Our hospital was upgraded to a Class-III hospital in January 2020;
- (ii) Our hospital passed review for baby-friendly hospital designation in January 2020;
- (iii) Though various specialties were affected by COVID-19, our nephrology department still recorded improved operating results, largely due to our attentive services to our patients with kidney diseases during the COVID-19 pandemic;
- (iv) The operating results of our oncology department maintained positive growth during the COVID-19 pandemic, mainly because we guaranteed the provision of oncology medications. In April 2020, our oncology department's "Research on Clinical Characteristics and Prognostic Factors of Patients with Triple Negative Breast Cancer Toward Visceral Metastasis upon First Recurrence" (術後首發內臟轉移三陰性乳腺癌患者的臨床特點及預後因素研究) was designated as a scientific and technological achievement by the Science and Technology Department of Henan Province (河南省科技廳); and
- (v) COVID-19 infection needs to be confirmed by the nucleic acid test. In June 2020, our hospital was included by Henan Provincial Health Commission (河南省衛生健康委) in the second batch of medical institutions with the COVID-19 nucleic acid testing capability and became the only hospital with this capability in Changyuan City.

During the COVID-19 pandemic, all the staff of our hospital stuck to their posts. As a designated COVID-19 hospital, we did our best to prevent and control the COVID-19 pandemic and made outstanding contributions to the fight. Therefore, we were awarded the Medal in Recognition of Efforts to Fight COVID-19 as a Private Hospital in China (中國社會辦醫新冠肺炎戰役紀念章) and certificate of appreciation by Chinese Non-government Medical Institutions Association (中國非公醫療機構協會) in March 2020. Our industry influence continues to grow.

For the six months ended 30 June 2020, our top ten departments contributed to 63.2% of our revenue (six months ended 30 June 2019: 62.6%) despite the impact of the COVID-19 pandemic on our revenue. The composition of revenue from the departments remained basically unchanged.

In 2020, the Group has been mainly adopting the following strategies to drive revenue of its hospital services:

- (i) Expanding wards, adding radiotherapy services, and setting up relevant wards to further improve the diagnosis and treatment capacity through tumor radiotherapy upon the operation of the first-phase building which has started construction by the end of June 2020 and is expected to be put into use by the end of 2020.
- (ii) Improving interventional therapy for complex heart diseases in the cardiovascular department to further enhance diagnostic capabilities of our hospital as a chest pain center.
- (iii) Expanding relevant services and enhance service capabilities by the obstetrics and gynecology department with its regional advantages in existing prenatal and postnatal diversified services.
- (iv) Establishing pharmacy intravenous admixture services (PIVAS) for efficiency, safety and cost effectiveness.



MANAGEMENT DISCUSSION AND ANALYSIS

Hospital Management Services

In June 2016, the Group entered into a management agreement with Neixiang Jutan Hospital (“**Jutan Hospital**”), the first hospital managed by the Group, marking an important step towards its group-based development. Afterwards, Jutan Hospital has grown rapidly under our management, proving the replicability of our business. As at the date of this announcement, the Group does not have any other management arrangement with any third-party hospital. The Group will continue to explore opportunities to expand our hospital management services.

Pharmaceutical Sales

The Group’s pharmaceutical sales are mainly the sales of pharmaceuticals directly to patients of its hospitals. During the Reporting Period, revenue from pharmaceutical sales amounted to RMB83.8 million (as of 30 June 2019: RMB86.5 million), a year-on-year decrease of 3.2%. The decrease was mainly because we lowered selling prices of some pharmaceuticals based on standard pharmaceutical prices set by Henan Province in 2020.

COVID-19 Impact and Response

There has been an outbreak of COVID-19 around the world.

Our Directors currently expect that the outbreak of COVID-19 will have an adverse impact on our revenue, financial condition and results of operations. The number of inpatient and outpatient visits decreased, due to traveling restrictions and suspension of certain treatment services during February and March 2020. Since then, the number of inpatient and outpatient visits have gradually resumed to normal. Further, our Directors believe that the designation of Henan Honliv Hospital to provide treatment and caring services to patients who are or may be infected with COVID-19 is a validation of our treatment capabilities, and will boost our brand recognition and reputation and attract more patients to Henan Honliv Hospital in the long run.

Our Directors are now focused on all possible operational cost containment options and will continue to assess the impact of the outbreak of COVID-19 on our operation and financial performance and closely monitor our financial and liquidity position.

Our Directors therefore believe that the adverse operational and financial impact caused by the outbreak is temporary. The outbreak of COVID-19 would adversely affect our financial results for the full year of 2020 but would not result in a material adverse effect on our continuing business operation and sustainability.

It is uncertain when and whether COVID-19 could be contained. The above analyses are made by our management based on currently available information concerning COVID-19. Management of the Company cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Costs

We generate 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; (ii) the sales of pharmaceuticals to our patients, including both inpatients and outpatients; and (iii) the provision of hospital management services to Jutan Hospital. The following table sets forth the breakdown of our revenue for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	(RMB'000) (Unaudited)	% of Revenue	(RMB'000) (Unaudited)	% of Revenue
Treatments and general healthcare services	159,869	65.4%	183,236	67.6%
Pharmaceutical sales	83,769	34.2%	86,507	31.9%
Hospital management services	1,015	0.4%	1,390	0.5%
Total	244,653	100.0%	271,133	100.0%

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

	Six months ended 30 June			
	2020		2019	
	(RMB'000) (Unaudited)	% of Revenue	(RMB'000) (Unaudited)	% of Revenue
Inpatient healthcare services	132,197	54.0%	154,355	56.9%
Outpatient healthcare services	111,441	45.6%	115,388	42.6%
Total	243,638	99.6%	269,743	99.5%

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Outpatient visits	485,789	517,449
Average spending per outpatient visit (RMB)	229.4	223.0
Inpatient visits	23,515	28,760
Average spending per inpatient visit (RMB)	5,621.8	5,367.0
Number of beds in operation as of the end of the relevant period	1,500	1,500

Our revenue decreased by 9.8% from RMB271.1 million for the six months ended 30 June 2019 to RMB244.7 million for the six months ended 30 June 2020, primarily due to a decrease in revenue generated from treatments and general hospital services and pharmaceutical sales.



MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue from treatments and general healthcare services and pharmaceutical sales in aggregate decreased by 9.7% from RMB269.7 million for the six months ended 30 June 2019 to RMB243.6 million for the six months ended 30 June 2020, primarily due to a decrease in the number of both outpatient and inpatient visits because of COVID-19.

Our revenue from hospital management services decreased by 27% from RMB1.4 million for the six months ended 30 June 2019 to RMB1.0 million for the six months ended 30 June 2020 mainly because of decreased revenue from Jutan Hospital due to COVID-19.

Our revenue from inpatient healthcare services decreased by 14.4% from RMB154.4 million for the six months ended 30 June 2019 to RMB132.2 million for the six months ended 30 June 2020, mainly because of a decrease in the number of inpatient visits due to COVID-19.

Our revenue from outpatient healthcare services decreased by 3.4% from RMB115.4 million for the six months ended 30 June 2019 to RMB111.4 million for the six months ended 30 June 2020, mainly because of a decrease in the number of outpatient visits due to COVID-19.

Cost of sales

Our cost of sales mainly consists of employee benefits expenses of doctors and other medical professionals, cost of pharmaceuticals, cost of medical consumables, depreciation and amortization, utilities, maintenance fee and office expenses and other costs.

Our cost of sales increased by 1.0% from RMB181.0 million for the six months ended 30 June 2019 to RMB182.9 million for the six months ended 30 June 2020, primarily because (i) pharmaceutical cost increased by RMB3.0 million for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019; (ii) our labor costs increased by RMB1.5 million and such effect was partially offset by the decrease in the cost of consumables due to COVID-19.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 31.5% from RMB90.1 million for the six months ended 30 June 2019 to RMB61.8 million for the six months ended 30 June 2020 and our gross profit margin decreased from 33.2% for the six months ended 30 June 2019 to 25.2% for the six months ended 30 June 2020, mainly because our revenue decreased due to COVID-19 but the cost of sales remained basically flat as labor costs, depreciation and amortization expenses, and other costs components in the cost of sales were relatively fixed.

Other Expenses

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

Administrative expenses

Our administrative expenses primarily consist of employee benefits expenses for administrative personnel, depreciation and amortization, utilities, maintenance and office expenses, expense in relation to the listing and other expenses.

Our administrative expenses increased by 9.6% from RMB33.3 million for the six months ended 30 June 2019 to RMB36.5 million for the six months ended 30 June 2020, primarily due to an increase of the expense in relation to the listing from RMB3.1 million to RMB12.7 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs — net

Our net finance costs decreased by 6.0% from RMB11.3 million for the six months ended 30 June 2019 to RMB10.6 million for the six months ended 30 June 2020, primarily due to a decrease in our interest expense from our decreased principal as a result of our quarterly repayment of interest on other borrowings.

Income tax expense

Our income tax expense decreased by 87.5% from RMB11.5 million for the six months ended 30 June 2019 to RMB1.4 million for the six months ended 30 June 2020, primarily due to a decrease in our profit before taxation.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the period decreased by 60.9% from RMB34.2 million for the six months ended 30 June 2019 to RMB13.4 million for the six months ended 30 June 2020. Our net profit margin was 12.6% and 5.5% for the six months ended 30 June 2019 and for the six months ended 30 June 2020, respectively.

DISCUSSION OF ITEMS IN THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Net Current Liabilities

Our net current liabilities decreased from RMB279.2 million as at 31 December 2019 to RMB243.7 million as at 30 June 2020, primarily due to a decrease in short-term bank borrowings.

Inventories

Our inventories decreased by 40.3% from RMB23.1 million as of 31 December 2019 to RMB13.8 million as of 30 June 2020, primarily due to high inventories in preparation for the spring festival at the year end.

Trade Receivables

As of 30 June 2020, the balance of our trade receivables was RMB33.2 million (as of 31 December 2019: RMB17.0 million), an increase of 95.5% as compared to the balance as of 31 December 2019, mainly because of the settlement policy to settle the trade receivables in accordance with the budget under the Urban and Rural Resident Basic Medical Insurance Program for the first half of 2020.

Other Receivables and Prepayments

Our other receivables and prepayments amounted to RMB6.3 million and RMB8.7 million as at 31 December 2019 and 30 June 2020, respectively. The increase of RMB2.4 million was mainly due to the increase of the capitalised portion of listing expenses based on the progress of our listing in the first half of 2020.

Indebtedness

As of 30 June 2020, our borrowing balance amounted to RMB252.3 million (as of 31 December 2019: RMB271.7 million), and our borrowing balance decreased by RMB19.4 million during the Reporting Period. This was primarily attributed to the repayment of borrowings of RMB222.4 million and an increase in borrowings of RMB203.0 million during the Reporting Period. Our bank and other borrowings were primarily used to replenish our working capital and prepare for the construction of our first-phase building.

Trade Payables

Our trade payables amounted to RMB100.0 million and RMB89.3 million as at 31 December 2019 and 30 June 2020, respectively. The decrease in our trade payables as at 30 June 2020 as compared to that as at 31 December 2019 was primarily due to our fewer procurement activities as a result of our reduced business activities and payment of some trade payables during the period.



MANAGEMENT DISCUSSION AND ANALYSIS

Accruals and Other Payables

Our accruals and other payables increased from RMB79.0 million as at 31 December 2019 to RMB91.6 million as at 30 June 2020, primarily due to the increase of our payable in relation to the listing expense to RMB11.7 million.

Contingent Liabilities

As of 30 June 2020, we had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

Lease Liabilities

As of 30 June 2020, our lease liabilities in respect of our leased properties amounted to approximately RMB4.1 million.

Liquidity and Capital Resources

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	31,498	99,239
Net cash used in investing activities	(11,737)	(100,056)
Net cash flows from financing activities	(39,741)	34,345
Net (decrease)/increase in cash balances	(19,980)	33,528

Net Cash Generated from Operating Activities

Our net cash generated from operating activities decreased from RMB99.2 million for the six months ended 30 June 2019 to RMB31.5 million for the six months ended 30 June 2020, which was primarily attributable to (i) fewer cash flows from operating activities due to a decrease in our operating profit for the current period and (ii) the delay settlement from the Urban and Rural Resident Basic Medical Insurance Program for the trade receivables by the end of 2018 which result of the cash inflow of RMB40.5 million in the first half year 2019.

Net Cash Used in Investing Activities

The net cash used in investing activities decreased from RMB100.1 million during the six months ended 30 June 2019 to RMB11.7 million during the six months ended 30 June 2020, which was primarily attributable to (i) payments for purchase of property, plant and equipment decreased by RMB38.7 million and (ii) net cash out flow of loans to a related party decreased by RMB49.4 million.

Net Cash Flow in Financing Activities

The cash flow used in financing activities during the six months ended 30 June 2020 was RMB39.7 million compared with the cash generated from financing activities during the six months ended 30 June 2019 of RMB34.3 million. The cash used in financing activities in the first half of 2020 were primarily attributable to (i) the repayment of borrowings and the related interests amounting to RMB30.7 million and (ii) the dividend paid to shareholders amounting to RMB7.2 million. While the cash generated from financing activities during the six months ended 30 June 2019 were primarily attributable to the cash generated from borrowings amounting to RMB83.9 million which was partially offset by repayment of borrowing from a related party amounting to RMB38.6 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Instruments

Our financial instruments consist of accounts receivable, other receivables, cash and cash equivalents, bank borrowings, accounts payable and other payables. We manage and monitor 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 2020. We manage the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Liability-to-Asset Ratio

As of 30 June 2020, our liability-to-asset ratio (total liabilities divided by total assets) was 64.2% (as of 31 December 2019: 66.7%).



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OR ITS ASSOCIATED CORPORATIONS

The shares of the Company (the "Shares") were not listed on the Stock Exchange as at 30 June 2020. Accordingly, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the laws of the Hong Kong Special Administrative Region and Section 352 of the SFO were not applicable to the Company as at 30 June 2020. As at the date of this interim report, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares, underlying Shares and debentures of the Company

Name of Director	Capacity/nature of interest	Number of Shares or underlying Shares interested ⁽¹⁾	Approximate percentage of the Company's issued share capital ⁽¹⁾
Mr. Qin Yan	Interest in a controlled corporation ⁽²⁾	310,788,450 (L)	51.80%
	Interest held jointly with another person ⁽⁴⁾	133,195,050 (L)	22.20%
Mr. Qin Hongchao	Interest in a controlled corporation ⁽³⁾	133,195,050 (L)	22.20%
	Interest held jointly with another person ⁽⁴⁾	310,788,450 (L)	51.80%

Interest in shares, underlying shares and debentures of the Associated Corporation of the Company

Name of Director	Capacity/nature of interest	Relevant company	Number of shares or underlying shares interested in the relevant company ⁽⁵⁾	Approximate percentage of the relevant company's issued share capital ⁽⁵⁾
Mr. Qin Yan	Beneficial owner ⁽²⁾	Sunny Rock	1 (L)	100.00%

Notes:

- (1) As at the date of this interim report, the Company issued 600,000,000 Shares. The letter (L) denotes the entity's long position in the relevant shares.
- (2) Sunny Rock Capital Limited ("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 Limited ("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 and to the best knowledge of the Directors, as at the date of this interim report, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

The Shares were not listed on the Stock Exchange as at 30 June 2020. Accordingly, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Company as at 30 June 2020. As at the date of this interim report, so far as is known to any Director or chief executive of the Company, as recorded in the register of interest required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name	Capacity/nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of the Company's issued share capital ⁽¹⁾
Sunny Rock	Beneficial owner	310,788,450 (L)	51.80%
	Interest held jointly with another person ⁽²⁾	133,195,050 (L)	22.20%
Rubrical Investment	Beneficial owner	133,195,050 (L)	22.20%
	Interest held jointly with another person ⁽²⁾	310,788,450 (L)	51.80%
Ms. Sun Mingyan	Interest of a spouse ⁽³⁾	443,983,500 (L)	74.00%
Ms. Cao Jinming	Interest of a spouse ⁽⁴⁾	443,983,500 (L)	74.00%

Notes:

- (1) As at the date of this interim report, the Company issued 600,000,000 Shares. The letter (L) denotes the entity's long position in the relevant shares.
- (2) 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.
- (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) 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.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this interim report, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of interest required to be kept by the Company under section 336 of the SFO.



OTHER INFORMATION

SHARE OPTION SCHEME

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

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

GLOBAL OFFERING

In connection with the Company’s global offering (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 for net proceeds of approximately HK\$271.4 million after deduction of the underwriting fees and related cost and expenses by the Company in connection with the Global Offering.

Dealings in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) commenced on 13 July 2020 (the “**Listing Date**”).

As at the date of this report, the Company has not used any of the proceeds. The Company intends to apply such net proceeds in accordance with the purposes as set out in the prospectus of the Company dated 24 June 2020.

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 Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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

Since the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Except for the Global offering mentioned above, as at the date of this report, there were no material events after the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Since the Listing Date and up to the date of this report, save as provisions addressed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

The roles of the chairman and the president 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code since the Listing Date and up to the date of this report.

CHANGES IN THE BOARD AND THE DIRECTORS’ INFORMATION

There was no change in the Board and the information of Directors since the Listing Date of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 THE AUDIT COMMITTEE

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

The Group’s interim results for the six months ended 30 June 2020 have been reviewed by all members of the Audit Committee. Based on such a 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 2020.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 1,623 as at 30 June 2020. For the six months ended 30 June 2020, the staff cost (including Directors’ remuneration in the form of salaries and other benefits) was approximately RMB73.4 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.

By order of the Board
Honliv Healthcare Management Group Company Limited
Mr. Qin Yan
Chairman

Hong Kong, 31 August 2020



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**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 18 to 38, 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 2020 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 a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

OTHER MATTERS

The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as at 31 December 2019. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2019 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2020

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	244,653	271,133
Cost of sales	6	(182,889)	(181,001)
Gross profit		61,764	90,132
Other expense		(98)	(98)
Other income		220	220
Other gains — net		77	64
Administrative expenses	6	(36,521)	(33,337)
Operating profit		25,442	56,981
Finance income		236	129
Finance costs		(10,861)	(11,430)
Finance costs — net	7	(10,625)	(11,301)
Profit before income tax		14,817	45,680
Income tax expense	8	(1,437)	(11,502)
Profit for the period		13,380	34,178
Other comprehensive income		—	—
Total comprehensive income		13,380	34,178
Profit and total comprehensive income attributable to:			
Owners of the Company		13,243	33,835
Non-controlling interests		137	343
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	0.03	0.08

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



INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	409,706	406,554
Right-of-use assets		85,416	87,658
Investment properties		3,168	3,266
Intangible assets		385	315
Prepayments	13	58,483	61,560
Total non-current assets		557,158	559,353
Current assets			
Inventories		13,813	23,124
Trade receivables	12	33,207	16,988
Other receivables and prepayments	13	8,698	6,257
Amounts due from related parties	14	220	–
Restricted deposit		15,037	15,000
Cash and cash equivalents		84,622	104,602
Total current assets		155,597	165,971
Total assets		712,755	725,324
EQUITY			
Equity attributable to the owners of the Company			
Share capital		33	33
Reserves		167,494	166,146
Retained earnings		83,289	71,394
Subtotal		250,816	237,573
Non-controlling interests		4,192	4,055
Total equity		255,008	241,628

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

		30 June 2020	31 December 2019
	<i>Notes</i>	RMB'000 (Unaudited)	<i>RMB'000 (Audited)</i>
LIABILITIES			
Non-current liabilities			
Borrowings	15	55,258	33,869
Lease liabilities		1,155	2,700
Deferred revenue		2,000	2,000
Total non-current liabilities		58,413	38,569
Current liabilities			
Borrowings	15	197,063	237,827
Trade and notes payables	16	104,334	115,006
Current income tax liabilities		3,178	3,315
Accruals, other payables and provisions	17	91,648	79,031
Amounts due to related parties	14	213	7,850
Lease liabilities		2,898	2,098
Total current liabilities		399,334	445,127
Total liabilities		457,747	483,696
Total equity and liabilities		712,755	725,324

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

The financial information on pages 18 to 38 were approved by the Board of Directors on 31 August 2020 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 2020	33	166,146	71,394	237,573	4,055	241,628
Comprehensive income						
— Profit for the period	—	—	13,243	13,243	137	13,380
Transactions with owners						
— Appropriation to statutory surplus reserves	—	1,348	(1,348)	—	—	—
Balance at 30 June 2020	33	167,494	83,289	250,816	4,192	255,008
(Unaudited)						
Balance at 1 January 2019	33	77,107	26,947	104,087	2,710	106,797
Comprehensive income						
— Profit for the period	—	—	33,835	33,835	343	34,178
Transactions with owners						
— Appropriation to statutory surplus reserves	—	3,392	(3,392)	—	—	—
— Issue of shares of the Company to a pre-IPO investor	—	14,973	—	14,973	—	14,973
Balance at 30 June 2019	33	95,472	57,390	152,895	3,053	155,948

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	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		33,072	99,239
Income taxes paid		(1,574)	–
Net cash generated from operating activities		31,498	99,239
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(11,817)	(50,533)
Payments for purchase of intangible assets		(156)	(210)
Loans to a related party	19(b)	–	(151,093)
Loan repayments from a related party	19(b)	–	101,651
Interests received		236	129
Net cash used in investing activities		(11,737)	(100,056)
Cash flows from financing activities			
Borrowings from banks and financial institutions		203,000	273,400
Repayments of borrowings from banks and financial institutions		(222,375)	(189,455)
Borrowings from a related party	19(b)	–	91,103
Repayments to a related party	19(b)	–	(129,704)
Principal elements of lease payments		(765)	(845)
Dividends paid to shareholders		(7,227)	–
Prepayments of listing expenses		(1,099)	(1,104)
Interest paid		(11,275)	(9,050)
Net cash (used in)/generated from financing activities		(39,741)	34,345
Net (decrease)/increase in cash and cash equivalents		(19,980)	33,528
Cash and cash equivalents at beginning of period		104,602	9,930
Cash and cash equivalents at end of period		84,622	43,458

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

The ordinary shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Listing”) 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 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), ‘Interim financial reporting’.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2019 included in the prospectus of the Company dated 24 June 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

(a) Going concern

As at 30 June 2020, the Group’s current liabilities exceeded its current assets by RMB243,737,000. In addition, as at 30 June 2020, the Group had non-current borrowings of RMB55,258,000, the principals of which were all repayable more than twelve months from the period end date in accordance with the respective borrowing agreements. The Group had cash and cash equivalents of RMB84,622,000 as at 30 June 2020.

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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

(a) Going concern *(Continued)*

- The Company completed the Listing on 13 July 2020 and received net proceeds of approximately HKD271 million (equivalents to RMB244 million) (Note 21).
- Management has been communicating with the banks which are providing existing banking facilities to the Group with a view to proactively manage the renewal of banking facilities upon maturity and securing additional credit facility.
- Henan Honliv Hospital Co., Ltd. ("Honliv Hospital") had obtained an additional loan facility of RMB200 million from one of these banks on 9 December 2019. Application of one year loan drawdown can be made under this facility until 9 December 2020 subject to the approval and conditions imposed by the bank. As at 30 June 2020, the Group has not utilized this additional loan facility.

Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 30 June 2020. Taking into account the Group's future operational performance and the expected future operating cash inflows; and the continuous availability of banking and other facilities, management concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 30 June 2020.

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

(b) New and amended standards adopted by the Group

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

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 2020, 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 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 the Group's consolidated financial statements for the year ended 31 December 2019.

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

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5. REVENUE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Treatments and general healthcare service — at a point in time	159,869	183,236
Pharmaceutical sales — at a point in time	83,769	86,507
Hospital management services — over time	1,015	1,390
	244,653	271,133

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefits expenses	73,384	72,443
Cost of pharmaceuticals	67,957	64,931
Cost of medical consumables	29,686	33,423
Utilities, maintenance fee and office expenses	15,040	21,735
Depreciation and amortization	13,903	12,012
Expenses in relation to the Listing	12,676	3,071
Auditors' remuneration	800	—
Other expenses	5,964	6,723
	219,410	214,338

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****7. FINANCE COSTS — NET**

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance cost:		
Interest expense on bank borrowings	6,719	5,764
Interest expense on other borrowings	3,996	5,564
Interest expense on lease liabilities	146	102
Total finance cost	10,861	11,430
Finance income:		
Interest income	(236)	(129)
Finance costs — net	10,625	11,301

8. INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2020 and 2019 is analysed as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax — PRC corporate income tax	1,437	11,502

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

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020.

On 13 July 2020, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited, pursuant to which 54,715,040 shares were issued by the Company to existing shareholders by way of capitalisation from the share premium account (the "Capitalisation Issue"). The weighted average number of shares has been retrospectively adjusted for the effect of the Capitalisation Issue on the assumption that the Capitalisation Issue had been completed on 1 January 2019.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	13,243	33,835
Weighted average number of ordinary shares deemed to be in issue (in thousands)	450,000	445,445
Basic earnings per share (in RMB)	0.03	0.08



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9. EARNINGS PER SHARE (Continued)

(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 30 June 2020.

10. DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

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>
At 31 December 2019						
Cost	240,405	192,789	34,611	21,260	222,196	711,261
Accumulated depreciation	(106,305)	(145,850)	(31,933)	(20,619)	–	(304,707)
Net book amount	134,100	46,939	2,678	641	222,196	406,554
(Unaudited)						
Six months ended 30 June 2020						
Opening net book amount	134,100	46,939	2,678	641	222,196	406,554
Additions	2,974	5,391	1,625	–	4,739	14,729
Disposals	–	–	(1)	–	–	(1)
Depreciation charge	(4,591)	(6,165)	(726)	(94)	–	(11,576)
Closing net book amount	132,483	46,165	3,576	547	226,935	409,706
As at 30 June 2020						
Cost	243,379	197,891	33,701	21,260	226,935	723,166
Accumulated depreciation	(110,896)	(151,726)	(30,125)	(20,713)	–	(313,460)
Net book amount	132,483	46,165	3,576	547	226,935	409,706



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12. TRADE RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	33,286	17,067
Less: allowance for impairment of trade receivables	(79)	(79)
Trade receivables — net	33,207	16,988

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on demand note date was as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Up to 3 months	23,515	14,179
3 to 6 months	5,668	1,445
6 months to 1 year	2,501	1,176
1 to 2 years	1,589	254
2 to 3 years	—	13
Over 3 years	13	—
	33,286	17,067



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Current		
Other receivables	665	1,095
Prepayment of utilities expenses	678	1,163
Prepayment of listing expenses	7,355	3,999
	8,698	6,257
Non-current		
Prepayments for purchase of machinery	10,222	11,560
Prepayments for construction (Note 19(c))	48,261	50,000
	58,483	61,560
	67,181	67,817

14. BALANCES WITH RELATED PARTIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Amounts due from related parties		
Trade in nature		
— Guxiang No.9	55	—
— Henan Honliv Yishenghuo Co., Ltd.	165	—
	220	—

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****14. BALANCES WITH RELATED PARTIES** (Continued)

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Amounts due to related parties		
Trade in nature		
— Henan Honliv Yishenghuo Co., Ltd.	213	621
	213	621
Non-trade in nature		
— Mr. Qin Yan	—	7,227
— Sunny Rock Capital Limited	—	1
— Rubrical Investment Limited	—	1
	—	7,229
	213	7,850

15. BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current		
Long-term bank borrowings		
— Secured borrowings (b)	38,000	—
Other borrowings (d)	17,258	33,869
	55,258	33,869
Current		
Current portion of long-term bank borrowings (a)		
— Secured borrowings (b)	—	—
Short-term bank borrowings (a)		
— Secured borrowings (b)	23,000	78,000
— Guaranteed borrowings (c)	112,000	130,000
— Other bank borrowings	30,000	—
	165,000	208,000
Other borrowings (d)	32,063	29,827
	197,063	237,827
Total borrowings	252,321	271,696



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15. BORROWINGS (Continued)

(a) Bank Borrowings

Secured borrowings for the six months ended 30 June 2020 and 31 December 2019 bear weighted average annual interest rate at 5.51% and 5.53%, respectively.

Guaranteed borrowings for the six months ended 30 June 2020 and 31 December 2019 bear weighted average annual interest rate at 6.15% and 6.37%, respectively.

Other bank borrowings for the six months ended 30 June 2020 and 31 December 2019 bear weighted average annual interest rate at 5.60% and nil, respectively.

The maturity of bank borrowings is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Maturity of bank borrowings		
No later than 1 year	165,000	208,000
Later than 1 year and no later than 2 years	38,000	–
	203,000	208,000

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Property, plant and equipment and investment properties of the Group	61,000	23,000
Property, plant and equipment of Henan Honliv Group Co., Ltd	–	55,000
	61,000	78,000

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****15. BORROWINGS** (Continued)

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
The Group	112,000	20,000
Henan Honliv Group Co., Ltd. and Qin Zili	–	81,000
Henan Pucheng Property Co., Ltd	–	29,000
	112,000	130,000

(d) Other borrowings

(i) Other borrowings are secured by:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Machinery and equipment	49,321	63,696

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Maturity of other borrowings		
No later than 1 year	32,063	29,827
Later than 1 year and no later than 2 years	17,258	33,869
	49,321	63,696



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15. BORROWINGS (Continued)

(e) Fair value

The carrying amounts of current portion of long-term and short-term borrowings approximated their fair values.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount	
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Bank borrowings	38,000	–
Other borrowings	17,258	33,869
	55,258	33,869

	Fair Value	
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Bank borrowings	38,107	–
Other borrowings	18,031	36,228
	56,138	36,228



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. TRADE AND NOTES PAYABLES

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade and notes payables based on demand note date was as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables		
Up to 3 months	48,843	66,952
3 to 6 months	20,821	14,646
6 months to 1 year	12,570	6,509
1 to 2 years	3,577	8,429
2 to 3 years	432	407
Over 3 years	3,054	3,063
	89,297	100,006
Notes payables	15,037	15,000
	104,334	115,006

17. ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Accrued employee benefits	34,516	33,690
Deposit from patients (a)	30,183	27,333
Duty and other tax payable	2,149	2,390
Payables for plant and equipment	3,768	3,933
Interest payable	1,473	1,907
Listing expense payable	16,015	4,287
Others	3,544	5,491
	91,648	79,031

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

The carrying amounts of accruals, other payables and provisions were denominated in RMB. The carrying amounts of accruals and other payables approximated their fair values due to their short-term maturities.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. COMMITMENTS

Capital commitments

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Contracted but not provided for — Property, plant and equipment	77,482	81,733

19. RELATED PARTY TRANSACTIONS

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

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

Name	Relationship with the Group
Mr. Qin Yan (秦巖)	One of the controlling shareholders of the Company
Mr. Qin Hongchao (秦紅超)	One of the controlling shareholders of the Company
Mr. Qin Zili (秦自力)	A close family member of the controlling shareholders
Ms. Wang Xianglian (王香蓮)	A close family member of the controlling shareholders
Henan Honliv Group Co., Ltd. (河南省宏力集團有限公司)	Entity controlled by a close family member of the controlling shareholders
Henan 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 Yishenghuo Co., Ltd. (河南省宏力一生活有限公司)	Entity controlled by the controlling shareholders
Henan Guxiang No.9 Catering Co., Ltd. (河南省谷香九號餐飲有限公司)	Common director of the Company
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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****19. RELATED PARTY TRANSACTIONS** (Continued)**(a) Transactions with related parties****Continuing transactions**

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Medical examination service provided to related parties		
— Henan Honliv Group Co., Ltd.	—	2
— Henan Honliv School Co., Ltd.	1	100
— Other related parties	—	1
	1	103
Premise rental provided to		
— Henan Honliv Yishenghuo Co., Ltd.	165	165
— Henan Guxiang No.9 Catering Co. Ltd.	55	55
	220	220
	221	323
Purchase of rental services from		
— Henan Honliv Group Co., Ltd.	290	290
Purchase of goods from		
— Henan Honliv Yishenghuo Co., Ltd.	141	272
	431	562

- (i) The Group provided the helicopter hangar to Henan Honliv General Aviation Co., Ltd. on a free basis for the six months ended 30 June 2020 and 2019.

Discontinuing transactions

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Purchase of construction services from		
— Henan Hongda Constructions Engineering Co., Ltd.	4,739	—



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Loans to/from related parties

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Non-interest bearing:		
— Loans to a related party	—	(151,093)
— Repayment of loans from a related party	—	101,651
— Borrowings from a related party	—	91,103
— Repayments to a related party	—	(129,704)

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

Balances with related parties as at 30 June 2020 and 31 December 2019 were disclosed in Note 14.

Prepayments amounting to RMB48,261,000 as at 30 June 2020 to Henan Hongda Constructions Engineering Co., Ltd. for first-phase building construction were disclosed in Note 13.

(d) Secured and guaranteed borrowings by related parties' assets

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
	Secured and guaranteed borrowings by related parties' assets (Note 15)	—

(e) 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Wages and salaries	1,630	1,686
Contributions to pension plans	18	44
Welfare and other expenses	27	34
	1,675	1,764



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20. CONTINGENCIES

The Group has been named defendant in a number of lawsuits arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. As of the reporting date, there is no significant outstanding lawsuit of the Group and no material contingent liabilities.

21. EVENT OCCURRING AFTER REPORTING PERIOD

On 13 July 2020, the Company completed the Listing, pursuant to which 54,715,040 shares were issued by the Company to existing shareholders by way of capitalisation from the share premium account and 150,000,000 ordinary shares were issued by the Company at the offer price of HK\$2.1 per share. The gross proceeds from the new share issuance amounted to approximately HKD315 million (equivalents to RMB284 million). After deducting the expenses attributable to the Listing, the net proceeds of the Listing is approximately HKD271 million (equivalents to RMB244 million).