



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 2024





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DEFINITIONS

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

"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"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, Macau and Taiwan
"Company" or "our Company"	Honliv Healthcare Management Group Company Limited (宏力醫療管理集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 January 2016
"Concert Party Agreement"	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 C1 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
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"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 C3 to the Listing Rules
"Prospectus"	the prospectus of the Company dated 24 June 2020
"Reporting Period"	the six months ended 30 June 2024
"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

PRC

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)

(*resigned on 19 August 2024*)

Ms. Yeung Siu Lam (楊兆琳)

(*appointed on 19 August 2024*)

JOINT COMPANY SECRETARIES

Ms. Wang Xiaoyang (王曉陽)

Ms. Hui Yin Shan (許燕珊)

(*resigned on 19 August 2024*)

Ms. Yeung Siu Lam (楊兆琳)

(*appointed on 19 August 2024*)

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

CORPORATE INFORMATION

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, Wan Chai
Hong Kong

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 PROSPECTS

Health is the most important aspect of people's livelihood. As "Healthy China" continues to advance as the overall goal of the new healthcare reform, healthcare reform is a relay race. The introduction of various reform measures to adapt to and promote the development of society will have a far-reaching impact on the future of the health industry, playing an important role in the reconstruction of the healthcare service system. Meanwhile, the rise of digital healthcare technology will lead to major changes in the healthcare sector in the coming years. We will see ongoing diversified, personalized and subjective healthcare prompting us to consider how to use advanced technology to solve the healthcare operation model.

At present, although the domestic economy is still experiencing challenges in terms of internal circulation economy, we still firmly believe that life sciences and healthcare will thrive as we advance the comprehensive construction of a healthy China. Looking ahead, the Group expects to:

1. anchor the broad goal of a healthy China and vigorously promote the construction of smart hospitals;
2. study the general policy of national healthcare reform, follow the trend of the times, make full use of the policy dividend and actively explore new healthcare models;
3. tap into internal potentials with improving medical quality and ensuring medical safety as the fundamentals, while vigorously improving medical service capacity and creating a regional medical highland;
4. carry out scale expansion in tandem with refined management, making full use of advanced information technology and other means to reduce consumption and increase efficiency;
5. fully respond to work demands, independently develop application software that is highly compatible with actual work, reduce management costs and improve the medical experience;
6. enhance the awareness of compliance, pay attention to intellectual property rights, comply with various regulatory systems in the industry, comply with the code of listed companies, optimize corporate governance, and ensure medical quality and safety;
7. actively search for investment targets to expand the scale of the Group's business through various means such as new construction and output management, so as to achieve the goal of group development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the Group's consolidated revenue for the six months ended 30 June 2024 amounted to RMB415.2 million, representing an increase of RMB44.7 million or 12.1%, as compared with the consolidated revenue for the six months ended 30 June 2023 of RMB370.5 million.

Hospital Services

The increase in outpatient visits and the increase in inpatient visits were mainly due to:

1. Smart hospital construction with intelligence as a carrier facilitates patients' access to personal medical information, changes the mode of communication between doctors and patients, and two-way interactive communication breaks down the communication barriers between doctors and patients;
2. In response to changes in medical needs, a variety of specialty outpatient clinics have been established, with a view to developing small specialties, so that patients' demands for medical treatment can be met; meanwhile, the multidisciplinary diagnosis and treatment model has been strengthened, solving the problem of access to medical treatment for cross-disciplinary diseases;
3. The Group has implemented a system of responsibility of attending doctors to enhance service awareness;
4. The Group is deeply committed to the primary healthcare market. With free lung nodules screening as the mainstay, the Group has implemented a full chain of healthcare services from the home to the wards, providing early detection and early treatment, and enhancing the health awareness of the public;
5. The Group has responded to the country's call to upgrade its medical equipment and improve the accuracy of medical examinations;
6. The Group's hospital continued to improve medical skills and became more capable of solving complex problems;
7. IT-supported settlements of all kinds are easier and faster, minimizing time costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Henan Honliv Hospital provides hospital services on behalf of the Group. During the Reporting Period:

1. the total number of inpatient visits amounted to 29,218 (for the six months ended 30 June 2023: 27,620), representing a year-on-year increase of 5.8%;
2. the average cost of inpatient visits amounted to RMB6,498.2 (for the six months ended 30 June 2023: RMB6,409.5), representing a year-on-year increase of 1.4%;
3. the total number of outpatient visits amounted to 748,721 (for the six months ended 30 June 2023: 707,008), representing year-on-year increase of 5.9%;
4. the average cost of outpatient visits amounted to RMB300.4 (for the six months ended 30 June 2023: RMB273.6), representing a year-on-year increase of 9.8%.

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

	Six months ended 30 June		
	2024	2023	Changes%
Outpatient visits	748,721	707,008	5.9
Average spending per outpatient visit (RMB)	300.4	273.6	9.8
Inpatient visits	29,218	27,620	5.8
Average spending per inpatient visit (RMB)	6,498.2	6,409.5	1.4
Number of beds in operation at the end of the relevant period	1,500	1,500	0.0
Average length of stay per inpatient visit (days)	8.8	8.9	-1.1
Number of surgeries	6,316	6,118	3.2

Under the ongoing reform of the three medical services, namely medical care, medical insurance and pharmaceuticals, the Group's operating efficiency in the first half of 2024 showed a relatively significant increase in outpatient and inpatient visits and annual consolidated revenue as compared with the corresponding period last year. The key revenue-driving strategies of the Group's hospital services are set out below:

1. use the construction of smart hospitals as a platform to facilitate the process of medical treatment and to continuously improve the medical experience;
2. carry out various quality control activities with medical safety as the main line to improve medical quality;
3. upgrade medical equipment and facilities in accordance with the national call to improve diagnosis and treatment accuracy;
4. dig out potentials internally, build a reasonable human resources allocation mechanism, and fully mobilize the enthusiasm of all staff in service;
5. expand service areas and deeply integrate into the activities of universal health service;

MANAGEMENT DISCUSSION AND ANALYSIS

6. provide personalized medical services and life services;
7. continue to carry out extensive publicity activities on the prevention and treatment of chronic diseases and raise residents' awareness of chronic diseases;
8. carry out various forms of co-operation in medical services, and establish online and offline co-operation mechanisms to make up for shortcomings;
9. continue to explore the potential of nursing services by relying on both specialised clinical care and high-level nursing research;
10. establish professional medical information release channels using various social media platforms to effectively disseminate professional knowledge and enhance brand image;
11. fully adapt to various policies such as the reform of health insurance payment methods to increase revenue and save money.

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 RMB164.7 million (six months ended 30 June 2023: RMB141.9 million), representing a year-on-year of increase of 16.1%.

Continue to carry out research activities based on clinical practice to help the hospital achieve high quality development

As a medical institution with the responsibility of serving human health, the Group has been continuously exploring in the fields of medical scientific research and hospital management. In the first half of 2024, the hospital of the Group published 22 medical scientific research papers and deeply participated in the research of relevant medical and nursing technologies, and obtained 6 provincial-level scientific and technological achievements, such as: the hospital physical examination smart management system v1.0 and other six information technologies, based on the medical practice and the development, have received the Certificate of Scientific and Technological Achievements issued by the Department of Science and Technology of Henan Province.

Actively listen to public sentiments and opinions and practise social responsibility

The Group actively participates in academic exchanges within the industry, and a number of people have been appointed for the first time to serve on various professional committees in the province, which has enhanced the academic status of the hospital in the industry. The Group earnestly listens to the suggestions from all sectors of the society, especially the suggestions and proposals on medical care made by deputies to the National People's Congress, which carry people's livelihood and public opinion, and responds positively to these suggestions and proposals, which has demonstrated the Group's action and commitment.

MANAGEMENT DISCUSSION AND ANALYSIS

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; (ii) the sales of pharmaceuticals to our patients, including both inpatients and outpatients; and (iii) the provision of postnatal care services. The following table sets forth the breakdown of our revenue for the period indicated:

	Six months ended 30 June			
	2024		2023	
	(RMB'000) (Unaudited)	% of revenue	(RMB'000) (Unaudited)	% of revenue
Treatments and general healthcare services	250,041	60.2%	228,587	61.7%
Pharmaceutical sales	164,739	39.7%	141,880	38.3%
Postnatal care services	398	0.1%	–	–
Total	415,178	100.0%	370,467	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 and revenue from the provision of postnatal care services. The following table sets forth a breakdown of revenue of our hospital by source for the period indicated:

	Six months ended 30 June			
	2024		2023	
	(RMB'000) (Unaudited)	% of revenue	(RMB'000) (Unaudited)	% of revenue
Outpatient healthcare services	224,915	54.2%	193,437	52.2%
Inpatient healthcare services	189,865	45.7%	177,030	47.8%
Postnatal care services	398	0.1%	–	–
Total	415,178	100.0%	370,467	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

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	
	2024 (Unaudited)	2023 (Unaudited)
Outpatient visits	748,721	707,008
Average spending per outpatient visit (RMB)	300.4	273.6
Inpatient visits	29,218	27,620
Average spending per inpatient visit (RMB)	6,498.2	6,409.5
Number of beds in operation as of the end of the relevant period	1,500	1,500

Our revenue from treatments and general healthcare services, pharmaceutical sales and postnatal care services in aggregate increased by 12.1% from RMB370.5 million for the six months ended 30 June 2023 to RMB415.2 million for the six months ended 30 June 2024. The increase in revenue was mainly attributable to the increase in outpatient and inpatient visits and average spending per outpatient visit.

Our revenue from outpatient healthcare services increased by 16.3% from RMB193.4 million for the six months ended 30 June 2023 to RMB224.9 million for the six months ended 30 June 2024. The increase in revenue from outpatient healthcare services was mainly attributable to the increase in outpatient visits and the average spending per outpatient visit.

Our revenue from inpatient healthcare services increased by 7.3% from RMB177.0 million for the six months ended 30 June 2023 to RMB189.9 million for the six months ended 30 June 2024. The increase in revenue from inpatient healthcare services was mainly attributable to the increase in Inpatient visits.

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.

Our cost of sales increased by 14.3% from RMB300.5 million for the six months ended 30 June 2023 to RMB343.6 million for the six months ended 30 June 2024, mainly due to (i) an increase in the cost of pharmaceuticals by RMB24.4 million for the six months ended 30 June 2024 as compared with the six months ended 30 June 2023; (ii) an increase in employee benefits expenses by RMB9.7 million for the six months ended 30 June 2024 as compared with the six months ended 30 June 2023; (iii) an increase in the cost of medical consumables by RMB3.5 million for the six months ended 30 June 2024 as compared with the six months ended 30 June 2023; (iv) an increase in depreciation and amortisation expenses for the six months ended 30 June 2024 by RMB4.7 million as compared with the six months ended 30 June 2023; and (v) an increase in utility expenses, maintenance costs, office expenses for the six months ended 30 June 2024 by RMB0.1 million as compared with the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Our gross profit increased by 2.4% from RMB70.0 million for the six months ended 30 June 2023 to RMB71.6 million for the six months ended 30 June 2024, and our gross profit margin decreased from 18.9% for the six months ended 30 June 2023 to 17.3% for the six months ended 30 June 2024, which was mainly due to the increase in fixed costs such as the cost of Chinese pharmaceuticals, labour cost, depreciation and amortisation of cost of sales 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, utility expenses, maintenance and office expenses and other expenses.

Our administrative expenses increased by 4.8% from RMB36.9 million for the six months ended 30 June 2023 to RMB38.7 million for the six months ended 30 June 2024, which was mainly due to the increase in employee benefit expenses and depreciation and amortisation expenses.

Finance costs — net

Our net finance costs increased from RMB1.6 million for the six months ended 30 June 2023 to RMB3.7 million for the six months ended 30 June 2024, which was mainly due to the decrease in foreign currency exchange gains and the increase in interest on borrowings during the Reporting Period.

Income Tax Expense

Our income tax expense increased by 2.9% from RMB7.6 million for the six months ended 30 June 2023 to RMB7.8 million for the six months ended 30 June 2024, which was mainly due to an increase in our deferred income tax expense.

Profit for the Period and Net Profit Margin

For the foregoing reasons, our profit for the period decreased by 17.3% from RMB24.5 million for the six months ended 30 June 2023 to RMB20.3 million for the six months ended 30 June 2024. Our net profit margin for the six months ended 30 June 2023 and the six months ended 30 June 2024 was 6.6% and 4.9%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION OF ITEMS IN THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Net Current Liabilities

Our net current liabilities decreased by 28.3% from RMB59.7 million as at 31 December 2023 to RMB42.9 million as at 30 June 2024, such decrease was mainly due to cash inflow from operating activities.

Inventories

Our inventories decreased by 35.0% from RMB31.9 million as at 31 December 2023 to RMB20.7 million as at 30 June 2024, which was mainly due to the fact that the inventories reserved for the spring festival at the end of 2023 had been used up.

Trade Receivables

Our trade receivables increased by 143.3% from RMB31.6 million as at 31 December 2023 to RMB77.0 million as at 30 June 2024, which was mainly due to a slight slowdown in the settlement of receivables from the medical insurance bureau.

Other Receivables and Prepayments

Our other receivables and prepayments increased from RMB2.1 million as at 31 December 2023 to RMB2.2 million as at 30 June 2024. The balance during the Reporting Period increased by RMB0.1 million, which was mainly due to an increase in the prepayment of utility expenses.

Indebtedness

Our borrowings decreased from RMB176.5 million as at 31 December 2023 to RMB167.6 million as at 30 June 2024. The balance during the Reporting Period decreased by RMB8.9 million, which was mainly due to partial repayment of borrowings during the Reporting Period.

Trade Payables

Our trade payables increased from RMB124.5 million as at 31 December 2023 to RMB130.7 million as at 30 June 2024. The balance during the Reporting Period increased by RMB6.2 million, which was mainly due to the decrease in trade payables paid during the Reporting Period.

Accruals, Other Payables and Provisions

Our accruals, other payables and provisions increased from RMB99.8 million as at 31 December 2023 to RMB110.8 million as at 30 June 2024. The balance during the Reporting Period increased by RMB11.0 million, which was mainly due to slightly slower payment of staff salaries.

Contingent Liabilities

As at 30 June 2024, we did not have any contingent liabilities or guarantees that would have a material effect on the Group's financial position or operations.

Lease Liabilities

As of 30 June 2024, the balance of our lease liabilities in respect of leased properties was approximately RMB3.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

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

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Net cash generated from operating activities	57,341	46,409
Net cash used in investing activities	(22,975)	(37,794)
Net cash (used in)/generated from financing activities	(13,962)	9,479
Net increase in the balance of cash and cash equivalents	20,404	18,094

Net Cash Flow in Operating Activities

Our net cash generated from operating activities increased from RMB46.4 million for the six months ended 30 June 2023 to RMB57.3 million for the six months ended 30 June 2024. The increase was mainly due to (i) the increase in cash flow from operating activities as a result of the increase in operating profit for the period, and (ii) the payment of income tax of RMB11.0 million in the first half of 2024 partially offset the increase in cash flow from operating activities due to the increase in operating profit.

Net Cash Flow in Investing Activities

Our net cash used in our investing activities decreased from RMB37.8 million for the six months ended 30 June 2023 to RMB23.0 million for the six months ended 30 June 2024, which was mainly due to the decrease of RMB16.0 million in payments for the purchase of property, plant and equipment for the six months ended 30 June 2024 as compared with the six months ended 30 June 2023.

Net Cash Flow in Financing Activities

Our cash flow generated from financing activities was RMB9.5 million for the six months ended 30 June 2023, as compared with cash flow used in financing activities of RMB14.0 million for the six months ended 30 June 2024. This was mainly due to the repayment of borrowings of RMB8.9 million in the first half of 2024. The cash generated from financing activities for the six months ended 30 June 2023 was mainly due to new borrowings of RMB28.1 million.

Financial Instruments

Our financial instruments consist of trade receivables, other receivables, cash and cash equivalents, bank 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 2024. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Liability-to-Asset Ratio

As of 30 June 2024, our liability-to-asset ratio (total liabilities divided by total assets) was 42.8% (as of 31 December 2023: 43.5%).

OTHER INFORMATION

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

Long Position in Shares of the Company

As at 30 June 2024, the interests and short positions of Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) The Company

Name of Director	Long/Short Positions	Nature/ Capacity of Interest	Number of Shares/ underlying Shares held	Percentage of Shareholding ⁽¹⁾
Mr. Qin Yan	Long position	Interest in a controlled corporation ⁽²⁾	310,788,450	51.80%
	Long position	Interest held jointly with another person ⁽⁴⁾	133,195,050	22.20%
Mr. Qin Hongchao	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 30 June 2024, 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 30 June 2024, Sunny Rock issued 1 share.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company 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 2024, the following persons (other than Directors or chief executives of the Company), are directly or indirectly, interested in 5% or more of the interests 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%
TCT (BVI) Limited	Long Position	Nominee to the Trustee ⁽⁵⁾	48,874,000	8.14%
THE CORE TRUST COMPANY LIMITED	Long Position	Trustee ⁽⁶⁾	48,874,000	8.14%

Notes:

- (1) As at 30 June 2024, 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) Vita Boost Limited and Planet Hive Limited (the nominees to the trustee of the share incentive scheme of the Company) are wholly owned by TCT (BVI) Limited which hold 29,998,000 Shares and 18,876,000 Shares respectively.
- (6) TCT (BVI) Limited is wholly owned by THE CORE TRUST COMPANY LIMITED (the trustee of the share incentive scheme of the Company).

* English translation is for identification purpose only.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, 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.

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- (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).

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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.

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(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.

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(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).

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(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.

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USE OF PROCEEDS

In connection with the Global Offering, 150,000,000 Shares with a nominal value of HK\$0.0001 each were issued at a price of HK\$2.10 per Share, raising net proceeds of approximately HK\$264.8 million, after deduction of the underwriting fees and related expenses by the Company in connection with the Global Offering.

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at 30 June 2024 and as at the date of this interim report:

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 2024 (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) Employee recruitment and training	5	13.3	13.3	13.3	0.0	–	By June 2023
(vii) Construct a postnatal care centre	6.3	16.7	–	16.7	–	–	By the end of 2023
Total	100	264.8	178.9	195.6	69.2	69.2	

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.

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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 2024, neither the Company nor any of its subsidiaries has purchased, sold (including the sale of treasury shares, if any) or redeemed any of the Company's listed securities. As of 30 June 2024, there were no treasury shares held by the Company.

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 the code provision addressed below, the Company has complied with all the applicable code provisions as set out in part 2 of the Corporate Governance Code.

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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

There are no changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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REVIEW BY THE 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 2024, 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 2024.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees was approximately 1,953 as at 30 June 2024 (30 June 2023: 1,886). For the six months ended 30 June 2024, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB118.1 million (six months ended 30 June 2023: approximately RMB107.4 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.

The Company has adopted the 2022 Restricted Share Unit Scheme on 22 August 2022 (further details of which are set forth in the Company's announcements dated 22 August 2022 and 23 August 2022), and the 2023 Restricted Share Unit Scheme on 9 May 2023 (further details of which are set forth in 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 RSU Schemes.

On behalf of the Board

Honliv Healthcare Management Group Company Limited

Qin Yan

Chairman

30 August 2024

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 28 to 52, 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 2024 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, 30 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	415,178	370,467
Cost of sales	6	(343,557)	(300,517)
Gross profit		71,621	69,950
Administrative expenses	6	(38,689)	(36,932)
(Net impairment losses)/reversal of net impairment losses on financial assets		(320)	676
Other income		572	231
Other expenses		(67)	(98)
Other losses — net	7	(1,284)	(144)
Operating profit		31,833	33,683
Finance income		516	1,657
Finance costs		(4,262)	(3,237)
Finance costs — net	8	(3,746)	(1,580)
Profit before income tax		28,087	32,103
Income tax expense	9	(7,824)	(7,604)
Profit for the period		20,263	24,499
Other comprehensive income		—	—
Total comprehensive income		20,263	24,499
Profit and total comprehensive income attributable to:			
Owners of the Company		20,042	24,263
Non-controlling interests		221	236
		20,263	24,499
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	10	0.04	0.04

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	12	539,629	534,487
Right-of-use assets	13	76,258	78,469
Intangible assets	14	2,350	430
Deferred income tax assets	15	6,959	7,599
Investment properties		1,621	1,688
Prepayments	18	228	10,306
Total non-current assets		627,045	632,979
Current assets			
Inventories	16	20,697	31,851
Trade receivables	17	77,008	31,645
Other receivables and prepayments	18	2,224	2,126
Amounts due from related parties	19	497	353
Restricted deposits	20	5,000	30,000
Cash and cash equivalents	21	260,203	239,755
Total current assets		365,629	335,730
Total assets		992,674	968,709
EQUITY			
Equity attributable to the owners of the Company			
Share capital		52	52
Reserves		339,921	339,921
Retained earnings		221,923	201,881
Subtotal		561,896	541,854
Non-controlling interests		5,814	5,593
Total equity		567,710	547,447

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
	Notes		
LIABILITIES			
Non-current liabilities			
Borrowings	24	14,084	22,503
Lease liabilities		568	1,433
Deferred income		1,828	1,861
Total non-current liabilities		16,480	25,797
Current liabilities			
Trade and notes payables	22	130,676	124,461
Accruals, other payables and provisions	23	110,808	99,802
Current income tax liabilities		10,589	14,375
Borrowings	24	153,556	154,027
Lease liabilities		2,855	2,800
Total current liabilities		408,484	395,465
Total liabilities		424,964	421,262
Total equity and liabilities		992,674	968,709

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

The financial information on pages 28 to 52 were approved by the Board of Directors on 30 August 2024 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-	Total equity
	Share capital	Reserves	Retained earnings	Sub-total	Controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Balance at 1 January 2024	52	339,921	201,881	541,854	5,593	547,447
Comprehensive income						
— Profit for the period	—	—	20,042	20,042	221	20,263
Balance at 30 June 2024	52	339,921	221,923	561,896	5,814	567,710
(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

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	67,839	52,993
Interest received	472	482
Income taxes paid	(10,970)	(7,066)
Net cash generated from operating activities	57,341	46,409
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(21,506)	(37,496)
Payments for purchase of intangible assets	(1,469)	(298)
Net cash used in investing activities	(22,975)	(37,794)
Cash flows from financing activities		
Borrowings from banks and other financial institutions	111,000	143,410
Repayments of borrowings from banks and other financial institutions	(119,890)	(115,331)
Acquisition of shares for the Employee Share Schemes	–	(15,088)
Principal elements of lease payments	(810)	(275)
Interest paid	(4,262)	(3,237)
Net cash (used in)/generated from financing activities	(13,962)	9,479
Net increase in cash and cash equivalents	20,404	18,094
Cash and cash equivalents at the beginning of the period	239,755	255,238
Effects of exchange rate changes on cash and cash Equivalents	44	1,018
Cash and cash equivalents at end of the period	260,203	274,350

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 2024 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 2023, 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 2024.

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 2024, the Group’s current liabilities exceeded its current assets by RMB42,855,000 and the Group had cash and cash equivalents of RMB260,203,000.

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 5 March 2024, 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 5 March 2025 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 2024.

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 adoption of these 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.

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2024 reporting period and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT REPORTING

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

The Group has only one operating segment during the six months ended 30 June 2024 and 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 2023.

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 2024					
Borrowings	158,920	14,491	336	173,747	167,640
Trade and notes payables	130,676	–	–	130,676	130,676
Accruals, other payables and provisions (excluding accrued employee benefits and duty and other tax payable) (note 23)	66,329	–	–	66,329	66,329
Lease liabilities	2,932	580	–	3,512	3,423
	358,857	15,071	336	374,264	368,068
At 31 December 2023					
Borrowings	158,160	18,378	5,638	182,176	176,530
Trade and notes payables	124,461	–	–	124,461	124,461
Accruals, other payables and provisions (excluding accrued employee benefits and duty and other tax payable) (note 23)	71,511	–	–	71,511	71,511
Lease liabilities	2,933	1,466	–	4,399	4,233
	357,065	19,844	5,638	382,547	376,735

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, pharmaceutical sales and postnatal care service. Details are as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Nature of revenue recognition		
Treatments and general healthcare service	250,041	228,587
Pharmaceutical sales	164,739	141,880
Postnatal care service	398	–
	415,178	370,467
Timing of revenue recognition		
At a point in time	282,710	246,509
Over time	132,468	123,958
	415,178	370,467

During the six months ended 30 June 2024, the Group performed a reassessment on the estimation of revenue in relation to variable consideration. Up to 30 June 2024, the Group recognised the net amount of deduction of approximately RMB4,654,000 (six months ended 30 June 2023: RMB9,199,000) as a reduction of revenue on a cumulative basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cost of pharmaceuticals	142,455	118,007
Employee benefits expenses	118,126	107,422
Cost of medical consumables	49,537	46,072
Depreciation and amortization	35,462	28,880
Utilities, maintenance fee and office expenses	24,974	26,659
Auditor's remuneration		
— Audit and related services	980	980
Other expenses	10,712	9,429
	382,246	337,449

7 OTHER LOSSES — NET

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Losses of medical compensation	1,273	233
Net losses on disposal of plant and equipment	9	5
Others	2	(94)
	1,284	144

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 FINANCE COSTS — NET

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Finance costs:		
Interest expense on bank borrowings	2,886	3,099
Interest expense on other borrowings	1,299	66
Interest expense on lease liabilities	77	72
Total finance costs	4,262	3,237
Finance income:		
Interest income	(472)	(482)
Net foreign exchange gains	(44)	(1,175)
Total finance income	(516)	(1,657)
Finance costs — net	3,746	1,580

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current income tax		
— PRC corporate income tax	7,184	4,642
Deferred income tax	640	2,962
	7,824	7,604

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 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 2024. 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	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (RMB'000) (i)	20,042	24,263
Weighted average number of ordinary shares in issue (in thousands)	549,214	568,620
Basic earnings per share (in RMB)	0.04	0.04

- (i) During the six months ended 30 June 2024, no shares were purchased for the purpose of the Employee Share Schemes (six months ended 30 June 2023: 6,130,000). As of 30 June 2024, the accumulated number of shares purchased by an independent trustee for the purpose of the Employee Share Schemes was 50,786,000 (31 December 2023: 50,786,000). As of 30 June 2024, 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 2024 and 2023.

11 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings, structures and others <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 2023						
Cost	573,473	320,499	46,663	21,390	15,564	977,589
Accumulated depreciation	(182,747)	(203,787)	(36,405)	(20,163)	–	(443,102)
Net book amount	390,726	116,712	10,258	1,227	15,564	534,487
(Unaudited)						
Six months ended 30 June 2024						
Opening net book amount	390,726	116,712	10,258	1,227	15,564	534,487
Additions	5,520	24,003	2,126	7	6,181	37,837
Disposals	–	(4)	(4)	(1)	–	(9)
Transfers	19,843	–	–	–	(19,843)	–
Depreciation charge	(15,017)	(15,561)	(1,969)	(139)	–	(32,686)
Closing net book amount	401,072	125,150	10,411	1,094	1,902	539,629
(Unaudited)						
At 30 June 2024						
Cost	598,836	339,491	48,330	21,395	1,902	1,009,954
Accumulated depreciation	(197,764)	(214,341)	(37,919)	(20,301)	–	(470,325)
Net book amount	401,072	125,150	10,411	1,094	1,902	539,629

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 LEASES**Right-of-use assets**

	Office RMB'000	Land use rights RMB'000	Total RMB'000
(Audited)			
At 31 December 2023			
Cost	5,015	119,146	124,161
Accumulated depreciation and amortisation	(1,375)	(44,317)	(45,692)
Net book amount	3,640	74,829	78,469
(Unaudited)			
Six months ended 30 June 2024			
Opening net book amount	3,640	74,829	78,469
Depreciation and amortisation	(1,064)	(1,147)	(2,211)
Closing net book amount	2,576	73,682	76,258
(Unaudited)			
At 30 June 2024			
Cost	5,015	119,146	124,161
Accumulated depreciation and amortisation	(2,439)	(45,464)	(47,903)
Net book amount	2,576	73,682	76,258

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 INTANGIBLE ASSETS

	Computer software RMB'000
(Audited)	
At 31 December 2023	
Cost	4,152
Accumulated amortisation	(3,722)
Net book amount	430
(Unaudited)	
Six months ended 30 June 2024	
Opening net book amount	430
Additions	2,485
Amortisation	(565)
Closing net book amount	2,350
(Unaudited)	
At 30 June 2024	
Cost	6,637
Accumulated amortisation	(4,287)
Net book amount	2,350

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 DEFERRED INCOME TAX

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	7,461	8,151
— Deferred tax assets to be recovered after 12 months	142	358
	7,603	8,509
Deferred tax liabilities:		
— Deferred tax assets to be recovered within 12 months	(576)	(532)
— Deferred tax assets to be recovered after 12 months	(68)	(378)
	(644)	(910)

The movements in deferred income tax assets and deferred income tax liabilities during the period are as follows:

	Deferred tax assets — Provision for impairment loss RMB'000	Deferred tax assets — Revenue variable consideration RMB'000	Deferred tax assets — Leases liabilities RMB'000	Deferred tax liabilities — Right-of-use assets RMB'000	Total RMB'000
(Unaudited)					
At 1 January 2024	5,508	1,963	1,038	(910)	7,599
Credited/(charged) to income tax expense	76	(799)	(183)	266	(640)
At 30 June 2024	5,584	1,164	855	(644)	6,959

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 INVENTORIES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Pharmaceuticals	18,286	29,833
Medical consumables and others	2,411	2,018
	20,697	31,851

17 TRADE RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	99,344	53,676
Less: allowance for impairment of trade receivables	(22,336)	(22,031)
Trade receivables — net	77,008	31,645

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade receivables based on demand note date was as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 3 months	75,082	28,076
3 to 6 months	1,649	2,627
6 months to 1 year	294	868
1 to 2 years	7,270	17,484
2 to 3 years	10,443	—
Over 3 years	4,606	4,621
	99,344	53,676

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Current		
Prepayments of utilities expenses	293	372
Other receivables	1,931	1,754
	2,224	2,126
Non-current		
Prepayments for purchase of machinery	178	9,866
Prepayments for leasehold improvement	50	–
Prepayments for construction	–	440
	228	10,306
	2,452	12,432

19 BALANCES WITH RELATED PARTIES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Amounts due from related parties		
Henan Honliv Yishenghuo Co., Ltd.	332	243
Henan Guxiang No.9 Catering Co., Ltd.	165	110
	497	353

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20 RESTRICTED DEPOSITS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Secured bank deposits	5,000	30,000

21 CASH AND CASH EQUIVALENTS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Cash at banks and other financial institutions	257,060	236,552
Cash on hand	3,143	3,203
	260,203	239,755

22 TRADE AND NOTES PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	125,676	94,461
Notes payables	5,000	30,000
	130,676	124,461

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 TRADE AND NOTES PAYABLES *(Continued)*

As at 30 June 2024 and 31 December 2023, the aging analysis of the trade and notes payables based on demand note date was as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 3 months	98,007	78,971
3 to 6 months	25,262	38,539
6 months to 1 year	2,250	2,198
1 to 2 years	1,453	496
2 to 3 years	474	684
Over 3 years	3,230	3,573
	130,676	124,461

23 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Deposit from patients (a)	52,113	48,287
Accrued employee benefits	41,260	24,679
Payables for plant and equipment	8,819	2,566
Duty and other tax payable	3,219	3,612
Payables for intangible assets	1,016	–
Advance from Medical Insurance	–	16,931
Others	4,381	3,727
	110,808	99,802

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 BORROWINGS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current		
Other borrowings		
— Secured borrowings (c)	14,084	22,503
Current		
Short-term bank borrowings		
— Secured borrowings (a)	108,000	109,000
— Guaranteed borrowings (b)	29,000	29,000
	137,000	138,000
Other borrowings		
— Secured borrowings (c)	16,556	16,027
	153,556	154,027
Total borrowings	167,640	176,530

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Property, plant and equipment of the Group (i)	108,000	109,000

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Guaranteed by the Group, Henan Honliv Group Co., Ltd., Qin Yan and his close family members	79,000	79,000

As of 30 June 2024, the Group pledged 79,000,000 shares of Honliv Hospital as additional security for the bank borrowings in an aggregate amount of RMB79,000,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 BORROWINGS (Continued)

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 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 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Guaranteed by the Group, Qin Yan and his close family members	30,640	38,530

Other borrowings for the six months ended 30 June 2024 carried weighted average annual interest rates ranging from 7.55% to 8.81%. The other borrowings were used for purchase of machinery and equipment amounting to RMB50.0 million. As of 30 June 2024, the machinery and equipment had been delivered and recognised in property, plant and equipment.

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Maturity of other borrowings		
No later than 1 year	16,556	16,027
Later than 1 year and no later than 2 years	13,773	17,103
Later than 2 year and no later than 5 years	311	5,400
	30,640	38,530

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 COMMITMENTS

Capital commitments

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

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Contracted but not provided for		
— Property, plant and equipment	10,825	26,689

26 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 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

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

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Premise rental income provided to related parties		
— Henan Honliv Yishenghuo Co., Ltd.	86	146
— Henan Guxiang No.9 Catering Co., Ltd.	52	52
	138	198
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
	—	165
Premise sales of medical materials provided to		
— Henan Honliv School	14	22
	152	385
Purchase of rental services from related parties		
— Henan Honliv School	290	—
— Henan Honliv Group Co., Ltd.	—	290
	290	290
Purchase of goods from related parties		
— Henan Honliv Advanced Technology Agricultural Development Co., Ltd.	—	229
— Henan Guxiang No.9 Catering Co., Ltd.	—	121
— Henan Honliv Yishenghuo Co., Ltd.	—	16
	—	366
	290	656

(i) The Group provided parking space to Henan Honliv General Aviation Co., Ltd. on a free basis for the six months ended 30 June 2024 and 30 June 2023.

(ii) Certain bank borrowings of the Group were guaranteed by related parties. Details of which are disclosed in the note 24 above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

Balances with related parties as at 30 June 2024 and 31 December 2023 were disclosed in note 19.

(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	
	2024	2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Wages and salaries	1,504	1,690
Contributions to pension plans	17	19
Welfare and other expenses	551	345
	2,072	2,054