

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### FINANCIAL SUMMARY

	Six months ended 30 June		Change %
	2021 (RMB'000) (Unaudited)	2020 (RMB'000) (Unaudited)	
Revenue	<b>286,404</b>	244,653	17.1
Gross profit	<b>67,665</b>	61,764	9.6
Profit for the period attributable to owners of the Company	<b>19,823</b>	13,243	49.7
Basic and diluted earnings per share (RMB)	<b>0.03</b>	0.03	–

## RESULTS

The Board of Honliv Healthcare Management Group Company Limited announces the unaudited consolidated financial results of the Group for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 as follows:

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>286,404</b>	244,653
Cost of sales		<b>(218,739)</b>	(182,889)
<b>Gross profit</b>		<b>67,665</b>	61,764
Administrative expenses		<b>(32,619)</b>	(36,521)
Other income		<b>535</b>	220
Other gains — net		<b>26</b>	77
Other expense		<b>(98)</b>	(98)
<b>Operating profit</b>		<b>35,509</b>	25,442
Finance income		<b>543</b>	236
Finance costs		<b>(8,837)</b>	(10,861)
Finance costs — net		<b>(8,294)</b>	(10,625)
<b>Profit before income tax</b>		<b>27,215</b>	14,817
Income tax expense	5	<b>(7,179)</b>	(1,437)
<b>Profit for the period</b>		<b>20,036</b>	13,380
Other comprehensive income		<b>—</b>	—
<b>Total comprehensive income</b>		<b>20,036</b>	13,380

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
<i>Notes</i>		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		<b>19,823</b>	13,243
Non-controlling interests		<b>213</b>	137
		<u><b>20,036</b></u>	<u>13,380</u>
<b>Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)</b>			
Basic and diluted earnings per share	6	<u><b>0.03</b></u>	<u>0.03</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<b>30 June</b>	31 December
	<b>2021</b>	2020
<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>529,672</b>	489,350
Right-of-use assets	<b>83,377</b>	83,174
Investment properties	<b>2,971</b>	3,070
Intangible assets	<b>566</b>	525
Deferred income tax assets	<b>1,153</b>	1,153
Prepayments	<b>4,426</b>	42,982
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>622,165</b>	620,254
	<hr/>	<hr/>
<b>Current assets</b>		
Inventories	<b>11,899</b>	20,707
Trade receivables	<b>25,938</b>	19,055
Other receivables and prepayments	<b>8,754</b>	4,420
Amounts due from related parties	<b>220</b>	–
Restricted deposit	<b>–</b>	5,550
Cash and cash equivalents	<b>287,304</b>	302,478
	<hr/>	<hr/>
<b>Total current assets</b>	<b>334,115</b>	352,210
	<hr/>	<hr/>
<b>Total assets</b>	<b>956,280</b>	972,464
	<hr/> <hr/>	<hr/> <hr/>

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		52	52
Reserves		437,515	435,399
Retained earnings		107,467	89,760
		<u>545,034</u>	<u>525,211</u>
<b>Subtotal</b>		<b>545,034</b>	525,211
<b>Non-controlling interests</b>		<b>4,619</b>	4,406
		<u>4,619</u>	<u>4,406</u>
<b>Total equity</b>		<b>549,653</b>	529,617
		<u><u>549,653</u></u>	<u><u>529,617</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		1,041	440
Deferred revenue		2,000	2,000
		<u>2,000</u>	<u>2,000</u>
<b>Total non-current liabilities</b>		<b>3,041</b>	2,440
		<u>3,041</u>	<u>2,440</u>
<b>Current liabilities</b>			
Borrowings		229,958	246,769
Trade and notes payables	8	83,104	95,547
Current income tax liabilities		5,684	5,185
Accruals, other payables and provisions		81,861	90,066
Lease liabilities		2,979	2,840
		<u>2,979</u>	<u>2,840</u>
<b>Total current liabilities</b>		<b>403,586</b>	440,407
		<u>403,586</u>	<u>440,407</u>
<b>Total liabilities</b>		<b>406,627</b>	442,847
		<u>406,627</u>	<u>442,847</u>
<b>Total equity and liabilities</b>		<b>956,280</b>	972,464
		<u><u>956,280</u></u>	<u><u>972,464</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

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

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

## 2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), ‘Interim financial reporting’.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, 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 2021.

### (a) Going concern

As at 30 June 2021, the Group’s current liabilities exceeded its current assets by RMB69,471,000, which was mainly resulted by current borrowing of RMB229,958,000. The Group had operating cash inflow of RMB32,582,000 for the six months ended 30 June 2021 and cash and cash equivalents of RMB287,304,000 as at 30 June 2021.

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.
- Henan Honliv Hospital Co., Ltd. (“Honliv Hospital”) had obtained an additional loan facility of RMB150 million from one of its existing banks on 18 March 2021. Application of one-year loan drawdown can be made under this facility until 18 March 2022 subject to the approval and conditions imposed by the bank. As at the reporting date, the Group has not utilized this additional loan facility.

Taking into account the Group’s future operational performance and the expected future operating cash inflows; and the continuous availability of banking and other facilities, management concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 30 June 2021.

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

#### **(b) New and amended standards adopted by the Group**

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

### **3 SEGMENT REPORTING**

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

The Group has only one operating segment during the six months ended 30 June 2021, so no segment information was presented.

#### 4 REVENUE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Nature of revenue recognition		
Treatments and general healthcare service	187,213	159,869
Pharmaceutical sales	99,191	83,769
Hospital management services	—	1,015
	<u>286,404</u>	<u>244,653</u>
Timing of revenue recognition		
At a point in time	191,855	148,513
Over time	94,549	96,140
	<u>286,404</u>	<u>244,653</u>

#### 5 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2021 and 2020 is analysed as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	7,179	1,437
— Deferred income tax	—	—
	<u>7,179</u>	<u>1,437</u>



## 6 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021.

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<b>19,823</b>	13,243
Weighted average number of ordinary shares deemed to be in issue ( <i>in thousands</i> )	<b>600,000</b>	450,000
Basic earnings per share ( <i>in RMB</i> )	<b>0.03</b>	0.03

### (b) Diluted earnings per share

Diluted earnings per share were the same as basic earnings per share as the Group had no potential dilutive shares during the six months ended 30 June 2021.

## 7 TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	<b>30,627</b>	23,744
Less: allowance for impairment of trade receivables	<b>(4,689)</b>	(4,689)
Trade receivables — net	<b>25,938</b>	19,055

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables based on demand note date was as follows:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Up to 3 months	<b>19,186</b>	15,627
3 to 6 months	<b>3,043</b>	2,289
6 months to 1 year	<b>3,401</b>	2,624
1 to 2 years	<b>4,977</b>	2,947
2 to 3 years	<b>20</b>	244
Over 3 years	<b>–</b>	13
	<b>30,627</b>	23,744

## 8 TRADE AND NOTES PAYABLES

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Trade payables	<b>83,104</b>	89,997
Notes payables	<b>–</b>	5,550
	<b>83,104</b>	95,547

As at 30 June 2021 and 31 December 2020, the aging analysis of the trade payables based on demand note date was as follows:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
<b>Trade payables</b>		
Up to 3 months	<b>54,750</b>	60,765
3 to 6 months	<b>18,284</b>	17,387
6 months to 1 year	<b>5,469</b>	7,413
1 to 2 years	<b>1,107</b>	1,099
2 to 3 years	<b>223</b>	416
Over 3 years	<b>3,271</b>	2,917
	<b>83,104</b>	89,997

## 9 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW AND OUTLOOK

2021 is the first year after the Chinese healthcare industry suffered from the huge challenge brought by the COVID-19 pandemic, which continues to affect the global economic order. Under the new circumstances, the healthcare industry in the PRC faces both challenges and opportunities.

- 1. Rise of internet hospitals:** The advance of communication technology makes it possible for people to seek medical care online, and the implementation of COVID-19-related prevention and control measures has set off a boom in online medical care. Internet hospitals have broken through the spatial limitation of traditional medical care, and people have more choices in the way they seek medical treatment. Relevant circular issued by the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) on consultation appointment and internet hospital development have specified the path for the upgrading and transformation of hospital services in the PRC. In response to social needs, the Company has accelerated the development of the internet hospital and obtained the requisite approval.
- 2. Medical insurance:** In 2021, the reform of medical insurance payment methods continued to gain momentum. The reform of payment methods affects medical behaviour, and also changes the game between medical institutions and medical insurance management departments into competition among medical institutions, prompting medical institutions to refine their management and improve their service quality in order to win the trust of patients and further the development of hospitals.
- 3. Pharmaceuticals:** In 2021, the centralized volume-based procurement of drugs and high-value consumables had become the norm. Centralized procurement has given rise to new requirements for hospital operation, which will change the profitability model of hospitals and further reduce the operating costs of medical institutions while also putting forward higher requirements for medical institutions in terms of improving medical capabilities and enhancing core competitiveness.
- 4. Changes to the competitive landscape of the healthcare market by COVID-19 pandemic:** The COVID-19 pandemic continues to impact the healthcare industry: In the first half of 2021, the COVID-19 pandemic in China still consumed a large amount of social resources, despite the intertwined situation of sporadic cases and locally clustered outbreaks. Hospitals always need to remain alert to pandemic prevention and control. Meanwhile, in the first half of 2021, the people's healthcare needs were also stimulated, and medical institutions with strong comprehensive service capacity, wide coverage and excellent capabilities won the trust of patients. After the pandemic was effectively controlled, those institutions ushered in explosive growth.

In 2021, the Group has continuously improved itself, expanded its services offered, enhanced service capability, improved service environment, and actively promoted group-based operation. In the future, we will continuously optimize our management system and standardize our operation under the new circumstances. Taking a solid step to consolidate our operations as a group, we will develop all the specialties together with the development of our leading specialties, make full use of the advantages of smart hospitals, and establish our presence in the field of big health in an all-round manner.

## BUSINESS REVIEW

In the first half of 2021, the Group's consolidated revenue for the six months ended 30 June 2021 is RMB286.4 million, representing an increase of RMB41.7 million or 17.1% compared to the consolidated revenue of RMB244.7 million for the six months ended 30 June 2020. The increase is mainly due to the increase in revenue generated from treatments and general hospital services and pharmaceutical sales. The COVID-19 pandemic has led to a decrease in consolidated revenue in the first half of 2020, and after the pandemic came under relative effective control in 2021, the Group's service volume saw a significant increase, which demonstrated the Company's strong ability to withstand risks.

### Hospital Services

Henan Honliv Hospital provides hospital services on behalf of the Group. During the Reporting Period, (i) the total number of inpatient visits was 20,822 (for the six months ended 30 June 2020: 23,515), representing a year-on-year decrease of 11.5%; (ii) the average spending per inpatient visit was RMB6,552.5 (for the six months ended 30 June 2020: RMB5,621.8), representing a year-on-year increase of 16.6%; (iii) the average spending per outpatient visit was RMB255.3 (for the six months ended 30 June 2020: RMB229.4), representing a year-on-year increase of 11.3%; and (iv) the total number of outpatient visits was 587,413 (for the six months ended 30 June 2020: 485,789), representing a year-on-year increase of 20.9%.

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

	<b>Six months ended 30 June</b>		Change %
	<b>2021</b>	2020	
Outpatient visits	<b>587,413</b>	485,789	20.9
Average spending per outpatient visit ( <i>RMB</i> )	<b>255.3</b>	229.4	11.3
Inpatient visits	<b>20,822</b>	23,515	(11.5)
Average spending per inpatient visit ( <i>RMB</i> )	<b>6,552.5</b>	5,621.8	16.6
Number of beds in operation as of the end of the relevant period	<b>1,500</b>	1,500	0.0
Average length of stay per inpatient visit ( <i>days</i> )	<b>10.5</b>	9.2	14.1
Number of surgeries	<b>4,353</b>	4,940	(11.9)

The Group's operating results in the first half of 2021 were significantly improved compared to the same period of last year. We have also achieved tangible results in hospital development and specialty development, including:

- (i) Our hospital was officially approved as an internet hospital in June 2021;
- (ii) The radiotherapy oncology centre was officially opened in June 2021; and
- (iii) In May 2021, our clinical laboratory was awarded as "Excellent Laboratory in Quality Management" by the Center for Clinical Laboratories of the Henan Provincial Health Commission (河南省衛生健康委臨床檢驗中心).

In the first half of 2021, the Group mainly adopted the following strategies to drive revenue of the hospital services:

- (i) Building a complete therapeutic chain for tumour treatment and improving the standards of tumour diagnosis and treatment;
- (ii) Establishing a radiotherapy department to provide radiation therapy services for patients with tumours;
- (iii) Taking advantage of the policies related to internet hospitals and provide online medical services in strict accordance with such policies;
- (iv) Improving the service environment of each department, expanding the scope of admission for critical patients, and improving the quality of services; and
- (v) Fully adapting to the health insurance payment reform and other policies to increase revenue and reduce expenditure.

### **Hospital Management Services**

In June 2016, the Group entered into the Management Agreement with Jutan Hospital and its organizer, pursuant to which the Group provides hospital operation and management services in return for management fees fixed at 5% of Jutan Hospital's annual revenue pursuant to the Management Agreement.

In early 2021, Jutan Hospital underwent restructuring and became a public hospital. It was renamed as the Affiliated Jutan Hospital of Neixiang County Vocational School (內鄉縣職業中等專業學校附屬菊潭醫院). As a result of the restructuring, the Management Agreement was terminated in early 2021. As of the date of this announcement, the Company is negotiating with Jutan Hospital regarding the payment of the management fees.

The Directors confirm that the termination of the Management Agreement with Jutan Hospital has no material adverse effect on the ongoing business operation of the Company.

Up to the date of this announcement, the Group does not have any other management arrangement with any third-party hospital. The Group will continue to seek opportunities to expand our hospital management services.

### **Pharmaceutical Sales**

The Group's pharmaceutical sales mainly come from the direct sales of drugs to patients, and the revenue from pharmaceutical sales within the Reporting Period is RMB99.2 million (for the six months ended 30 June 2020: RMB83.8 million), representing a year-on-year increase of 18.4%.

### **COVID-19 Impact and Response**

Although the COVID-19 pandemic came under effective control and economic activities have been restored to the maximum possible extent in 2021, the COVID-19 pandemic still shows sporadic cases and locally clustered outbreaks, and the pandemic prevention and control measures still cannot be relaxed. Based on the effective prevention and control measures, we have completed the construction of the first-phase building, the installation and commissioning of equipment, and other works, which has injected new vitality to the business development of our hospital.

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

However, our management cannot guarantee that natural disasters, such as the COVID-19 pandemic and floods, will not further deteriorate our operating results or have a material adverse effect on them.

## Impact of and Response to Centralized Pharmaceutical Procurement

In 2021, the centralized procurement of drugs and high-value medical consumables was normalized, and its impact gradually appeared in our operating activities. The Company has carefully analysed the impact of the centralized procurement on our operating activities and taken active measures to cope with it. Our management will continue to pay attention to the impact of centralized procurement of drugs and high-value medical consumables on our operating results and financial performance, and closely monitor our financial and liquidity position.

However, our management cannot ensure that the centralized procurement of drugs and high-value medical consumables will not cause or have a material adverse effect on our operating results.

## FINANCIAL REVIEW

### Revenues and Costs

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

	Six months ended 30 June			
	2021		2020	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
	(Unaudited)		(Unaudited)	
Treatments and general healthcare services	187,213	65.4%	159,869	65.4%
Pharmaceutical sales	99,191	34.6%	83,769	34.2%
Hospital management services	—	—	1,015	0.4%
Total	<u>286,404</u>	<u>100.0%</u>	<u>244,653</u>	<u>100.0%</u>



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 categorized by source into revenue from the provision of healthcare services to inpatients and outpatients. The following table sets forth a breakdown of revenue of our hospital by source for the period indicated:

	<b>Six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>(RMB'000)</b>	<b>% of revenue</b>	<b>(RMB'000)</b>	<b>% of revenue</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Inpatient healthcare services	<b>136,436</b>	<b>47.6%</b>	132,197	54.0%
Outpatient healthcare services	<b>149,968</b>	<b>52.4%</b>	111,441	45.6%
<b>Total</b>	<b><u>286,404</u></b>	<b><u>100.0%</u></b>	<u>243,638</u>	<u>99.6%</u>

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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Outpatient visits	<b>587,413</b>	485,789
Average spending per outpatient visit (RMB)	<b>255.3</b>	229.4
Inpatient visits	<b>20,822</b>	23,515
Average spending per inpatient visit (RMB)	<b>6,552.5</b>	5,621.8
Number of beds in operation as of the end of the relevant period	<b>1,500</b>	1,500

Our revenue rose by 17.1% from RMB244.7 million for the six months ended 30 June 2020 to RMB286.4 million for the six months ended 30 June 2021, primarily due to an increase in revenue generated from treatments and general hospital services and pharmaceutical sales.

Our revenue from treatments and general healthcare services and pharmaceutical sales in aggregate grew by 17.6% from RMB243.6 million for the six months ended 30 June 2020 to RMB286.4 million for the six months ended 30 June 2021. The growth is largely because of an increase in the number of outpatient visits and the average spending per outpatient visit.

Our revenue from inpatient healthcare services went up by 3.2% from RMB132.2 million for the six months ended 30 June 2020 to RMB136.4 million for the six months ended 30 June 2021, primarily due to an increase in the average spending per inpatient visit, which led to a slight rise in inpatient revenue despite a decrease in inpatient visits.

Our revenue from outpatient healthcare services increased by 34.6% from RMB111.4 million for the six months ended 30 June 2020 to RMB150.0 million for the six months ended 30 June 2021, The rise in the revenue is largely because of an increase in the number of outpatient visits and the average spending per outpatient visit.

### **Cost of Sales**

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

Our cost of sales rose by 19.6% from RMB182.9 million for the six months ended 30 June 2020 to RMB218.7 million for the six months ended 30 June 2021, mainly due to (i) a year-on-year increase of RMB12.7 million in the cost of pharmaceuticals during the six months ended 30 June 2021; (ii) a year-on-year increase of RMB10.2 million in the cost of employee benefits during the six months ended 30 June 2021; and (iii) a year-on-year rise of RMB9.9 million in the cost of medical consumables during the period.

### **Gross Profit and Gross Profit Margin**

Our gross profit rose by 9.6% from RMB61.8 million for the six months ended 30 June 2020 to RMB67.7 million for the six months ended 30 June 2021, and our gross profit margin shrank from 25.2% for the six months ended 30 June 2020 to 23.6% for the six months ended 30 June 2021. It is mainly due to the fact that the increase in the cost of sales is higher than that in revenue from sales as a result of the rise in the employee benefits expenses and medical consumables.

### **Other Expense**

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

## **Administrative Expenses**

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

Our administrative expenses fell by 10.7% from RMB36.5 million for the six months ended 30 June 2020 to RMB32.6 million for the six months ended 30 June 2021, primarily due to the reduction in expense in relation to the listing from RMB12.7 million to zero.

## **Financial Costs — net**

Our net financial costs dropped by 21.9% from RMB10.6 million for the six months ended 30 June 2020 to RMB8.3 million for the six months ended 30 June 2021, primarily due to (i) a decrease in our interest expense from our decreased principal as a result of our quarterly repayment of interest on other borrowings; and (ii) a decline in our interest expense as a result of the repayment of short-term borrowings from some banks in 2020.

## **Income Tax Expense**

Our income tax expense jumped by 399.6% from RMB1.4 million for the six months ended 30 June 2020 to RMB7.2 million for the six months ended 30 June 2021, primarily due to an increase in our profit before tax.

## **Profit for the Period and Net Profit Margin**

For the foregoing reasons, our profit for the period grew by 49.7% from RMB13.4 million for the six months ended 30 June 2020 to RMB20.0 million for the six months ended 30 June 2021. Our net profit margin stood at 7.0% for the six months ended 30 June 2021, versus 5.5% for the six months ended 30 June 2020.

## **DISCUSSION OF ITEMS IN THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

### **Net Current Liabilities**

Our net current liabilities decreased by 21.2% from RMB88.2 million as at 31 December 2020 to RMB69.5 million as at 30 June 2021. This is largely because of the cash inflows generated from our operating activities.

## **Inventories**

Our inventories plummeted by 42.5% from RMB20.7 million as at 31 December 2020 to RMB11.9 million as at 30 June 2021. This is primarily due to the fact that the inventories reserved for the spring festival at the end of 2020 have been used up.

## **Trade Receivables**

Our trade receivables climbed by 36.1% from RMB19.1 million as at 31 December 2020 to RMB25.9 million as at 30 June 2021, largely because of an increase in the advance payment of medical insurance for urban and rural residents and the slightly slow settlement of payment.

## **Indebtedness**

Our borrowings dropped from RMB246.8 million as at 31 December 2020 to RMB230.0 million as at 30 June 2021. The balance during the Reporting Period fell by RMB16.8 million. This is mainly because we repaid part of the loans during the Reporting Period.

## **Trade and notes payables**

Our trade and notes payables went down from RMB95.5 million as at 31 December 2020 to RMB83.1 million as at 30 June 2021. The balance during the Reporting Period fell by RMB12.4 million. This is mainly due to the fact that we had higher trade payables balance as at 31 December 2020 for the inventories reserved for the spring festival as mentioned above.

## **Accruals and Other Payables**

Our accruals and other payables decreased from RMB90.1 million as at 31 December 2020 to RMB81.9 million as at 30 June 2021. The balance during the Reporting Period dropped by RMB8.2 million, primarily due to the payment of listing fees and a decline in payroll payables.

## Contingent Liabilities

As of 30 June 2021, we had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

## Lease Liabilities

As of 30 June 2021, our lease liabilities in respect of our leased properties amounted to approximately RMB4.0 million.

## 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	<b>32,582</b>	31,498
Net cash used in investing activities	<b>(17,582)</b>	(11,737)
Net cash flows from financing activities	<b>(28,995)</b>	(39,741)
Net (decrease)/increase in cash balances	<b>(13,995)</b>	(19,980)

## Net Cash Generated from Operating Activities

Our net cash generated from operating activities rose from RMB31.5 million for the six months ended 30 June 2020 to RMB32.6 million for the six months ended 30 June 2021, which was primarily attributed to (i) an increase in cash flows from operating activities due to a growth in our operating profit for the current period; and (ii) the income tax payment of RMB6.7 million in the first half of 2021 partially offsetting the cash flows from operating activities that grew as a result of the increase in operating profit.

## Net Cash Flows Used in Investing Activities

Our net cash used in investing activities grew from RMB11.7 million for the six months ended 30 June 2020 to RMB17.6 million for the six months ended 30 June 2021, which was primarily attributed to an increase of RMB5.6 million due to purchases of properties, plants and equipment.

## **Net Cash Flows from Financing Activities**

Our net cash flows from financing activities dropped from RMB39.7 million for the six months ended 30 June 2020 to RMB29.0 million for the six months ended 30 June 2021, mainly due to (i) the repayment of borrowings and related interest of RMB190.0 million in the first half of 2021; and (ii) the payment of listing fees of RMB3.3 million.

## **Financial Instruments**

Our financial instruments consist of accounts receivable, other receivables, cash and cash equivalents, bank borrowings, accounts payable 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 2021. 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 2021, our liability-to-asset ratio (total liabilities divided by total assets) was 42.5% (as of 31 December 2020: 45.5%).

## **USE OF PROCEEDS**

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

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at 30 June 2021:

<b>Business objective as stated in the Prospectus</b>	<b>Percentage to total amount %</b>	<b>Net proceeds HK\$ million</b>	<b>Utilised amount as at 30 June 2021 HK\$ million</b>	<b>Unutilised amount as at 30 June 2021 HK\$ million</b>	<b>Expected timeline for unutilized amount</b>
Finance the ramp up of the Company's first-phase building	29.5	78.0	69.3	8.7	By the end of 2021
Expand the Company's business by acquiring hospitals	26.1	69.2	0	69.2	Within one and a half year after receiving net proceeds
Repay the Company's general borrowings, particularly the outstanding loans from two banks with an aggregate principal amount of RMB63.0 million	15.0	39.8	0	39.8	By the end of 2021
Working capital and other general corporate purposes	10.0	26.5	26.5	0	Within one year after receiving net proceeds
Purchase medical equipment and improve and upgrade the Company's information technology systems	8.0	21.3	21.3	0	Within three years after receiving net proceeds
Develop the Company's pharmaceutical supply chain business	6.3	16.7	0	16.7	By the end of 2021
Employee recruitment and training	5.0	13.3	13.3	0	Within three years after receiving net proceeds
<b>Total</b>	<b>100.0</b>	<b>264.8</b>	<b>130.4</b>	<b>134.4</b>	

*Note:*

The timeline is based on the Company's estimation of its business needs as of the date of this announcement 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.

As at 30 June 2021, the net proceeds from the Global Offering not yet utilized were deposited into short-term demand deposits in the Company's account at one of the receiving banks as disclosed in the Prospectus.

## **PUBLIC FLOAT**

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

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **MATERIAL EVENTS AFTER THE REPORTING PERIOD**

As at the date of this announcement, there were no material events after the Reporting Period.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

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

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



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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **REVIEW BY THE AUDIT COMMITTEE**

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

The Group's interim results for the six months ended 30 June 2021 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 2021.

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of employees were approximately 1,606 as at 30 June 2021 (31 December 2020: 1,586). For the six months ended 30 June 2021, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB84.0 million (for the six months ended 30 June 2020: approximately RMB73.4 million).

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://www.honlivhp.com>), and the interim report of the Group for the six months ended 30 June 2021 containing all information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

The Board would like to present its great appreciation to the management team and employees of the Group who have contributed to the success of the Group and are working towards achieving the Group's visions. Heartfelt gratitude is also expressed to all of partners, customers, suppliers of the Group and the Shareholders. With their kind support and trust, the Board is confident that it will lead the Group to another milestone.

## **DEFINITIONS**

In this interim results announcement, 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
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“Chairman”	the chairman of our Board
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this interim results announcement 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

“Director(s)”	the director(s) of the Company or any one of them
“Global Offering”	the offer for subscription of an aggregate of 150,000,000 Shares at offer price of HK\$2.10 under the Hong Kong public offering and the international offering of the Company
“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 “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 “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
“Jutan Hospital”	the Affiliated Jutan Hospital of Neixiang County Vocational School* (內鄉縣職業中等專業學校附屬菊潭醫院), formerly known as Neixiang Jutan Hospital* (內鄉菊潭醫院)
“Management Agreement”	the management agreement entered into among Henan Honliv Hospital, the Jutan Hospital and its organizer dated 14 June 2016
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“Reporting Period”	the six months ended 30 June 2021
“Prospectus”	the prospectus of the Company dated 24 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) with par value of HK\$0.0001 each in the capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
%	per cent

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

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

Hong Kong, 23 August 2021

*As at the date of this announcement, the Board comprises Mr. Qin Yan, Dr. Teng Qingxiao and Mr. Wang Zhongtao as the executive Directors, Mr. Qin Hongchao as the non-executive Director and Mr. Zhao Chun, Mr. Sun Jigang and Mr. Jiang Tianfan as the independent non-executive Directors.*