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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

AND

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

	Year ended 31 December		Change
	2023	2022	
	RMB'000	RMB'000	
Revenue	760,527	727,789	4.5
Gross Profit	144,844	138,395	4.7
Profit attributable to owners of the Company	38,310	48,947	(21.7)
Basic and diluted earnings per share (<i>in RMB</i>)	0.07	0.08	(12.5)

RESULTS

The Board of the Company announces the audited consolidated financial results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	3	760,527	727,789
Cost of sales		<u>(615,683)</u>	<u>(589,394)</u>
Gross profit		144,844	138,395
Administrative expenses		(72,393)	(73,345)
Net impairment losses on financial assets		(15,294)	(1,963)
Other income		644	617
Other expenses		(159)	(196)
Other losses — net		<u>(197)</u>	<u>(1,947)</u>
Operating profit		57,445	61,561
Finance income		1,625	10,812
Finance costs		<u>(7,648)</u>	<u>(9,352)</u>
Finance (costs)/income — net		<u>(6,023)</u>	<u>1,460</u>
Profit before income tax		51,422	63,021
Income tax expense	4	<u>(12,724)</u>	<u>(13,678)</u>

		Year ended 31 December	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		<u>38,698</u>	<u>49,343</u>
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive income		<u>38,698</u>	<u>49,343</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		38,310	48,947
Non-controlling interests		<u>388</u>	<u>396</u>
		<u>38,698</u>	<u>49,343</u>
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	5	<u>0.07</u>	<u>0.08</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		534,487	507,754
Right-of-use assets		78,469	79,098
Investment properties		1,688	2,678
Intangible assets		430	648
Deferred income tax assets		7,599	6,878
Prepayments		10,306	4,690
Total non-current assets		632,979	601,746
Current assets			
Inventories		31,851	29,500
Trade receivables	6	31,645	47,358
Other receivables and prepayments		2,126	1,196
Amounts due from related parties		353	–
Restricted deposits		30,000	–
Cash and cash equivalents		239,755	255,238
Total current assets		335,730	333,292
Total assets		968,709	935,038
EQUITY			
Equity attributable to the owners of the Company			
Share capital		52	52
Reserves		339,921	382,004
Retained earnings		201,881	167,410
Subtotal		541,854	549,466
Non-controlling interests		5,593	5,205
Total equity		547,447	554,671

		As at 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		22,503	–
Lease liabilities		1,433	983
Deferred income		1,861	1,928
		<hr/>	<hr/>
Total non-current liabilities		25,797	2,911
		<hr/>	<hr/>
Current liabilities			
Trade and notes payables	7	124,461	101,907
Accruals, other payables and provisions		99,802	122,335
Current income tax liabilities		14,375	11,074
Borrowings		154,027	141,000
Lease liabilities		2,800	1,140
		<hr/>	<hr/>
Total current liabilities		395,465	377,456
		<hr/>	<hr/>
Total liabilities		421,262	380,367
		<hr/>	<hr/>
Total equity and liabilities		968,709	935,038
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

2.1.2 Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

2.1.3 New and amended standards adopted by the Group

The group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- | | |
|---|--|
| • Amendments to HKFRS 17 | Insurance Contracts |
| • Amendments to HKAS 8 | Definition of Accounting Estimates |
| • Amendments to HKAS 12 | International Tax Reform — Pillar Two Model Rules |
| • Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| • Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.4 New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
• Amendments to HKAS 1	• Classification of Liabilities as Current or Non-current	1 January 2024
	• Non-current Liabilities with Covenants	
• Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
• Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
• HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
• Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
• Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.1.5 Going concern

As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB59,735,000. The Group had cash and cash equivalents of RMB239,755,000 as at 31 December 2023.

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. Subsequent to 2023 year end date, Henan Honliv Hospital Co., Ltd. ("**Honliv Hospital**"), a subsidiary of the Group, had renewed RMB29 million bank borrowings upon maturity as of the date of this report; and
- On 5 March 2024, Honliv Hospital further obtained an additional loan facility 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.

Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 31 December 2023. Taking into account the Group's future operational performance and the expected future operating cash inflows; and the continuous availability of banking 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 31 December 2023.

The directors have reviewed the Group's cash flow projections and have made due and careful enquiry and considered the basis and assumptions of management's projections. According to the measures above, the directors are satisfied that it is appropriate to prepare the financial information on a going concern basis.

3 REVENUE

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Nature of revenue recognition		
Treatments and general healthcare services	465,598	463,225
Pharmaceutical sales	294,929	264,564
	<u>760,527</u>	<u>727,789</u>
Timing of revenue recognition		
At a point in time	512,954	509,102
Over time	247,573	218,687
	<u>760,527</u>	<u>727,789</u>

During the year ended 31 December 2023, the Group performed a reassessment on the estimation of revenue in relation to variable consideration. As of 31 December 2023, The Group recognised the net amount of deduction of approximately RMB7,851,000 (2022: RMB20,852,000) as a reduction of revenue on a cumulative basis.

4 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax		
— the PRC corporate income tax	13,445	19,382
Deferred income tax	(721)	(5,704)
	<u>12,724</u>	<u>13,678</u>

5 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 year. Treasury shares held for the 2022 restricted share unit scheme and 2023 restricted share unit scheme are excluded from the weighted average number of outstanding ordinary shares in issue for purposes of calculating basic earnings per share.

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (<i>RMB'000</i>)	38,310	48,947
Weighted average number of ordinary shares deemed to be in issue (<i>in thousands</i>)	<u>584,321</u>	<u>592,061</u>
Basic earnings per share (<i>in RMB</i>)	<u><u>0.07</u></u>	<u><u>0.08</u></u>

(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 years ended 31 December 2023 and 2022.

6 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	53,676	54,095
Less: loss allowance for impairment of trade receivables	<u>(22,031)</u>	<u>(6,737)</u>
Trade receivables — net	<u><u>31,645</u></u>	<u><u>47,358</u></u>

The carrying amounts of the Group's trade receivables were denominated in RMB and approximated their fair values. The balances mainly represent amounts to be claimed from relevant government authorities' insurance schemes.

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	28,076	33,858
3 to 6 months	2,627	11,014
6 months to 1 year	868	3,492
1 to 2 years	17,484	1,071
2 to 3 years	–	1,632
Over 3 years	4,621	3,028
	<u>53,676</u>	<u>54,095</u>

7 TRADE AND NOTES PAYABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	94,461	101,907
Notes payables	30,000	–
	<u>124,461</u>	<u>101,907</u>

As at 31 December 2023 and 2022, the ageing analysis of trade and notes payables based on demand date was as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	78,971	72,960
3 to 6 months	38,539	18,399
6 months to 1 year	2,198	2,899
1 to 2 years	496	2,875
2 to 3 years	684	954
Over 3 years	3,573	3,820
	<u>124,461</u>	<u>101,907</u>

8 DIVIDEND

The board of directors of the Company does not resolve to declare a dividend for the year ended 31 December 2023 (Nil for the year ended 31 December 2022).

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview and prospects

China's population health data shows that the number of sub-healthy groups is huge, the incidence of various diseases is on the rise. The strong demand for health has created new requirements for the technical level, service environment, process, capacity and convenience of medical and health service institutions, and county medical institutions will take on more and more health service tasks.

Socially-run medical institutions are an important parts of the health care system, and the government has successively issued a number of policies to support and encourage the development of socially-run medical institutions. These policies point out the direction for the development and growth of socially-run medical institutions in terms of the setting up of medical institutions, training and use of talents, the content of medical services and healthcare insurance payment, etc.

For example, in January 2022, the National Health Commission issued the "Guidelines for the Planning of the Setting Up of Medical Institutions" (2021-2025), which clearly states that: to expand the space for socially-run medical care, the total number of areas and space for socially-run medical care will not be restricted by planning. Medical institutions run by social forces are encouraged to take the lead in establishing or joining medical consortia. Social forces are encouraged to hold medical laboratory laboratories, pathology diagnostic centres, medical imaging diagnostic centres, haemodialysis centres, rehabilitation medical centres and other independently established medical institutions.

The state has also put forward higher requirements for medical quality and safety, taken a high-pressure stance against unethical practices in the medical industry, and put forward practical opinions on the further improvement of the medical and healthcare service system, and issued normative documents one after another, such as the "Opinions on Further Improving the Medical and Healthcare Service System" jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council, and the "Action Plan for Comprehensively Improving the Quality of Medical Care (2023-2025)", jointly issued by the National Health Commission and the National Administration of Traditional Chinese Medicine. These policies and measures will have a far-reaching impact on the healthy development of the medical industry in the future.

The Group believes that with the support of various state and government policies, socially-run medical care will continue to develop and grow. The Group will keep pace with the times, seize the opportunities and continue to expand its scale of operation and business network in order to meet the growing demand for medical services from the people.

BUSINESS REVIEW

In 2023, the Group's consolidated revenue for the year ended 31 December 2023 was RMB760.5 million, representing an increase of RMB32.7 million or 4.5% from the consolidated revenue of RMB727.8 million for the year ended 31 December 2022. This was mainly due to the increase in revenue generated from treatment and general medical services and the sale of pharmaceutical products.

The main driving factor is that on the basis of the existing relatively well-established medical system, with the help of efficient Internet + technology, from the depth and breadth of the two aspects of the force, the Group not only uses the high-precision to build a brand, but also continues to expand the scope of services, the breadth of services to lay a solid foundation for the integration of various disciplines to embark on the fast track to steady development.

Hospital Services

Henan Honliv Hospital provides hospital services on behalf of the Group. During the Reporting Period: (i) the total number of inpatient visits amounted to 54,795 (for the year ended 31 December 2022: 50,920), representing a year-on-year increase of 7.6%; (ii) the average cost of inpatient visits amounted to RMB6,394.4 (for the year ended 31 December 2022: RMB6,385.2), representing a year-on-year increase of 0.1%; (iii) the average cost of outpatient visits amounted to RMB287.4 (for the year ended 31 December 2022: RMB312.7), representing a year-on-year decrease of 8.1%; and (iv) the total number of outpatient visits amounted to 1,400,791 (for the year ended 31 December 2022: 1,286,815), representing year-on-year increase of 8.9%.

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

	For the year ended		
	31 December		
	2023	2022	Changes%
Outpatient visits	1,400,791	1,286,815	8.9
Average spending per outpatient visit (<i>RMB</i>)	287.4	312.7	(8.1)
Inpatient visits	54,795	50,920	7.6
Average spending per inpatient visit (<i>RMB</i>)	6,394.4	6,385.2	0.1
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 (<i>days</i>)	9.3	9.6	(3.5)
Number of surgeries	13,159	12,588	4.5

Pharmaceutical Sales

Revenue from sales of pharmaceutical for the reporting period was RMB294.9 million (RMB264.6 million for the year ended 31 December 2022), representing a year-on-year increase of 11.5%. Such increase was mainly attributable to the growth in outpatient sales of pharmaceutical, of which the outpatient pharmaceutical sales revenue increased significantly in the outpatient department, paediatrics, emergency department, haematology, obstetrics and gynaecology, dermatology, neurology, nails and breasts and preventive healthcare.

Business Development

The Group's operating efficiency improved steadily in 2023 as compared with the corresponding period of last year, and the key revenue-driving strategies for the Group's hospital services were:

- (i) The Group has been continuously upgrading the overall level of medical services. Through the passing on of skills by the old, middle-aged and young technicians, a group of young and highly educated technicians have grown to become the backbone of the Group and have achieved remarkable results in professional development, medical science and service model.
- (ii) The Group endeavours to create an elderly-friendly hospital to improve and enhance the medical experience of the elderly through various measures such as setting up outpatient clinics for chronic diseases and providing home nursing services.
- (iii) The Group has continued to explore the potential of quality nursing services and has made efforts in optimizing clinical nursing services and nursing scientific research. The Group has made efforts in the smallest details and taken various measures to create a warm and comfortable medical environment for patients; it has continuously learnt from advanced international and domestic nursing experiences and refined them in the light of actual practice, and its nursing scientific research has gained a higher honor in the international arena and has continuously fed into the clinical nursing services, thus forming a benign circle of development in which the nursing scientific research and the clinical nursing services have promoted each other and improved together.
- (iv) The Group has continued to leverage on its strengths in medical information technology by continuously upgrading and optimizing its software systems in conjunction with clinical practice and responding quickly to clinical needs, and has completed the development and application of dozens of software applications.

- (v) The Group actively participates in various medical competitions at the national level to demonstrate to the society the positive energy of being positive, helping the dying and healing the injured, and contributing to the society.
- (vi) The Group is actively practising the ESG development concept to achieve high-quality green development.
- (vii) The Group has fully adapted to various policies, such as the reform of healthcare insurance payment methods, to increase revenue and reduce expenditure.

Continuous improvement of academic research

As a medical institution dedicated to ensuring human health, the Group has been exploring the field of medical scientific research and hospital management. In 2023, the medical research activities of the Group's hospital achieved a favourable situation in which research empowers medical treatment and medical treatment promotes research:

- (i) "Development and Application of Intelligent Nursing Information System for Extended Home Nursing Based on Clinical Nursing Classification System" was approved as a joint project of Henan Provincial Health Commission;
- (ii) The Group participated as a sub-centre in the Xinxiang Medical University's project "Single-arm multicentre clinical study on the application and management of the simple mode of hydromorphone PCA pump in patients with severe or critical cancer pain";
- (iii) "Clinical efficacy of capecitabine maintenance therapy after first-line XP regimen chemotherapy for advanced esophageal squamous carcinoma" won the Second Prize of Xinxiang Natural Science Academic Achievement Award;
- (iv) The CCC project team has consistently published SCI articles in the international nursing informatics journal CIN;
- (v) Ten information systems, including "Settlement Management System Bedside Ward V1.0", "Trauma Centre Management System V1.0" and "Research and Development of Fully Intelligent Nursing Information System Based on International Standard Nursing Terminology CCC", were confirmed as scientific and technological achievements by the Science and Technology Department of Henan Province;
- (vi) Obtained 6 software copyright certificates.

The Group's hospital also invites renowned experts in the medical field to conduct case discussions and special lectures. This not only allows patients to enjoy quality medical resources, but also gives technical staff from the Group's hospitals a good opportunity to learn and further enhance the hospital's precise treatment capabilities. The Group will provide better services to patients by improving its research capabilities.

Actively taking social responsibility to warm the hearts of people with medical care

Adhering to the ideology of green development, the Group regards sustainable management and the fulfilment of social responsibility as an integral part of its corporate culture, and is committed to becoming an enterprise that is loved by its employees, praised by the society and developed in the long run. In order to detect the increasingly high incidence of lung lesions at an early stage, the Group has been going to villages and households to continuously carry out free screening activities for lung nodules; it has adopted a variety of technical measures to achieve energy conservation, emission reduction and green development, and was awarded the "Advanced Collective in Energy Conservation, Emission Reduction and Green Development Competition for Key Industries in Henan Province" by the Henan Provincial Federation of Trade Unions, the Development and Reform Commission of Henan Province, and the Department of Ecology and Environment of Henan Province in August 2023. In order to improve the health literacy of the public, the Group adopts an easy-to-understand and lively form to carry out popular science education on medical knowledge, and many people have won awards in various medical knowledge competitions at provincial and national levels.

FUTURE OUTLOOK

The Group will continue its efforts in the following areas in the future:

1. The Group will continue to focus on its main business, adhere to the work policy of "promoting reform through evaluation, promoting construction through evaluation and combining evaluation and construction", further strengthen the internal construction of hospitals, actively prepare for the accreditation of hospital grades and realize the high quality and sustainable development of the hospital;
2. The Group will continue to intensify its efforts in talent cultivation and strengthen the mechanism of joint cultivation of talents by the hospital and universities, so as to create a medical team with reasonable composition of talents, high professionalism and strong sense of service, to better serve the ever-growing number of patient groups, and to lay a good foundation for the sustained and healthy development of the hospital;

3. Relying on the information technology team, the Group will continue to deepen the analysis and application of data across the hospital and steadily improve the level of application of electronic medical records in the hospital;
4. The Group will continue to improve the three-tier medical quality management system, continuously strengthen the management of medical quality and safety, and focus on fostering awareness of scientific research and improving scientific research output;
5. The Group will respond to the requirements of the times and continue to do a good job in analysing medical record data under the reform of the DIP payment method. We will study the characteristics of the demand for medical services in an ageing society, expand our business scope and improve our service chain;
6. The Group will enhance its compliance awareness, comply with various regulatory regimes in the industry, comply with the code of conduct for listed companies, optimize corporate governance and ensure medical quality and safety;
7. The Group will actively seek investment targets to expand the scale of the Group's business through various means, such as exogenous growth and export of management, in order to achieve the goal of group development.

FINANCIAL REVIEW

Revenue and Cost

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

	Year ended 31 December			
	2023		2022	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Treatment and general healthcare services	465,598	61.2%	463,225	63.6%
Pharmaceutical sales	294,929	38.8%	264,564	36.4%
Total	<u>760,527</u>	<u>100.0%</u>	<u>727,789</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 classified by source into revenue from the provision of medical services to inpatients and outpatients. The following table sets forth a breakdown of revenue of our hospital by source for the periods indicated:

	Year ended 31 December			
	2023		2022	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Outpatient healthcare services	402,643	52.9%	402,418	55.3%
Inpatient healthcare services	357,884	47.1%	325,371	44.7%
Total	<u>760,527</u>	<u>100.0%</u>	<u>727,789</u>	<u>100.0%</u>

The following table sets forth a breakdown of the number of patient visits and the average spending per patient visit by segment in the Group's own hospitals for the periods indicated:

	Year ended 31 December	
	2023	2022
Outpatient visits	1,400,791	1,286,815
Average spending per outpatient visit (<i>RMB</i>)	287.4	312.7
Inpatient visits	54,795	50,920
Average spending per inpatient visit (<i>RMB</i>)	6,394.4	6,385.2
Number of beds in operation at the end of the relevant period	<u>1,500</u>	<u>1,500</u>

Our combined revenue from treatment and general hospital services and pharmaceutical sales increased by 4.5% from RMB727.8 million for the year ended 31 December 2022 to RMB760.5 million for the year ended 31 December 2023. This was mainly due to the increase in revenue as a result of the increase in the number of outpatient and inpatient visits.

Our revenue from outpatient medical services increased from RMB402.4 million for the year ended 31 December 2022 to RMB402.6 million for the year ended 31 December 2023. This was mainly due to the slight increase in outpatient medical services revenue as a result of the increase in the number of outpatient visits while a decrease was recorded in the average spending per visit.

Our revenue from inpatient medical services increased by 10.0% from RMB325.4 million for the year ended 31 December 2022 to RMB357.9 million for the year ended 31 December 2023. This was mainly due to the increase in inpatient medical services revenue as a result of the increase in the number of inpatient visits while a decrease was recorded in the average spending per visit.

Cost of sales

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

Our cost of sales increased by 4.5% to RMB615.7 million for the year ended 31 December 2023 from RMB589.4 million for the year ended 31 December 2022, primarily due to (i) an increase in pharmaceutical costs of RMB18.9 million for the year ended 31 December 2023 as compared with the year ended 31 December 2022; (ii) an increase in employee benefit expenses of RMB20.0 million for the year ended 31 December 2023 as compared with the year ended 31 December 2022; (iii) an increase in depreciation and amortisation of RMB5.2 million for the year ended 31 December 2023 as compared with the year ended 31 December 2022; and (iv) a decrease in medical consumables costs of RMB14.7 million for the year ended 31 December 2023 as compared with the year ended 31 December 2022.

Gross profit and gross profit margin

Our gross profit increased by 4.6% from RMB138.4 million for the year ended 31 December 2022 to RMB144.8 million for the year ended 31 December 2023 and our gross profit margin for the year ended 31 December 2023 is the same as for the year ended 31 December 2022, both at 19.0%.

Other expenses

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

Administrative expenses

Our administrative expenses consist primarily of employee benefit expenses for administrative personnel, depreciation and amortization, utility fees, maintenance and office expenses and other costs.

Our administrative expenses decreased by 1.3% from RMB73.3 million for the year ended 31 December 2022 to RMB72.4 million for the year ended 31 December 2023, primarily due to an increase in employee benefit expenses of RMB4.5 million, a decrease in office expenses of RMB3.0 million and a decrease in other costs of RMB2.4 million.

Net finance costs

Our net finance costs decreased from a gain of RMB1.5 million for the year ended 31 December 2022 to an expense of RMB6.0 million for the year ended 31 December 2023, due to a decrease in foreign exchange gain during the Reporting Period.

Income tax expense

Our income tax expense decreased by 7.0% to RMB12.7 million for the year ended 31 December 2023 from RMB13.7 million for the year ended 31 December 2022, mainly due to a decrease in our profit before tax.

Profit for the year and net profit margin

For the foregoing reasons, our profit for the period decreased by 21.6% from RMB49.3 million for the year ended 31 December 2022 to RMB38.7 million for the year ended 31 December 2023. Our net profit margin stood at 6.8% and 5.1% for the year ended 31 December 2022 and the year ended 31 December 2023, respectively.

DISCUSSION OF ITEMS IN THE CONSOLIDATED BALANCE SHEET

Net current liabilities

Our net current liabilities increased from RMB44.2 million as at 31 December 2022 to RMB59.7 million as at 31 December 2023. The increase was mainly due to the decrease of RMB15.7 million in trade receivables during the Reporting Period.

Inventories

Our inventories increased by 8.0% from RMB29.5 million as at 31 December 2022 to RMB31.9 million as at 31 December 2023. This was mainly due to the changes in the amount of Chinese New Year reserve inventories.

Trade receivables

Our trade receivables decreased by 33.2% from RMB47.4 million as at 31 December 2022 to RMB31.6 million as at 31 December 2023. This was mainly due to the settlement of receivables from the Healthcare Security Administration and provision for bad and doubtful debt.

Other receivables and prepayments

Our other receivables and prepayments increased from RMB1.2 million as at 31 December 2022 to RMB2.1 million as at 31 December 2023, representing an increase of RMB0.9 million in the balance for the Reporting Period. This was mainly due to an increase in tax to be deducted.

Indebtedness

Our borrowings increased from RMB141.0 million as at 31 December 2022 to RMB176.5 million as at 31 December 2023, representing an increase of RMB35.5 million in the balance for the Reporting Period. This was mainly due to new loans raised during the Reporting Period.

Trade and notes payable

Our trade payables increased from RMB101.9 million as at 31 December 2022 to RMB124.5 million as at 31 December 2023, representing an increase of RMB22.6 million in the balance for the Reporting Period. This was mainly due to the increase in notes payable of RMB30.0 million during the Reporting Period.

Accrued expenses, other payables and provisions

Our accrued expenses and other payables decreased from RMB122.3 million as at 31 December 2022 to RMB99.8 million as at 31 December 2023. This was mainly due to the decrease in advance receipts for medical insurance.

Contingent liabilities

As at 31 December 2023, we had no contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

Lease liabilities

As of 31 December 2023, our lease liabilities in respect of our leased properties amounted to approximately RMB4.2 million.

Liquidity and capital resources

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	91,559	118,472
Net cash used in investing activities	(88,762)	(19,161)
Net cash used in financing activities	(19,116)	(117,848)
	<hr/>	<hr/>
Net decrease in the balance of cash and cash equivalents	(16,319)	(18,537)
	<hr/>	<hr/>

Net cash generated from operating activities

Our net cash generated from operating activities decreased from RMB118.5 million for the year ended 31 December 2022 to RMB91.6 million for the year ended 31 December 2023, mainly due to the decrease in operating profit during the Reporting Period.

Net cash used in investing activities

Our net cash used in investing activities surged from RMB19.2 million for the year ended 31 December 2022 to RMB88.8 million for the year ended 31 December 2023, which was primarily attributed to an increase of RMB89.3 million in payments for renovation of factory and purchases of equipment.

Net cash used in financing activities

Our net cash used in financing activities decreased to RMB19.1 million for the year ended 31 December 2023 from RMB117.8 million for the year ended 31 December 2022. The decrease was mainly due to (i) the new borrowings of RMB183.0 million during the Reporting Period; (ii) the repayment of borrowings and the related interest of RMB147.5 million during the Reporting Period; (iii) the expenditure of RMB45.9 million for purchasing existing shares in light of the 2023 Restricted Share Unit Scheme.

Financial instruments

Our financial instruments include trade receivables, other receivables, cash and cash equivalents, bank borrowings, trade and notes payables and other payables. The Company's management manages and monitors these risks to ensure that effective measures are taken in a timely manner.

Exchange rate fluctuation risk and other risks

We hold certain financial assets in foreign currencies, which primarily involve exposure to exchange rate fluctuations between the HKD and the USD against the RMB, and the Group is therefore exposed to foreign exchange risk.

During the year ended 31 December 2023, we did not use any derivative financial instruments to hedge our exchange rate risk. Our management manages exchange rate risk by closely monitoring movements in foreign exchange rates and considers hedging significant foreign exchange exposure should the need arise.

Gearing ratio

As of 31 December 2023, our gearing ratio (total liabilities divided by total assets) was 43.5% (as of 31 December 2022: 40.7%).

Adoption of 2023 RSU Scheme

The Company has adopted the 2023 RSU Scheme on 9 May 2023 (further details of which are set forth in the Company's announcements dated 9 May 2023). During the Reporting Period, no restricted share units had been awarded under the 2023 RSU Scheme.

USE OF PROCEEDS

In connection with the Company's Global Offering ("**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. Such proceeds were allocated and used in accordance with the use of proceeds set out in the prospectus dated June 24, 2020 and the announcement on the change of use of proceeds from the Global Offering dated August 25, 2023 (the "**Announcement**") of the Company.

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at 31 December 2023 and as at the date of this announcement:

Business objective	Revised use of proceeds as described in the Announcement %	Revised use of proceeds as described in the Announcement HK\$ million	Utilised net proceeds as at 31 December 2023 HK\$ million	Unutilised Net Proceeds as at 31 December 2023 HK\$ million	Expected timeline for Unutilised Net Proceeds
Finance the ramp up of the Company's first-phase building	29.5	78.0	78.0	0.0	By the end of 2021
Expand the Company's business by acquiring hospitals	26.1	69.2	0.0	69.2	By the end of 2025
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	39.8	0.0	By the end of 2023
Working capital and other general corporate purposes	10.0	26.5	26.5	0.0	By June 2021
Purchase medical equipment and improve and upgrade the Company's information technology systems	8.0	21.3	21.3	0.0	By June 2023
Employee recruitment and training	5.0	13.3	13.3	0.0	By June 2023
Construct a postnatal care centre	6.3	16.7	16.7	0.0	By the end of 2023
Total	100	264.8	195.6	69.2	

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

As at 31 December 2023, the net proceeds from the Global Offering not yet utilised were deposited into short-term demand deposits in the Company's account at one of the receiving banks as disclosed in the Prospectus.

PUBLIC FLOAT

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

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

During the year ended 31 December 2023, 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.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code (version up to 1 January 2022) contained in Appendix C1 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2023, save as provisions addressed below, the Company has complied with all the applicable code provisions as set out in the CG Code.

Code provision C.2.1 of the Part 1 of CG 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 OF FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code during Reporting Period.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, Mr. Sun Jigang (Chairman), Mr. Zhao Chun and Mr. Jiang Tianfan. The Group’s consolidated financial statements for the year ended 31 December 2023 have been reviewed by all members of the Audit Committee. The Audit Committee has also discussed the Group’s auditing, internal control and financial reporting matters. Based on such a review, the Audit Committee was of the opinion that the Group’s consolidated financial statements were prepared in accordance with applicable accounting standards.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Company at www.honlivhp.com and the Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>. The 2023 annual report of the Company will be despatched to the Company's shareholders in due course and will also be available at the websites above.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on Friday, 14 June 2024. Shareholders of the Company should refer to the details regarding the AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 10 June 2024 to Friday, 14 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 7 June 2024 (Hong Kong time), being the last registration date.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Board proposes to seek approval from the Shareholders at the AGM for amendments to the existing memorandum and articles of association of the Company (the "Articles") for the purpose of updating and bringing the Articles in line with the amendments to the Listing Rules which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders from December 31, 2023 onwards, as well as other housekeeping changes (the "Proposed Amendments"). The Company will seek approval from the Shareholders at the AGM for the adoption of the amended and restated memorandum and articles of association of the Company incorporating the Proposed Amendments.

The Proposed Amendments and the adoption of the amended and restated memorandum and articles of association of the Company are subject to the approval of the Shareholders by way of special resolution at the AGM. A circular containing, among other things, particulars relating to Proposed Amendments together with a notice convening the AGM will be despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

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 annual results announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

“AGM”	the 2023 annual general meeting of the Company to be held on 14 June 2024
“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 C1 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 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 “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
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	13 July 2020, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 to the Listing Rules
“Reporting Period”	the year ended 31 December 2023
“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
“2023 RSU Scheme”	The restricted share unit scheme adopted by the Board on 9 May 2023
%	per cent

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

Hong Kong, 28 March 2024

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.