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 REPORT 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Qin Yan (秦岩) *(President and Chairman)*
Dr. Teng Qingxiao (滕清曉)
Mr. Wang Zhongtao (王忠濤)

NON-EXECUTIVE DIRECTOR:

Mr. Qin Hongchao (秦紅超)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Zhao Chun (趙淳)
Mr. Sun Jigang (孫冀剛)
Mr. Jiang Tianfan (江天帆)

AUDIT COMMITTEE

Mr. Sun Jigang (孫冀剛) *(Chairman)*
Mr. Zhao Chun (趙淳)
Mr. Jiang Tianfan (江天帆)

REMUNERATION COMMITTEE

Mr. Jiang Tianfan (江天帆) *(Chairman)*
Mr. Zhao Chun (趙淳)
Mr. Sun Jigang (孫冀剛)

NOMINATION COMMITTEE

Mr. Zhao Chun (趙淳) *(Chairman)*
Mr. Sun Jigang (孫冀剛)
Mr. Jiang Tianfan (江天帆)

REGISTERED OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Changyuan County
Henan Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUTHORISED REPRESENTATIVES

Mr. Qin Yan (秦岩)
Ms. Hui Yin Shan (許燕珊)

JOINT COMPANY SECRETARY

Ms. Wang Xiaoyang (王曉陽)
Ms. Hui Yin Shan (許燕珊)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISER

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

COMPLIANCE ADVISER

Central China International Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Shops 1712–1716, 17th Floor,
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Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

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Standard Chartered Bank Building
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Hong Kong

Industrial and Commercial Bank of China Limited,
Changyuan County Branch
111 Gui Ling Avenue
Changyuan County
Xinxiang City
Henan Province
PRC

COMPANY WEBSITE

www.honlivhp.com

STOCK CODE

9906

LISTING DATE

13 July 2020

CHAIRMAN'S STATEMENT

Dear Shareholders,

With the prevention and control of COVID-19 normalised and further refined in operation, social order and economic operation resumed quickly in 2021. The Group, which upholds the tenet of "caring about society and people", made efforts in the prevention and control of COVID-19 and development of principal businesses, with remarkable results achieved in both aspects. The Group, which puts people's health and safety in the first place, strictly complied with the national policies and measures on COVID-19 prevention and control, and actively participated in the provision of healthcare services at isolation points. In addition to offering efficient and accurate nucleic acid testing services in our hospital, the Group also provided door-to-door services to all sectors of society, greatly reducing the pressure of pandemic prevention and control in society. Centring on the development strategy of the Group, our hospital continuously improved its service capability and conducted scientific research based on its actual work to enhance its core competitiveness in 2021, which enables it to see a rapid rise in business volume and achieve its annual operating objectives. On behalf of the Board of Directors, I would like to express my sincere gratitude to all Shareholders for their support, the management, employees and partners for their trust, and all sectors of the society for their assistance.

The Group posted consolidated income of RMB606.8 million for the year ended 31 December 2021, a year-on-year increase of 15.8%. The average cost per hospital stay rose 21.7% from a year earlier to RMB6,645.4. A single outpatient visit cost an average of RMB265.7, up 13.5% from a year earlier. The number of outpatient visits grew 13.6% from 2020 year on year to 1,183,408. Despite a slight decline in the number of hospital stays, both inpatient revenue and admission of critically ill patients saw a significant increase. Around 580,000 nucleic acid tests were conducted, and approximately 140,000 doses of COVID-19 vaccines were administered.

During the Reporting Period, the Group insisted on its development strategy and attached importance to quality, safety, efficiency and cost control, enabling it to achieve high-quality development in benefits and size. Combining our years of operation and management experience, we have established a management system and a consulting platform with our own distinctive characteristics. Our hospital's 10 self-developed information operation and maintenance systems have been recognized as scientific and technological achievements by the Department of Science and Technology of Henan Province (the "**Department**") in 2021. Our hospital's engineering technology research centre for early diagnosis and treatment of digestive tract tumours in Henan has been recognized as a provincial-level engineering technology research centre by the Department in 2021. Our hospital was granted an internet hospital license and undertook a national-level continuing medical education project, which enhanced its core competitiveness. The operation of the first-phase building added more than 50,000 square meters of healthcare area, greatly improving patients' medical experience.

The comprehensive service capability of county-level hospitals has been significantly improved in 2021. The county-level hospitals that have been promoted to tertiary hospitals have become the industry leaders in the region, laying a foundation for the realization of the goal of hierarchical diagnosis and treatment. County-level medical care is gaining a new vitality. In the meantime, higher requirements were put forward for the standardized management and development of the hospital. The Group sized up the situation, adapted to the times and made an active response, with a view to building the brand of Honliv Healthcare.

CHAIRMAN'S STATEMENT

In the future, under the framework of strategic goals, we will tap the potential internally to improve the quality and expand the market externally to increase our size. A series of measures to improve quality, increase efficiency and reduce costs have been taken to expand market share, improve healthcare safety, and boost profitability. We will further implement and expand the functions of Internet plus healthcare services. We aim to achieve the goal of providing safe, efficient and quality healthcare services for more patients, thereby promoting the realization of the target of universal health coverage.

Honliv Healthcare Management Group Company Limited
Mr. Qin Yan
President and Chairman

28 March 2022

MARKET OVERVIEW AND OUTLOOK

In 2021, medical institutions focused their development and operations on two key areas: their principal medical businesses, and COVID-19 prevention and control. The normalisation of COVID-19 prevention and control measures has reshaped the diagnostic process and treatment practices of medical institutions. Medical institutions with standardised management, safe and secure environment and reliable technology have made remarkable achievements in both pandemic prevention and control, and their business development. Patients' strong need for quality healthcare has also become a new impetus for the development of county-level medical institutions.

In 2021, China released various policies on COVID-19 prevention and control and the principal businesses of medical institutions. New requirements have been placed on medical institutions:

1. Formulation and implementation of healthcare standards: Higher standards were put forward for the healthy and standardised development of medical and health institutions.

2. COVID-19 prevention and control: In view of the characteristics of the transmission and onset of COVID-19, China has formulated various prevention and control measures in a timely manner. The implementation of the policies is challenging for medical institutions and medical staff.

3. Medical insurance: In 2021, with the reform on medical insurance payment methods, the Three-year Action Plan on DRG/DIP Payment (《DRG/DIP支付方式改革三年行動計劃》) opened a new chapter for medical insurance payment.

4. Pharmaceuticals: In 2021, centralised procurement policies of drugs and medical consumables drive medical institutions to improve medical technologies and enhance their core competitiveness.

5. Hospitals: In 2021, medical institutions focused on both the growth of their principal businesses and COVID-19 prevention and control. They bore heavy responsibilities in preventing overseas-imported cases and repeated outbreaks in China. Greater demands were placed on hospitals to ensure medical safety. As stated in the Opinions of the CPC Central Committee and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization (《中共中央國務院關於全面推進鄉村振興加快農業農村現代化的意見》) promulgated in January 2021, efforts will be stepped up to build tightly-knit medical communities and implement total budget management for medical insurance. Efforts will also be made to build a modern county-level health management system, and cultivate and expand quality health resources in the future. The COVID-19 pandemic has accelerated the reform on the healthcare system. The synergy between prevention and treatment will be strengthened.

In 2021, our Group firmly seized the development opportunities under the circumstances to continuously strengthen our internal systems and controls, increase the number of service items, improve our service capability, and expand our business scale, in demonstration of our shared sense of responsibility in the year when the pandemic continued to rage. In the future, we will strive to optimise our management system and standardise our operations. Under our management's professional leadership, all specialisations will advance together, make full use of the development of smart hospitals and take a solid step towards conglomerate operation.

BUSINESS REVIEW

Our revenue for the year ended 31 December 2021 amounted to RMB606.8 million, representing an increase of RMB82.8 million or 15.8% compared to the revenue of RMB524.0 million for the year ended 31 December 2020. This was mainly due to the increase in revenues generated from treatment and general medical services and pharmaceutical sales. This was mainly because the healthcare needs of patients have been met following the restoration of the normal diagnosis and treatment order. Further, our first-phase building, which has come into use, has expanded the business area of our hospital, improved the medical treatment experience of patients, added new diagnoses, treatment subjects and items to our hospital, and enhanced our service capability. The number of visits has risen significantly. The increase in consolidated revenue for the year ended 2021 shows the Company's strong ability to resist risks.

Hospital Services

Henan Honliv Hospital provides hospital services on behalf of the Group. The following table sets out certain key operating figures of our hospital services for the periods indicated:

	Year ended 31 December		
	2021	2020	Change %
Outpatient visits	**1,183,408**	1,041,526	13.6
Average spending per outpatient visit *(RMB)*	**265.7**	234.1	13.5
Inpatient visits	**43,973**	51,059	(13.9)
Average spending per inpatient visit *(RMB)*	**6,645.4**	5,458.7	21.7
Number of beds in operation as of the end of the relevant period	**1,500**	1,500	0.0
Average length of stay per inpatient visit *(days)*	**10.6**	9.2	15.2
Number of surgeries	**11,240**	11,089	1.4

In 2021, with normalised pandemic prevention and control measures, we not only ensured the normal development of our diagnosis and treatment business, but also actively sought breakthroughs in our operations under the new situation. We made achievements in specialty development, including:

i) Our first-phase building was put into use in 2021;

ii) We obtained official approval for an internet hospital in June 2021;

iii) Our radiotherapy oncology centre was officially opened in 2021;

iv) We opened independent wards for the oncology department;

v) The hospital not only undertook nucleic acid testing within the hospital, but also mass nucleic acid sampling and testing in the community in 2021. A total of 579,000 nucleic acid tests were conducted in 2021, with 66.2% conducted in the hospital and 33.8% conducted in the community respectively.

vi) We administered 136,800 doses of COVID-19 vaccines in 2021.

We also place strong emphasis on our academic research:

(1) Ten of our information systems, including our "Patient Risk Management System", have been recognised as scientific and technological achievements by the Department of Science and Technology of Henan Province;

(2) Our hospital's Henan Engineering Technology Research Centre for Early Diagnosis and Treatment of Digestive Tract Tumours was directly identified as the Engineering Technology Research Centre of Henan Province in 2021 by the Department of Science and Technology of Henan Province;

(3) We undertook the construction and development of smart nursing in hospitals as part of the national continuing medical education project;

As of 31 December 2021, our top ten departments contributed to 57.6% of our revenue. The composition of our departments remained basically unchanged.

In 2021, our major revenue-driven strategies for hospital services are as follows:

(i) Equal importance was attached to the pandemic prevention and control and our principal businesses. We carried out new technical projects according to the anti-pandemic needs;

(ii) We enhanced the development of comprehensive medical services, with the aim to improve the medical treatment experience and satisfaction, and healthcare safety and quality for patients;

(iii) We expanded our business area and optimisation of the medical environment. Our first-phase building was officially put into use;

(iv) We constantly developed new businesses and technologies. We added the radiotherapy department. We also introduced new technologies, including radio-frequency ablation to be applied clinically;

(v) We expanded our service scope. We built a smart hospital to provide patients with convenient online healthcare services and home nursing services.

Hospital Management Services

We terminated our partnership with Jutan Hospital in earlier 2021 due to operational changes. Although the cooperation has ended, we have accumulated experience in the operation process as a guide for subsequent business expansion. As of the date of this Annual Report, we are negotiating with Jutan Hospital on the outstanding management fees payable.

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

As of the date of this Annual Report, we do not have any other management arrangements with third-party hospitals. We will continuously seek opportunities to expand our hospital management services.

Pharmaceutical Services

Our pharmaceutical sales mainly come from the direct sales of drugs to patients, and the revenue from pharmaceutical sales during the Reporting Period is RMB214.5 million (for the year ended 31 December 2020: RMB177.8 million), representing a year-on-year increase of 20.6%. The increase is largely due to increase in the number of outpatients and drug demand for outpatient services as well as the proportion of inpatients with severe illness in 2021.

Impact of and response to COVID-19

In 2021, with the normalisation of pandemic prevention and control measures, the Group placed equal emphasis on the pandemic prevention and control and its principal businesses in terms of operation. It actively shouldered social responsibilities in carrying out nucleic acid testing and COVID-19 vaccination, ensuring the implementation of pandemic prevention and control measures. The Directors will continuously assess the impact of the COVID-19 outbreak on our operating and financial performance and actively seek growth opportunities. The Directors believe that the adverse impact caused by the pandemic on our operations and finance is temporary and would not result in a material adverse effect on our continuing operations and sustainability. In the long run, we will promote further standardisation of hospital management with mature prevention and control measures against the pandemic.

The above analysis is conducted by the management based on the currently available information on the COVID-19 pandemic. However, our management cannot ensure that the COVID-19 pandemic will not cause or have a material adverse effect on our operating results in the future.

FUTURE OUTLOOK

In 2022, under the framework of strategic objectives, we will tap the potential to improve quality internally, and expand the market to enlarge our scale. By a series of measures such as improving quality and efficiency and reducing costs, we will improve medical safety, enhance profitability and expand our market share. With the advantages of disciplines, the discipline cluster can be developed and promote the balanced development of other disciplines. We will further implement and expand our capabilities to provide internet medical services. We will achieve the goal of providing quality and efficient medical care to more patients, thereby contributing to public health.

FINANCIAL REVIEW

Revenues and Costs

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 periods indicated:

	Year ended 31 December			
	2021		2020	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Treatments and general healthcare services	**392,356**	**64.7%**	344,630	65.8%
Pharmaceutical sales	**214,481**	**35.3%**	177,830	33.9%
Hospital management services	**–**	**–**	1,583	0.3%
Total	**606,837**	**100.00%**	524,043	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated from the operation of Henan Honliv Hospital accounts for 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 periods indicated:

	Year ended 31 December			
	2021		2020	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Outpatient healthcare services	**314,439**	**51.8%**	243,860	46.5%
Inpatient healthcare services	**292,398**	**48.2%**	278,600	53.2%
Total	**606,837**	**100%**	522,460	99.7%

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:

	Year ended 31 December	
	2021	2020
Outpatient visits	**1,183,408**	1,041,526
Average spending per outpatient visit *(RMB)*	**265.7**	234.1
Inpatient visits	**43,973**	51,059
Average spending per inpatient visit *(RMB)*	**6,645.4**	5,458.7
Number of beds in operation as of the end of the relevant period	**1,500**	1,500

Our revenue rose by 15.8% from RMB524.0 million for the year ended 31 December 2020 to RMB606.8 million for the year ended 31 December 2021, primarily due to an increase in the revenue generated from treatments and general hospital services and pharmaceutical sales owing to the increase in the number of patient visits and improvements in technology.

Our revenue from treatments and general healthcare services and pharmaceutical sales in aggregate grew by 16.1% from RMB522.5 million for the year ended 31 December 2020 to RMB606.8 million for the year ended 31 December 2021. The growth was largely because of an increase in the average spending per patient visit due to a rise in the number of outpatient visits and the number of critically ill patients.

Our revenue from outpatient healthcare services went up by 28.9% from RMB243.9 million for the year ended 31 December 2020 to RMB314.4 million for the year ended 31 December 2021, primarily due to an increase in the number of outpatient visits because of increased public health awareness amid the COVID-19 pandemic and the inclusion of the costs for COVID-19 detection into outpatient revenue.

Our revenue from inpatient healthcare services increased by 5.0% from RMB278.6 million for the year ended 31 December 2020 to RMB292.4 million for the year ended 31 December 2021, primarily due to an increase in the average spending per inpatient visit because of a rise in the number of critically ill patients with the implementation of graded diagnosis and treatment measures and under the impact of pandemic prevention and control.

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 22.0% from RMB386.5 million for the year ended 31 December 2020 to RMB471.5 million for the year ended 31 December 2021, mainly due to (i) a year-on-year increase of RMB33.6 million in the cost of pharmaceuticals during the year ended 31 December 2021; (ii) a year-on-year increase of RMB19.5 million in the cost of medical consumables during the year ended 31 December 2021; and (iii) a year-on-year rise of RMB19.6 million in the labour cost; and (iv) a year-on-year growth of RMB10.1 million in the expenses on utilities, maintenance and offices, and depreciation and amortization.

Gross Profit and Gross Profit Margin

Our gross profit fell by 1.7% from RMB137.6 million for the year ended 31 December 2020 to RMB135.3 million for the year ended 31 December 2021, and our gross profit margin shrank from 26.3% for the year ended 31 December 2020 to 22.3% for the year ended 31 December 2021. The decline in gross profit and gross profit margin was mainly due to an increase in the cost of sales as a result of the rise in the cost of pharmaceuticals and labour cost, the growth in the operating cost from relevant consumables and utilities following the operation of the first-phase building, as well as the increase in the cost of depreciation during the Reporting Period.

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, expenses in relation to the Listing and other expenses.

Our administrative expenses fell by 3.7% from RMB71.2 million for the year ended 31 December 2020 to RMB68.5 million for the year ended 31 December 2021, primarily due to a reduction in expenses in relation to the Listing.

Net Finance Cost

Our net finance costs dropped by 48.5% from RMB31.1 million for the year ended 31 December 2020 to RMB16.0 million for the year ended 31 December 2021, primarily due to a decrease in the interest expense as a result of the repayment of some borrowings during the year and the decrease of exchange losses during the Reporting Period.

Income Tax Expense

Our income tax expense jumped by 56.1% from RMB8.7 million for the year ended 31 December 2020 to RMB13.5 million for the year ended 31 December 2021, primarily due to an increase in our profit before tax.

Profit for the Year and Net Profit Margin

For the foregoing reasons, our profit grew by 66.8% from RMB22.2 million for the year ended 31 December 2020 to RMB37.0 million for the year ended 31 December 2021. Our net profit margin stood at 6.1% for the year ended 31 December 2021, versus 4.2% for the year ended 31 December 2020.

Funds and Financing

We adopt a prudent treasury management policy to maintain a solid and healthy financial position. The Group funds its operations principally from cash generated from its operations and bank facilities. Its cash requirements relate primarily to operating activities, repayment of liabilities as they become due, capital expenditures and interest payments.

As at 31 December 2021, the Group's consolidated cash and cash equivalents totalled approximately RMB263.6 million (31 December 2020: RMB302.5 million) which were denominated mainly in RMB. The Company had bank loan facilities of RMB187.0 million in 2021 and obtained loan facilities from two banks with an amount of RMB200.0 million on 16 March 2022 and 17 March 2022. Application of one year loan drawdown can be made under these facilities until 16 March 2023 and 17 March 2023 subject to the approval and conditions imposed by the banks. As at the date of this report, the Group has not used these loan facilities.

As at 31 December 2021, the Group had interest-bearing bank loans of RMB187.0 million (31 December 2020: RMB212.9 million). All bank loans of the Group bear interest at floating rates and will become due within one year.

As at 31 December 2021, on the basis of total interest-bearing liabilities divided by total assets, the Group's gearing ratio was 19.4% (2020: 25.4%).

Net Current Liabilities

Our net current liabilities decreased from RMB88.2 million as at 31 December 2020 to RMB65.4 million as at 31 December 2021. This was largely because of the cash inflows generated from operating activities.

Inventories

Our inventories rose by 31.1% from RMB20.7 million as at 31 December 2020 to RMB27.1 million as at 31 December 2021. This was primarily due to changes in the inventories reserved for the Spring Festival.

Trade Receivables

Our trade receivables climbed by 81.0% from RMB19.1 million as at 31 December 2020 to RMB34.5 million as at 31 December 2021, largely because of an increase in the revenue for the year ended 31 December 2021.

Other Receivables and Prepayments

Our other receivables and prepayments dropped from RMB4.4 million as at 31 December 2020 to RMB1.9 million as at 31 December 2021. The balance during the Reporting Period decreased by RMB2.5 million. The reason is due to the decrease of prepayments of utilities expenses and consulting expenses.

Indebtedness

Our borrowings dropped from RMB246.8 million as at 31 December 2020 to RMB187.0 million as at 31 December 2021. The balance during the Reporting Period fell by RMB59.8 million. This was mainly because we repaid part of the loans during the Reporting Period.

Trade and Notes Payables

Our trade payables went up from RMB95.5 million as at 31 December 2020 to RMB106.1 million as at 31 December 2021. The balance during the Reporting Period increased by RMB10.6 million. This was mainly due to the fact that we had higher trade payables during the Reporting Period caused by an increase in purchases.

Accruals, Other Payables and Provisions

Our accruals and other payables increased from RMB90.1 million as at 31 December 2020 to RMB92.3 million as at 31 December 2021, primarily due to a growth in consultation fees prepaid by patients and a rise in payroll payables.

Contingent Liabilities

As at 31 December 2021, we had no significant contingent liabilities that would have a material impact on the financial position or operation of the Group.

Lease Liabilities

As at 31 December 2021, our lease liabilities in respect of our leased properties amounted to approximately RMB1.5 million.

Liquidity and Capital Resources

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net cash generated from operating activities	**91,444**	74,614
Net cash used in investing activities	**(50,461)**	(80,062)
Net cash (used in)/generated from financing activities	**(76,872)**	215,156
Net (decrease)/increase in balance of cash and cash equivalents	**(35,889)**	209,708

Net Cash Generated from Operating Activities

Our net cash generated from operating activities rose from RMB74.6 million for the year ended 31 December 2020 to RMB91.4 million for the year ended 31 December 2021, which was primarily attributed to an increase in cash flows from operating activities due to a growth in the operating profit for the current period.

Net Cash Used in Investing Activities

Our net cash used in investing activities dropped from RMB80.1 million for the year ended 31 December 2020 to RMB50.5 million for the year ended 31 December 2021, which was primarily attributed to a decrease in payments for purchases of properties, plants and equipment.

Net Cash (Used in)/Generated from Financing Activities

Our net cash used in financing activities for the year ended 31 December 2021 was RMB76.9 million, versus net cash generated from financing activities of RMB215.2 million for the year ended 31 December 2020. The cash used in financing activities in 2021 was mainly due to the repayment of borrowings of RMB246.8 million. The cash generated from financing activities during the year ended 31 December 2020 was mainly due to the issuance of shares from global offering.

Financial Instruments

Our financial instruments consist of trade receivables, other receivables, cash and cash equivalents, bank borrowings, trade payables and other payables. The management of the Company manages and monitors these exposures to ensure that effective measures are implemented in a timely manner.

Exposure to Fluctuation in Exchange Rates and Other Risks

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 year ended 31 December 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 at 31 December 2021, our liability-to-asset ratio (total liabilities divided by total assets) was 41.1% (as at 31 December 2020: 45.5%).

CHARGES ON GROUP ASSETS

As of 31 December 2021, details of the pledge of assets to secure bank loans granted to the Group are set out in notes 12 and 14.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSALS

The Group did not make any material acquisitions or disposals of subsidiaries, associated companies or joint ventures and significant investment during the year ended 31 December 2021.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the interim report of the Company dated 23 August 2021, this annual report and other announcements published by the Company, up to the date of this annual report, the Group does not have other plans for material investments or capital assets as at the date of this annual report.

SUBSEQUENT EVENTS

As of the date of this annual report, there were no major events subsequent to the year ended 31 December 2021.

LITIGATION

The Group was not involved in any material legal proceeding during the year ended 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 1,719 full-time employees (31 December 2020: 1,586). For FY2021, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB173 million (FY2020: RMB152 million).

The Group ensured that the remuneration packages of employees remain competitive and the remuneration level of its employees was determined on the basis of performance with reference to the profitability of the Group, industry remuneration standards and market conditions within the general framework of the Group's remuneration system.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at 31 December 2021:

Business objective as stated in the Prospectus	Percentage to total amount	Net proceeds *(HK$ million)*	Utilised proceeds as at 31 December 2021 *(HK$ million)*	Unutilised proceeds as at 31 December 2021 *(HK$ million)*	Expected timeline for unutilized amount *(Note)*
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 2023
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	12.2	27.6	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
Develop the Company's pharmaceutical supply chain business	6.3%	16.7	0.0	16.7	By the end of 2023
Employee recruitment and training	5.0%	13.3	13.3	0.0	By June 2023
	100%	**264.8**	**151.3**	**113.5**	

Note:

The timeline is based on the Company's estimation of its business needs as of the date of this Annual Report and is subject to change so long as it is deemed to be in the best interests of the Company and to the extent permitted by applicable laws and regulations.

As at 31 December 2021, the net proceeds from the Global Offering not yet utilized were deposited into demand deposits in the Company's account at one of the receiving financial institutions as disclosed in the Prospectus.

REPORT OF DIRECTORS

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is mainly engaged in providing comprehensive medical services and pharmaceutical services in Mainland China.

BUSINESS REVIEW

A fair review of the business of the Group and a description of the principal risks and uncertainties facing the Group, as well as the business outlook of the Group are provided in the section headed "Management Discussion and Analysis" of this annual report. Relevant discussions form part of this Directors' Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to achieving a high level of ESG performance. It strives to improve its sustainable development capabilities so as to fulfil its corporate social responsibilities while protecting the interests of Shareholders and investors.

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other relevant laws and regulations. A special treatment process has been established for the four main types of emissions and discharges and wastes (medical waste, medical wastewater, waste gas and domestic waste) generated during operation. During the year, the Company was not subject to any administrative penalties or related litigation in relation to environmental pollution.

As a healthcare service provider, the Group is dedicated to providing high-quality medical services and delivering good medical experience to patients. The management system has been formulated and improved to protect the legitimate rights and interests of patients and medical staff. In the prevention and control of COVID-19, all control measures released by health authorities have been strictly implemented to prevent imported cases and domestic resurgence. In addition to offering nucleic acid testing services in the hospital, it also provided door-to-door nucleic acid testing services to communities and plants, as well as COVID-19 vaccination services to society, which greatly relieves the pressure of pandemic prevention and control and ensures the health and safety of the general public.

Disclosure related to the Group's environmental policies and performance and relationships with major stakeholders are included in the Environmental, Social and Governance Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Directors' belief, as at the date of this Directors' Report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operating in a sustainable manner while striking a balance between the interests of its stakeholders including substantial shareholders, employees, patients, customers, suppliers and communities. An account of the Group's relationship with our substantial shareholders is included in the paragraphs headed —"Directors' and Chief Executives' Interest and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporation" and "Interest of Substantial Shareholders and Other Persons in Shares and Underlying Shares" in this section of this annual report.

The Group considers its employees as the key to the sustainable and healthy growth of its business. We are committed to providing all employees with a safe and harassment-free working environment with equal opportunities in relation to employment, remuneration, training and learning, personal career development and academic research. This commitment is reflected in our corporate social responsibility policy and employment policy. The Group attaches great importance to workplace safety and all employees are required to receive necessary safety training with due awareness of safety matters. The Group adopts a high standard of health and safety measures in all company activities. We have in place a fair and effective performance appraisal system and reward outstanding employees and encourage employees at all levels to play to their strengths and potential so as to achieve business targets. For continuous development, we adopt various measures and policies to attract best talents and formulate training programmes suitable for personal development of talents with different levels and academic backgrounds to help them improve academic standards and leadership and management skills. Good communication is essential for cooperation and mutual trust between management and employees. The Group holds regular academic meetings and seminars to share its latest developments with employees and obtain their feedbacks and suggestions so as to achieve continuous improvement. The Group also regularly organises compliance training sessions and has built its own unique culture of compliance, which ensures its healthy development.

As a patient-oriented healthcare service provider, we consider patients as one of the most important stakeholders. We spare no effort to serve our patients and continually improve our standards of services to satisfy individual needs of patients. The Group has also used various new media platforms as an effective communication channel with its patients, allowing them to quickly obtain their personal information and hospital development information through various channels and help it collect their opinions and suggestions for improvement.

The Group abides by the strictest professional ethics and professional codes of conduct when cooperating with suppliers. The Group has formulated purchasing policies and principles that are in line with its actual conditions, as well as a supplier code of conduct to facilitate a common means whereby we all comply with regulations governing labour, health and safety, and the environment. In order to more effectively and closely monitor suppliers' performance, our procurement department reviews the performance of our major suppliers on an annual basis and will ask underperforming suppliers to make rectification until the termination of cooperation.

The Group believes that the community is one of our most important stakeholders and it is our incumbent duty to be responsible to the community. We have feasible measures on community environmental protection, health education, health improvements for women and children, and safeguards of the interests of vulnerable groups, and follow the measures to the strictest extent possible, thereby creating a good corporate image in the community.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 46 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

DIVIDEND POLICY

According to the dividend policy of the Group, the Company will declare dividends to Shareholders in compliance with applicable rules and regulations (including the Cayman Islands laws) and the Company's Memorandum and Articles of Association. The payment and the amount of any dividends will be at the discretion of the Directors and will depend upon the Company's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors deem relevant. Subject to those factors and the Company's Memorandum and Articles of Association, we expect that the profit to be distributed in cash each year will be up to 30% of the distributable profit in our consolidated financial statements for that year.

Future dividend payments will also depend upon the availability of dividends received from the operating subsidiaries of the Company in the PRC. PRC laws require that dividends can be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require the Company's subsidiaries in the PRC to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Company's operating subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that the Company or its subsidiaries may enter into in the future.

The relevant dividend policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

SHARE CAPITAL

Details of the movements in the share capital of the Group for the year ended 31 December 2021 are set out in note 23 to the consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 49 of this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands (as amended), and subject to the provisions of the Company's Memorandum and Articles of Association, the share premium of the Company is available for paying distributions or dividends to Shareholders, provided that immediately following the payment of distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

REPORT OF DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2021 are set out in note 12 to the consolidated financial statements in this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years/period is set out on page 101 of this annual report. This summary does not form part of the audited financial statements.

BORROWINGS

Details of the borrowings of the Group for the year ended 31 December 2021 are set out in note 29 to the consolidated financial statements in the annual report.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue from the Group's five largest customers in aggregate accounted for less than 1.0% (2020: less than 1.0%) of the total revenue for the year ended 31 December 2021.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 51.0% (2020: 50.8%) of the total purchases for the year ended 31 December 2021, and purchases from the largest supplier accounted for approximately 28.1% (2020: 22.5%) of the total purchases for the year ended 31 December 2021.

To the best knowledge of the Directors, neither the Directors nor any of their close associates (as defined in the Listing Rules) or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital), had any direct or indirect interest in the five largest customers or the five largest suppliers of the Group during the year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

Pursuant to the Memorandum and Articles of Association and subject to the applicable laws and regulations, every Director and other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director and other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Such permitted indemnity provision has been in force for the the year ended 31 December 2021. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors

Mr. Qin Yan *(President and Chairman)*
Dr. Teng Qingxiao
Mr. Wang Zhongtao

Non-executive Director

Mr. Qin Hongchao

Independent Non-executive Directors

Mr. Zhao Chun
Mr. Sun Jigang
Mr. Jiang Tianfan

Except for Qin Yan and Qin Hongchao who are brothers, none of the other Directors has relationships with one another.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out under the section headed "Directors and Senior Management" on pages 28 to 31 of this annual report.

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

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for an initial term of three years commencing from the Listing Date.

The non-executive Director, and each of the independent non-executive Directors entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date.

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of the scheme are set in the paragraph headed "— Share Option Scheme" in this section.

Details of the remuneration of the Directors and the five highest paid individuals in the Group are set out in notes 36 and 7 to the consolidated financial statements in this annual report.

For the year ended 31 December 2021, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the Directors has waived or agreed to waive any emoluments for the year ended 31 December 2021.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2021, by the Group to or on behalf of any of the Directors.

RETIREMENT BENEFITS SCHEME

All of our employees are in PRC and they are members of the state-managed retirement benefits scheme operated by the PRC government. Our employees are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. Details of the pension obligations of the Company are set out in Note 7 to the consolidated financial statements in this annual report.

INDEPENDENCE CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company believes that all of the independent nonexecutive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of 31 December 2021, none of the Directors or their respective close associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

RE-ELECTION OF DIRECTORS

Pursuant to the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Directors shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

At every annual general meeting of our Company one-third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

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

Long Position in Shares of the Company

As of 31 December 2021, the interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) The Company

Nature of Director	Long/Short Positions	Nature/Capacity of Interest	Number of shares/ underlying shares held	Percentage of Shareholding[(1)]
Mr. Qin Yan	Long position	Interest in a controlled corporation[(2)]	310,788,450	51.80%
	Long position	Interest held jointly with another person[(4)]	133,195,050	22.20%
Mr. Qin Hongchao	Long position	Interest in a controlled corporation[(3)]	133,195,050	22.20%
	Long position	Interest held jointly with another person[(4)]	310,788,450	51.80%

(ii) Associated Corporation (within the meaning of the SFO)

Name of Director	Name of Associated Corporation	Nature/Capacity of Interest	Class of shares in which interested	Number of shares held	Percentage of Shareholding[(5)]
Mr. Qin Yan	Sunny Rock Capital Limited	Beneficial Owner[(2)]	Ordinary	1	100%

Notes:

(1) As at the date of this annual report, the Company issued 600,000,000 Shares.

(2) Sunny Rock, a company wholly-owned by Mr. Qin Yan, holds 310,788,450 Shares of the Company. Accordingly, Mr. Qin Yan is deemed to be interested in such shares held by Sunny Rock by virtue of Part XV of the SFO.

(3) Rubrical Investment, a company wholly-owned by Mr. Qin Hongchao, holds 133,195,050 Shares of the Company. Accordingly, Mr. Qin Hongchao is deemed to be interested in such shares held by Rubrical Investment by virtue of Part XV of the SFO.

(4) Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock, and Rubrical Investment are concert parties under the Concert Party Agreement. Therefore, under the SFO, each of Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock, and Rubrical Investment is deemed to be interested in the aggregate equity interests of all the concert parties.

(5) As at the date of this annual report, Sunny Rock issued 1 share.

Save as disclosed above, as of 31 December 2021, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

To the best knowledge of the Directors, as of 31 December 2021, the following persons (other than Directors or chief executives of the Company), are directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Long/Short Positions	Nature/Capacity of Interest	Number of Shares	Percentage of Shareholding(1)
Cao Jinming	Long Position	Interest of spouse(2)	443,983,500	74.00%
Rubrical Investment	Long Position	Beneficial owner	133,195,050	22.20%
	Long Position	Parties acting in concert/Interest in controlled corporations(4)	310,788,450	51.80%
Sun Mingyan	Long Position	Interest of spouse(3)	443,983,500	74.00%
Sunny Rock	Long Position	Beneficial owner	310,788,450	51.80%
	Long Position	Parties acting in concert/Interest in controlled corporations	133,195,050	22.20%
HWABAO TRUST CO., LTD	Long Position	Trustee	50,888,000	8.48%
HWABAO OVERSEAS INVESTMENT SERIES 2 NO 42-16 QDII SINGLE MONEY TRUST	Long Position	Trustee	50,888,000	8.48%
Changyuan City Investment Group Co., Ltd.*	Long Position	Beneficial owner	50,888,000	8.48%

Notes:

(1) As at the date of this annual report, the Company issued 600,000,000 Shares.

(2) Ms. Cao Jinming is the spouse of Mr. Qin Hongchao, and is deemed to be interested in the same number of Shares by virtue of the SFO.

(3) Ms. Sun Mingyan is the spouse of Mr. Qin Yan, and is deemed to be interested in the same number of Shares by virtue of the SFO.

(4) Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock, and Rubrical Investment are concert parties under the Concert Party Agreement. Therefore, under the SFO, each of Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock, and Rubrical Investment is deemed to be interested in the aggregate equity interests of all the concert parties.

* *English translation is for identification purpose only.*

Save as disclosed above, as at the date of this annual report, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register which is required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As of the year ended 31 December 2021, no right to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate has been granted to Directors or their respective spouse or children under the age of 18, and none of any such right has been exercised by them; and none of the Company and any of its subsidiaries has been a party to any arrangement to enable the Directors, or their respective spouse or children under the age of 18, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors or any related entities of the Directors had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company's holding company, or any of the Company's subsidiaries or fellow subsidiaries was a party as of 31 December 2021.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No Controlling Shareholder or its subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party as of 31 December 2021.

MANAGEMENT CONTRACTS

Other than the service contracts and appointment letters of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to undertake management or administration of the whole or any substantial part of any business of the Company as of 31 December 2021.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules and the CG Code on 13 July 2020. Its primary duties include reviewing and supervising financial reporting procedures, including proposing on appointing or changing the external auditors; supervising the Company's internal audit system and risk management system and their implementation; facilitating communication between the internal auditors and external auditors; auditing the financial information and its disclosure; reviewing the Company's internal control system and auditing significant connected transactions; nominating the heads of the internal audit department; and other matters that the Board has authorised it to deal with.

As at 31 December 2021 and up to the publication date of this annual report, the audit committee comprises three independent non-executive Directors (Mr. Sun Jigang, Mr. Zhao Chun and Mr. Jiang Tianfan).

Remuneration Committee

The Company established the remuneration committee in accordance with Rule 3.25 of the Listing Rules and the CG Code on 13 July 2020. Its primary duties include formulating the criteria for and conducting assessment on our Directors and senior management as well as determining and reviewing the remuneration policies and plans for our Directors and senior management; reviewing the performance of our Directors and senior management and conducting annual assessment on their performance and results; supervising the implementation of the remuneration policies of the Company; and other matters that the Board has authorised it to deal with.

As at 31 December 2021 and up to the publication date of this annual report, the remuneration committee comprises three independent non-executive Directors (Mr. Jiang Tianfan, Mr. Sun Jigang and Mr. Zhao Chun).

Nomination Committee

The Company established the nomination committee in accordance with Rule 3.25 of the Listing Rules and the CG Code on 13 July 2020. Its primary duties include preparing the procedures and criteria for determining candidates of the Directors and general managers of the Company; reviewing the procedures and criteria for determining candidates for the Directors and general managers of the Company and making proposals to the Board; looking widely for the qualified candidates for the directors and general managers; reviewing and making proposals on the candidates for the directors and managers; reviewing and making proposals on the candidates for the other senior management on which the Board needs to resolve; and other matters that the Board has authorised it to deal with.

As at 31 December 2021 and up to the publication date of this annual report, the nomination committee comprises three independent non-executive Directors (Mr. Zhao Chun, Mr. Jiang Tianfan and Mr. Sun Jigang).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors.

Having made specific enquiry, all Directors confirmed that they have complied with the required requirements as set out in the Model Code throughout the period from the Listing Date to 31 December 2021.

DEED OF NON-COMPETITION

The Controlling Shareholders, Henan Honliv Group and Mr. Qin Zili entered into the Deed of Non-competition in favour of the Company, pursuant to which they have irrevocably given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders — Non-competition Undertakings" in the Prospectus.

During the year ended 31 December 2021, no written notice of any New Business Opportunity (as defined in the Deed of Non-competition) had been received by the Company. Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock Capital Limited, Rubrical Investment Limited, Henan Honliv Group and Mr. Qin Zili confirmed that they have complied with the Deed of Non-competition for the year ended 31 December 2021 (the "Confirmation"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the parties therein of the non-competition undertakings in the Deed of Non-competition given by them.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT OT THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on Friday, 17 June 2022. 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 Tuesday, 14 June 2022 to Friday, 17 June 2022, 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 Monday, 13 June 2022 (Hong Kong time), being the last registration date.

CODE ON CORPORATE GOVERNANCE PRACTICES

The full text of the corporate governance report is set out on pages 32 to 40 of this annual report.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information publicly available and to the best of the Board's knowledge, information and belief, the Company has always maintained sufficient public float as of the date of this annual report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

RELATED PARTY TRANSACTIONS

The Group has no non-exempt continuing connected transactions for the year ended 31 December 2021. Details of related party transactions of the Group undertaken in the ordinary course of business are set out in Note 33 to the consolidated financial statements. None of these related party transactions is required to be disclosed under Chapter 14A of the Listing Rules.

AUDITOR

The independent auditor of the Company for the year ended 31 December 2021 is PricewaterhouseCoopers. The total fees for the Company's external auditor are RMB2.23 million.

By Order of the Board,
Mr. Qin Yan
Chairman

Hong Kong, 28 March 2022

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of three executive Directors, one non-executive Director and three independent non-executive Directors.

BOARD OF DIRECTORS

Executive Directors

Mr. Qin Yan (秦岩), aged 34, is an executive Director, the chairman of the Board, and the president of the Company, mainly responsible for overall strategic planning and business development of the Group. Mr. Qin Yan has over 12 years of experience in corporate management. In June 2007, Mr. Qin Yan joined Henan Honliv Hospital as an associate office manager and participated in the management of Henan Honliv Hospital and stayed in this position. Since April 2014, Mr. Qin Yan has served as a supervisor of Henan Honliv Hospital, mainly responsible for supervising the business conduct of the directors and senior management.

Mr. Qin Yan obtained a master's degree in philosophy from the University of Cambridge in the United Kingdom in October 2014.

Mr. Qin Yan has served as the legal representative of Honliv Yishenghuo since September 2014.

Mr. Qin Yan is the younger brother of Mr. Qin Hongchao and cousin of Ms. Wang Xiaoyang.

Dr. Teng Qingxiao (滕清曉), aged 56, is an executive Director, the Chief Operating Officer, and a senior vice president of the Company, mainly responsible for hospital healthcare management and human resources of the Group and currently serve as the president of Henan Honliv Hospital. Dr. Teng joined the Group in June 2007. On the administration front, he served as the deputy director and director of the department of otolaryngology in Henan Honliv Hospital from June 2007 to November 2010. Dr. Teng then served as the deputy president of Henan Honliv Hospital from December 2010 to May 2013, mainly responsible for assisting the president in the management of the hospital. In May 2013, Dr. Teng became the president of Henan Honliv Hospital and since then has been presiding over all aspects of hospital management, in particular finance, promotion and marketing. In addition, Dr. Teng had been an associate professor of Xinxiang Medical University (新鄉醫學院) from November 2005 to June 2007 specializing in the field of clinical medicine. Prior to joining the Group, Dr. Teng had practiced as a doctor in the department of otolaryngology at the Third Affiliated Hospital of Xinxiang Medical University (新鄉醫學院第三附屬醫院) from December 1996 to November 2005.

Dr. Teng graduated from Xinxiang Medical University (新鄉醫學院) in the PRC with a bachelor's degree of medicine specializing in clinical medicine in July 2002. He later obtained a master's degree of medicine specializing in pathology and pathophysiology from Xinxiang Medical University in June 2008. In November 2013, Dr. Teng completed the postgraduate course in medical and health management convened by the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in the PRC. Dr. Teng has been licensed by the Health Bureau of Henan Province (河南省衛生廳) to practice as a doctor since May 1999. He obtained the qualifications to practice as an associate chief doctor and a chief doctor in May 2005 and February 2012, respectively, from the People's Government of Henan Province.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Zhongtao (王忠濤), aged 43, is an executive Director and financial controller of the Company, mainly responsible for overall accounting management and financing of our Group. Mr. Wang joined the Group as a Director in March 2018 and also assumed the role of the financial controller of Henan Honliv Hospital in June 2019. Mr. Wang has over 20 years of experience in finance management and accounting. Prior to joining the Group, Mr. Wang served as an accountant at Henan Honliv Group from July 1997 to June 2010, and then as the deputy finance manager from July 2009 to August 2017, mainly responsible for management and control of all aspects of accounting, finance and audit matters. From August 2017 to May 2019, Mr. Wang served as the finance manager of Henan Honliv Group, mainly responsible for supervision of Henan Honliv Group's operational results, as well as improving internal systems.

In July 1999, Mr. Wang graduated from Henan Xinxiang of Business School (河南新鄉商業學校) in the PRC, specializing in finance and accounting. In July 2017, Mr. Wang obtained a diploma from the Xinxiang College (新鄉學院), specialized in architectural engineering technology. He has been licensed by the Ministry of Finance to practice as an accountant (intermediate) since May 2007, and a non-practicing member of the Chinese Institution of Certified Public Accountants since February 2013.

Non-executive Director

Mr. Qin Hongchao (秦紅超), aged 36, joined the Company in January 2016 as a non-executive Director. Since February 2006, Mr. Qin Hongchao served as the deputy manager of the corporate management department at Henan Honliv Group, mainly responsible for strategic planning and management. Since October 2012, Mr. Qin Hongchao has been the vice chairman of Henan Honliv Group, mainly responsible for assisting the chairman with overall corporate governance.

Mr. Qin Hongchao obtained a diploma in hospitality management from American Hotel & Lodging Educational Institution in the United States in March 2009, and completed the practicum in hospitality management program at Prospect College of Business and Language(1) in Canada in July 2009.

Mr. Qin Hongchao is the elder brother of Mr. Qin Yan and cousin of Ms. Wang Xiao Yang.

Note (1): This institution is not a designated learning institution recognized by the Canadian Government.

Independent Non-executive Directors

Mr. Zhao Chun (趙淳), aged 69, was appointed as an independent non-executive Director of the Company on 7 June 2016. From March 2016 to March 2019, Mr. Zhao served as the vice president of the Expert Certification Committee on the Competitiveness of Chinese Private Hospitals* (中國醫院競爭力(民營)星級認證專家委員會) under Ailibi Hospital Management Research Centre. In addition, since September 2000, Mr. Zhao has held management positions in the Management of Private Hospitals Branch of Chinese Hospital Association (中國醫院協會 — 民營醫院管理分會), such as deputy secretary general and secretary general, and is currently the executive vice president. From February 2006 to August 2011, Mr. Zhao was the deputy secretary general of Chinese Hospital Association (中國醫院協會).

Mr. Zhao obtained a diploma in philosophy from Nankai University (南開大學) in the PRC in June 1987.

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

Mr. Sun Jigang (孫冀剛), aged 54, was appointed as an independent non-executive Director of the Company on 5 July 2017. Mr. Sun has more than 11 years of experience in financial management. Between December 2008 and December 2010, he served as the chief financial officer of Gongda Chemical Industry Equipment Co., Ltd.* (石家莊工大化工設備有限公司); between January 2011 and August 2011, he was the chief financial officer of Beijing Puhua International Hospital Co., Ltd.* (北京天壇普華醫院有限公司). In both positions, he was responsible for matters concerning corporate finance, financial planning and budgeting, and financial reporting, in particular the preparation, review and analysis of financial statements. From September 2011 to May 2016, Mr. Sun served as the chief financial officer and the chief investment officer of Concord Medical Services Holdings Limited ("CMS Holdings") (a company listed on the New York Stock Exchange with stock code: CCM), mainly responsible for its finance, compliance and disclosure of financial information. Mr. Sun is currently the founding partner of Oceanpine Capital, a private equity fund focused on investments in the healthcare sector.

Mr. Sun graduated from China Foreign Affairs University (外交學院) in the PRC with a bachelor's degree in English in July 1990. He also obtained a master's degree in University of Chicago Graduate School of Business (currently known as the University of Chicago Booth School of Business) in the U.S. in March 1998.

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

Mr. Jiang Tianfan (江天帆), aged 41, was appointed as an independent non-executive Director of the Company on 17 December 2019 with effect from the Listing Date. Mr. Jiang has been serving as the chairman of board of directors of True Glory Global Limited since December 2013. From August 2015 to June 2017, Mr. Jiang served as the executive director of UMP Healthcare Holdings Limited (香港聯合醫務集團有限公司, a company listed on the Stock Exchange with the stock code of 722). From August 2009 to November 2016, Mr. Jiang worked as an executive director in China Resources Medical Holdings Company Limited (華潤醫療控股有限公司, previously known as Phoenix Healthcare Group Co. Ltd. (鳳凰醫療集團有限公司), a company listed on the Stock Exchange with the stock code of 1515), and as the chief financial officer from November 2011 to November 2016.

Mr. Jiang obtained a bachelor's degree in law from Shanghai International Studies University (上海外國語大學) in July 2003. He further obtained a master's degree in business administration from Washington University in St. Louis in May 2009.

SENIOR MANAGEMENT

Mr. Qin Yan (秦岩) — please refer to the paragraph headed "— Board of Directors — Executive Directors" in this section for his biographical details.

Dr. Teng Qingxiao (滕清曉) — please refer to the paragraph headed "— Board of Directors — Executive Directors" in this section for his biographical details.

Mr. Wang Zhongtao (王忠濤) — please refer to the paragraph headed "— Board of Directors — Executive Directors" in this section for his biographical details.

Dr. Hua Xiuzhi (滑修之), aged 53, is currently a vice president of the Company, mainly responsible for hospital management of the Group and currently serves as the deputy general manager of Henan Honliv Hospital. Dr. Hua joined the Group in September 2003. He served as the manager of the equipment department at Henan Honliv Hospital from April 2004 to January 2006, and as the assistant to the president of Henan Honliv Hospital from January 2006 to March 2006. From March 2006 to December 2010, he served as a vice president of Henan Honliv Hospital, mainly responsible for the healthcare operation of the hospital. Since December 2010, Dr. Hua has served as the deputy general manager of Henan Honliv Hospital, mainly responsible for expansion of the healthcare business of the Group. Prior to joining the Group, Dr. Hua practiced as a doctor of clinical medicine at People's Hospital of Changyuan County (長垣縣人民醫院) from September 1991 to September 2003.

Dr. Hua graduated from Henan Medical University (河南醫科大學) in the PRC (currently known as Zhengzhou University School of Medicine (鄭州大學醫學院)), in July 1991, with a bachelor's degree in medicine, specializing in preventive medicine. Dr. Hua obtained the qualification certificate as a doctor from the Health Bureau of Henan Province (河南省衛生廳) in May 1999, and has been licensed by the same bureau to practice as a doctor since April 2001.

Since September 2017, Dr. Hua has served as the legal representative of Yexian Honliv Hospital Co., Ltd.* (葉縣宏力醫院有限公司) ("Yexian Honliv"). Yexian Honliv is an indirectly majority controlled company of Mr. Qin Zili and therefore a connected person of the Company under Rule 14.12(2)(b) of the Listing Rules.

Dr. Qian Feng (錢峰), aged 52, was appointed as vice president of the Company on 10 December 2019, mainly responsible for healthcare service quality control of the Group. Dr. Qian serves as a vice president and the associate chief physician of Henan Honliv Hospital since December 2010. Dr. Qian served as a gastroenterologist of the gastroenterology department in Henan Honliv Hospital from October 2006 to July 2009, and the director of the same department and the endoscopy center from July 2009 to December 2010. Prior to joining the Group, Dr. Qian served as gastroenterologist in the Fifth People's Hospital of Shangqiu City (商丘市第五人民醫院) from October 1992 to October 2006. In addition, Dr. Qian is the alliance director and an expert of the National Early Gastrointestinal Cancer Prevention & Treatment Center Alliance ("GECA") (國家消化道早癌防治中心). He is currently a member of Hospital Management Branch of Chinese Non-government Medical Institutions Association ("CNMIA") (中國非公立醫療機構協會醫院管理分會委員).

Dr. Qian graduated from Henan Medical University (河南醫科大學) in the PRC with a bachelor's degree in medicine specializing in clinical medicine in July 1992. He also obtained the certificate of completion of graduate coursework in psychology from Xinxiang Medical University (新鄉醫學院) in the PRC in July 2014.

Ms. Wang Xiaoyang (王曉陽), aged 35, was appointed as the assistant of the Chairman on December 10, 2019 and a joint company secretary of the Company on 7 June 2016, mainly responsible managing for investor relations of the Group. Ms. Wang joined the Group in February 2011 and has served as the assistant manager of human resources department of Henan Honliv Hospital, mainly responsible for recruitment, staffing, training and development. Ms. Wang obtained a bachelor's degree of science in mathematics with business management from the University of Birmingham in July 2009, and a master's degree of science in analysis, design and management of information systems from London School of Economics and Political Science in November 2010.

JOINT COMPANY SECRETARIES

Ms. Wang Xiaoyang (王曉陽) — please refer to the paragraph headed "— Board of Directors — Senior Management" in this section for her biographical details.

Ms. Hui Yin Shan (許燕珊) was appointed as the joint company secretary on 30 October 2020. Ms. Hui is a Senior Manager of Corporate Services Division of Tricor Services Limited, Asia's leading business expansion specialist. Ms. Hui has over 18 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Hui has been the company secretary or joint company secretary of several listed companies on the Hong Kong Stock Exchange.

Ms. Hui graduated from The Hong Kong Polytechnic University and is a Chartered Secretary and an Associate Member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

CORPORATE GOVERNANCE PRACTICES

The Company confirms that it has complied with all code provisions of the Corporate Governance Code for the year ended 31 December 2021, save and except for code provision A.2.1.

The Company will review and commit in making necessary arrangement to comply with all code provisions set out in the CG Code and in rising expectations of Shareholders and investors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021. The Company confirmed that there was no incident of non-compliance of the Model Code by any Directors during the year ended 31 December 2021.

BOARD OF DIRECTORS

The Directors are accountable to all Shareholders for their leadership and supervision over the Group's operation and are confirmed to achieving the goal of increasing Shareholders' value.

The Board of the Company currently comprises the following Directors:

Executive Directors

Mr. Qin Yan (秦岩) *(President and Chairman)*
Dr. Teng Qingxiao (滕清曉)
Mr. Wang Zhongtao (王忠濤)

Non-executive Director

Mr. Qin Hongchao (秦紅超)

Independent Non-executive Directors

Mr. Zhao Chun (趙淳)
Mr. Sun Jigang (孫冀剛)
Mr. Jiang Tianfan (江天帆)

There is no relationship between members of the Board other than that Mr. Qin Yan and Mr. Qin Hongchao are brothers who are also cousins of Ms. Wang Xiaoyang (王曉陽), the joint company secretary.

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 28 to 31 of this annual report.

Chairman and Chief Executive Officer

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

The roles of the chairman and 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.

Independent Non-executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the guidelines set out of in the Listing Rules.

Appointment and Re-election of Directors

According to the Memorandum and Articles of Association, at every annual general meeting, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but no less than one-third) are subject to retirement by or rotation at least once every three years and any new Director appointed to fill casual vacancy as an addition to the Board shall hold office until the next following general meeting of the Company. The retiring Directors shall be eligible for re-election.

Any other appointment, resignation, removal or re-designation of Directors will be timely disclosed to the Shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

Each Director (including non-executive Director) has entered into a service contract or letter of appointment with the Company for an initial term of 3 years commencing from the Listing Date and shall be subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

The Company has arranged appropriate insurance coverage to protect Directors from possible legal action against them. The insurance coverage would be reviewed on an annual basis.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

On appointment to the Board, each Director receives a comprehensive induction package to ensure that he/she has a proper understanding of the business and operations of the Company and if fully aware of the responsibilities and obligations as being a Director as well as the compliance practice under the Listing Rules and other relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are kept updated on the statutory and regulatory development and changes in the business and the market so as to facilitate the discharge of their responsibility. Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. All Directors have participated in the courses relating to the roles, functions and duties of a director of a listed company or further enhanced their professional development.

The training records of the Directors for the year ended 31 December 2021 are summarized as follows:

Directors	Type of Training [Note]
Executive Directors	
Mr. Qin Yan (秦岩) *(President and Chairman)*	A
Dr. Teng Qingxiao (滕清曉)	A
Mr. Wang Zhongtao (王忠濤)	A
Non-Executive Director	
Mr. Qin Hongchao (秦紅超)	A
Independent Non-Executive Directors	
Mr. Zhao Chun (趙淳)	A
Mr. Sun Jigang (孫冀剛)	A
Mr. Jiang Tianfan (江天帆)	A

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Meetings and Directors' Attendance Records

According to code provision A.1.1, regular Board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2021, four Board meetings were held, two of which were to approve the Company's annual report for the year ended 31 December 2020 and interim report for the six months ended 30 June 2021 respectively, and one annual general meeting on 18 June 2021.

A summary of the attendance records of the Directors at the Board meetings held during the year is set out below:

Name of Directors	Attendance/No. of Board Meeting(s)	Attendance at 2021 AGM
Executive Directors		
Mr. Qin Yan (秦岩) *(President and Chairman)*	4/4	✓
Dr. Teng Qingxiao (滕清曉)	4/4	–
Mr. Wang Zhongtao (王忠濤)	4/4	✓
Non-executive Director		
Mr. Qin Hongchao (秦紅超)	2/4	–
Independent Non-executive Directors		
Mr. Zhao Chun (趙淳)	2/4	–
Mr. Sun Jigang (孫冀剛)	2/4	–
Mr. Jiang Tianfan (江天帆)	2/4	–

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three independent non-executive directors, namely Mr. Sun Jigang, Mr. Zhao Chun and Mr. Jiang Tianfan. Mr. Sun Jigang is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in any matters of the Company.

The Audit Committee held three meetings to review, in respect of the year ended 31 December 2021, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, and arrangements for employees to raise concerns about possible improprieties.

* *The Audit Committee also met the external auditors twice without the presence of the executive Directors.*

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Zhao Chun *(Chairman)*	3/3
Mr. Sun Jigang	3/3
Mr. Jiang Tianfan	3/3

Remuneration Committee

The Remuneration Committee consists of three independent non-executive directors, namely Mr. Jiang Tianfan, Mr. Sun Jigang and Mr. Zhao Chun. Mr. Jiang Tianfan is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining the policy and structure for the remuneration of directors and senior management, to establish a formal and transparent procedure for developing remuneration policy, to evaluate the performance of directors and senior management, to review and recommend the terms of incentive schemes and directors' service contracts, and to recommend the remuneration packages for all directors and senior management.

The Remuneration Committee held one meeting during the year to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

Details of the remuneration of the senior management by band are set out in note 7 in the Notes to the Audited Financial Statements for the year ended 31 December 2021.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Jiang Tianfan *(Chairman)*	1/1
Mr. Sun Jigang	1/1
Mr. Zhao Chun	1/1

Nomination Committee

The Nomination Committee consists of three independent non-executive directors, namely Mr. Zhao Chun, Mr. Sun Jigang and Mr. Jiang Tianfan. Mr. Zhao Chun is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Board has adopted a board diversity policy (the "Board Diversity Policy"), which sets out the approach to achieve diversity of the Board. The Board has also adopted a director nomination policy (the "Director Nomination Policy"), which sets out the selection criteria and process and succession planning considerations in relation to nomination and appointment of Directors of the Company.

According to the Board Diversity Policy and the Director Nomination Policy, the Nomination Committee reviews and assesses the Board composition and makes recommendations of changes to the composition of the Board. The Nomination Committee would consider the benefits of all aspects of diversity set out in the Board Diversity Policy and Director Nomination Policy, including but not limited to gender, age, cultural, educational background, ethnicity, professional experience, skills, knowledge and length of service and other qualities in reviewing and assessing the composition of the Board and all appointments to the Board will be based on merits and will take into account of factors based on the Company's own business model and specific needs from time to time.

The Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independence non-executive Directors.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Zhao Chun *(Chairman)*	1/1
Mr. Sun Jigang	1/1
Mr. Jiang Tianfan	1/1

Corporate Governance Functions

The Board is responsible for performing the functions of corporate governance. For the year ended 31 December 2021, the Board has performed the functions set out in the code provision D.3.1.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2021, the Board, as supported by the Audit Committee as well as the management report and the internal audit findings, has performed an annual review on the adequacy and effectiveness of the Group's risk management and internal control systems in different aspects of the Group such as financial, operation, compliance and risk management, and has also assessed the accounting and financial reporting functions of the Group, estimated the resources and budgets for training programs and appraised the staff members' qualifications and experience. In respect of continuing connected transactions, the Group has implemented a series of general management policies controlled by multiple departments to improve corporate governance structure and monitor the implementation of internal control policies, including financial control system, anti-fraud and legal monitoring system, operations and compliance management system, risk management and assessment policies and internal audit rules.

The Board considers that the abovementioned systems are effective and adequate.

The internal audit department is responsible for conducting comprehensive audits of each department of the Group to facilitate the management's control on the assets of the Group. In addition, it offers consulting services in respect of internal control to each department of the Group to assist them in optimizing and enhancing the risk management and internal control systems and the operating processes. For the year ended 31 December 2021, the internal audit department did not discover any circumstances involving fraud, non-compliance or violation against laws, regulations and rules or any material incidents due to lack of internal control.

The Board considers that the current risk management and internal control systems cover the existing businesses of the Group, and will continue to be optimized in line with the business development of the Group.

In particular, the Board will devote efforts to complying with the Listing Rules, ensuring compliance with the relevant laws and regulation and safeguarding the interests of the Company and the Shareholders as a whole.

The Company has developed its disclosure policy, which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021, which give a true and fair view of the financial position of the Group as well as the results and cash flow during the year.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

The auditor of the Company for the financial year under review is PricewaterhouseCoopers. During the year ended 31 December 2021, remuneration of audit services provided by the auditor of the Company to the Group was approximately RMB2.23 million. There was RMB0.11 million incurred for non-audit services of the auditor.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditor. Such appointment, re-appointment and removal are subject to the approval by the Board and the general meetings of the Company by the Shareholders.

The statement of the independent auditor of the Group about their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report from pages 41 to 45 of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 28 to 31 of this annual report, for the year ended 31 December 2021 are set out below:

Remuneration band *(RMB'000)*	**Number of individuals**
Nil to 200	4
201 to 400	3
401 to 600	2
Above 601	1

COMPANY SECRETARY

Ms. Wang Xiaoyang acts as a joint company secretary of the Company. The Company has engaged Tricor Services Limited, external service provider, and Ms. Hui Yin Shan (許燕珊) has been appointed as a joint company secretary. The Company's primary contact person is Ms. Wang Xiaoyang.

For the year ended 31 December 2021, Ms. Wang Xiaoyang and Ms. Hui Yin Shan have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association of the Company were amended and restated with effect from the Listing Date. Save as disclosed above, during the year ended 31 December 2021, the Company has not made any changes to its Memorandum and Articles of Association.

The Memorandum and Articles of Association are available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 12.3 of the Memorandum and Articles of Association, any two or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by deposited an written and signed requisition at the principal office of the Company in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may do so in the same manner, provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

INVESTORS RELATIONS

The Board believes that effective communication with investors is essential for establishing investors' confidence and attracting new investors. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which enables investors to make the best investment decision.

The Company has disclosed all necessary information to the Shareholders in compliance with the Listing Rules. Updated and key information of the Company is also available on the Company's website at www.honlivhp.com. The Company also replied the enquiries from Shareholders timely, if any. The general meetings of the Company provide an important channel for communications between the Board and the Shareholders. The Chairman, as well as the chairman of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committee and where appropriate, the chairman of the independent Board Committee, will be available to answer questions at the general meetings.

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 8, Bo Ai Road (South), Changyuan County, Henan Province, China

Fax: 86-373-8882111
Email: wangxiaoyang@honliv.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of
Honliv Healthcare Management Group Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Honliv Healthcare Management Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 46 to 100, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to expected credit losses assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses assessment of trade receivables Refer to note 3.1.2, note 4 (b) and note 20 to the consolidated financial statements. As at 31 December 2021, the net carrying amount of the Group’s trade receivables amounted to RMB34.5 million, among which, a losses allowance of RMB4.8 million was recognised as at the same date. The Group applies the simplified approach under HKFRS 9 to measure expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. Loss allowance of trade receivables reflected management’s best estimate on the expected credit losses. The estimate required significant management judgment in making assumptions about the expected credit loss rates based on historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. For trade receivables which have significant changes in credit risk, management assessed their expected credit losses on an individual basis. For trade receivables that share same risk characteristics with others, management assessed the expected credit losses on a collective basis. Management identified macroeconomic conditions, industry risks and probabilities of default to which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.	Our procedures in relation to management’s assessment on the expected credit losses of trade receivables include: We obtained an understanding of the management’s internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk. We evaluated and tested the key controls over management’s expected credit losses assessment of trade receivables. We evaluated the outcome of prior period assessment of expected credit losses of trade receivables to assess the effectiveness of management’s estimation process. We assessed the reasonableness of assumptions used and judgments made by management by (1) checking the historical payment pattern and actual credit losses of customers, (2) evaluating the rationality of the groups of trade receivables whose expected credit losses are assessed on a collective or individual basis by reference to the contract terms and types of services sells to customers, and (3) evaluating the reasonableness of the forward-looking adjustments made by management, such as macroeconomic conditions, industry risks and probabilities of default to which it sells its services, by comparing with the relevant macroeconomic parameters and comparable industry information. We tested the aging of trade receivables, on a sample basis, by checking to underlying accounting records and supporting documents.

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on auditing the expected credit losses assessment of trade receivables because the estimation of expected credit losses is subject to high degree of estimation uncertainty. The inherent risk in relation to expected credit losses assessment of trade receivables is considered significant due to the subjectivity of significant assumptions used in expected credit losses assessment of trade receivables.	We checked the accuracy, on a sample basis, of the key data inputs such as trade receivables amounts as at 31 December 2021 by requesting confirmations. We considered whether the judgements made in selecting significant assumptions and data would give rise to indicators of possible management bias. We tested the mathematical accuracy of the calculation of the expected credit losses. We assessed the adequacy of the disclosures related to the expected credit losses in note 3.1.2, note 4 (b) and note 20 to the consolidated financial statements. Based on the above procedures performed, we considered that management's judgments and assumptions adopted in the expected credit losses assessment of trade receivables were supported by the evidences obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsun NG.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 December** **2021** ***RMB'000***	2020 *RMB'000*
Revenue	*5*	**606,837**	524,043
Cost of sales	*6*	**(471,531)**	(386,451)
Gross profit		**135,306**	137,592
Administrative expenses	*6*	**(68,545)**	(71,199)
Net impairment losses on financial assets	*3.1.2*	**(85)**	(4,610)
Other income		**752**	440
Other expense		**(196)**	(196)
Other losses — net	*8*	**(671)**	(57)
Operating profit		**66,561**	61,970
Finance income		**903**	791
Finance costs		**(16,922)**	(31,908)
Finance costs — net	*9*	**(16,019)**	(31,117)
Profit before income tax		**50,542**	30,853
Income tax expense	*10*	**(13,524)**	(8,662)
Profit for the year		**37,018**	22,191
Other comprehensive income		**–**	–
Total comprehensive income		**37,018**	22,191
Profit and total comprehensive income attributable to:			
Owners of the Company		**36,615**	21,840
Non-controlling interests		**403**	351
		37,018	22,191
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	*11*	**0.06**	0.04

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

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**540,347**	489,350
Right-of-use assets	*13(a)*	**81,134**	83,174
Investment properties	*14*	**2,874**	3,070
Intangible assets	*15*	**566**	525
Deferred income tax assets	*16*	**1,174**	1,153
Prepayments	*21*	**8,429**	42,982
Total non-current assets		**634,524**	620,254
Current assets			
Inventories	*19*	**27,137**	20,707
Trade receivables	*20*	**34,499**	19,055
Other receivables and prepayments	*21*	**1,944**	4,420
Restricted deposit		**–**	5,550
Cash and cash equivalents	*22*	**263,610**	302,478
Total current assets		**327,190**	352,210
Total assets		**961,714**	972,464
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*23*	**52**	52
Reserves	*24*	**439,389**	435,399
Retained earnings		**122,385**	89,760
Subtotal		**561,826**	525,211
Non-controlling interests		**4,809**	4,406
Total equity		**566,635**	529,617

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities	*13(b)*	**540**	440
Deferred income	*26*	**1,994**	2,000
Total non-current liabilities		**2,534**	2,440
Current liabilities			
Trade and notes payables	*27*	**106,087**	95,547
Accruals, other payables and provisions	*28*	**92,288**	90,066
Current income tax liabilities		**6,228**	5,185
Borrowings	*29*	**187,000**	246,769
Lease liabilities	*13(b)*	**942**	2,840
Total current liabilities		**392,545**	440,407
Total liabilities		**395,079**	442,847
Total equity and liabilities		**961,714**	972,464

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

The financial statements on pages 46 to 100 were approved by the Board of Directors on 28 March 2022 and were signed on its behalf.

Qin Yan

Wang Zhongtao

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the owners of the Company					
	Note	Share Capital *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020		33	166,146	71,394	237,573	4,055	241,628
Comprehensive income							
— Profit for the year		–	–	21,840	21,840	351	22,191
Transactions with owners							
— Appropriation to statutory surplus reserves	*24(a)*	–	3,474	(3,474)	–	–	–
— Issue of shares pursuant to Capitalisation Issue	*23(a)*	5	(5)	–	–	–	–
— Issuance of ordinary shares	*23(b)*	14	265,784	–	265,798	–	265,798
Balance at 31 December 2020		52	435,399	89,760	525,211	4,406	529,617
Balance at 1 January 2021		**52**	**435,399**	**89,760**	**525,211**	**4,406**	**529,617**
Comprehensive income							
— Profit for the year		**–**	**–**	**36,615**	**36,615**	**403**	**37,018**
Transactions with owners							
— Appropriation to statutory surplus reserves	*24(a)*	**–**	**3,990**	**(3,990)**	**–**	**–**	**–**
Balance at 31 December 2021		**52**	**439,389**	**122,385**	**561,826**	**4,809**	**566,635**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	*30(a)*	**103,946**	82,559
Income taxes paid		**(12,502)**	(7,945)
Net cash generated from operating activities		**91,444**	74,614
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(51,022)**	(80,432)
Payments for purchase of intangible assets		**(342)**	(421)
Interests received		**903**	791
Net cash used in investing activities		**(50,461)**	(80,062)
Cash flows from financing activities			
Proceeds from global offering		**–**	283,887
Borrowings from banks		**187,000**	213,000
Repayments of borrowings from banks and other financial institutions		**(246,769)**	(237,927)
Principal elements of lease payments		**(2,146)**	(1,518)
Dividends paid to shareholders		**–**	(7,227)
Payments of listing expenses		**–**	(14,090)
Interest paid		**(14,957)**	(20,969)
Net cash (used in)/generated from financing activities		**(76,872)**	215,156
Net (decrease)/increase in cash and cash equivalents		**(35,889)**	209,708
Cash and cash equivalents at beginning of year		**302,478**	104,602
Effects of exchange rate changes on cash and cash equivalents		**(2,979)**	(11,832)
Cash and cash equivalents at end of year	*22*	**263,610**	302,478

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

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 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 "HKSE") on 13 July 2020 ("the Listing").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

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") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

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 amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 — Interest Rate Benchmark Reform — Phase 2

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.4 New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
• Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
• Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
• Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
• Annual Improvements 2018–2020 cycle	Annual Improvements 2018–2020 cycle	1 January 2022
• HKFRS 17	Insurance Contracts	1 January 2023
• Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
• Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
• Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
• Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

There are no new standards, amendments to existing standards or interpretations that are not yet effective and would be expected to have a material impact to the Group.

2.1.5 Going concern

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB65,355,000. The Group had cash and cash equivalents of RMB 263,610,000 as at 31 December 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. As at the date of the report, Henan Honliv Hospital Co., Ltd. ("Honliv Hospital"), a subsidiary of the Group, had renewed RMB82 million bank borrowings upon maturity and obtained an additional bank borrowing amounting to RMB26 million from one of its existing banks since 1 January 2022; and

- on 16 March 2022 and 17 March 2022, Honliv Hospital further obtained additional loan facilities of RMB200 million from two of the banks. Application of one-year loan drawdowns can be made under these facilities until 16 March 2023 and 17 March 2023 subject to the approval and conditions imposed by the bank. As at the reporting date, the Group has not utilized these additional loan facilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.5 Going concern *(Continued)*

Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 31 December 2021. 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 2021.

The directors have reviewed the Group's cash flow projection 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.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.2.2 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

2.2.2 Changes in ownership interests *(Continued)*

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 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 for the year ended 31 December 2021 and 2020, so no segment information was presented.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Group's functional and presentation currency.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and gains resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within finance income or costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other (losses)/gains — net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

2.5.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

— Buildings and structures	3-30 years
— Machinery and equipment	2-10 years
— Office equipment and furniture fixtures	2-10 years
— Vehicles	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses-net" in the consolidated statement of comprehensive income.

Construction in progress (the "CIP") includes the costs of construction and acquisition and capitalized borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost is transferred to property, plant and equipment and depreciated in accordance with policy as stated above.

2.7 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment properties are measured at cost, including related transaction costs and where applicable borrowing costs. Investment properties are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.8 Intangible assets

2.8.1 Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 3 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

2.10.1 Classification

There are one type financial assets of the Group's which are financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group adopted measurement below in which was classified as debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of comprehensive income and presented in "other losses — net" together with foreign exchange gains and losses.

2.10.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1.2 for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of pharmaceuticals is determined using the weighted average method and cost of medical consumables and others is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Trade receivables

Trade receivables are mainly amounts due from customers and governments' social insurance schemes for treatments and general healthcare services rendered and pharmaceutical sales in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 20 for further information about the Group's accounting for trade receivables and note 3.1.2 for the description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Borrowings *(Continued)*

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of comprehensive income as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.19.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.19.2 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax *(Continued)*

2.19.2 Deferred income tax (Continued)

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.20 Employee benefits

2.20.1 Short-term obligations

Liabilities for wages and salaries are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2.20.2 Pension obligations

The Group's companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

There were no forefeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

2.21 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition

The Group's revenue is primarily derived from providing treatments and general healthcare service to customers and sales of pharmaceuticals.

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer;
- Creates and enhances an asset that the customer controls as the Group performs; or
- Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of performance obligation, depending on the nature of the good and service to be transferred, is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- Direct measurements of the value of individual services transferred by the Group to the customer; or
- The Group's efforts or inputs to the satisfaction of the performance obligation.

The following is a description of the accounting policy for the principal revenue streams of the Group.

2.22.1 Treatments and General healthcare service

Revenue from provision of treatments and general hospital services is recognised when the related services have been rendered to customers.

For inpatient service, the customers normally receive inpatient treatment which contains various treatment components that are all highly relevant and regarded as one performance obligation. The usual period of inpatient is within two weeks. Relevant revenue of inpatient treatment is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of individual services transferred by the Group to the customer.

Relevant revenue of outpatient services is recognized at a point in time.

The Group usually receives the payment from social security card or prepaid cards paid by bank card or cash from customers in advance before the hospital services are rendered. The balance amounts of the prepaid cards are presented in the consolidated balance sheet within "Accruals, other payables and provisions".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

2.22.2 Pharmaceutical Sales

Revenue from pharmaceutical sales are recognised when control of the inventory has transferred, being when the inventory is delivered to the customers, the customers have full discretion to use the inventory, and there is no unfulfilled obligation that could affect the customers' acceptance of the inventory.

2.23 Earnings per share

2.23.1 Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2.23.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of apartments are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets (note 26) provide further information on how the Group accounts for government grants.

2.27 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 9 below.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group and approved by the executive directors.

3.1.1 Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2021, the Group's assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalent denominated in USD or HKD (note 22).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group is primarily exposed to change in RMB/HKD exchange rate. At 31 December 2021, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, pre-tax profit for the year would have been RMB5,045,000 (2020: RMB5,198,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HKD denominated cash and cash equivalents at financial institution.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Bank borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group has not entered into interest rate swaps to hedge against the exposure to changes in fair values of the borrowings. The Group will, however, continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As at 31 December 2021, the Group's interest-bearing borrowings at variable rates was RMB86,000,000 (2020: RMB187,769,000) (note 30(b)).

For the year ended 31 December 2021, if interest rates on borrowings had been one percent higher/lower with all other variables held constant, the post-tax profit for the year would have decreased/increased by RMB645,000(2020: RMB1,408,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

3.1.2 Credit risk

Credit risk mainly arises from cash and cash equivalents and other financial assets at amortised cost, as well as credit exposures to customers and government's social insurance schemes. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

(i) Risk management

The credit risk of cash and cash equivalents is limited because the counterparties are state-owned or public listed commercial banks or other financial institution which are relatively high-credit-quality financial institutions located in the PRC.

The Group, being a provider of healthcare services to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtors' portfolio, as majority patients will claim their medical bills from governments' social insurance schemes and new rural cooperative medical insurance scheme which is run by another government body. The reimbursement from these organisations mainly take one to six months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organisations' policies and within reimbursement limits, provided fulfilling all ethics and moral responsibilities as healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimize the credit risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 *Credit risk* *(Continued)*

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- trade receivables, and
- other financial assets at amortised cost.

Cash and cash equivalents

While cash and cash equivalents is also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables.

For trade receivables which have significant changes in credit risk, management assessed their expected credit losses on an individual basis. For trade receivables that share same risk characteristics with others, management assessed the expected credit losses on a collective basis. Management identified macroeconomic conditions, industry risks and probabilities of default to which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2021 and 2020 was determined as follows for trade receivables:

31 December 2021	Lifetime expected credit loss rate	Gross carrying amount *RMB'000*	Lifetime expected credit loss *RMB'000*	Net carrying Amount *RMB'000*
Provision on individual basis	100.00%	4,588	(4,588)	–
Provision on collective basis	0.54%	34,685	(186)	34,499
		39,273	(4,774)	34,499

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 ***Credit risk*** *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

31 December 2020	Lifetime expected credit loss rate	Gross carrying amount *RMB'000*	Lifetime expected credit loss *RMB'000*	Net carrying Amount *RMB'000*
Provision on individual basis	100.00%	4,588	(4,588)	–
Provision on collective basis	0.53%	19,156	(101)	19,055
		23,744	(4,689)	19,055

The closing loss allowances for trade receivables as at 31 December 2021 and 2020 as follows:

	Trade receivables As at 31 December **2021** ***RMB'000***	2020 *RMB'000*
Opening loss allowance as at 1 January	**(4,689)**	(79)
Increase in trade receivables loss allowance recognised in the consolidated statement of comprehensive income during the year	**(85)**	(4,610)
	(4,774)	(4,689)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than one year past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The directors of the Company have assessed that other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of the reporting period of the Group is adopted by management. The directors of the Company do not expect any losses from non-performance by the counterparties of other receivables. Thus, no loss allowance provision for other receivables was recognized.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents to meet operating capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount *RMB'000*
At 31 December 2021					
Borrowings	**189,345**	**–**	**–**	**189,345**	**187,000**
Trade and notes payables	**106,087**	**–**	**–**	**106,087**	**106,087**
Accruals, other payables and provision (excluding accrued employee benefits and duty and other tax payable) *(note 28)*	**47,472**	**–**	**–**	**47,472**	**47,472**
Lease liabilities	**1,025**	**580**	**–**	**1,605**	**1,482**
	343,929	**580**	**–**	**344,509**	**342,041**
At 31 December 2020					
Borrowings	254,699	–	–	254,699	246,769
Trade and notes payables	95,547	–	–	95,547	95,547
Accruals, other payables and provision (excluding accrued employee benefits and duty and other tax payable) *(note 28)*	48,737	–	–	48,737	48,737
Lease liabilities	3,545	451	–	3,996	3,280
	402,528	451	–	402,979	394,333

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The capital is calculated as total equity as shown in the consolidated balance sheets plus net debt.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2021 and 2020 was as follows:

	As at 31 December	
	2021	2020
The liability-to-asset ratio	**41.08%**	45.54%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Useful lives of property, plant and equipment

The estimate of useful lives of property, plant and equipment was made by the management with reference to the established industry practices, technical assessments made on the durability of the assets, as well as the historical magnitude and trend of repair and maintenance expenses incurred by the Group. It could change significantly as when the actual useful life is different with the one previously estimated.

(b) Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses accounting estimates and judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.1.2.

5 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	
	2021	2020
	RMB'000	*RMB'000*
Nature of revenue recognition		
Treatments and general healthcare services	**392,356**	344,630
Pharmaceutical sales	**214,481**	177,830
Hospital management services	**–**	1,583
	606,837	524,043
Timing of revenue recognition		
At a point in time	**408,500**	322,944
Over time	**198,337**	201,099
	606,837	524,043

6 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of pharmaceuticals	**178,609**	145,056
Employee benefits expenses *(note 7)*	**172,601**	151,746
Cost of medical consumables	**86,294**	66,812
Utilities, maintenance fee and office expenses	**55,127**	31,843
Depreciation and amortisation	**33,517**	28,309
Auditors' remuneration		
— Audit services	**2,230**	2,350
— Non-audit services	**110**	–
Expenses in relation to the Listing	**–**	15,639
Other expenses	**11,588**	15,895
	540,076	457,650

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages and salaries	**156,762**	140,014
Contributions to pension plans (a)	**8,051**	6,647
Welfare and other expenses	**7,788**	5,085
	172,601	151,746

Employee benefit expenses were charged in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of sales	**149,131**	129,579
Administrative expenses	**23,470**	22,167
	172,601	151,746

(a) Contributions to pension plans

The Group's companies incorporated in the PRC contribute based on certain percentage of the wages and salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group. The Group did not have any forfeited contribution for the years ended 31 December 2021 and 2020 in connection with the defined contribution scheme. The Group did not have defined benefit plan for the years ended 31 December 2021 and 2020.

7 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one (2020: one) director, whose emoluments are reflected in analysis presented in note 36. The emoluments payable to the remaining individuals were as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**3,117**	2,713
Contribution to pension plans	**8**	11
	3,125	2,724

The number of highest paid non-director individuals whose remunerations fell within the following band is as follows:

	Number of individuals	
	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Emolument bands		
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**1**	–
	4	4

8 OTHER LOSSES — NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment	**(60)**	(2)
Others	**(611)**	(55)
	(671)	(57)

9 FINANCE COSTS — NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance cost:		
Interest expense on bank borrowings	**11,101**	12,923
Interest expense on other borrowings	**2,627**	6,889
Interest expense on lease liabilities	**215**	264
Net foreign exchange losses	**2,979**	11,832
Total finance costs	**16,922**	31,908
Finance income:		
Interest income	**(903)**	(791)
Net finance costs	**16,019**	31,117

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**13,545**	9,815
Deferred income tax	**(21)**	(1,153)
	13,524	8,662

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the PRC, the principal place of the Group's operations, as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit before income tax	**50,542**	30,853
Calculated at a tax rate of 25%	**12,636**	7,713
Expenses not tax deductible	**816**	2,733
Tax effect of tax losses not recognised as deferred income tax assets *(note 16)*	**72**	547
Adjustment for current tax of prior periods	**–**	(2,331)
Income tax expense	**13,524**	8,662

10 INCOME TAX EXPENSE *(Continued)*

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) PRC Corporate Income Tax

Subsidiaries established and operated in Mainland China are subject to PRC corporate income tax at the rate of 25%.

(c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the years ended 31 December 2021 and 2020. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2021 and 2020.

(d) Withholding tax

The withholding tax rate of Honliv Health Care Management (HK) Limited was 10% pursuant to PRC corporate income tax based on the remittance of dividends from subsidiaries in the PRC in the foreseeable future.

As at 31 December 2021, deferred income tax liabilities of RMB12,755,000 (2020: RMB9,437,000) have not been recognized for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Management expects to reinvest such amounts in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries at 31 December 2021 amounted to RMB127,547,000 (2020: RMB94,374,000).

11 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 year.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company *(RMB'000)*	**36,615**	21,840
Weighted average number of ordinary shares deemed to be in issue *(in thousands)*	**600,000**	520,492
Basic earnings per share *(in RMB)*	**0.06**	0.04

(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 2021 and 2020.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures *RMB'000*	Machinery and equipment *RMB'000*	Office equipment and furniture fixtures *RMB'000*	Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2020						
Cost	240,405	192,789	34,611	21,260	222,196	711,261
Accumulated depreciation	(106,305)	(145,850)	(31,933)	(20,619)	–	(304,707)
Net book amount	134,100	46,939	2,678	641	222,196	406,554
Year ended 31 December 2020						
Opening net book amount	134,100	46,939	2,678	641	222,196	406,554
Additions	2,976	22,108	3,887	1,310	76,131	106,412
Disposals	–	(1)	(1)	–	–	(2)
Transfer	–	1,088	–	–	(1,088)	–
Depreciation charge	(9,413)	(12,514)	(1,487)	(200)	–	(23,614)
Closing net book amount	127,663	57,620	5,077	1,751	297,239	489,350
At 31 December 2020						
Cost	243,381	215,592	35,737	22,570	297,239	814,519
Accumulated depreciation	(115,718)	(157,972)	(30,660)	(20,819)	–	(325,169)
Net book amount	127,663	57,620	5,077	1,751	297,239	489,350
Year ended 31 December 2021						
Opening net book amount	**127,663**	**57,620**	**5,077**	**1,751**	**297,239**	**489,350**
Additions	**45**	**29,987**	**3,475**	**–**	**46,164**	**79,671**
Disposals	**–**	**(45)**	**(15)**	**–**	**–**	**(60)**
Transfer	**289,507**	**16,039**	**135**	**–**	**(305,681)**	**–**
Depreciation charge	**(10,426)**	**(15,732)**	**(2,074)**	**(382)**	**–**	**(28,614)**
Closing net book amount	**406,789**	**87,869**	**6,598**	**1,369**	**37,722**	**540,347**
At 31 December 2021						
Cost	**532,933**	**251,469**	**39,072**	**22,570**	**37,722**	**883,766**
Accumulated depreciation	**(126,144)**	**(163,600)**	**(32,474)**	**(21,201)**	**–**	**(343,419)**
Net book amount	**406,789**	**87,869**	**6,598**	**1,369**	**37,722**	**540,347**

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Buildings pledged for the Group's bank borrowings are as follows (note 29):

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost	**16,621**	18,133
Accumulated depreciation	**(2,671)**	(2,756)
Net book amount	**13,950**	15,377

(b) Machinery and equipment pledged for the Group's other borrowings are as follows (note 29):

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost	**–**	104,701
Accumulated depreciation	**–**	(92,786)
Net book amount	**–**	11,915

(c) Depreciation charges were expensed in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of sales	**23,667**	19,029
Administrative expenses	**4,947**	4,585
Total	**28,614**	23,614

13 LEASES

(a) Right-of-use assets

	Office *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
At 1 January 2020			
Cost	5,845	118,092	123,937
Accumulated depreciation and amortisation	(1,588)	(34,691)	(36,279)
Net book amount	4,257	83,401	87,658
Year ended 31 December 2020			
Opening net book amount	4,257	83,401	87,658
Depreciation and amortisation	(2,122)	(2,362)	(4,484)
Closing net book amount	2,135	81,039	83,174
At 31 December 2020			
Cost	5,845	118,092	123,937
Accumulated depreciation and amortisation	(3,710)	(37,053)	(40,763)
Net book amount	2,135	81,039	83,174
Year ended 31 December 2021			
Opening net book amount	**2,135**	**81,039**	**83,174**
Additions	**1,508**	**1,054**	**2,562**
Depreciation and amortisation	**(2,104)**	**(2,498)**	**(4,602)**
Closing net book amount	**1,539**	**79,595**	**81,134**
At 31 December 2021			
Cost	**6,312**	**119,146**	**125,458**
Accumulated depreciation and amortisation	**(4,773)**	**(39,551)**	**(44,324)**
Net book amount	**1,539**	**79,595**	**81,134**

13 LEASES *(Continued)*

(b) Lease liabilities

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Lease liabilities		
Current	**942**	2,840
Non-current	**540**	440
Total	**1,482**	3,280

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right of use assets		
Office	**2,104**	2,122
Land use rights	**2,498**	2,362
Total	**4,602**	4,484
Interest expense (included in finance cost)	**215**	264
Expense relating to short-term leases (included in administrative expenses)	**55**	–
	270	264

The Group leases certain office premises from third parties. Rental contracts are typically made for one year to three years. The total cash outflow for leases was RMB2,527,000 for the year ended 31 December 2021 (2020: RMB1,782,000).

Land use rights represents the land use rights granted by the PRC government authority on the use of land within the pre-approved lease period. The original lease terms of the land use rights of the Group held in the PRC are 50 years up to 14 April 2053 and 12 May 2059, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENT PROPERTIES

	As at and for the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
At beginning of the year		
Cost	**5,878**	5,878
Accumulated depreciation	**(2,808)**	(2,612)
Net book mount	**3,070**	3,266
For the year		
Opening net book amount	**3,070**	3,266
Depreciation charge	**(196)**	(196)
Closing net book amount	**2,874**	3,070
At end of the year		
Cost	**5,878**	5,878
Accumulated depreciation	**(3,004)**	(2,808)
Net book mount	**2,874**	3,070
Fair value at the end of year (a)	**6,960**	7,290

Investment properties pledged for the Group's bank borrowings are as follows (note 29):

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost	**5,878**	5,878
Accumulated depreciation	**(3,004)**	(2,808)
Net book amount	**2,874**	3,070

14 INVESTMENT PROPERTIES *(Continued)*

(a) As at 31 December 2021, the Group assessed the fair values of investment properties. The valuation method is income capitalisation method which was used to determine the fair value of Level 3 non-financial assets prescribed under the accounting standards. Non-financial assets are included in level 3 if one or more of the significant inputs is not based on observable market data. Income capitalisation method is based on capitalising the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the property at appropriate capitalisation rates.

(b) Rental income of the Group's investment properties of RMB419,000 for the year ended 31 December 2021(2020: RMB440,000) was recognised as "other income" and depreciation of the Group's investment properties of RMB196,000 for the year ended 31 December 2021(2020: RMB196,000) was recognised as "other expense" in the consolidated statement of comprehensive income.

15 INTANGIBLE ASSETS

	As at and for the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
At beginning of the year		
Cost	**2,907**	2,486
Accumulated amortisation	**(2,382)**	(2,171)
Net book amount	**525**	315
For the year		
Opening net book amount	**525**	315
Additions	**342**	421
Amortisation	**(301)**	(211)
Closing net book amount	**566**	525
At end of the year		
Cost	**3,249**	2,907
Accumulated amortisation	**(2,683)**	(2,382)
Net book amount	**566**	525

15 INTANGIBLE ASSETS *(Continued)*

The intangible assets of the Group are mainly computer software. Amortisation charges were charged in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of sales	**248**	158
Administrative expenses	**53**	53
	301	211

16 DEFERRED INCOME TAX

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	**1,174**	1,153
	1,174	1,153

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

Deferred tax assets	**Provision for receivables** ***RMB'000***
Balance at 1 January 2020	–
Charged to the profit or loss	1,153
At 31 December 2020	1,153
At 1 January 2021	**1,153**
Charged to the profit or loss	**21**
At 31 December 2021	**1,174**

16 DEFERRED INCOME TAX *(Continued)*

The expiry date of tax losses is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
As at 31 December 2022	**122**	122
As at 31 December 2023	**209**	209
As at 31 December 2024	**256**	256
As at 31 December 2025	**2,187**	2,187
As at 31 December 2026	**287**	–
	3,061	2,774

The Group did not recognise deferred income tax assets of RMB 765,000 (2020: RMB695,000) in respect of tax losses amounting to RMB 3,061,000 (2020: RMB2,774,000) which can be carried forward against future taxable income.

17 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	**2021**	2020
Directly owned:							
Honor Living Investment Limited	The BVI, limited liability company	Investment holding in the BVI	1 ordinary shares, USD1	**100%**	100%	**–**	–
Indirectly owned:							
Honliv Health Care Management (HK) Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	5,000 ordinary shares, USD5,000	**100%**	100%	**–**	–
Henan Hongyong Enterprise Management Consulting Co., Ltd. (河南宏永企業管理諮詢有限公司)	The PRC, limited liability company*	Investment holding in the PRC	RMB150,000,000	**100%**	100%	**–**	–
Henan Honliv Hospital Co., Ltd. (河南宏力醫院有限公司)	The PRC, limited liability company**	Hospital operation and hospital management services in the PRC	RMB146,900,000	**99%**	99%	**1%**	1%
Henan Hongjie Pharmaceuticals Co., Ltd. (河南宏捷醫藥有限公司)	The PRC, limited liability company**	Pharmaceutical wholesaler in the PRC	RMB30,000,000	**100%**	100%	**–**	–

* Registered as a wholly foreign owned enterprise under the PRC law.

** Registered as a wholly domestic owned enterprise under the PRC law.

17 SUBSIDIARIES *(Continued)*

(a) Significant restrictions

Cash and cash equivalents of RMB162,543,000 as at 31 December 2021(2020: RMB198,433,000) are held in mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Financial assets		
At amortised cost		
Trade receivables *(note 20)*	**34,499**	19,055
Other receivables (excluding prepayments) *(note 21)*	**728**	665
Restricted deposits	**–**	5,550
Cash and cash equivalents *(note 22)*	**263,610**	302,478
	298,837	327,748
Financial liabilities		
At amortised cost		
Borrowings *(note 29)*	**187,000**	246,769
Trade and notes payable *(note 27)*	**106,087**	95,547
Accruals, other payables and provisions (excluding accrued employee benefits and duty and other tax payable) *(note 28)*	**47,472**	48,737
Lease liabilities *(note 13)*	**1,482**	3,280
	342,041	394,333

19 INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Pharmaceuticals	**20,473**	17,824
Medical consumables and others	**6,664**	2,883
	27,137	20,707

The cost of inventories recognised as expense and included in cost of sales amounted to RMB264,903,000 for the year ended 31 December 2021 (2020: RMB211,868,000).

20 TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**39,273**	23,744
Less: loss allowance for impairment of trade receivables	**(4,774)**	(4,689)
Trade receivables — net	**34,499**	19,055

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 government's insurance schemes. Details of credit term are set out note 3.1.2.

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**30,038**	15,627
3 to 6 months	**2,141**	2,289
6 months to 1 year	**2,219**	2,624
1 to 2 years	**1,847**	2,947
2 to 3 years	**2,784**	244
Over 3 years	**244**	13
	39,273	23,744

(i) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

All of the trade receivables were denominated in RMB. As a result, there is no exposure to foreign currency risk.

21 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current		
Other receivables	**728**	665
Prepayments of utilities expenses and consulting expenses	**1,216**	3,755
	1,944	4,420
Non-current		
Prepayments for purchase of machinery	**1,635**	16,901
Prepayments for construction	**6,794**	21,188
Prepayments of consulting expenses	**–**	4,893
	8,429	42,982
	10,373	47,402

Due to the short-term nature of other current receivables, their carrying amount approximates their fair value. Note 3.1.2 sets out information about the impairment of financial assets and the Group's exposure to credit risk. All of the other current receivables which is classified as the financial assets at amortised cost are denominated in RMB. As a result, there is no exposure to foreign currency risk.

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash at bank and other financial institution	**260,418**	299,217
Cash on hand	**3,192**	3,261
	263,610	302,478

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB	**162,543**	198,433
USD	**173**	177
HKD	**100,894**	103,868
	263,610	302,478

23 SHARE CAPITAL

		Number of ordinary shares	Nominal value of ordinary share *HKD*	Equivalent nominal value of ordinary share *RMB'000*
Authorized:				
As at 1 January 2020		3,900,000,000	390,000	327
As at 31 December 2020 and 2021		3,900,000,000	390,000	327

		Number of ordinary shares	Nominal value of ordinary share *HKD*	Equivalent nominal value of ordinary share *RMB'000*
Issued and fully paid:				
As at 1 January 2020		395,284,960	39,528	33
Capitalisation issue	*(a)*	54,715,040	5,472	5
Issuance of ordinary shares	*(b)*	150,000,000	15,000	14
As at 31 December 2020 and 2021		600,000,000	60,000	52

(a) Capitalisation issue

Pursuant to the written shareholder resolutions of the Company passed on 13 July 2020, the directors of the Company were authorized to allot and issue a total of 54,715,040 shares credited as fully paid at par to the holders of the Shares on the register of members of the Company at close of business on the date immediately preceding the Listing by way of capitalisation. Accordingly, the sum of HKD5,472 standing to the debit of share capital and credit of the reserves account of the Company.

(b) Issuance of new ordinary shares

On 13 July 2020, the Company was listed on HKSE, 150,000,000 ordinary shares were issued at a price of HKD2.1 per share. Accordingly, 150,000,000 ordinary shares with par value of HKD0.0001 each were issued and HKD15,000 (equivalent to approximately RMB14,000) were credited to share capital, and remaining amounts, after netting of listing expenses, RMB265,784,000 were credited to share premium.

24 RESERVES

		Share premium *RMB'000*	Statutory surplus reserves *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
At 1 January 2020		14,973	35,107	116,066	166,146
Appropriation to statutory surplus reserves	*(a)*	–	3,474	–	3,474
Capitalisation issue	*23(a)*	(5)	–	–	(5)
Issuance of ordinary shares	*23(b)*	265,784	–	–	265,784
At 31 December 2020		280,752	38,581	116,066	435,399
At 1 January 2021		**280,752**	**38,581**	**116,066**	**435,399**
Appropriation to statutory surplus reserves	*(a)*	**–**	**3,990**	**–**	**3,990**
At 31 December 2021		**280,752**	**42,571**	**116,066**	**439,389**

(a) In accordance with the PRC regulations and the articles of association of the companies now comprising the Group, before distributing the net profit of each year, companies registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional.

25 DIVIDENDS

The board of directors of the Company does not resolve to declare a dividend for the year ended 31 December 2021 (Nil for the year ended 31 December 2020).

26 DEFERRED INCOME

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Government subsidy for construction project		
To be realised within 12 months	**67**	–
To be realised after more than 12 months	**1,927**	2,000
	1,994	2,000

The amounts represented subsidy granted by and received from a local government authority in the PRC. Relevant government grants related to assets which is a subsidy for the first-phase building of Honliv Hospital. Government grants relating to assets are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets. Deferred income was amortised to the consolidated statement of comprehensive income from December 2021 as the first-phase building of Honliv Hospital was available for use and depreciated.

27 TRADE AND NOTES PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**106,087**	89,997
Notes payable	**–**	5,550
	106,087	95,547

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term maturities.

The carrying amounts of trade payables are denominated in RMB. As a result, there is no exposure to foreign currency risk.

27 TRADE AND NOTES PAYABLES *(Continued)*

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**83,439**	60,765
3 to 6 months	**16,194**	17,387
6 months to 1 year	**1,351**	7,413
1 to 2 years	**1,253**	1,099
2 to 3 years	**725**	416
Over 3 years	**3,125**	2,917
	106,087	89,997

28 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Accrued employee benefits	**42,060**	39,031
Deposit from patients (a)	**38,857**	32,740
Duty and other tax payable	**2,756**	2,298
Payables for plant and equipment	**5,431**	6,442
Interest payable	**–**	1,014
Listing expense payable	**98**	3,262
Others	**3,086**	5,279
	92,288	90,066

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

29 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current		
Short-term bank borrowings		
— Secured borrowings (a)	**45,000**	70,900
— Guaranteed borrowings (b)	**142,000**	112,000
— Other bank borrowings	**–**	30,000
	187,000	212,900
Other borrowings (c)	**–**	33,869
Total borrowings	**187,000**	246,769

Secured borrowings for the year ended 31 December 2021 bear weighted average interest rate at 5.20% (2020: 5.48%) annually.

Guaranteed borrowings for the year ended 31 December 2021 bear weighted average interest rate at 6.00% (2020: 6.80%) annually.

Other bank borrowings for the year ended 31 December 2021 bear weighted average interest rate at 5.00% (2020: 5.00%) annually.

At 31 December 2021 and 2020, the Group's borrowings were repayable within one year.

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Property, plant and equipment and investment properties of the Group (i)	**45,000**	70,900

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Guaranteed by Qin Zili, Qin Yan and related persons	**22,000**	–

29 BORROWINGS *(Continued)*

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
The Group	**112,000**	112,000
Changyuan City Investment Group Co., Ltd., a shareholder of the Group	**30,000**	–
	142,000	112,000

(c) Other borrowings

Other borrowings were all secured borrowings obtained from a financial institution.

(i) Other borrowings are secured by:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Machinery and equipment	**–**	33,869

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Maturity of other borrowings		
No later than 1 year	**–**	33,869

30 CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit before income tax	**50,542**	30,853
Adjustments for:		
— Depreciation of property, plant and equipment *(note 12)*	**28,614**	23,614
— Depreciation of right-of-use assets *(note 13)*	**4,602**	4,484
— Depreciation of investment properties *(note 14)*	**196**	196
— Amortisation of intangible assets *(note 15)*	**301**	211
— Losses on disposal of property, plant and equipment *(note 8)*	**60**	2
— Deferred income amotisation *(note 26)*	**(6)**	–
— Finance interest and income — net *(note 9)*	**13,040**	19,285
— Provision for receivables impairment *(note 3.1.2)*	**85**	4,610
— Net exchange differences *(note 9)*	**2,979**	11,832
Changes in working capital		
— Inventories	**(6,430)**	2,417
— Trade receivables	**(15,529)**	(6,677)
— Other receivables	**7,369**	(7,055)
— Balance with related parties	**–**	(623)
— Trade and notes payables	**10,540**	(19,459)
— Accruals and other payables	**2,033**	9,419
— Restricted deposit	**5,550**	9,450
Cash generated from operations	**103,946**	82,559

30 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**263,610**	302,478
Borrowings — repayable within one year	**(187,000)**	(246,769)
Leases liabilities — repayable within one year	**(942)**	(2,840)
Leases liabilities — repayable after one year	**(540)**	(440)
Net debt	**75,128**	52,429
Cash	**263,610**	302,478
Gross debt — fixed interest rates	**(102,482)**	(62,280)
Gross debt — variable interest rates	**(86,000)**	(187,769)
Net debt	**75,128**	52,429

	Borrowings due within 1 year	Borrowings due after 1 year	Amounts due to related parties due within 1 year	Lease liabilities	Total
Net debt as at 31 December 2019	(237,827)	(33,869)	(7,229)	(4,798)	(283,723)
Cash flows	24,927	–	7,229	1,518	33,674
Other changes	(33,869)	33,869	–	–	–
Net debt as at 31 December 2020	(246,769)	–	–	(3,280)	(250,049)
Cash flows	**74,726**	**–**	**–**	**2,146**	**76,872**
Other changes	**(14,957)**	**–**	**–**	**(348)**	**(15,305)**
Net debt as at 31 December 2021	**(187,000)**	**–**	**–**	**(1,482)**	**(188,482)**

31 CONTINGENCIES

As at 31 December 2021, the Group had no significant contingent liabilities.

32 COMMITMENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted but not provided for		
— Property, plant and equipment	**13,558**	8,873

33 RELATED PARTY TRANSACTIONS

(a) Parent entities

The Company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2021	Ownership interest 2020
Sunny Rock Capital Limited	Immediate parent entity	British Virgin Islands	**51.8%**	51.8%
Rubrical Investment Limited	Immediate parent entity	British Virgin Islands	**22.2%**	22.2%

Mr. Qin Yan directly held the interests of the Company through Sunny Rock Capital Limited.

Mr. Qin Hongchao held the interests of the Company through Rubrical Investment Limited.

Mr. Qin Yan and Mr. Qin Hongchao (together, the "Controlling Shareholders") are two brothers, who are acting in concert and control the Group through an agreement that signed on 10 December 2019.

33 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Subsidiaries

Interest in subsidiaries are set out in note 17.

(c) Key management compensation

Key management includes directors (executive and non-executive) and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages and salaries	**2,895**	3,335
Contributions to pension plans	**37**	72
Welfare and other expenses	**747**	74
	3,679	3,481

(d) Transactions with related parties

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

33 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Transactions with related parties *(Continued)*

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

Name	Relationship with the Group
Henan Honliv Group Co., Ltd. (河南省宏力集團有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Hongda Constructions Engineering Co., Ltd. (河南省宏大建設工程有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Honliv Yishenghuo Co., Ltd. (河南省宏力一生活有限公司)	Entity controlled by the Controlling Shareholders
Henan Honliv Advanced Technology Agricultural Development Co., Ltd. (河南省宏力高科技農業發展有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Honliv Property Development Co., Ltd. (河南省宏力房地產開發有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Guxiang No.9 Catering Co., Ltd. (河南省谷香九號餐飲有限公司)	Common director of the Company
Henan Honliv Luqiao Co., Ltd. (河南省宏力路橋有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Honliv School (河南省宏力學校有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Henan Honliv General Aviation Co., Ltd. (河南宏力通用航空有限公司)	Entity controlled by a close family member of the Controlling Shareholders
Ms. Wang Xianglian (王香蓮)	A close family member of the Controlling Shareholders
Mr. Qin Zili (秦自力)	A close family member of the Controlling Shareholders

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

33 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Transactions with related parties *(Continued)*

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Medical examination service provided to related parties		
— Henan Honliv School	**535**	485
— Henan Honliv Group Co., Ltd.	**189**	–
— Other related parties	**404**	504
	1,128	989
Premise rental income provided to		
— Henan Honliv Yishenghuo Co., Ltd.	**314**	330
— Henan Guxiang No.9 Catering Co. Ltd.	**105**	110
	419	440
	1,547	1,429
Purchase of construction services from		
— Henan Hongda Construction Co., Ltd.	**24,467**	60,712
Purchase of rental services from		
— Henan Honliv Group Co., Ltd.	**580**	580
Purchase of goods from		
— Henan Honliv Yishenghuo Co., Ltd.	**250**	122
— Henan Honliv Advanced Technology Agricultural Development Co., Ltd.	**197**	–
	25,494	61,414
Other transactions		
— Dividends paid to shareholders	**–**	7,227

(i) The Group provided parking space to Henan Honliv General Aviation Co., Ltd. on a free basis for the years ended 31 December 2021 and 2020.

(ii) Centain bank borrowings of the Group were guaranteed by related parties. Details of which are disclosed in the note 29 above.

34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material subsequent events occurred during the period from 31 December 2021 to the approval date of these consolidated financial statements by the board of directors of the Company on 28 March 2022.

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**158,573**	158,573
Total non-current assets		**158,573**	158,573
Current assets			
Amounts due from related parties		**17,787**	17,704
Cash and cash equivalents		**98,146**	101,117
Total current assets		**115,933**	118,821
Total assets		**274,506**	277,394
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**52**	52
Reserves	*35 (b)*	**287,237**	287,237
Accumulated losses		**(13,013)**	(10,108)
Total equity		**274,276**	277,181
LIABILITIES			
Current liabilities			
Accruals and other payables		**117**	100
Amounts due to related parties		**113**	113
Total current liabilities		**230**	213
Total liabilities		**230**	213
Total equity and liabilities		**274,506**	277,394

The balance sheet of the Company was approved by the Board of Directors on 28 March 2022 and signed on its behalf:

Qin Yan **Wang Zhongtao**

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
At 1 January 2020	14,973	3,999	18,972
Issuance of ordinary shares	265,784	–	265,784
Capitalisation issue	(5)	–	(5)
Listing expenses paid by a subsidiary	–	2,486	2,486
At 31 December 2020	280,752	6,485	287,237
At 1 January 2021	**280,752**	**6,485**	**287,237**
At 31 December 2021	**280,752**	**6,485**	**287,237**

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive emoluments

The remuneration of each director and the chief executive is set out below:

For the year ended 31 December 2021	Salaries *RMB'000*	Contribution to a pension plan *RMB'000*	Welfare and other expenses *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Qin Yan	**800**	**8**	**700**	**1,508**
Mr. Teng Qingxiao	**500**	**8**	**6**	**514**
Mr. Wang Zhongtao	**200**	**8**	**25**	**233**
Non-executive director				
Mr. Qin Hongchao	**–**	**–**	**–**	**–**
Independent non-executive directors				
Mr. Zhao Chun	**165**	**–**	**–**	**165**
Mr. Sun Jigang	**165**	**–**	**–**	**165**
Mr. Jiang Tianfan	**165**	**–**	**–**	**165**
	1,995	**24**	**731**	**2,750**

36 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors and chief executive emoluments *(Continued)*

For the year ended 31 December 2020	Salaries *RMB'000*	Contribution to a pension plan *RMB'000*	Welfare and other expenses *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Qin Yan	802	6	4	812
Mr. Teng Qingxiao	502	6	4	512
Mr. Wang Zhongtao	203	6	4	213
Non-executive director				
Mr. Qin Hongchao	–	–	–	–
Independent non-executive directors				
Mr. Zhao Chun	84	–	–	84
Mr. Sun Jigang	84	–	–	84
Mr. Jiang Tianfan	84	–	–	84
	1,759	18	12	1,789

Notes:

Mr. Qin Yan is also the chief executive officer.

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 2021 (2020: Nil).

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December 2021

A summary of the results and of the assets and liabilities of the Group for the last five years/periods is as follows:

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2020 *RMB'000*	**Year ended 31 December 2021** ***RMB'000***
Results					
Revenue	478,924	496,551	531,108	524,043	**606,837**
Profit before income tax	95,943	98,472	68,479	30,853	**50,542**
Income tax expense	(24,224)	(25,008)	(18,621)	(8,662)	**(13,524)**
Profit for the year	71,719	73,464	49,858	22,191	**37,018**
Profit attributable to owners of the Company	71,001	72,727	49,362	21,840	**36,615**

	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*	As at 31 December 2019 *RMB'000*	As at 31 December 2020 *RMB'000*	**As at 31 December 2021** ***RMB'000***
Assets and liabilities					
Total assets	588,195	611,639	725,324	972,464	**961,714**
Total liabilities	421,017	504,842	483,696	442,847	**395,079**
Total equity	167,178	106,797	241,628	529,617	**566,635**

DEFINITIONS

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

"AGM"	the 2021 annual general meeting of the Company to be held on 17 June 2022
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules (version up to 31 December 2021)
"Chairman"	the chairman of our Board
"China" or "PRC"	the People's Republic of China, which, for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "our Company"	Honliv Healthcare Management Group Company Limited (宏力醫療管理集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 January 2016
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Qin Yan, Mr. Qin Hongchao, Sunny Rock Capital Limited and Rubrical Investment Limited
"Deed of Non-competition"	the deed of non-competition executed by our Controlling Shareholders in favour of us on 18 June 2020
"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

DEFINITIONS

"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 Group"	Henan Honliv Group Co., Ltd.* (河南省宏力集團有限公司), a limited liability company established in the PRC on 9 April 1998, and a connected person of the Company
"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"	Neixiang Jutan Hospital* (內鄉菊潭醫院)
"Management Agreement"	the management agreement for a term of ten year 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 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) (version up to 31 December 2021)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules (version up to 31 December 2021)
"Reporting Period"	the year ended 31 December 2021
"Prospectus"	the prospectus of the Company dated 24 June 2020

DEFINITIONS

"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)
"Share Option Scheme"	the share option scheme adopted by the written resolutions of the Shareholders of the Company passed on 17 June 2020
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Sunny Rock"	Sunny Rock Capital Limited, a company incorporated in the BVI on 17 November 2015, wholly owned by Mr. Qin Yan, a Controlling Shareholder, and hence a connected person of the Company
%	per cent

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