Honliv Healthcare Management Group Company Limited
宏 力 醫 療 管 理 集 團 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9906)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024 AND CHANGE OF COMPOSITION OF THE NOMINATION COMMITTEE

FINANCIAL SUMMARY

	Year ended 31 December		
	2024	2023	Change
	RMB'000	*RMB'000*	*%*
Revenue	**768,725**	760,527	1.1
Gross Profit	**126,692**	144,844	(12.5)
Profit attributable to owners of the Company	**31,151**	38,310	(18.7)
Basic and diluted earnings per share *(in RMB)*	**0.06**	0.07	(14.3)

RESULTS

The Board of the Company announces the audited consolidated financial results of the Group for the year ended 31 December 2024, together with the comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**768,725**	760,527
Cost of sales		**(642,033)**	(615,683)
Gross profit		**126,692**	144,844
Administrative expenses		**(76,384)**	(72,393)
Net impairment losses on financial assets		**(530)**	(15,294)
Other income		**344**	644
Other expenses		**(133)**	(159)
Other gains/(losses) — net		**432**	(197)
Operating profit		**50,421**	57,445
Finance income		**856**	1,625
Finance costs		**(8,579)**	(7,648)
Finance costs — net		**(7,723)**	(6,023)
Profit before income tax		**42,698**	51,422
Income tax expense	*4*	**(11,222)**	(12,724)

		Year ended 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Profit for the year		**31,476**	38,698
Other comprehensive income		**–**	–
Total comprehensive income		**31,476**	38,698
Profit and total comprehensive income attributable to:			
Owners of the Company		**31,151**	38,310
Non-controlling interests		**325**	388
		31,476	38,698
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	*5*	**0.06**	0.07

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**525,001**	534,487
Right-of-use assets		**56,498**	78,469
Investment properties		**1,554**	1,688
Intangible assets		**1,764**	430
Deferred income tax assets		**4,205**	7,599
Prepayments		**–**	10,306
Total non-current assets		**589,022**	632,979
Current assets			
Inventories		**39,569**	31,851
Trade receivables	*6*	**63,757**	31,645
Other receivables and prepayments		**22,514**	2,126
Amounts due from related parties		**643**	353
Restricted deposits		**–**	30,000
Cash and cash equivalents		**258,498**	239,755
Total current assets		**384,981**	335,730
Total assets		**974,003**	968,709
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**52**	52
Reserves		**343,318**	339,921
Retained earnings		**229,635**	201,881
Subtotal		**573,005**	541,854
Non-controlling interests		**5,918**	5,593
Total equity		**578,923**	547,447

		As at 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**12,883**	22,503
Lease liabilities		**–**	1,433
Deferred income		**1,794**	1,861
Total non-current liabilities		**14,677**	25,797
Current liabilities			
Trade and notes payables	*7*	**100,666**	124,461
Accruals, other payables and provisions		**107,827**	99,802
Current income tax liabilities		**8,749**	14,375
Borrowings		**160,567**	154,027
Lease liabilities		**2,594**	2,800
Total current liabilities		**380,403**	395,465
Total liabilities		**395,080**	421,262
Total equity and liabilities		**974,003**	968,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Compliance with HKFRS and HKCO

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

HKFRS comprise the following authoritative literature:

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

2.1.2 Historical cost convention

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

2.1.3 New and amended standards adopted by the Group

The group has applied the following standards, amendments and interpretation for the first time for its annual reporting period commencing 1 January 2024:

• Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants
• Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
• Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
• Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The amendments and interpretation 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.

2.1.4 New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
• Amendments to HKAS 21	• Lack of Exchangeability	1 January 2025
• Amendments to HKFRS 9 and HKFRS 7	• Classification and Measurement of Financial Instruments	1 January 2026
• Annual Improvements to HKFRS Accounting Standards	• Volume 11	1 January 2026
• HKFRS 18	• Presentation and Disclosure in Financial Statements	1 January 2027
• HKFRS 19	• Subsidiaries without Public Accountability: Disclosures	1 January 2027

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no material impact on the financial performance and positions of the Group is expected when they become effective.

3 REVENUE

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Nature of revenue recognition		
Treatments and general healthcare services	**456,442**	465,598
Pharmaceutical sales	**308,861**	294,929
Postnatal care services	**3,422**	–
	768,725	760,527
Timing of revenue recognition		
At a point in time	**531,374**	512,954
Over time	**237,351**	247,573
	768,725	760,527

4 INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current income tax		
— the PRC corporate income tax	**7,828**	13,445
Deferred income tax	**3,394**	(721)
	11,222	12,724

5 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of outstanding ordinary shares in issue during the year. Treasury shares held for the employee share scheme are excluded from the weighted average number of outstanding ordinary shares in issue for purposes of calculating basic earnings per share.

	Year ended 31 December	
	2024	2023
Profit attributable to owners of the Company *(RMB'000)*	**31,151**	38,310
Weighted average number of ordinary shares deemed to be in issue *(in thousands)*	**549,214**	584,321
Basic earnings per share *(in RMB)*	**0.06**	0.07

(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 2024 and 2023.

6 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**65,520**	53,676
Less: loss allowance for impairment of trade receivables	**(1,763)**	(22,031)
Trade receivables — net	**63,757**	31,645

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

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Up to 3 months	**62,782**	28,076
3 to 6 months	**477**	2,627
6 months to 1 year	**653**	868
1 to 2 years	**273**	17,484
2 to 3 years	**1,335**	–
Over 3 years	**–**	4,621
	65,520	53,676

7 TRADE AND NOTES PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade payables	**100,666**	94,461
Notes payables	**–**	30,000
	100,666	124,461

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Up to 3 months	**77,431**	78,971
3 to 6 months	**15,406**	38,539
6 months to 1 year	**2,839**	2,198
1 to 2 years	**1,260**	496
2 to 3 years	**421**	684
Over 3 years	**3,309**	3,573
	100,666	124,461

8 DIVIDENDS

The board of directors of the Company does not resolve to declare a dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview and prospects

The domestic healthcare market is undergoing profound changes in the policy environment, competitive environment, technological environment, social environment and economic environment.

In terms of the policy environment: the reform of DRG/DIP payment method continues to progress, hospital revenue structure is facing adjustment, and the pressure of cost control is increasing; the construction of graded diagnosis and treatment and medical association is being vigorously promoted, which will realize the balanced allocation and efficient utilization of medical resources; social capital is encouraged to enter the medical field, promoting the diversified and professional development of healthcare services. In particular, the permission for wholly foreign-owned hospitals has created a greater "catfish effect (鯰魚效應)"; the medical quality control system has been improved, the management of adverse events has been strengthened, etc., which promotes the standardization and regularization of healthcare services and ensures the safety and effectiveness of healthcare services.

In terms of the competitive environment: under the payment model dominated by DRG, the competition among public hospitals, as well as between public hospitals and socially-run medical institutions, has intensified; in terms of the development model, the model of "large specialized departments with small comprehensive departments" is facing challenges, and the model of "large specialized departments with strong comprehensive departments" has become the future trend. Talent competition has become more prominent, and outstanding medical professionals have become a scarce resource.

In terms of the technological environment: intelligent technologies such as big data analysis and artificial intelligence diagnosis are developing rapidly. These technologies can quickly and accurately process medical information and assist doctors in making scientific diagnoses and treatments, thus impacting the traditional diagnosis and treatment models. Integrated solutions break down the information barriers between hospital departments, enabling the unified allocation of medical resources. The pace of innovation in medical technology is accelerating continuously.

In terms of the social environment: the intensification of population aging, the rise in the incidence of chronic diseases, and the significant improvement in residents' health awareness have led to not only the demand for disease treatment but also more needs for services such as health management, rehabilitation nursing, etc.; patients have higher expectations for the quality, efficiency, and experience of healthcare services; with the rapid dissemination of information, the medical behaviors and service quality of hospitals are more likely to be supervised by public opinion, which will have an impact on the reputation of hospitals.

In terms of the economic environment: the full implementation of centralized procurement of pharmaceuticals and medical devices and DRG-based payment has reshaped the revenue structure of hospitals, prompting changes in medical service practices and increasing cost control pressures on medical institutions, which in turn has driven hospitals to enhance their cost accounting and management capabilities.

The evolving operational environment has compelled hospitals to optimize their cost structures and clinical efficiency, driving a transformation in revenue models from "scale expansion (規模擴張)" to "intensive development (內涵式發展)." To address these challenges, hospitals must leverage technological innovation and implement tiered service delivery strategies.

Driven by dual forces of policy reforms and escalating demand, socially-run medical institutions are facing a landscape where "golden opportunities (黃金機遇)" coexist with "reshuffle pressures (洗牌壓力)." Only by enhancing competitiveness through three core strategies of specialty-focused expertise, service innovation, and technological breakthroughs, can they achieve sound development. The "Circular on Further Promoting the Healthy Development of Socially-run Medical Institutions" (《關於進一步促進社會辦醫療機構健康發展的通知》) issued by Henan Province in July 2024 sets out specific measures to support the healthy development of socially-run medical institutions. In the future, socially-run medical institutions with flexible mechanisms, precise positioning, and resource integration capabilities will emerge as leaders, completing their transformation into institutions characterized by "high-quality services + technical barriers (高品質服務+技術壁壘)" and becoming an important supplement to the healthcare system.

As a regional tertiary general hospital, the Group believes that over the past year, we transformed external pressures into internal development momentum, steadily advancing operations and ensuring an adequate supply of medical resources for patients. We achieved significant breakthroughs in areas such as information sharing and clinical decision-making support, effectively enhancing medical service efficiency and quality. However, in the face of increasingly fierce competition in the healthcare market and growing patient needs, we still need to continuously improve and develop.

BUSINESS REVIEW

In 2024, the Group's consolidated revenue for the year ended 31 December 2024 was RMB768.7 million, representing an increase of RMB8.2 million or 1.1% from the consolidated revenue of RMB760.5 million for the year ended 31 December 2023. This was mainly due to the increase in revenue generated from treatment and general medical services and the sale of pharmaceutical products.

The main driving factors are the optimisation of service models and operations achieved on the basis of the relatively well-established medical system, through the iteration of healthcare technology and internet healthcare; and the steady improvement despite the deep impact of relevant healthcare and medical insurance policies on hospital operations.

Hospital Services

Henan Honliv Hospital provides hospital services on behalf of the Group. During the Reporting Period: (i) the total number of inpatient visits amounted to 52,940 (for the year ended 31 December 2023: 54,795), representing a year-on-year decrease of 3.4%; (ii) the average cost of inpatient visits amounted to RMB6,366.1 (for the year ended 31 December 2023: RMB6,394.4), representing a year-on-year decrease of 0.4%; (iii) the average cost of outpatient visits amounted to RMB301.9 (for the year ended 31 December 2023: RMB287.4), representing a year-on-year increase of 5.0%; and (iv) the total number of outpatient visits amounted to 1,440,183 (for the year ended 31 December 2023: 1,400,791), representing year-on-year increase of 2.8%.

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

	For the year ended 31 December		
	2024	2023	Changes %
Outpatient visits	**1,440,183**	1,400,791	2.8
Average spending per outpatient visit *(RMB)*	**301.9**	287.4	5.0
Inpatient visits	**52,940**	54,795	(3.4)
Average spending per inpatient visit *(RMB)*	**6,366.1**	6,394.4	(0.4)
Number of beds in operation at the end of the relevant period	**1,500**	1,500	
Average length of stay per inpatient visit *(days)*	**9.5**	9.3	2.0
Number of surgeries	**12,112**	13,159	(8.0)

Pharmaceutical Sales

Revenue from sales of pharmaceutical for the reporting period was RMB308.9 million (RMB294.9 million for the year ended 31 December 2023), representing a year-on-year increase of 4.7%. Such increase was mainly attributable to the growth in outpatient sales of pharmaceutical.

BUSINESS DEVELOPMENT

In 2024, under the reform of the DRG payment method, the revenue model of hospitals shifted from “payment by item” to “fixed payment by disease type”. The traditional model of increasing revenue through volume was significantly impacted. However, the Group adopted a variety of measures, and the operating efficiency has steadily improved year-on-year. The main revenue-driving strategies are as follows:

(i) Cost control and efficiency enhancement: Offsetting the difference between the DRG payment price and the original cost through clinical pathway standardization, consolidation of the supply chain of consumables, and compression of redundant investigations.

(ii) Revenue structure transformation: Expanding non-inpatient business to fill the gap in inpatient revenue by utilizing lightweight services such as day surgery, online follow-up consultation and health management; strengthening high value-added services by focusing on complex disease categories with higher DRG payment standards, and expanding high-end services outside of the medical insurance scheme to boost ambulatory non-inpatient business revenue.

(iii) Technological innovation and resource revitalization: Enhancing the utilization rate of equipment — applying AI — assisted diagnosis, promoting minimally invasive techniques, and increasing the average daily usage duration of large — scale equipment like CT/MRI — to achieve technological innovation and resource activation.

(iv) Data-driven decision-making: Based on DRG disease group data, dynamically optimizing the admission structure of disease types, preferentially undertaking disease types with better cost-benefit ratios, and avoiding inefficient resource consumption.

Through the above measures, on the basis of the traditional optimization of talent team and increase in the number of medical consultations, the Group has adopted the core strategies centered around quality improvement and cost control, structural upgrading and technological empowerment. It has proactively transformed within the DRG framework, compressed ineffective costs through refined management, and unleashed the potential of existing resources. Additionally, it has explored new scenarios for outpatient and high — end services, and established a balanced revenue model of "ensuring inpatient service quality and increasing outpatient service volume". The DRG reform has forced hospitals to transform, and the Group has made flexible adjustments through the market-based mechanism to verify the feasibility of its core strategies, laying a solid foundation for the sustainable and healthy development of the Group's business.

Clinical Practice Driving Scientific Research, Scientific Research Empowering Clinical Practice

The Group believes that key disciplines serve as the engine for business development. Taking key disciplines as the leading force, constructing an ecosystem of discipline clusters to achieve resource sharing, and relying on the deep integration of key disciplines and scientific research innovation are the keys for the hospital to shift from "scale expansion" to "connotative development". By establishing a symbiotic system of "clinical practice driving scientific research, scientific research empowering clinical practice", the Group ultimately realizes the triple values of benefiting patients, enhancing the efficiency of institutions, and promoting the progress of the industry. In 2024, the hospitals under the Group achieved the following:

(i) The Department of Emergency Medicine became a key cultivated clinical specialty in Henan Province.

(ii) At the 16th 2024 International Council on Nursing Informatics International Congress held in the UK, the paper titled "Development and Application of the CCC Intelligent Nursing Information System" (《CCC智能護理信息系統的開發與應用》) of our hospital was selected by the conference to give a keynote sharing.

(iii) The topics "Practice of Informatization Construction of the Nausea-Free Ward" (《無嘔病房信息化建設之實踐》) and "Research, Development and Application of the Information System for Peritoneal Dialysis Patients Based on the CCC Terminology Knowledge Base" (《基於CCC術語知識庫的腹膜透析患者信息系統的研發與應用》) were presented as keynote speeches at the Academic Conference on Intelligent Nursing hosted by the Chinese Nursing Association.

(iv) Six practical information management systems, including the Hospital Rehabilitation Treatment Management System V1.0 and the Hospital Pulmonary Nodule Screening and Management Platform V1.0, obtained the Scientific and Technological Achievements of Henan Province. Up to now, the Group has obtained sixty scientific and technological achievements.

Actively taking social responsibility and practicing national health practice activities

Adhering to the ideology of sustainable and green development, the Group actively undertakes social responsibility and integrates the concept of national health into the entire business process. In order to detect the increasingly high incidence of lung lesions at an early stage, the Group has been continuously going to villages and households to carry out free screening activities for lung nodules; it has persisted in energy conservation and emission reduction initiatives and has reshaped the education — prevention — treatment — rehabilitation system in light of the local residents' health conditions; it has won numerous honors, including the title of Outstanding Unit in Henan Province of Plant Engineering, the Demonstration Award for Improving Patient Experience at the "6th China Healthy County Conference and Outstanding Builders of Healthy Counties", the Outstanding Case Award in the Central and Southern China Region of the "9th National Hospital Competition for Improving Medical Services", and the Third Prize in the Team Category of the Henan Province Immunization Skills Competition.

FUTURE OUTLOOK

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

1. The Group will focus on its main business and continue to promote work such as the accreditation of hospital grades, the construction of smart hospitals, and the establishment of various professional diagnosis and treatment centers;

2. The Group will promote the construction of key provincial and municipal disciplines, benchmarking against the industry's cutting-edge technology trends, and ensure that each discipline has its own characteristics and each professional has his or her own expertise;

3. The Group will implement a diversified mechanism for talent cultivation and utilization, combining the introduction of high-quality external professional and technical talents with internal talent cultivation, and implementing practical and effective talent incentive mechanisms to maximize the effects of various types of talents;

4. The Group will deeply analyze the national centralized procurement policies, study the DRG/DIP health insurance payment policy, and take proactive and effective measures to strengthen cost control and refined management, enhance health insurance compliance management and risk prevention and control, so as to achieve the goal of improving the quality and efficiency of medical services;

5. The Group will actively explore the path of group operation, integrate medical resources, share human resources and expand business synergies to achieve the Group's development strategic goals and promote the sustainable and healthy development of the Group.

FINANCIAL REVIEW

Revenue and Cost

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

	Year ended 31 December			
	2024		2023	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Treatment and general healthcare services	**456,442**	**59.4%**	465,598	61.2%
Pharmaceutical sales	**308,861**	**40.2%**	294,929	38.8%
Postnatal care services	**3,422**	**0.4%**	–	–
Total	**768,725**	**100.00%**	760,527	100.00%

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

	Year ended 31 December			
	2024		2023	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Outpatient healthcare services	**434,746**	**56.6%**	402,643	52.9%
Inpatient healthcare services	**330,557**	**43.0%**	357,884	47.1%
Postnatal care services	**3,422**	**0.4%**	–	–
Total	**768,725**	**100%**	760,527	100%

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

	Year ended 31 December	
	2024	2023
Outpatient visits	**1,440,183**	1,400,791
Average spending per outpatient visit *(RMB)*	**301.9**	287.4
Inpatient visits	**52,940**	54,795
Average spending per inpatient visit *(RMB)*	**6,366.1**	6,394.4
Number of beds in operation at the end of the relevant period	**1,500**	1,500

Our revenue from our treatment and general hospital services, pharmaceutical sales and postnatal care services in aggregate increased by 1.1% from RMB760.5 million for the year ended 31 December 2023 to RMB768.7 million for the year ended 31 December 2024. This was mainly due to the increase in outpatient visits and average spending per outpatient visit, which were offset by the decrease in inpatient visits and average spending per inpatient visit.

Our revenue from outpatient medical services increased by 8.0% from RMB402.6 million for the year ended 31 December 2023 to RMB434.7 million for the year ended 31 December 2024. The increase was mainly attributable to the increase in outpatient medical service revenue as a result of the increase in the number of outpatient visits and the increase in the average spending per outpatient visit.

Our revenue from inpatient medical services decreased by 7.6% from RMB357.9 million for the year ended 31 December 2023 to RMB330.6 million for the year ended 31 December 2024. The decrease was mainly attributable to the decrease in inpatient medical service revenue as a result of the decrease in the number of inpatient visits and the decrease in the average spending per inpatient visit.

Cost of sales

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

Our cost of sales increased by 4.3% from RMB615.7 million for the year ended 31 December 2023 to RMB642.0 million for the year ended 31 December 2024, mainly due to (i) an increase of RMB18.5 million in the pharmaceutical costs for the year ended 31 December 2024 as compared with the year ended 31 December 2023; (ii) an increase of RMB10.1 million in depreciation and amortization for the year ended 31 December 2024 as compared with the year ended 31 December 2023.

Gross profit and gross profit margin

Our gross profit decreased by 12.5% from RMB144.8 million for the year ended 31 December 2023 to RMB126.7 million for the year ended 31 December 2024, and our gross profit margin decreased from 19.0% for the year ended 31 December 2023 to 16.5% for the year ended 31 December 2024. This was mainly due to the increase in pharmaceutical costs, depreciation and amortization, public utilities expenses, maintenance and office expenses under cost of sales during the Reporting Period.

Other expenses

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

Administrative expenses

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

Our administrative expenses increased by 5.5% from RMB72.4 million for the year ended 31 December 2023 to RMB76.4 million for the year ended 31 December 2024, mainly due to the increase in depreciation and amortization expenses.

Net finance costs

Our net finance costs increased from an expense of RMB6.0 million for the year ended 31 December 2023 to an expense of RMB7.7 million for the year ended 31 December 2024, mainly due to the decrease in foreign currency exchange gains and the increase in interest on borrowings during the Reporting Period.

Income tax expense

Our income tax expense decreased by 11.8% from RMB12.7 million for the year ended 31 December 2023 to RMB11.2 million for the year ended 31 December 2024, mainly due to the decrease in our profit before tax.

Profit for the year and net profit margin

As a result of the above, our profit for the period decreased by 18.7% from RMB38.7 million for the year ended 31 December 2023 to RMB31.5 million for the year ended 31 December 2024. Our net profit margin for the year ended 31 December 2023 and the year ended 31 December 2024 were 5.1% and 4.2% respectively.

DISCUSSION OF ITEMS IN THE CONSOLIDATED BALANCE SHEET

Net current assets

As at 31 December 2024, our net current assets were RMB4.6 million, compared to net current liabilities of RMB59.7 million as at 31 December 2023, mainly due to cash inflow from operating activities.

Inventories

Our inventories increased by 24.2% from RMB31.9 million as at 31 December 2023 to RMB39.6 million as at 31 December 2024, mainly due to the changes in the inventory quantity for Chinese New Year reserves.

Trade receivables

Our trade receivables increased by 101.5% from RMB31.6 million as at 31 December 2023 to RMB63.8 million as at 31 December 2024, mainly due to a slight slowdown in the settlement of receivables from the Medical Insurance Bureau.

Other receivables and prepayments

Our other receivables and prepayments increased from RMB2.1 million as at 31 December 2023 to RMB22.5 million as at 31 December 2024, representing an increase of RMB20.4 million in the balance during the Reporting Period, mainly due to an increase in receivables from the disposal of land use rights.

Indebtedness

Our borrowings decreased from RMB176.5 million as at 31 December 2023 to RMB173.5 million as at 31 December 2024, representing a decrease of RMB3.1 million in the balance during the Reporting Period. The decrease was mainly due to partial repayment of borrowings during the Reporting Period.

Trade and notes payables

Our trade payables decreased from RMB124.5 million as at 31 December 2023 to RMB100.7 million as at 31 December 2024, representing a decrease of RMB23.8 million in the balance during the Reporting Period. The decrease was mainly due to the decrease in notes payable by RMB30.0 million during the Reporting Period.

Accrued expenses, other payables and provisions

Our accrued expenses and other payables increased from RMB99.8 million as at 31 December 2023 to RMB107.8 million as at 31 December 2024, mainly due to an increase in patients' pre-payment and slightly slower payment of staff salaries.

Contingent liabilities

As of 31 December 2024, we had no contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

Lease liabilities

As of 31 December 2024, our lease liabilities in respect of leased properties amounted to approximately RMB2.6 million, the decrease in lease liabilities was attributable to normal lease payments for the leased properties.

Liquidity and capital resources

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Net cash generated from operating activities	**83,344**	91,559
Net cash used in investing activities	**(51,384)**	(88,762)
Net cash used in financing activities	**(13,299)**	(19,116)
Net increase/(decrease) in the balance of cash and cash equivalents	**18,661**	(16,319)

Net cash generated from operating activities

Our net cash generated from operating activities decreased from RMB91.6 million for the year ended 31 December 2023 to RMB83.3 million for the year ended 31 December 2024, mainly due to a slightly slower settlement of receivables from the Medical Insurance Bureau during the Reporting Period.

Net cash used in investing activities

Our net cash used in investing activities decreased from RMB88.8 million for the year ended 31 December 2023 to RMB51.4 million for the year ended 31 December 2024, mainly due to a decrease in expenditure on plant renewal and purchase of equipment by RMB37.4 million.

Net cash used in financing activities

Our net cash used in financing activities decreased from RMB19.1 million for the year ended 31 December 2023 to RMB13.3 million for the year ended 31 December 2024. The decrease was mainly due to (i) new borrowings of RMB156.7 million during the Reporting Period, (ii) repayment of borrowings and related interest of RMB168.4 million during the Reporting Period, and (iii) savings of RMB45.9 million from the purchase of existing shares under the Restricted Share Unit Scheme as compared with the previous reporting year.

Financial instruments

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

Exchange rate fluctuation risk and other risks

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

During the year ended 31 December 2024, we did not use any derivative financial instruments to hedge our exchange rate risk. Our management manages exchange rate risk by closely monitoring movements in foreign exchange rates and considers hedging significant foreign exchange exposure should the need arise.

Gearing ratio

As of 31 December 2024, our gearing ratio (total liabilities divided by total assets) was 40.6% (as of 31 December 2023: 43.5%).

USE OF PROCEEDS

In connection with the Company's Global Offering ("**Global Offering**"), 150,000,000 Shares with a nominal value of HK$0.0001 each were issued at a price of HK$2.10 per Share, raising net proceeds of approximately HK$264.8 million, after deduction of the underwriting fees and related expenses by the Company in connection with the Global Offering. Such proceeds were allocated and used in accordance with the use of proceeds set out in the prospectus dated 24 June 2020 and the announcement on the change of use of proceeds from the Global Offering dated 25 August 2023 (the "**Announcement**") of the Company.

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at 31 December 2024 and as at the date of this announcement:

Business objective	**Percentage of total disclosed in the Announcement** *%*	**Planned use of net proceeds as described in the Announcement** *HK$ million*	**Actual utilisation during the Reporting Period** *HK$ million*	**Utilised net proceeds as at 31 December 2024** *HK$ million*	**Unutilised Net Proceeds as at 31 December 2024** *HK$ million*	**Expected timeline for Unutilised Net Proceeds**
Finance the ramp up of the Company's first-phase building	29.5	78.0	0.0	78.0	–	By the end of 2021
Expand the Company's business by acquiring hospitals	26.1	69.2	0.0	–	69.2	By the end of 2025
Repay the Company's general borrowings, particularly the outstanding loans from two banks with an aggregate principal amount of RMB63.0 million	15.0	39.8	0.0	39.8	–	By the end of 2023
Working capital and other general corporate purposes	10.0	26.5	0.0	26.5	–	By June 2021
Purchase medical equipment and improve and upgrade the Company's information technology systems	8.0	21.3	0.0	21.3	–	By June 2023
Employee recruitment and training	5.0	13.3	0.0	13.3	–	By June 2023
Construct a postnatal care centre	6.3	16.7	0.0	16.7	–	By the end of 2023
Total	**100**	**264.8**	**0.0**	**195.6**	**69.2**	

Note:

The timeline is based on the Company's estimation of its business needs as of the date of this announcement and is subject to change so long as it is deemed to be in the best interests of the Company and to the extent permitted by applicable laws and regulations. Except for the change above, there is no other change in use of the net proceeds.

As at 31 December 2024, the net proceeds from the Global Offering not yet utilised were deposited into short-term demand deposits in the Company's account at one of the receiving banks as disclosed in the Prospectus.

PUBLIC FLOAT

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

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as its own code of corporate governance. During the year ended 31 December 2024, save as the code provision addressed below, the Company has complied with all the applicable code provisions as set out in part 2 of the Corporate Governance Code.

Code provision C.2.1 of part 2 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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

COMPLIANCE WITH THE MODEL CODE OF FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY THE AUDIT COMMITTEE

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

The Group's consolidated financial statements for the year ended 31 December 2024 have been reviewed by all members of the Audit Committee. The Audit Committee has also discussed the Group's auditing, internal control and financial reporting matters. Based on such a review, the Audit Committee was of the opinion that the Group's consolidated financial statements were prepared in accordance with applicable accounting standards.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year.

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Company at www.honlivhp.com and the Stock Exchange at http://www.hkexnews.hk. The 2024 annual report of the Company will be despatched to the Shareholders in due course and will also be available at the websites above.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 13 June 2025. Shareholders 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, 10 June 2025 to Friday, 13 June 2025, 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, 9 June 2025 (Hong Kong time), being the last registration date.

CHANGE OF COMPOSITION OF THE NOMINATION COMMITTEE

The Board further announced that with effect from 28 March 2025, Ms. Li Yanhong has been appointed as a member of the nomination committee of the Board in order to enhance the corporate governance of the Company and to fulfil the new gender diversity requirement of the nomination committee under the Listing Rules which will be implemented with effect from July 1, 2025. Following the above change, the nomination committee of the Board comprises of four members, namely Mr. Zhao Chun (chairperson), Mr. Sun Jigang, Mr. Jiang Tianfan and Ms. Li Yanhong.

APPRECIATION

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

DEFINITIONS

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

"AGM"	the 2024 annual general meeting of the Company to be held on Friday, 13 June 2025
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors	the board of Directors
"Corporate Governance Code"	the "Corporate Governance Code" as contained in Appendix C1 to the Listing Rules
"Chairman"	the chairman of our Board
"China" or "PRC"	the People's Republic of China, which, for the purpose of this interim results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan

"Company" or "our Company"	Honliv Healthcare Management Group Company Limited (宏力醫療管理集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 January 2016
"Director(s)"	the director(s) of the Company or any one of them
"Global Offering"	the global offering of the Shares, details of which are set forth in the Prospectus
"Group", "our Group", "our", "we", or "us"	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"Henan Honliv Hospital" or "our hospital"	Henan Honliv Hospital Co., Ltd.* (河南宏力醫院有限公司), a limited liability company established in the PRC on 24 May 2004
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	13 July 2020, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Listing Rules
"Reporting Period"	the year ended 31 December 2024
"Prospectus"	the prospectus of the Company dated 24 June 2020
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) with par value of HK$0.0001 each in the capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"2023 RSU Scheme"	The restricted share unit scheme adopted by the Board on 9 May 2023
"%"	per cent

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

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

Hong Kong, 28 March 2025

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