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Honliv Healthcare Management Group Company Limited

宏力醫療管理集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9906)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2025

FINANCIAL SUMMARY

	Six months ended 30 June		
	2025	2024	Change
	RMB'000	RMB'000	%
Revenue	346,820	415,178	(16.5)
Gross profit	45,801	71,621	(36.1)
(Loss)/profit attributable to owners of the Company	(673)	20,042	(103.4)
Basic and diluted (loss)/earnings per share (in RMB)	(0.00)*	0.04	(103.3)

RESULTS

The Board of the Company announces the unaudited consolidated financial results of the Group for the six months ended 30 June 2025, together with the comparative figures for the corresponding period in 2024, as set out below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2025	2024
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	346,820	415,178
Cost of sales		(301,019)	(343,557)
Gross profit		45,801	71,621
Administrative expenses		(41,914)	(38,689)
Reversal of net impairment losses/ (net impairment losses) on financial assets		209	(320)
Other income		265	572
Other expenses		(67)	(67)
Other losses — net	5	(805)	(1,284)
Operating profit		3,489	31,833
Finance income		154	516
Finance costs		(4,352)	(4,262)
Finance costs — net		(4,198)	(3,746)
(Loss)/profit before income tax		(709)	28,087
Income tax credit/(expense)	6	33	(7,824)

		Six months ended 30 June	
		2025	2024
<i>Notes</i>		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	(Loss)/profit for the period and total comprehensive (loss)/income for the period	<u>(676)</u>	<u>20,263</u>
	(Loss)/profit for the period and total comprehensive (loss)/income for the period attributable to:		
	Owners of the Company	(673)	20,042
	Non-controlling interests	<u>(3)</u>	<u>221</u>
		<u>(676)</u>	<u>20,263</u>
	(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company (expressed in RMB per share)		
	Basic and diluted (loss)/earnings per share	<u>(0.00)*</u>	<u>0.04</u>

* The amount stated above was less than RMB0.01.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2025	2024
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		496,591	525,001
Right-of-use assets		54,490	56,498
Intangible assets		1,927	1,764
Deferred income tax assets		4,270	4,205
Investment properties		1,488	1,554
		<hr/>	<hr/>
Total non-current assets		558,766	589,022
		<hr/>	<hr/>
Current assets			
Inventories		17,962	39,569
Trade receivables	8	29,127	63,757
Other receivables and prepayments		1,582	22,514
Amounts due from related parties		512	643
Cash and cash equivalents		286,780	258,498
		<hr/>	<hr/>
Total current assets		335,963	384,981
		<hr/>	<hr/>
Total assets		894,729	974,003
		<hr/> <hr/>	<hr/> <hr/>

		30 June 2025	31 December 2024
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to the owners of the Company			
Share capital		52	52
Reserves		325,882	343,318
Retained earnings		228,962	229,635
		<hr/>	<hr/>
Subtotal		554,896	573,005
		<hr/>	<hr/>
Non-controlling interests		5,915	5,918
		<hr/>	<hr/>
Total equity		560,811	578,923
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings		7,271	12,883
Deferred income		1,761	1,794
		<hr/>	<hr/>
Total non-current liabilities		9,032	14,677
		<hr/>	<hr/>
Current liabilities			
Trade payables	9	96,020	100,666
Accruals, other payables and provisions		93,260	107,827
Current income tax liabilities		6,796	8,749
Borrowings		127,662	160,567
Lease liabilities		1,148	2,594
		<hr/>	<hr/>
Total current liabilities		324,886	380,403
		<hr/>	<hr/>
Total liabilities		333,918	395,080
		<hr/>	<hr/>
Total equity and liabilities		894,729	974,003
		<hr/>	<hr/>

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2025 has been prepared in accordance with Hong Kong Accounting standard 34 “**Interim Financial Reporting**” as issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2024, which have been prepared in accordance with HKFRS Accounting Standards, and any public announcements made by the Company during the six months ended 30 June 2025.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards for the current reporting period.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The adoption of these new and amended standards does not have significant impact on the financial performance and positions of the Group and also the presentation of this interim financial information.

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2025 reporting period and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT REPORTING

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

The Group has only one operating segment during the six months ended 30 June 2025 and 2024, so no segment information was presented.

No geographical information is presented as all of the Group's revenue is derived from activities in the PRC, and the Group's operations and non-current assets are mainly located in the PRC.

4 REVENUE

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Nature of revenue recognition		
Treatments and general healthcare service	204,171	250,041
Pharmaceutical sales	138,774	164,739
Postnatal care service	3,875	398
	346,820	415,178
Timing of revenue recognition		
At a point in time	252,448	282,710
Over time	94,372	132,468
	346,820	415,178

For the six months ended 30 June 2025, the nominal amount of residential inpatient services revenue preliminarily recorded by the Group, before any variable adjustments to the final settlement, was approximately RMB69,270,000, which is expected to be finally confirmed by the medical insurance bureau in 2026. The Group established a possible range (from 77.33% to 100.00%) of estimated settlement rates with different scenarios. After further considering the threshold in HKFRS 15 for variable consideration, i.e., highly probable that the revenue recognised will not be reversed, the Group applied an estimated settlement rate of 86.00% (for the year ended 31 December 2024: 93.36%) to record the residential inpatient services revenue.

Based on the historical final settlement outcome of the residential inpatient services revenue as determined by the medical insurance bureau in May 2025, the 2024 actual final settlement rate for the Group was 90.46% (2023: 98.04%). The difference between the final settlement rate and the previously estimated rate has led to a RMB5,037,000 reduction in inpatient service revenue for the six months ended 30 June 2025 (for the six months ended 30 June 2024 increase in inpatient service revenue of RMB4,776,000).

5 OTHER LOSSES — NET

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Losses of medical compensation	801	1,273
Net losses on disposal of plant and equipment	4	9
Others	—	2
	<u>805</u>	<u>1,284</u>

6 INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	(32)	(7,184)
Deferred income tax	<u>65</u>	<u>(640)</u>
	<u>33</u>	<u>(7,824)</u>

(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 six months ended 30 June 2025 and 2024. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the six months ended 30 June 2025 and 2024.

7 (LOSS)/EARNINGS PER SHARE

(a) **Basic (loss)/earnings per share**

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of outstanding ordinary shares in issue during the six months ended 30 June 2025. Treasury shares held for the 2022 restricted share unit scheme and the 2023 restricted share unit scheme (together, 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.

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (<i>RMB'000</i>)	(673)	20,042
Weighted average number of ordinary shares in issue (<i>in thousands</i>) (i)	541,968	549,214
Basic (loss)/earnings per share (<i>in RMB</i>)	(0.00)*	0.04

* The amount stated above was less than RMB0.01.

- (i) During the six months ended 30 June 2025, 8,962,000 shares were repurchased for the purpose of the employee share scheme (six months ended 30 June 2024: Nil). As of 30 June 2025, the accumulated number of shares repurchased by an independent trustee for the purpose of the employee share scheme was 59,748,000 (31 December 2024: 50,786,000). As of 30 June 2025, no shares were granted under the employee share scheme.

(b) **Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share were the same as basic (loss)/earnings per share as the Group had no potential dilutive shares during the six months ended 30 June 2025 and 2024.

8 TRADE RECEIVABLES

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
Trade receivables	30,688	65,520
Less: allowance for impairment of trade receivables	<u>(1,561)</u>	<u>(1,763)</u>
Trade receivables — net	<u><u>29,127</u></u>	<u><u>63,757</u></u>

As at 30 June 2025 and 31 December 2024, the ageing analysis of the trade receivables based on demand note date was as follows:

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
Up to 3 months	27,058	62,782
3 to 6 months	1,714	477
6 months to 1 year	309	653
1 to 2 years	83	273
2 to 3 years	731	1,335
Over 3 years	<u>793</u>	<u>—</u>
	<u><u>30,688</u></u>	<u><u>65,520</u></u>

9 TRADE PAYABLES

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
Trade payables	<u>96,020</u>	<u>100,666</u>

As at 30 June 2025 and 31 December 2024, the ageing analysis of the trade payables based on demand note date was as follows:

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
Up to 3 months	76,070	77,431
3 to 6 months	13,888	15,406
6 months to 1 year	1,291	2,839
1 to 2 years	871	1,260
2 to 3 years	1,218	421
Over 3 years	<u>2,682</u>	<u>3,309</u>
	<u>96,020</u>	<u>100,666</u>

10 DIVIDEND

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2025 (30 June 2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW AND PROSPECTS

In accordance with the latest policy guidance and market dynamics, the private hospital industry will exhibit a development trend of concurrent “quality upgrading” and “structural optimization”, facing both unprecedented opportunities and severe challenges. On the one hand, policy dividends continue to be released, technological empowerment becomes increasingly remarkable, and the development paths of specialization, digitization, and high — end orientation are more distinct. On the other hand, challenges such as stricter medical insurance cost control, intensified talent competition, and the expansion of public hospitals cannot be overlooked.

Policy aspect: The focus has shifted from relaxed market access to equal emphasis on regulation and support. Requirements such as DRG/DIP payment reforms, rating management, and international certification have raised the industry’s access threshold. Meanwhile, policies encouraging differentiated positioning have provided private hospitals with room to avoid direct competition with public hospitals.

Market aspect: The shift from homogeneous competition to differentiated development is underway. Driven by consumption upgrading and aging demographics, demand for high-end medical services and integrated medical-nursing care is growing rapidly. The integration of internet-based healthcare with traditional services is deepening, while regional development is expanding from coastal agglomerations to the central and western regions.

Technical aspect: Digital transformation has shifted from an option to a necessity. Smart medical technologies such as AI-assisted diagnosis, surgical robots, and electronic medical record systems have become core competitive edges. Technological empowerment not only improves efficiency and quality but also expands service boundaries and innovation horizons.

Capital aspect: The investment logic has shifted from scale expansion to value-based healthcare. Capital now favors tracks such as specialized chain operations, emerging specialties, and smart healthcare, imposing higher requirements on compliance capabilities, technological barriers, and brand effects.

In the face of such a complex landscape, the Group will formulate a systematic strategic response plan to seize opportunities amid changes:

Specialized Deep Cultivation Strategy: Under the general hospital model, focus on advantageous specialized fields to build differentiated competitiveness.

Intelligent Transformation Strategy: Take digitalization as the core driver to enhance medical quality and operational efficiency, and increase the application of technologies such as AI, big data, and telemedicine in phases.

Brand Building Strategy: Integrate brand development with the improvement of medical quality through international certifications like JCI/DNV, participation in public health events, and transparent operations.

Talent System Innovation Strategy: Seize the opportunity of relaxed policies on multi-site practice for physicians to build a more open physician cooperation network.

Social Responsibility Enhancement Strategy: Proactively participate in public health services, counterpart support, and public welfare undertakings, integrating social responsibility into the institution's development strategy.

The Group will view current challenges from a strategic perspective and convert pressures into impetus for transformation and upgrading. It will proactively integrate into the overall development landscape, continuously enhance its service standards and management capabilities. Against the backdrop of the country's sustained efforts to advance the Healthy China initiative and encourage the development of social medical services, the Group will pinpoint its positioning, strengthen its internal capabilities, and achieve a fundamental shift from quantitative expansion to qualitative improvement, ultimately gaining patients' recognition, society's respect, and market success.

BUSINESS REVIEW

For the six months ended 30 June 2025, the Group's consolidated revenue was RMB346.8 million, representing a decrease of RMB68.4 million or 16.5% as compared with the consolidated revenue of RMB415.2 million for the six months ended 30 June 2024.

For the six months ended 30 June 2025, the number of outpatient visits of the Group was 717,563, representing a decrease of 31,158 visits or 4.2% as compared with 748,721 outpatient visits for the six months ended 30 June 2024.

For the six months ended 30 June 2025, the number of inpatient visits of the Group was 22,811, representing a decrease of 6,407 visits or 21.9% as compared with 29,218 inpatient visits for the six months ended 30 June 2024.

The decrease in the number of outpatient visits as well as inpatient visits is mainly due to the following reasons:

1. The overall number of patients has decreased due to comprehensive social factors. For example, the decline in the number of women of childbearing age and changes in fertility intentions have led to a reduction in the number of newborns.
2. Under the new medical reform policies, some patients have shifted their medical treatment to primary-level institutions. For instance, the registration of chronic disease patients has been distributed among various hospitals in the region.
3. As the medical industry is undergoing a transformation from extensive operation to refined management, the hospital has adopted various effective measures to ensure the sustainable development of its services to the greatest extent.
4. In response to changes in medical demand, a variety of specialized clinics have been set up to develop towards the direction of “small-scale, specialization and excellence”. For example, the Vertigo Center and VTE Prevention and Treatment Center have met patients’ medical needs.
5. Clinical departments have closely cooperated with disease census activities. For example, the thoracic surgery department has taken free lung nodule census as a key measure to achieve early detection and treatment, resulting in a counter-trend growth in the number of outpatient visits and inpatient visits.
6. Based on the characteristics of diseases, the development ideas have been adjusted. On the premise of ensuring medical quality, the ratio of outpatient services to inpatient visits in the specialty has been adjusted, leading to a significant increase in the number of outpatient visits.

Hospital Services

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

1. The total number of inpatient visits amounted to 22,811 (as of 30 June 2024: 29,218), representing a year-on-year decrease of 21.9%.
2. The average cost per inpatient visit amounted to RMB5,269.5 (as of 30 June 2024: RMB6,498.2), representing a year-on-year decrease of 18.9%.
3. The total number of outpatient visits amounted to 717,563 (as of 30 June 2024: 748,721), representing a year-on-year decrease of 4.2%.
4. The average cost per outpatient visit amounted to RMB310.4 (as of 30 June 2024: RMB300.4), representing a year-on-year increase of 3.3%.

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

	as of 30 June		
	2025	2024	Changes%
Outpatient visits	717,563	748,721	−4.2
Average cost per outpatient visit (<i>RMB</i>)	310.4	300.4	3.3
Inpatient visits	22,811	29,218	−21.9
Average cost per inpatient visit (<i>RMB</i>)	5,269.5	6,498.2	−18.9
Number of beds in operation at the end of the relevant period	1,500	1,500	0
Average length of stay per inpatient visit (<i>days</i>)	9.7	8.8	11.1
Number of surgeries	5,733	6,316	−9.2

Revenue and Operational Analysis

I. Impact of the Macro Industry Environment

The current healthcare industry is facing unprecedented systemic challenges, with social medical institutions confronting particularly severe difficulties, which have directly impacted hospital operational performance.

1. Industry-wide downturn: The number of private hospitals shutting down nationwide in the first half of 2025 has exceeded 1,000, including several tertiary hospitals.
2. Impact of medical insurance policy reforms: The reform of DRG/DIP payment methods has exerted a profound influence on the revenue structure of hospitals.
3. Squeezing effect from regional hospital competition: The coverage rate of county-level compact medical alliances has surpassed 90%. Despite social medical institutions being part of these alliances, the public hospital-led alliances have accelerated the concentration of patients into the public hospital system.

II. Analysis of Changes in Revenue Structure

1. Shrinkage in inpatient revenue: Inpatient revenue has decreased due to the dual decline in the number of inpatients visits and the average cost per visit. This is mainly because the hospital has taken active adjustments after the medical insurance DRG/DIP payment reform restricted reimbursement quotas.
2. Relatively stable outpatient revenue: Outpatient services have performed relatively steadily, as they are less affected by medical insurance policies and restrictions.

The changes in the revenue structure reflect the hospital's passive adjustments and active responses in the current medical environment.

III. Cost and Operational Pressures

Cost and operational pressures are significant factors contributing to the decline in performance.

1. Continuous rise in rigid costs: Rigid costs such as taxes, equipment updates, and salaries are constantly increasing.
2. Room for improvement in management efficiency: Refined management needs to be strengthened, and adjustments to the business structure need to adapt to policy changes.

IV. Despite the various difficulties encountered in hospital operations, the Company has still adopted multiple measures to stabilize the patient source, ensure the normal operation of the hospital, and continuously seek breakthroughs:

1. Guided by medical insurance policies and taking the construction of smart hospitals as a platform, analyze the different demands of outpatient and inpatient patients, and carry out refined classified diagnosis and treatment.
2. Carry out various quality control activities with medical safety as the main line to improve medical quality.
3. Expand service areas and deeply integrate into national general health service activities.
4. Set up specialized clinics for minor, sophisticated and specialized diseases to meet the medical needs of sub-healthy groups.
5. Continuously carry out various forms of medical service cooperation, establish multiple cooperation mechanisms such as online and offline, to make up for shortcomings.
6. Continuously tap the potential of nursing services, make up for the shortcomings in nursing services, and transform passive nursing services into active ones.
7. Continuously use various social media platforms to establish professional medical information release channels, effectively disseminate professional knowledge and enhance brand image.

Continue to carry out research activities based on clinical practice, so as to facilitate the high-quality development of the hospital

As a medical institution committed to serving human health, the Group has continuously explored in the fields of medical research and hospital management. In the first half of 2025, hospitals under the Group applied for 30 new technologies and projects, including 13 new technologies and 17 new projects. All 13 new technologies have passed the review of the Ethics Committee. In addition, medical staff published 30 papers, among which 1 was an SCI article.

Pharmaceutical sales

The Group's pharmaceutical sales primarily come from direct sales of pharmaceuticals to patients. Pharmaceutical sales revenue for the Reporting Period was RMB138.7 million (for the six months ended 30 June 2024: RMB164.7 million), representing a year-on-year decrease of 15.8%.

FINANCIAL REVIEW

Revenues and Costs

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

	Six months ended 30 June			
	2025		2024	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
	(Unaudited)		(Unaudited)	
Treatments and general healthcare services	204,171	58.9%	250,041	60.2%
Pharmaceutical sales	138,774	40.0%	164,739	39.7%
Postnatal care services	3,875	1.1%	398	0.1%
Total	346,820	100.0%	415,178	100.0%

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

	Six months ended 30 June			
	2025		2024	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
	(Unaudited)		(Unaudited)	
Outpatient healthcare services	222,742	64.2%	224,915	54.2%
Inpatient healthcare services	120,203	34.7%	189,865	45.7%
Postnatal care services	3,875	1.1%	398	0.1%
Total	346,820	100.0%	415,178	100.0%

The following table sets forth a breakdown of the number of patient visits and the average spending per patient visit by segment for the periods indicated:

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
Outpatient visits	717,563	748,721
Average spending per outpatient visit (RMB)	310.4	300.4
Inpatient visits	22,811	29,218
Average spending per inpatient visit (RMB)	5,269.5	6,498.2
Number of beds in operation as of the end of the relevant period	1,500	1,500

Our revenue from treatments and general healthcare services, pharmaceutical sales and postnatal care services in aggregate decreased by 16.5% from RMB415.2 million for the six months ended 30 June 2024 to RMB346.8 million for the six months ended 30 June 2025. The decrease in revenue was mainly attributable to the decrease in outpatient and inpatient visits and average spending per inpatient visit.

Our revenue from inpatient healthcare services decreased by 36.7% from RMB189.9 million for the six months ended 30 June 2024 to RMB120.2 million for the six months ended 30 June 2025. The decrease in revenue from inpatient healthcare services was mainly attributable to the decrease in inpatient visits and the average spending per inpatient visit, as well as the decrease in the estimated settlement rate of the inpatient services revenue subject to the determination of the medical insurance bureau.

Our revenue from outpatient healthcare services decreased by 1.0% from RMB224.9 million for the six months ended 30 June 2024 to RMB222.7 million for the six months ended 30 June 2025. The slight decrease in revenue from outpatient healthcare services was mainly attributable to the decrease in outpatient visits, which offset an increase in the average spending per outpatient 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, the expenses on depreciation and amortisation, utility expenses, maintenance costs, office expenses and other costs.

Our cost of sales decreased by 12.4% from RMB343.6 million for the six months ended 30 June 2024 to RMB301.0 million for the six months ended 30 June 2025, mainly due to (i) a decrease in the cost of pharmaceuticals by RMB22.8 million for the six months ended 30 June 2025 as compared with the six months ended 30 June 2024; (ii) a decrease in employee benefits expenses by RMB13.5 million for the six months ended 30 June 2025 as compared with the six months ended 30 June 2024; (iii) a decrease in the cost of medical consumables by RMB9.2 million for the six months ended 30 June 2025 as compared with the six months ended 30 June 2024; and (iv) an increase in depreciation and amortisation expenses for the six months ended 30 June 2025 by RMB3.6 million as compared with the six months ended 30 June 2024.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 36.1% from RMB71.6 million for the six months ended 30 June 2024 to RMB45.8 million for the six months ended 30 June 2025, and our gross profit margin decreased from 17.3% for the six months ended 30 June 2024 to 13.2% for the six months ended 30 June 2025, which was mainly due to a slight decline in revenue and an increase in fixed costs such as depreciation and amortisation.

Other Expenses

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

Administrative Expenses

Our administrative expenses primarily consisted of employee benefits expenses for administrative personnel, expenses on depreciation and amortisation, utility expenses, maintenance and office expenses and other expenses.

Our administrative expenses increased by 8.3% from RMB38.7 million for the six months ended 30 June 2024 to RMB41.9 million for the six months ended 30 June 2025, which was mainly due to the increase in employee benefit expenses and depreciation and amortisation expenses.

Net Finance Costs

Our net finance costs increased from RMB3.7 million for the six months ended 30 June 2024 to RMB4.2 million for the six months ended 30 June 2025, which was mainly due to the increase in foreign exchange losses during the Reporting Period.

Income Tax Credit/(Expense)

Our income tax expense decreased from RMB7.8 million for the six months ended 30 June 2024 to the income tax credit to RMB0.1 million for the six months ended 30 June 2025, which was mainly due to a decrease in our profit before tax and a recognition of deferred income tax assets in relation to the tax losses to the extent to be utilized in the coming five years.

(Loss)/Profit for the Period and Net (Loss)/Profit Margin

For the foregoing reasons, our profit for the period decreased from RMB20.3 million for the six months ended 30 June 2024 to the loss for the period of RMB0.7 million for the six months ended 30 June 2025. Our net profit margin and net loss margin for the six months ended 30 June 2024 and the six months ended 30 June 2025 was 4.9% and -0.2%, respectively.

DISCUSSION OF ITEMS IN THE INTERM CONDENSED CONSOLIDATED BALANCE SHEET

Net Current Assets

Our net current assets increased by 142.0% from RMB4.6 million as at 31 December 2024 to RMB11.1 million as at 30 June 2025, such increase was mainly due to the net cash generated from operating activities exceeds the net cash used in financing activities.

Inventories

Our inventories decreased by 54.6% from RMB39.6 million as of 31 December 2024 to RMB18.0 million as of 30 June 2025, which was mainly due to the fact that the inventories reserved for the spring festival at the end of 2024 had been used up.

Trade Receivables

Our trade receivables decreased by 54.3% from RMB63.8 million as of 31 December 2024 to RMB29.1 million as of 30 June 2025, which was mainly due to the settlement of receivables from the medical insurance bureau.

Other Receivables and Prepayments

Our other receivables and prepayments decreased from RMB22.5 million as at 31 December 2024 to RMB1.6 million as at 30 June 2025. The balance during the Reporting Period decreased by RMB20.9 million, which was mainly due to the cash received during the Reporting Period from the transaction of sale of land use rights entered into in 2024.

Indebtedness

Our borrowings decreased from RMB173.5 million as of 31 December 2024 to RMB134.9 million as of 30 June 2025. The balance during the Reporting Period decreased by RMB38.6 million, which was mainly due to partial repayment of borrowings during the Reporting Period.

Trade Payables

Our trade payables decreased from RMB100.7 million as of 31 December 2024 to RMB96.0 million as of 30 June 2025. The balance during the Reporting Period decreased by RMB4.7 million, which was mainly due to the increased payment during the Reporting Period.

Accruals, Other Payables and Provisions

Our accruals, other payables and provisions decreased from RMB107.8 million as of 31 December 2024 to RMB93.3 million as of 30 June 2025. The balance during the Reporting Period decreased by RMB14.5 million, which was mainly due to the increased payment of employee salaries and benefits during the Reporting Period.

Contingent Liabilities

As of 30 June 2025, we did not have any contingent liabilities or guarantees that would have a material effect on the Group's financial position or operations.

Lease Liabilities

As of 30 June 2025, the balance of our lease liabilities in respect of leased properties was approximately RMB1.1 million.

Liquidity and Capital Resources

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

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	80,653	57,341
Net cash generated from/(used in) investing activities	9,022	(22,975)
Net cash used in financing activities	(61,346)	(13,962)
Net increase in the balance of cash and cash equivalents	28,329	20,404

Net Cash Flow Generated from Operating Activities

Our net cash flow generated from operating activities increased from RMB57.3 million for the six months ended 30 June 2024 to RMB80.7 million for the six months ended 30 June 2025, which was mainly due to the settlement of receivables from the medical insurance bureau during the Reporting Period.

Net Cash Flow Generated from/(Used in) Investing Activities

Our net cash flow generated from investing activities increased from an outflow of RMB23.0 million for the six months ended 30 June 2024 to an inflow of RMB9.0 million for the six months ended 30 June 2025, which was mainly due to the receipt of RMB19.1 million from the sale of land use rights during the six months ended 30 June 2025.

Net Cash Flow Used in Financing Activities

Our net cash flow used in financing activities increased from RMB14.0 million for the six months ended 30 June 2024 to RMB61.3 million for the six months ended 30 June 2025. The increase was mainly due to (i) repayment of bank borrowings of RMB32.6 million during the Reporting Period, and (ii) an increase of approximately RMB17.4 million in the purchase of existing shares under the RSU Scheme compared to the previous period.

Financial Instruments

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

Exposure to Fluctuation in Exchange Rates

We deposit certain of our financial assets in foreign currencies, which mainly involve risks of fluctuations in the exchange rate of HKD and USD against RMB. We are exposed to foreign exchange risks accordingly.

We did not use any derivative financial instruments to hedge against our exposure to currency risks during the six months ended 30 June 2025. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Liability-to-Asset Ratio

As of 30 June 2025, our liability-to-asset ratio (total liabilities divided by total assets) was 37.3% (as of 31 December 2024: 40.6%).

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 following table sets out the utilisation of the net proceeds of the Global Offering and the unutilised amounts as at 30 June 2025:

Business objective	Percentage of total disclosed in the Prospectus %	Planned use of net proceeds as described in the Prospectus HK\$ million	Utilised net proceeds as at 30 June 2025 HK\$ million	Unutilised net proceeds as at 30 June 2025 HK\$ million	Expected timeline for unutilised net proceeds
Finance the ramp up of the Company's first-phase building	29.5	78.0	78.0	0.0	By the end of 2021
Expand the Company's business by acquiring hospitals	26.1	69.2	0.0	69.2	By the end of 2025
Repay the Company's general borrowings, particularly the outstanding loans from two banks with an aggregate principal amount of RMB63.0 million	15.0	39.8	39.8	0.0	By the end of 2023
Working capital and other general corporate purposes	10.0	26.5	26.5	0.0	By June 2021
Purchase medical equipment and improve and upgrade the Company's information technology systems	8.0	21.3	21.3	0.0	By June 2023
Employee recruitment and training	5.0	13.3	13.3	0.0	By June 2023
Construct a postnatal care centre	6.3	16.7	16.7	0.0	By the end of 2023
Total	100	264.8	195.6	69.2	

Note:

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

During the Reporting Period, no proceeds from the Global Offering were utilized.

As at 30 June 2025, 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 Reporting Period, the Company repurchased a total of 8,962,000 Shares on the Stock Exchange in February 2025 at an aggregate consideration of approximately HK\$18.90 million. The lowest and highest price paid for each share was HK\$2.0974 and HK\$2.1301 respectively.

Save as disclosed, during the six months ended 30 June 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, save as 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 FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY THE AUDIT COMMITTEE

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

The Group's interim results for the six months ended 30 June 2025 have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group's unaudited interim results were prepared in accordance with applicable accounting standards.

In addition, the Company's independent auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" as issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2025.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees was approximately 1,844 as at 30 June 2025 (30 June 2024: 1,953). For the six months ended 30 June 2025, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB107.2 million (six months ended 30 June 2024: approximately RMB118.1 million).

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

The Company has adopted the 2022 Restricted Share Unit Scheme on 22 August 2022 (further details of which are set forth in the Company's announcements dated 22 August 2022 and 23 August 2022), and the 2023 Restricted Share Unit Scheme on 9 May 2023 (further details of which are set forth in the Company's announcement dated 9 May 2023) (collectively, the **"RSU Schemes"**). During the Reporting Period, no restricted share units had been awarded under the RSU Schemes.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.honlivhp.com), and the interim report of the Group for the six months ended 30 June 2025 containing all information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to present its great appreciation to the management team and employees of the Group who have contributed to the success of the Group and are working towards achieving the Group's visions. Heartfelt gratitude is also expressed to all of the 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 announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Corporate Governance Code”	the “Corporate Governance Code” as contained in Appendix C1 to the Listing Rules (in effect as of 30 June 2025)
“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 (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 six months ended 30 June 2025
“Prospectus”	the prospectus of the Company dated 24 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) with par value of HK\$0.0001 each in the capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

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

By order of the Board

Honliv Healthcare Management Group Company Limited

Mr. Qin Yan

Chairman

Hong Kong, 29 August 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.