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## New Century Healthcare Holding Co. Limited 新世紀醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1518)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

#### 2019 INTERIM RESULTS HIGHLIGHTS

	Six months ended June 30,		
	2019 (RMB'000)	2018 (RMB'000)	Changes
Revenue	342,488	271,855	26.0%
Profit before income tax	22,841	64,426	-64.5%
Profit for the period	4,006	41,802	-90.4%
Adjusted EBITDA <sup>(2)</sup>	89,926	75,349	19.3%
Adjusted profit before income tax	26,759	68,072	-60.7%
Adjusted profit for the period	7,923	46,066	-82.8%
Adjusted (loss)/profit attributable to owners of the Company	(6,203)	28,848	-121.5%
Further adjustments excluding New Institutions <sup>(3)</sup>			
Adjusted EBITDA <sup>(2)</sup>	98,967	90,811	9.0%
Adjusted profit before income tax	73,852	88,394	-16.5%
Adjusted profit for the period <sup>(1)</sup>	54,013	65,539	-17.6%
Adjusted profit attributable to owners of the Company <sup>(1)</sup>	34,736	46,584	-25.4%

<sup>(1)</sup> Adjustment includes RSA Scheme and exchange gains and losses.

<sup>(2)</sup> EBITDA = profit before income tax + interest expense + depreciation and amortization.

<sup>(3)</sup> Profit and loss of newly acquired and set up institutions (“**New Institutions**”) are mainly attributable to BNC Ao-dong Clinic, BNC Chaowai Clinic, BNC Qingnian Road Clinic, Chengdu New Century and BNC Hong Kong Clinic.

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended June 30, 2019 together with the comparative figures for the six months ended June 30, 2018 as set out below.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2019	2018
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	342,488	271,855
Cost of revenue	4	<u>(223,400)</u>	<u>(157,984)</u>
<b>Gross profit</b>		<b>119,088</b>	<b>113,871</b>
Selling expenses		(19,135)	(12,159)
Administrative expenses		(69,280)	(49,847)
Other income		52	21
Other gains – net		<u>1,881</u>	<u>1,823</u>
<b>Operating profit</b>		<b>32,606</b>	<b>53,709</b>
Finance income		691	10,717
Finance expenses		<u>(10,456)</u>	<u>–</u>
<b>Profit before income tax</b>		<b>22,841</b>	<b>64,426</b>
Income tax expense	5	<u>(18,835)</u>	<u>(22,624)</u>
<b>Profit for the period</b>		<b><u>4,006</u></b>	<b><u>41,802</u></b>
<b>Other comprehensive income</b>		<u>–</u>	<u>–</u>
<b>Total comprehensive income</b>		<b><u>4,006</u></b>	<b><u>41,802</u></b>
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		(9,392)	26,006
Non-controlling interests		<u>13,398</u>	<u>15,796</u>
		<b><u>4,006</u></b>	<b><u>41,802</u></b>
<b>(Losses)/earnings per share attributable to owners of the Company (expressed in RMB per share)</b>			
Basic and diluted (losses)/earnings per share	6	<u>(0.02)</u>	<u>0.05</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		June 30, 2019	December 31, 2018
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		243,795	250,797
Right-of-use assets		408,981	—
Intangible assets		666,745	670,801
Investments accounted for using the equity method		13,052	13,052
Deferred income tax assets		4,774	39
Long-term deposits and prepayments		14,963	20,620
<b>Total non-current assets</b>		<b>1,352,310</b>	<b>955,309</b>
<b>Current assets</b>			
Inventories		13,125	13,717
Trade receivables	7	22,974	24,777
Other receivables, deposits and prepayments		18,071	26,967
Amounts due from related parties		166,442	106,927
Financial assets at fair value through profit or loss		77,166	50,000
Cash and cash equivalents		303,223	433,327
<b>Total current assets</b>		<b>601,001</b>	<b>655,715</b>
<b>Total assets</b>		<b>1,953,311</b>	<b>1,611,024</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		335	335
Share premium		2,600,902	2,600,209
Reserves		(1,497,487)	(1,507,310)
Retained earnings		128,318	144,274
		1,232,068	1,237,508
Non-controlling interests		11,340	33,836
<b>Total equity</b>		<b>1,243,408</b>	<b>1,271,344</b>

		<b>June 30, 2019</b>	December 31, 2018
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>387,302</b>	–
Deferred income tax liabilities		<b>32,324</b>	27,220
<b>Total non-current liabilities</b>		<b>419,626</b>	27,220
<b>Current liabilities</b>			
Trade payables	8	<b>22,247</b>	23,726
Accruals, other payables and provisions		<b>151,557</b>	163,271
Lease liabilities		<b>71,215</b>	–
Contract liabilities		<b>41,579</b>	40,617
Current income tax liabilities		<b>2,297</b>	4,574
Amounts due to related parties		<b>1,382</b>	80,272
<b>Total current liabilities</b>		<b>290,277</b>	312,460
<b>Total liabilities</b>		<b>709,903</b>	339,680
<b>Total equity and liabilities</b>		<b>1,953,311</b>	1,611,024

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

New Century Healthcare Holding Co. Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in provision of pediatrics and obstetrics and gynecology speciality services as well as hospital consulting services in the People’s Republic of China (the “**PRC**”).

The Company is a limited liability company incorporated in the Cayman Islands on July 31, 2015. The address of its registered office is c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on January 18, 2017.

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

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended June 30, 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), ‘Interim financial reporting’.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and any public announcements made by the Company during the six months ended June 30, 2019.

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 as set out below.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

## 3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group’s financial statements and discloses the new accounting policies that have been applied from January 1, 2019 in note 3(b) below.

The Group has adopted HKFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

**(a) Adjustments recognized on adoption of HKFRS 16**

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.87%.

	<b>2019</b> <i>RMB’000</i>
Operating lease commitments disclosed as at December 31, 2018	567,835
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	456,962
(Less): short-term leases recognized on a straight-line basis as expense	402
(Less): low-value leases recognized on a straight-line basis as expense	<u>83</u>
<b>Lease liability recognized as at January 1, 2019</b>	<b><u>456,477</u></b>
Of which are:	
Current lease liabilities	66,940
Non-current lease liabilities	<u>389,537</u>
	<b><u>456,477</u></b>

All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	<b>As at June 30, 2019 RMB’000 (Unaudited)</b>	<b>As at January 1, 2019 RMB’000 (Unaudited)</b>
Properties	<b>408,179</b>	414,398
Equipment	<u><b>802</b></u>	<u>949</u>
<b>Total right-of-use assets</b>	<b><u>408,981</u></b>	<b><u>415,347</u></b>

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increased by RMB415,347,000
- amounts due to related parties – decreased by RMB42,176,000
- prepayments – decreased by RMB7,068,000
- accruals – decreased by RMB6,022,000
- lease liabilities – increased by RMB456,477,000

There is no impact on retained earnings on January 1, 2019.

**(i) Impact on segment disclosures and earnings per share**

Segment results decreased, segment assets and segment liabilities increased for June 2019 as a result of the change in accounting policy. The following segments were affected by the change in policy:

	<b>Segment results</b> <i>RMB'000</i>	<b>Segment assets</b> <i>RMB'000</i>	<b>Segment liabilities</b> <i>RMB'000</i>
Pediatrics	(2,945)	242,094	245,039
Obstetrics and gynecology	(1,960)	156,296	158,256
Hospital consulting services	(203)	6,591	6,794
Unallocated	<u>(106)</u>	<u>2,352</u>	<u>2,458</u>
	<u><u>(5,214)</u></u>	<u><u>407,333</u></u>	<u><u>412,547</u></u>

Earnings per share decreased by RMB0.01 per share for the six months ended June 30, 2019 as a result of the adoption of HKFRS 16.

**(ii) Practical expedients applied**

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases,

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

**(b) The Group's leasing activities and how these are accounted for**

The Group leases various offices, operating sites, and equipments and vehicles. Rental contracts are typically made for fixed periods of 1 to 20 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.



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

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

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, small items of medical equipment.

**(i) *Extension and termination options***

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

*Critical judgements in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of the Group's lease contracts which have extension options have been included in the lease liability because it is reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, there is no financial effect of revising lease terms to reflect the effect of exercising extension and termination options.

## 4 SEGMENT INFORMATION

Mr. Jason ZHOU in his role as the executive director and chairman of the Company, serves as the chief operating decision-maker (the “CODM”) of the Group. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

In the view of the CODM, the Group is principally engaged in four distinct segments: (i) pediatric services, (ii) obstetrics and gynecology services, (iii) hospital consulting services, and (iv) others, which are subject to different business risks and economic characteristics.

The Group’s operating and reportable segments for segment reporting purpose are as follows:

### (i) Segment information

	Pediatrics <i>RMB’000</i>	Obstetrics and gynecology <i>RMB’000</i>	Hospital consulting services <i>RMB’000</i>	Others <i>RMB’000</i>	Unallocated <i>RMB’000</i>	Total <i>RMB’000</i>
<b>(Unaudited)</b>						
<b>Six months ended June 30, 2019</b>						
Revenue	255,755	63,454	19,214	4,065	–	342,488
Cost of revenue	150,070	61,969	7,337	4,024	–	223,400
Segment results	50,166	(21,724)	36	41	–	28,519
Unallocated income					2,624	2,624
Unallocated cost					(8,302)	(8,302)
<b>Profit before income tax</b>	<b>50,166</b>	<b>(21,724)</b>	<b>36</b>	<b>41</b>	<b>(5,678)</b>	<b>22,841</b>
Income tax expense					(18,835)	(18,835)
<b>Profit after income tax</b>						<b><u>4,006</u></b>
<b>As at June 30, 2019</b>						
<b>Total segment assets</b>	<b>788,369</b>	<b>534,709</b>	<b>180,020</b>	<b>–</b>	<b>450,213</b>	<b><u>1,953,311</u></b>
<b>Total segment liabilities</b>	<b>378,734</b>	<b>242,324</b>	<b>46,374</b>	<b>–</b>	<b>42,471</b>	<b><u>709,903</u></b>

	Pediatrics <i>RMB'000</i>	Obstetrics and gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>(Unaudited)</b>						
<b>Six months ended June 30, 2018</b>						
Revenue	209,430	41,064	18,771	2,590	–	271,855
Cost of revenue	112,641	35,566	7,169	2,608	–	157,984
Segment results	59,815	(4,866)	3,159	(17)	–	58,091
Unallocated income					12,561	12,561
Unallocated cost					(6,226)	(6,226)
<b>Profit before income tax</b>	59,815	(4,866)	3,159	(17)	6,335	64,426
Income tax expense					(22,624)	(22,624)
<b>Profit after income tax</b>						<u>41,802</u>
<b>As at December 31, 2018</b>						
<b>Total segment assets</b>	571,956	413,921	123,527	–	501,620	<u>1,611,024</u>
<b>Total segment liabilities</b>	148,380	110,263	5,248	–	75,789	<u>339,680</u>

**(ii) Disaggregation of revenue from contracts with customers**

	Pediatrics <i>RMB'000</i>	Obstetrics and gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>(Unaudited)</b>					
<b>Six months ended June 30, 2019</b>					
<b>Revenue from external customers</b>					
At a point in time	255,755	63,454	17,214	4,065	340,488
Over time	–	–	2,000	–	2,000
	<u>255,755</u>	<u>63,454</u>	<u>19,214</u>	<u>4,065</u>	<u>342,488</u>
<b>Six months ended June 30, 2018</b>					
<b>Revenue from external customers</b>					
At a point in time	209,430	41,064	16,971	2,590	270,055
Over time	–	–	1,800	–	1,800
	<u>209,430</u>	<u>41,064</u>	<u>18,771</u>	<u>2,590</u>	<u>271,855</u>

## 5 INCOME TAX EXPENSE

	Six months ended June 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income taxation:		
– PRC corporate income tax	18,466	20,740
Deferred income tax	<u>369</u>	<u>1,884</u>
	<u>18,835</u>	<u>22,624</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 operating 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 June 30, 2019 and 2018. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the six months ended June 30, 2019 and 2018.

As at June 30, 2019, deferred income tax liabilities of RMB19,084,000 (June 30, 2018: RMB12,132,000), have not been recognized for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Management expects to be reinvested such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at June 30, 2019 amounted to RMB190,835,000 (June 30, 2018: RMB121,315,000).

## 6 (LOSSES)/EARNINGS PER SHARE

### (a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2019.

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
(Loss)/profit attributable to owners of the Company (RMB'000)	<u>(9,392)</u>	<u>26,006</u>
Weighted average number of ordinary shares in issue (in thousands) (i)	<u>484,491</u>	<u>481,025</u>
Basic (losses)/earnings per share (in RMB)	<u><u>(0.02)</u></u>	<u><u>0.05</u></u>

The (losses)/earnings per share presented above is calculated by using the weighted average number of ordinary shares during the six months ended June 30, 2019.

- (i) The Company granted 9,000,000 restricted shares to employees on July 25, 2017 pursuant to the RSA Scheme. As at June 30, 2019, 3,466,000 restricted shares have been vested which have been included in the calculation of basic (losses)/earnings per share. The remaining 5,534,000 shares, including the forfeited shares, have not been included in the calculation of basic (losses)/earnings per share.

**(b) Diluted**

The Group had potential dilutive shares during the six months ended June 30, 2019 related to the shares held for RSA Scheme. Due to the Group's negative financial results during the six months ended June 30, 2019, shares held for RSA Scheme has anti-dilutive effect on the Group's losses per share. Thus, diluted losses per share is equivalent to the basic losses per share.

**7 TRADE RECEIVABLES**

	<b>As at June 30, 2019 RMB'000 (Unaudited)</b>	<b>As at December 31, 2018 RMB'000 (Audited)</b>
Trade receivables	<b>23,318</b>	25,044
Less: allowance for impairment of trade receivables	<u>(344)</u>	<u>(267)</u>
Trade receivables – net	<u><b>22,974</b></u>	<u>24,777</u>

The carrying amounts of the Group's trade receivables are denominated in RMB and approximate their fair values.

The majority trade receivables are due from commercial insurance companies and social insurance bureau, with credit terms of 30 to 60 days based on their collaboration arrangement with the Group.

The aging analysis of the trade receivables based on demand note date was as follows:

	<b>As at June 30, 2019 RMB'000 (Unaudited)</b>	<b>As at December 31, 2018 RMB'000 (Audited)</b>
Up to 3 months	17,082	21,179
4 – 6 months	3,539	1,936
7 months – 1 year	1,657	992
Over 1 year	<u>1,040</u>	<u>937</u>
	<b><u>23,318</u></b>	<b><u>25,044</u></b>

## 8 TRADE PAYABLES

As at June 30, 2019 and December 31, 2018, the aging analysis of the trade payables based on demand note date was as follows:

	<b>As at June 30, 2019 RMB'000 (Unaudited)</b>	<b>As at December 31, 2018 RMB'000 (Audited)</b>
Up to 3 months	15,241	12,819
4 – 6 months	3,614	6,567
7 months – 1 year	1,970	2,984
Over 1 year	<u>1,422</u>	<u>1,356</u>
	<b><u>22,247</u></b>	<b><u>23,726</u></b>

## 9 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended June 30, 2019 (June 30, 2018: Nil).

A dividend of RMB35,894,000 related with the earnings of BNC Children's Hospital for the year ended December 31, 2018 was paid to Beijing Children's Hospital in April 2019 (2018: RMB38,291,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW AND OUTLOOK**

#### **Business Overview for the First Half of 2019**

In the first half of 2019, we adhered to our established strategies, expanded the depth of the medical services, and upgraded the management operations capability in order to integrate and strengthen our expertise in pediatric and obstetric and gynecologic specialty services. The Company achieved a stable growth of business, with total revenue amounted to RMB342.5 million, representing a 26.0% YoY increase. In particular, revenue from pediatric business and obstetric and gynecologic business recorded a 22.1% YoY increase to RMB255.8 million and a 54.5% YoY increase to RMB63.5 million, respectively. The adjusted EBITDA recorded a 19.3% YoY increase to RMB89.9 million. The net profit attributable to owners of the Company was negative RMB6.2 million after adjusted items. The adjusted profit attributable to owners of the Company excluding New Institutions was RMB34.7 million, representing a decrease of 25.4% as compared to RMB46.6 million for the corresponding period.

The Company actively develops the pediatric healthcare service market in major cities across the country and continues to consolidate the layout advantage of the pre-existing medical institutions network. While continuously raising income levels, the Company conducts effective marketing and cost control and continues to establish a comprehensive pediatric family doctor and child health service system to expand its influence.

The Company will set up the management center of the Group in Beijing to optimize the organization structure, comprehensively improve the middle and senior management and provide strong management support to the efficient operation of the pre-existing medical institutions network.

#### **Industry Outlook and the Group's Strategies**

The Company intends to grasp the industry opportunities by implementing the following measures, improving the Company's operating efficiency, and laying a solid foundation for the Company's rapid development:

- Establishing a mergers and acquisition fund to screen and nurture new medical institutions for the Company.
- Promoting the in-depth integration of the online and remote medical service with its offline medical services to further enhance the efficiency of the Group's operational management.
- Continuing to improve the medical service network in Beijing, Chengdu and the Guangdong-Hong Kong-Macao Greater Bay Area to enhance the synergy and linkage among the medical institutions in Guangdong-Hong Kong Area and mainland China.
- Repurchasing stocks to design and implement an equity incentive plan suitable for the Company's development.
- Making diversified investments to extend pediatric healthcare service chain.

## FINANCIAL REVIEW

### Segment Revenue

We generate revenue primarily from providing (i) medical services, including pediatric services and obstetric and gynecologic services; and (ii) hospital consulting services. The following table sets forth a breakdown for the periods indicated:

	Six months ended June 30,			
	2019		2018	
	<i>(in thousands of RMB, except percentages)</i>			
Medical services	<b>319,209</b>	<b>93.2%</b>	250,494	92.1%
Hospital consulting services	<b>19,214</b>	<b>5.6%</b>	18,771	6.9%
Others <sup>(1)</sup>	<b>4,065</b>	<b>1.2%</b>	2,590	1.0%
Total	<b><u>342,488</u></b>	<b><u>100.0%</u></b>	<b><u>271,855</u></b>	<b><u>100.0%</u></b>

(1) Include revenue from cafeteria and gift shop sales at our medical institutions.

### Medical Services

Our revenue from the provision of medical services consists of healthcare services fees and revenue from pharmaceutical sales. The following table sets forth the revenue, cost of revenue, gross profit and gross profit margin of our medical services for the periods indicated:

	Six months ended June 30,	
	2019	2018
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	<b>319,209</b>	250,494
Cost of revenue	<b>212,039</b>	148,207
Gross profit	<b>107,170</b>	102,287
Gross profit margin	<b>33.6%</b>	40.8%



The following table sets forth the composition of our revenue from pediatric and obstetric and gynecologic services for the periods indicated:

	Six months ended June 30,			
	2019		2018	
	<i>(in thousands of RMB, except percentages)</i>			
Pediatric services	255,755	74.7%	209,430	77.0%
Obstetric and gynecologic services	<u>63,454</u>	<u>18.5%</u>	<u>41,064</u>	<u>15.1%</u>
Total	<u>319,209</u>	<u>93.2%</u>	<u>250,494</u>	<u>92.1%</u>

Our medical services can also be classified by service and sale to inpatients and outpatients. The following table sets forth revenue and certain data relating to such classification for the periods indicated:

	Six months ended June 30,	
	2019	2018
<b>The Group</b>		
<b>Inpatients services</b>		
Inpatient visits	5,374	4,319
Average inpatient spending per visit (RMB)	24,561	25,206
<b>Outpatients services</b>		
Outpatient visits	138,817	97,757
Average outpatient spending per visit (RMB)	1,140	1,191
<b>Revenue from medical services attributable to inpatients</b>		
<i>(in thousands of RMB)</i>	131,992	108,864
<b>Revenue from medical services attributable to outpatients</b>		
<i>(in thousands of RMB)</i>	158,310	116,410
<b>Revenue recognized for membership card sales</b>		
<i>(in thousands of RMB)</i>	28,907	25,220
<b>Pediatric Services</b>		
<b>Inpatient services</b>		
Inpatient visits	3,913	3,376
Average inpatient spending per visit (RMB)	23,273	24,060
<b>Outpatient services</b>		
Outpatient visits	113,768	85,720
Average outpatient spending per visit (RMB)	1,193	1,201

**Six months ended June 30,**  
**2019**                      **2018**

<b>Revenue from medical services attributable to inpatients</b> <i>(in thousands of RMB)</i>	<b>91,066</b>	81,226
<b>Revenue from medical services attributable to outpatients</b> <i>(in thousands of RMB)</i>	<b>135,782</b>	102,984
<b>Revenue recognized for membership card sales</b> <i>(in thousands of RMB)</i>	<b>28,907</b>	25,220
<b>Obstetric and gynecologic services</b>		
<b>Inpatient services</b>		
Inpatient visits	<b>1,461</b>	943
Average inpatient spending per visit <i>(RMB)</i>	<b>28,012</b>	29,308
<b>Outpatient services</b>		
Outpatient visits	<b>25,049</b>	12,037
Average outpatient spending per visit <i>(RMB)</i>	<b>899</b>	1,115
<b>Revenue from medical services attributable to inpatients</b> <i>(in thousands of RMB)</i>	<b>40,926</b>	27,638
<b>Revenue from medical services attributable to outpatients</b> <i>(in thousands of RMB)</i>	<b>22,528</b>	13,426

Revenue from provision of our medical services amounted to RMB319.2 million for the six months ended June 30, 2019, representing a 27.4% YoY increase and accounting for 93.2% of the Group's total revenue. This increase was primarily due to (i) a 36.0% and 21.2% YoY increase in revenue from medical services attributable to the outpatients and inpatients respectively; and (ii) a 14.6% YoY increase in revenue recognized for membership card sales. The increase in revenue from medical services provided by the Group's pre-existing medical institutions accounted for 27.2% of the increase. The increase in revenue from medical services provided by the newly acquired Chengdu New Century accounted for 64.8% of the increase.

For the six months ended June 30, 2019, there were 3,913 pediatric services inpatient visits, representing a YoY increase of 15.9%. There were also 113,768 pediatric services outpatient visits, representing a YoY increase of 32.7%. For obstetric and gynecologic services, there were 1,461 inpatient visits, representing a YoY increase of 54.9%, and 25,049 outpatient visits, representing a YoY increase of 108.1%.

The cost of revenue of our medical services consists primarily of employee benefits expenses, cost of inventories and consumables, consultation fees, outsourced examination and inspection fees and utilities, maintenance fees and office expenses. The cost of revenue of our medical services for the six months ended June 30, 2019 reached RMB212.0 million, representing a YoY increase of 43.1%. This increase was primarily a result of (i) an increase in total remuneration of medical personnel, including those from our newly acquired medical institutions and clinics; (ii) increased costs of medicines and consumables due to increased medical business; and (iii) an increase in depreciation and amortization expenses, including those from our newly acquired institutions and the adoption of HKFRS 16.

### Hospital Consulting Services

We also generate a portion of our revenue from providing hospital consulting services. The following table sets forth the revenue, cost of revenue, gross profit and gross profit margin of our hospital consulting services for the periods indicated:

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	<b>19,214</b>	18,771
Cost of revenue	<b>7,337</b>	7,169
Gross profit	<b>11,877</b>	11,602
Gross profit margin	<b>61.8%</b>	61.8%

The revenue and the gross profit margin of our hospital consulting services slightly increased at RMB19.2 million and 61.8%, respectively.

### Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2019 amounted to RMB119.1 million, representing a YoY increase of 4.6%. This was primarily because the pre-existing medical institutions' net profits steadily grew while the newly acquired institutions incurred losses. The gross profits of our pre-existing institutions saw an increase over the same period. Our gross profit margin decreased from 41.9% in the six months ended June 30, 2018 to 34.8% in the six months ended June 30, 2019.

### Selling Expenses

Our selling expenses for the six months ended June 30, 2019 amounted to RMB19.1 million, representing a YoY increase of 57.4%, which was primarily due to (i) the increased selling expenses of New Institutions; and (ii) the increased personnel expenses to strengthen the marketing teams of the pre-existing institutions.

## **Administrative Expenses**

Our administrative expenses for the six months ended June 30, 2019 amounted to RMB69.3 million, an increase from RMB49.8 million for the six months ended June 30, 2018. Such increase was mainly a result of (i) the increased management expenses from New Institutions; and (ii) the increased management cost from the implementation of management personnel and organization structure enhancement in line with the business expansion.

## **Other Gains – Net**

Our other net gains for the six months ended June 30, 2019 amounted to RMB1.9 million, as compared to other net gains of RMB1.8 million for the six months ended June 30, 2018. Our other net gains for the six months ended June 30, 2019 were mainly a result of (i) the gain of RMB1.8 million on change in fair value of our wealth management products; and (ii) the income of RMB0.1 million from the disposal of medical equipment and office equipment.

## **Finance Income and Expenses**

Our finance income for the six months ended June 30, 2019 decreased from RMB10.7 million for the six months ended June 30, 2018 to RMB0.7 million which was mainly because (i) the interests related with cash and cash equivalents decreased by RMB6.0 million; and (ii) there were exchange income of RMB4.1 million for the six months ended June 30, 2018. Our finance expenses for the six months ended June 30, 2019 amounted to RMB10.5 million, primarily due to interest expenses as a result of the adoption of HKFRS 16.

## **Income Tax Expense**

Our income tax expense for the six months ended June 30, 2019 amounted to RMB18.8 million, representing a YoY decrease of 16.7%, which was mainly because (i) the newly acquired clinics recorded a pre-tax loss and had not yet incurred any income tax expenses; (ii) the newly acquired clinics had not recognized deferred income tax arising from the loss due to its early stage development; and (iii) certain deferred tax assets related with accumulated tax losses reversed which is expected not to be utilized before expired. Our effective tax rate was 82.5% and 35.1% for the six months ended June 30, 2019 and for the six months ended June 30, 2018, respectively.

## **Profit for the six months ended June 30, 2019**

Our profit for the six months ended June 30, 2019 amounted to RMB4.0 million, a decrease from RMB41.8 million for the six months ended June 30, 2018.

## **FINANCIAL POSITION**

### **Inventories**

Our inventories decreased by 4.3% from RMB13.7 million as of December 31, 2018 to RMB13.1 million as of June 30, 2019, primarily due to more inventories being reserved at year-end peak of medical service demand.

### **Trade Receivables**

Our trade receivables decreased by 7.3% from RMB24.8 million as of December 31, 2018 to RMB23.0 million as of June 30, 2019, primarily driven by the increased revenue during the year-end peak of medical service demand leading to the increase in accounts receivables.

### **Trade Payables**

Our trade payables decreased by 6.2% from RMB23.7 million as of December 31, 2018 to RMB22.2 million as of June 30, 2019, primarily due to the increased purchases of medicine and consumables during the year-end peak of medical service demand leading to an increase in accounts payables.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash and Cash Equivalents**

As of June 30, 2019, we had cash and cash equivalents of RMB303.2 million (December 31, 2018: RMB433.3 million). We did not have any interest-bearing borrowings as of June 30, 2019 (December 31, 2018: Nil).

### **Significant Investments, Acquisitions and Disposals**

We did not have any significant investment, material acquisitions or material disposals during the six months ended June 30, 2019.

### **Capital Expenditures**

Our capital expenditures primarily include expenditures on (i) property, plant and equipment, leasehold improvements, medical equipment, furniture and office equipment, motor vehicles and construction in progress; and (ii) intangible assets such as computer software relating to our operations. The amount of our capital expenditures in the six months ended June 30, 2019 was RMB11.9 million, which was mainly a result of (i) upgrading the pre-existing medical institutions; and (ii) setting up clinics in Beijing and Hong Kong.

## **INDEBTEDNESS**

### **Borrowings**

As of June 30, 2019, we did not have any borrowings (December 31, 2018: Nil).

### **Exposure to Fluctuations in Exchange Rates**

We mainly operate in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. As of June 30, 2019, our assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalent denominated in USD or HKD and dividend payable denominated in HKD. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

### **Contingent Liabilities**

As of June 30, 2019, we did not have any contingent liabilities or guarantees that would have a material impact on our financial position or results of operations.

### **Pledge of Assets**

As of June 30, 2019, none of our assets had been pledged.

### **Contractual Obligations**

As of June 30, 2019, we did not have any contractual obligations that would have a material effect on our financial position or results of operations.

### **Financial Instruments**

Our major financial instruments include financial assets carried at fair value through profit or loss, trade receivables, other receivables excluding prepayments, amounts due from related parties, cash and cash equivalents, trade payables, other payables excluding non-financial liabilities and amounts due to related parties. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effect manner.

### **Gearing Ratio**

As of June 30, 2019, our gearing ratio, calculated as total borrowings divided by total equity, was 0% as compared to 0% as of December 31, 2018.

## **EMPLOYEE AND REMUNERATION POLICY**

As of June 30, 2019, the Group had 1,307 employees (June 30, 2018: 868 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2019 amounted to RMB149.9 million (for the six months ended June 30, 2018: RMB108.3 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other staff benefits include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus. The Group also adopted RSA Scheme to attract, retain and monitor our key employees.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2019.

## **CORPORATE GOVERNANCE PRACTICE**

The Board is committed to maintaining high corporate governance standards. The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules which are applicable to the Company.

In the opinion of the Directors, the Company has complied with all applicable code provisions as set out in the CG Code during the six months ended June 30, 2019, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jason ZHOU is both our chairman and chief executive officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe that he is instrumental to our growth and business expansion since our establishment in 2002. The Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of chairman and chief executive officer. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the six months ended June 30, 2019. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

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

During the six months ended June 30, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee comprises two independent non-executive Directors, namely, Mr. SUN Hongbin and Mr. JIANG Yanfu, and a non-executive Director, Mr. GUO Qizhi. The chairman of the Audit Committee is Mr. SUN Hongbin.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2019 and was of the opinion that the preparation of such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

## **EVENTS AFTER THE REPORTING PERIOD**

There is no significant event of the Group after the reporting period.

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

This interim results announcement is published on the websites of the HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ncich.com.cn](http://www.ncich.com.cn)). The interim report for the six months ended June 30, 2019 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.



## DEFINITIONS

“Audit Committee”	the audit committee of the Board;
“Beijing Children’s Hospital”	Beijing Children’s Hospital, Capital Medical University (首都醫科大學附屬北京兒童醫院), a connected person of the Company on the subsidiary level only due to its 35.0% interest in BNC Children’s Hospital;
“BNC Ao-dong Clinic”	Beijing New Century Ao-dong Clinic Outpatient Service Co., Ltd. (北京新世紀奧東門診部有限公司), formerly known as Beijing Meihua Women and Children Clinic Co., Ltd. (北京美華婦兒門診部有限公司), a company incorporated in the PRC with limited liability on May 15, 2014, which is a wholly-owned subsidiary of the Company;
“BNC Chaowai Clinic”	Beijing New Century Yide Chaowai Clinic of Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司新世紀怡德朝外診所), a clinic under BNC Yide Consultancy;
“BNC Children’s Hospital”	Beijing New Century Children’s Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
“BNC Hong Kong Clinic”	New Century Healthcare (Hong Kong) Co. Limited (新世紀醫療（香港）有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company;
“BNC Qingnian Road Clinic”	Beijing New Century Qingnian Road Pediatric Clinic Co., Ltd. (北京新世紀青年路兒科診所有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;
“BNC Yide Consultancy”	Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司), formerly known as Renze (Beijing) International Corporation Management and Service Co., Ltd. (仁澤（北京）國際企業管理服務有限責任公司), is a company incorporated in the PRC with limited liability on October 27, 2014, which is a non-wholly owned subsidiary of the Company;
“Board”	the board of Directors of the Company;
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;

“Chengdu New Century”	Chengdu New Century Women’s and Children’s Hospital Co., Ltd. (成都新世紀婦女兒童醫院有限公司), a company incorporated in the PRC with limited liability on September 28, 2010, which is a non-wholly owned subsidiary of the Company;
“China” or “PRC”	the People’s Republic of China; for the purpose of this announcement only, references to “China” or the “PRC” do not include Taiwan, the Macau Special Administrative Region and Hong Kong;
“Company”	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	directors of the Company;
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries;
“HKEx”	Hong Kong Exchanges and Clearing Limited;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
“Remuneration Committee”	the remuneration committee of the Board;
“RMB”	Renminbi, the lawful currency of the PRC;
“RSA Scheme”	the restricted share award scheme approved and adopted by the Company on August 29, 2016;
“Shareholder(s)”	holder(s) of the Share(s);
“Shares(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;

“Stock Exchange”                      The Stock Exchange of Hong Kong Limited;

“YoY”                                      year-on-year; and

“%”                                         percent.

In this announcement, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By Order of the Board  
**New Century Healthcare Holding Co. Limited**  
**Mr. Jason ZHOU**  
*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, August 26, 2019

*As of the date of this announcement, the Board comprises Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han, as executive Directors; Mr. GUO Qizhi, Mr. WANG Siye, Dr. CHENG Chi-Kong, Adrian, Mr. YANG Yuelin and Mr. FENG Xiaoliang, as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.*