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, 2018

2018 INTERIM RESULTS HIGHLIGHTS

	Six months ended June 30		
	2018	2017	Changes
	(RMB'000)	*(RMB'000)*	
Revenue	**271,855**	243,219	11.8%
Profit before income tax	**64,426**	86,541	-25.6%
Profit for the period	**41,802**	66,909	-37.5%
Adjusted EBITDA(1)	**75,349**	86,436	-12.8%
Adjusted profit before income tax(1)	**68,072**	79,447	-14.3%
Adjusted profit for the period(1)	**46,066**	60,252	-23.5%
Adjusted profit attributable to owners of the Company(1)	**28,848**	41,281	-30.1%
Further adjustments excluding New Institutions(1)(2)			
Adjusted EBITDA(1)	**90,811**	86,436	5.1%
Adjusted profit before income tax(1)	**88,394**	79,447	11.3%
Adjusted profit for the period(1)	**65,539**	60,252	8.8%
Adjusted profit attributable to owners of the Company(1)	**46,584**	41,281	12.8%

(1) For the details of the financial information adjustments and exclusion disclosed above, please refer to the section headed "Business overview for the First Half of 2018" of this announcement.

(2) Newly acquired and set up institutions ("**New Institutions**") include the newly acquired BNC Ao-dong Clinic and BNC Chaowai Clinic, and newly set up BNC Qingnian Road Clinic which is under construction.

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended June 30, 2018 together with the comparative figures for the six months ended June 30, 2017 as set out below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**271,855**	243,219
Cost of revenue	*4*	**(157,984)**	(124,494)
Gross profit		**113,871**	118,725
Selling expenses		**(12,159)**	(10,235)
Administrative expenses		**(49,847)**	(32,970)
Other income		**21**	171
Other gains – net		**1,823**	14,406
Operating profit		**53,709**	90,097
Finance income		**10,717**	2,263
Finance expenses		**–**	(5,819)
Profit before income tax		**64,426**	86,541
Income tax expense	*5*	**(22,624)**	(19,632)
Profit for the period		**41,802**	66,909
Other comprehensive income		**–**	–
Total comprehensive income		**41,802**	66,909
Profit and total comprehensive income attributable to:			
Owners of the Company		**26,006**	47,938
Non-controlling interests		**15,796**	18,971
		41,802	66,909
Earnings per share attributable to owners of the Company *(expressed in RMB per share)*			
Basic earnings per share	*6(a)*	**0.05**	0.10
Diluted earnings per share	*6(b)*	**0.05**	0.07

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**131,714**	98,487
Intangible assets		**296,448**	244,561
Deferred income tax assets		**17,351**	20,253
Long-term prepayment		**10,877**	–
Total non-current assets		**456,390**	363,301
Current assets			
Inventories		**7,531**	7,193
Trade receivables	*7*	**16,468**	19,974
Other receivables, deposits and prepayments		**28,165**	48,171
Amounts due from related parties		**84,525**	64,627
Financial assets carried at fair value through profit or loss		**83,674**	25,010
Structured deposits		**110,000**	150,000
Cash and cash equivalents		**679,402**	763,659
Total current assets		**1,009,765**	1,078,634
Total assets		**1,466,155**	1,441,935
EQUITY			
Equity attributable to owners of the Company			
Share capital		**335**	335
Share premium		**2,576,092**	2,576,092
Reserves		**(1,499,295)**	(1,516,823)
Retained earnings		**129,207**	134,041
		1,206,339	1,193,645
Non-controlling interests		**27,184**	44,792
Total equity		**1,233,523**	1,238,437

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**42,949**	36,783
Total non-current liabilities		**42,949**	36,783
Current liabilities			
Trade payables	*8*	**17,110**	17,267
Accruals, other payables and provisions		**130,493**	104,901
Deferred revenue		**–**	37,339
Contract liabilities		**37,040**	–
Current income tax liabilities		**3,499**	3,905
Amounts due to related parties		**1,541**	3,303
Total current liabilities		**189,683**	166,715
Total liabilities		**232,632**	203,498
Total equity and liabilities		**1,466,155**	1,441,935

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 in the People's Republic of China (the "**PRC**"). The Group also provides hospital consulting services to Beijing Jiahua Likang Health Investment Co., Ltd. (北京嘉華麗康醫療投資管理有限公司) ("**Jiahua Likang**"), a related party of the Group, relating to the for-profit private hospitals owned by Jiahua Likang.

The Company is a limited liability company incorporated in the Cayman Islands on 31 July 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 18 January 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

This interim condensed consolidated financial information for the six months ended 30 June 2018 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, the interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, 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 30 June 2018.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings (see note 5) and 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 the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards 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.

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

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB333,682,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As explained in note 3(d) below, HKFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new contract assets recognized rules are therefore recognised in the opening balance sheet on 1 January 2018. The adjustment arising from new impairment rules of HKFRS 9 is recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Balance sheet (extract)	**31 December 2017 As originally presented**	**HKFRS 9**	**HKFRS 15**	**1 January 2018 Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Deferred tax assets	20,253	41	–	20,294
Current Assets				
Trade receivables	19,974	(163)	–	19,811
Total assets	1,441,935	(122)	–	1,441,813
Current Liabilities				
Contract liabilities	–	–	37,339	37,339
Deferred revenue	37,339	–	(37,339)	–
Total liabilities	203,498	–	–	203,498
Net assets	1,238,437	(122)	–	1,238,315
Retained earnings	134,041	(108)	–	133,933
Non-controlling interests	44,792	(14)	–	44,778
Total equity	1,238,437	(122)	–	1,238,315

(b) HKFRS 9 Financial instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 3(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the group's retained earnings as at 1 January 2018 is as follows:

	2018
	RMB'000
Closing retained earnings 31 December – HKAS 39/HKAS 18	134,041
Increase in provision for trade receivables	(163)
Increase in deferred tax assets relating to impairment provisions	41
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018	(122)
Opening retained earnings 1 January – HKFRS 9	133,919

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. There is no effect resulting from this reclassification.

(ii) Impairment of financial assets

The Group has one type of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables from the provision of medical services and hospital consulting services, and for sales of pharmaceutical and related goods.

The Group was required to revise its impairment methodology under HKFRS 9 for the class of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 3(b) above.

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

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 January 2018	Current	Within 30 days past due	Within 30-60 days past due	Within 60-120 days past due	More than 120 days past due	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivable from insurance companies						
Expected loss rate	0.3%	1.0%	3.0%	4.0%	5.0%	
Gross carrying amount	14,936	1,188	812	430	1,167	18,533
Loss allowance	45	12	24	17	58	156

1 January 2018	Within 30 days past due	Within 30-60 days past due	Within 60-120 days past due	More than 120 days past due	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivable from individual patients					
Expected loss rate	1.0%	3.0%	4.0%	6.0%	
Gross carrying amount	664	138	50	633	1,485
Loss allowance	7	4	2	38	51

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables
	RMB'000
At 31 December 2017 – calculated under HKAS 39	(44)
Amounts restated through opening retained earnings	(163)
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	(207)

The loss allowances increased by a further RMB7,000 to RMB214,000 for trade receivables during the six months ended 30 June 2018. The difference from the increase under the incurred loss model of HKAS 39 was immaterial.

(c) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018

(i) Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("**ECL**") allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income ("**FVOCI**"), which results in an accounting loss being recognised in profit or loss.

(ii) Classification and subsequent measurement

Financial assets

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Other financial assets including receivables are required to be classified as financial assets at amortised cost under HKFRS 9.

Debt Instruments

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

At initial recognition, the Group may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial liabilities

In both the current and prior period, financial liabilities of the Group are classified as subsequently measured at amortised cost.

(iii) Derecognition

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecoginsed (i.e., removed from the Group's consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognised an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecoginsed when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its receivebles, contract assets, debt instruments carried at amortised cost and FVOCI. The Group recognises a loss allowance for such losses at each reporting date.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

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

(d) HKFRS 15 Revenue from contracts with customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities *(i)*	–	37,339	37,339
Deferred revenue *(i)*	37,339	(37,339)	–
Accruals, other payables and provisions – Advance from customer *(ii)*	45,214	(45,214)	–
Accruals, other payables and provisions – Refund liability *(ii)*	–	45,214	45,214

The adoption of HKFRS 15 has no impact on the Group's assets and retained earnings as at 1 January 2018 and 1 January 2017.

(i) Presentation of liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

Contract liabilities in relation to services contracts were previously presented in deferred revenue (RMB37,339,000 as at 1 January 2018).

(ii) Accounting for refunds

When the customer has a right to return the hospital services in package within a given period, the entity is obliged to refund the remaining purchase price which the services have not been provided by the Group. The Group previously recognised the total purchase price as advance from customer for the package fees received from the customer.

Under HKFRS 15, a refund liability for the expected refunds to customers is recognised as adjustment to revenue in other payables.

To reflect this change in policy, the Group has reclassified RMB45,214,000 from advance from customer and recognised refund liability of RMB45,214,000 on 1 January 2018.

(e) HKFRS 15 Revenue from contracts with customers – Accounting policies

Revenue recognition

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

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

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

The progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

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

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Provision of medical services

Revenue from provision of medical services is recognized when the services have been rendered to customers. Transactions are settled by payment of commercial assurance scheme, bank card or cash.

The Group sells membership cards to customers which entitles them to purchase medical services at different discount rates depending on the type of membership cards. The cards are normally valid for one-year membership period. The total consideration received from the membership card sold will be allocated to service elements covered under membership card program based on relative stand-alone service prices. If the Group expects to be entitled to a breakage amount in a contract liability, the Group recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. If the Group does not expect to be entitled to a breakage amount, the Group recognizes the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

The Group provides medical services in package which is accounted as multiple element transactions. The total consideration of the package will be allocated by using the fair value of the consideration of each element under the package. When the customer has a right to return the package within a given period, the Group is obliged to refund the purchase price. Such consideration is recognized as a refund liability at the time of the initial sale transaction for the expected refunds to customers. It will be recognised as revenue when the Group's obligations have been fulfilled or expired.

Pharmaceutical sales

Revenue from pharmaceutical sales is recognized at the point when the Group sells the pharmaceutical to customers.

Hospital consulting service revenue

Revenue from hospital consulting service is recognized when services have been rendered.

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:

	Pediatrics	**Obstetrics and Gynecology**	**Hospital consulting services**	**Others**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
Six months ended 30 June 2018						
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)**
Profit before income tax	**59,815**	**(4,866)**	**3,159**	**(17)**	**6,335**	**64,426**
Income tax expense					**(22,624)**	**(22,624)**
Profit after income tax						**41,802**
As at 30 June 2018						
Total Segment assets	**395,893**	**81,113**	**94,553**	**–**	**894,596**	**1,466,155**
Total Segment liabilities	**110,711**	**57,282**	**3,780**	**–**	**60,859**	**232,632**

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
Six months ended 30 June 2017						
Revenue	185,275	36,412	18,934	2,598	–	243,219
Cost of revenue	88,863	26,447	6,616	2,568	–	124,494
Segment results	72,507	1,086	7,809	30	–	81,432
Unallocated income					16,943	16,943
Unallocated cost					(11,834)	(11,834)
Profit before income tax	72,507	1,086	7,809	30	5,109	86,541
Income tax expense					(19,632)	(19,632)
Profit after income tax						66,909
As at 31 December 2017						
Total Segment assets	306,683	76,691	69,269	–	989,292	1,441,935
Total Segment liabilities	104,163	47,457	4,615	–	47,263	203,498

5 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income taxation:		
– PRC corporate income tax	**20,740**	17,498
Deferred income tax	**1,884**	2,134
	22,624	19,632

(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 30 June 2018 and 2017. 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 30 June 2018 and the six months ended 30 June 2017.

As at 30 June 2018, deferred income tax liabilities of RMB12,132,000 (30 June 2017: RMB6,149,000) have not been recognized for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. The management of the Company expects such amount to be reinvested in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at 30 June 2018 amounted to RMB121,315,000 (30 June 2017: RMB61,486,000).

6 EARNINGS PER SHARE ("EPS")

The EPS is calculated by using the weighted average number of ordinary shares during the six months ended 30 June 2018 and 30 June 2017.

(a) Basic

Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2018.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)* (i)	**26,006**	47,718
Weighted average number of ordinary shares in issue *(in thousands)* (ii)	**481,025**	460,704
Basic EPS *(in RMB)*	**0.05**	0.10

(i) The calculation of basic EPS for the six months ended 30 June 2017 has not considered the 6,548,602 ordinary shares, before the capitalization issue of the Company, with liquidation preference. These shares are not considered as ordinary shares that are subordinated to all other class of equity instrument. The profit attributable to those shares is also excluded from the calculation before 18 January 2017 when the liquidation preference right has been terminated. These shares are not included in the calculation of diluted EPS during the same period as they do not have dilutive effect.

(ii) The Company granted 9,000,000 restricted shares to employees on 25 July 2017 pursuant to the restricted share awards scheme of the Company. As at 30 June 2018, no shares have been vested based on the vesting schedule and vesting condition, the 9,000,000 shares has not been included in the calculation of basic EPS.

(b) Diluted

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)*	**26,006**	47,718
Fair value change and exchange gain of the convertible preferred shares *(RMB'000)*	**–**	(14,436)
Profit used to determine diluted EPS *(RMB'000)*	**26,006**	33,282
Weighted average number of ordinary shares in issue *(in thousands)*	**481,025**	460,704
Adjusted for:		
- Assumed conversion of convertible preferred shares and other non-current liabilities	**–**	3,603
- Number of restricted shares by adjusting the shares to be issued at fair value [(iii)]	**2,408**	–
Weighted average number of ordinary shares for diluted EPS *(in thousands)*	**483,433**	464,307
Diluted EPS *(in RMB)*	**0.05**	0.07

(iii) The weighted average number of ordinary shares of diluted EPS considering the potential ordinary shares related with the restricted shares of the Company. As the employees met the non-market performance by the period ended 30 June 2018, 40% of the restricted shares could be vested. The relevant shares have been taken into account in the calculation of diluted EPS from the grant date by considering the incremental number of shares issued for nil consideration.

The shares adjusted for the weighted average number of ordinary shares for diluted EPS are immaterial, the diluted EPS is approximately equal the basic EPS for the six months ended 30 June 2018.

7 TRADE RECEIVABLES

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Trade receivables	**16,682**	20,018
Less: allowance for impairment of trade receivables	**(214)**	(44)
Trade receivables – net	**16,468**	19,974

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

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade receivables based on demand note date was as follows:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Up to 3 months	**12,638**	16,949
4 – 6 months	**2,062**	1,553
7 months – 1 year	**848**	855
Over 1 year	**1,134**	661
	16,682	20,018

8 TRADE PAYABLES

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Up to 3 months	**9,781**	11,251
4 – 6 months	**4,484**	4,684
7 months – 1 year	**1,660**	435
Over 1 year	**1,185**	897
	17,110	17,267

9 DIVIDENDS

Dividends of HKD0.05 per share, approximately RMB20,031,000 in total, have been agreed and declared to be paid to the shareholders of the Company by the Group out of their profit for the year ended 31 December 2017. A dividend of RMB8,484,000 was paid in June 2018 (2017: Nil).

A dividend of RMB38,291,000 related with the earnings of Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司) for the year ended 31 December 2017 was paid to Beijing Children's Hospital, Capital Medical University (首都醫科大學附屬北京兒童醫院) in June 2018 (2017: RMB32,813,000).

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview for the First Half of 2018

In 2018, we adhered to our established strategies, expanded the coverage and depth of the medical services, and upgraded the management operations capability in order to integrate and strengthen our expertise in pediatric specialty services. In the first half of 2018, the Company achieved a stable growth of business, with total revenue amounted to RMB271.9 million, representing an 11.8% YoY increase. In particular, revenue from pediatric business and obstetric and gynecologic business recorded a 13.0% YoY increase to RMB209.4 million and a 12.8% YoY increase to RMB41.1 million, respectively. The net profit attributable to owners of the Company was RMB28.8 million after adjusted items. The adjusted profit attributable to owners of the Company excluding New Institutions was RMB46.6 million, representing an increase of 12.8% as compared to RMB41.3 million for the corresponding period.

	Six months ended June 30	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit before income tax	**64,426**	86,541
Adjusted items		
– Fair value changes of convertible preferred shares and other non-current liabilities	**–**	(14,436)
– Expenses in relation to the listing	**–**	1,550
– Expenses arising from shares issued under the RSA Scheme	**7,701**	–
Net foreign exchange (gains)/losses	**(4,055)**	5,792
	3,646	(7,094)
Adjusted profit before income tax	**68,072**	79,447
Further adjustment of losses before income tax of New Institutions	**20,322**	–
Adjusted profit before income tax excluding New Institutions	**88,394**	79,447
Income tax expense	**(22,624)**	(19,632)
Tax effect of adjusted items	**618**	437
Adjusted profit for the period	**46,066**	60,252
Further adjustment of losses for the period of New Institutions	**19,473**	–
Adjusted profit for the period excluding New Institutions	**65,539**	60,252

	Six months ended June 30	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company	**26,006**	47,938
Adjusted items	**3,646**	(7,094)
Tax effect of adjusted items	**618**	437
Adjusted items attributable to non-controlling interests	**(1,422)**	–
Adjusted profit attributable to owners of the Company	**28,848**	41,281
Further adjustment of losses attributable to owners of the Company of New Institutions	**17,736**	–
Adjusted profit attributable to owners of the Company excluding New Institutions	**46,584**	41,281
Adjusted profit before income tax	**68,072**	79,447
Interest income	**(6,662)**	(2,263)
Interest expenses	**–**	27
Depreciation and amortization	**13,939**	9,225
Adjusted EBITDA	**75,349**	86,436
Further adjustment of losses before income tax of New Institutions	**20,322**	–
Further adjustment of interest income, depreciation and amortization of the Company of New Institutions	**(4,860)**	–
Adjusted EBITA excluding New Institutions	**90,811**	86,436

In the first half of 2018, there were 97,757 outpatient visits, representing a YoY increase of 7.8%. Among them, pediatric outpatient visits had a 6.8% YoY increase to 85,720 as compared to 80,232 in the first half of 2017. There were also 4,319 inpatient visits, representing a YoY increase of 7.1%. Among them, pediatric inpatient visits had a 3.5% YoY increase to 3,376 as compared to 3,263 in the first half of 2017. The average outpatient spending per visit had a 5.6% YoY increase to RMB1,191 and the average inpatient spending per visit had a 3.3% YoY increase to RMB25,206.

The Company actively shapes the development layout of the Beijing pediatric healthcare services market and expands its operations to cities with economic development potential. In the first half of 2018, BNC Ao-dong Clinic and BNC Chaowai Clinic commenced operation in succession, which enables us to establish a sound tiered medical network and strengthen our medical services capability in Beijing, and to make sufficient preparation for pediatric seasons of the second half of the year. Reference is made to the announcement of the Company dated March 16, 2018 for more details of our acquisition of the two clinics. Moreover, as of the date of this announcement, the Company has completed the acquisition of Chengdu New Century, which achieved the strategic layout in the southwest region.

The Company strategically invested in the Chiron Healthcare Group in Hong Kong, leveraging on our respective strengths in medical resources, network and management capability, the Group and Chiron Healthcare Group will carry out in-depth cooperation in many aspects, including but not limited to cross-border healthcare services (including oncology/specialty consultation, vaccination and medical services for women and children as well as assisted reproductive services, etc.), two-way referral services between Mainland China and Hong Kong, knowledge sharing in medical technology and trainings and medical institution management. We look forward to achieving synergies by complementing each other's advantages and improving the quality of our healthcare services. Moreover, the Group will also support the further expansion and development of Chiron Healthcare Group, and expects to establish healthcare interoperability in the Guangdong-Hong Kong-Macao Greater Bay Area in the future through our in-depth cooperation with Chiron Healthcare Group. Reference is made to the announcement of the Company dated August 13, 2018 for details of our investment in the Chiron Healthcare Group.

The Company continued to promote the "New Century Family Doctor Club" panda membership program and had a 19.5% YoY increase in membership revenue for the first half of 2018. The growth of membership base will substantially assist the Company on the introduction of new projects, new products and various derivative services, which will promote the overall business of the Company.

The Company continued to uphold its principle of building private hospitals with high-quality medical services as well as academic excellence and strictly managed its medical quality. We have conducted regular academic discussions and conferences which cover various subjects and topics and had academic exchanges and trainings with the world's top medical institutions. The Company continued to explore new medical services models in the internet era and communicated with different doctors' groups and medical innovation companies on cooperation in pediatric, obstetric and gynecologic and other fields.

Industry Outlook and the Group's Strategies

The cumulative effect from the increased population and the shortage of medical resources continue to drive the growth of demand for pediatric medical services. Because of the consumption upgrade and the increased awareness of health management, there is also strong demand for high-quality medical services. By 2022, the pediatric healthcare market and the obstetric and gynecologic healthcare market are expected to reach RMB226.8 billion and RMB697.2 billion respectively, in terms of total revenue, with private healthcare providers accounting for 6.1% and 12.0% respectively.

In pediatric healthcare market, we have established competition barriers on branding, technology and management and are able to provide one-stop service for health management and medical treatment. According to the latest survey by the industry consultant, Shanghai Renxi Management Consulting Co., Ltd. (上海仁汐管理諮詢有限公司), based on the revenue in 2017, the Group ranked the first with a market share of 11.3%[1] in China's middle to high-end private pediatric medical services industry. Our Group ranked the first with a market share of 50.5% in Beijing's middle to high-end private pediatric medical services industry.

Given the consumption upgrade and the growing importance of privacy and comfort of obstetric and gynecologic healthcare services from the perspective of middle to high-end customers, the proportion of revenue generated by private obstetric and gynecologic healthcare providers is expected to rise continuously. This will further promote the demand for high-quality pediatric medical services.

We intend to leverage such favorable industry prospects by pursuing the following strategies:

- Set up service outlets in new communities and commercial properties, with an aim to further enhance its coverage density and service depth in Beijing. Set up a sound pediatric family doctor and pediatric healthcare service system in order to increase our community influence.

- Make investment in Hong Kong healthcare group, to commence the healthcare network presence of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area. Connect the New Century healthcare service between Guangdong and Hong Kong to achieve healthcare interoperability in the Hong Kong-Mainland.

- Remote medical service: connect the remote video and remote image system to the medical institutions in order to create a new medical services network where community medical institutions will provide medical treatment based on our expert's medical advice.

- Medical plan: based on the existing membership program, design and develop pediatric medical plan at different prices and in areas where conditions permit, include the general healthcare, outpatient services (including remote consultation) and inpatient services in the annual service plan.

- Make diversified investments to extend pediatric healthcare service chain.

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1 The market share will be 14.9% if the 2017 revenue from other medical institutions that are not owned by the Group but are operated under the brand name "New Century Healthcare" is also included.

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,			
	2018		2017	
	(in thousands of RMB, except percentages)			
Medical services	**250,494**	**92.1%**	221,687	91.1%
Hospital consulting services	**18,771**	**6.9%**	18,934	7.8%
Others[1]	**2,590**	**1.0%**	2,598	1.1%
Total	**271,855**	**100.0%**	243,219	100.0%

(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,	
	2018	2017
	(in thousands of RMB, except percentages)	
Revenue	**250,494**	221,687
Cost of revenue	**148,207**	115,310
Gross profit	**102,287**	106,377
Gross profit margin	**40.8%**	48.0%

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,			
	2018		2017	
	(in thousands of RMB, except percentages)			
Pediatric services	**209,430**	**77.0%**	185,275	76.1%
Obstetric and gynecologic services	**41,064**	**15.1%**	36,412	15.0%
Total	**250,494**	**92.1%**	221,687	91.1%

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,	
	2018	2017
Group		
Inpatient services		
Inpatient visits	**4,319**	4,031
Average inpatient spending per visit *(RMB)*	**25,206**	24,410
Outpatient services		
Outpatient visits	**97,757**	90,651
Average outpatient spending per visit *(RMB)*	**1,191**	1,127
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	**108,864**	98,398
Revenue from medical services attributable to outpatients (*in thousands of RMB)*	**116,410**	102,176
Revenue recognized for membership card sales *(in thousands of RMB)*	**25,220**	21,113

	Six months ended June 30,	
	2018	2017
Pediatric Services		
Inpatient services		
Inpatient visits	**3,376**	3,263
Average inpatient spending per visit *(RMB)*	**24,060**	22,662
Outpatient services		
Outpatient visits	**85,720**	80,232
Average outpatient spending per visit *(RMB)*	**1,201**	1,124
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	**81,226**	73,947
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	**102,984**	90,215
Revenue recognized for membership card sales *(in thousands of RMB)*	**25,220**	21,113
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	**943**	768
Average inpatient spending per visit *(RMB)*	**29,308**	31,838
Outpatient services		
Outpatient visits	**12,037**	10,419
Average outpatient spending per visit *(RMB)*	**1,115**	1,148
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	**27,638**	24,451
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	**13,426**	11,961

Revenue from provision of our medical services amounted to RMB250.5 million for the six months ended June 30, 2018, representing a 13.0% YoY increase and accounting for 92.1% of the Group's total revenue. This increase was primarily due to (i) a 13.9% and 10.6% YoY increase in revenue from medical services attributable to the outpatients and inpatients respectively, and (ii) a 19.5% 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 91.0% of the increase.

For the six months ended June 30, 2018, there were 3,376 pediatric services inpatient visits, representing a YoY increase of 3.5%. There were also 85,720 pediatric services outpatient visits, representing a YoY increase of 6.8%. For obstetric and gynecologic services, there were 943 inpatient visits, representing a YoY increase of 22.8%, and 12,037 outpatient visits, representing a YoY increase of 15.5%. The increase in provision of pediatric and obstetric and gynecologic services contributes to the completion of 2,489 operations, representing a YoY increase of 16.2%.

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 and maintenance fees. The cost of revenue of our medical services for the six months ended June 30, 2018 reached RMB148.2 million, representing a YoY increase of 28.5%. This increase was primarily a result of (i) an increase in total remuneration of medical personnel including those from our newly acquired clinics, (ii) accrued expenses related to the RSA Scheme, and (iii) increased rental, depreciation and amortization costs of the business premises arising from New Institutions.

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:

	Six months ended June 30,	
	2018	2017
	(in thousands of RMB, except percentages)	
Revenue	**18,771**	18,934
Cost of revenue	**7,169**	6,616
Gross profit	**11,602**	12,318
Gross profit margin	**61.8%**	65.1%

The revenue of our hospital consulting services remained stable at approximately RMB18.8 million. The gross profit margin of our hospital consulting services decreased from 65.1% for the six months ended June 30, 2017 to 61.8% for the six months ended June 30, 2018, primarily due to (i) retention of more personnel in order to accommodate increasing demands of consultation services during clients' operational phase while the revenue remained stable, and (ii) accrued expenses related to the RSA Scheme.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2018 amounted to RMB113.9 million, representing a YoY decrease of 4.1%. This was mainly due to our newly acquired institutions being still in their infancy, thus being loss-making. The gross profits of our pre-existing institutions saw an increase over the same period. Our gross profit margin for the six months ended June 30, 2018 decreased to 41.9% as compared to 48.8% for the six months ended June 30, 2017.

Selling Expenses

Our selling expenses for the six months ended June 30, 2018 amounted to RMB12.2 million, representing a YoY increase of 18.8%, which was primarily due to (i) increased personnel wages and marketing costs, and (ii) accrued expenses related to the RSA Scheme.

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2018 amounted to RMB49.8 million, an increase from RMB33.0 million for the six months ended June 30, 2017, which was mainly a result of (i) increased administrative expenses arising out of our new acquisitions, (ii) accrued expenses related to the RSA Scheme, and (iii) increases in employee wages.

Other Gains – Net

Our other gains (net) for the six months ended June 30, 2018 amounted to RMB1.8 million, as compared to our other gains (net) of RMB14.4 million for the six months ended June 30, 2017. Our other gains (net) for the six months ended June 30, 2018 were mainly a result of (i) no gains from the conversion of convertible preferred shares and other non-current liabilities into ordinary shares recorded during the period as compared to the corresponding period of last year, with the offsetting from (ii) an increase of RMB1.8 million in the fair value of our wealth management products.

Finance Income and Expenses

Our finance income for the six months ended June 30, 2018 increased from RMB2.3 million for the six months ended June 30, 2017 to RMB10.7 million which was mainly a result of (i) an increase in deposit interest income of RMB4.4 million, and (ii) foreign exchange gains of RMB4.1 million. We incurred no finance expenses for the six months ended June 30, 2018, a decrease from RMB5.8 million for the six months ended June 30, 2017, primarily due to the absence of foreign exchange losses.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2018 amounted to RMB22.6 million, representing a YoY increase of 15.2%, which was mainly due to (i) an increase in the income tax expense as a result of an increase in profit before income tax of our pre-existing medical institutions, and (ii) our newly acquired institutions recorded losses before tax, and no income tax expense was incurred, meanwhile the institutions are still in their infancy, thus no deferred income tax arising from losses was recognized. Our effective tax rate was 35.1% and 22.7% for the six months ended June 30, 2018 and for the six months ended June 30, 2017, respectively.

Profit for the six months ended June 30, 2018

Our profit for the six months ended June 30, 2018 amounted to RMB41.8 million, a decrease from RMB66.9 million for the six months ended June 30, 2017.

FINANCIAL POSITION

Inventories

Our inventories increased by 4.7% from RMB7.2 million as of December 31, 2017 to RMB7.5 million as of June 30, 2018 primarily due to an increase in medical inventories arising from our acquisition of two clinics.

Trade Receivables

Our trade receivables decreased by 17.6% from RMB20.0 million as of December 31, 2017 to RMB16.5 million as of June 30, 2018 primarily driven by (i) faster payments by insurers, and (ii) a reduction in accounts receivable from consulting services.

Trade Payables

Our trade payables decreased by 0.9% from RMB17.3 million as of December 31, 2017 to RMB17.1 million as of June 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2018, we had cash and cash equivalents of RMB679.4 million (December 31, 2017: RMB763.7 million). We did not have any interest-bearing liabilities as of June 30, 2018 (December 31, 2017: nil).

Significant Investments, Acquisitions and Disposals

Please refer to the section headed "Events after the Reporting Period" of this announcement for details in respect of the acquisition of Chengdu New Century. Save as disclosed in this announcement, we did not have any significant investment, material acquisitions or material disposals during the six months ended June 30, 2018.

INDEBTEDNESS

Borrowings

As of June 30, 2018, we did not have any borrowings (December 31, 2017: Nil).

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB. As of June 30, 2018, our assets and liabilities are primarily denominated in RMB, except for cash and cash equivalent. Currency exposure arising from the net proceeds from global offering denominated in the relevant foreign currencies. 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, 2018, 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, 2018, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2018, 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 trade receivables, other receivables excluding prepayments, amounts due from related parties, financial assets carried at fair value through profit or loss, structured deposits, 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, 2018, we did not have any borrowings and the gearing ratio, calculated as total borrowings divided by total equity, was 0.0%. Our gearing ratio as of December 31, 2017 was 0.0%.

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2018, the Group had 868 employees (June 30, 2017: 771 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2018 amounted to RMB108.3 million (for the six months ended June 30, 2017: RMB86.5 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 has also adopted the 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, 2018.

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, 2018, 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 the establishment of the Company 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, 2018. 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, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

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, 2018 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

Reference is made to the Company's announcements dated December 6 and 29, 2017, January 18 and August 13, 2018 and the circular dated December 29, 2017 in relation to acquisition of 85.0% equity interest of Chengdu New Century for a cash consideration of RMB200.0 million (the "**Acquisition**"). The Acquisition completed and Chengdu New Century completed the alteration registration with the relevant administration of industry and commerce and obtained the new business license in early August of 2018 and it has been consolidated into the Group. As at the date of this announcement, the Company indirectly held 85.0% equity interest of Chengdu New Century.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the HKEx (www.hkexnews.hk) and the Company (www.ncich.com.cn). The interim report for the six months ended June 30, 2018 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;
"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). 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;
"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;
"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;

"Chiron Healthcare Group"	Chiron Healthcare Holdings Limited and its subsidiaries. Chiron Healthcare Holdings Limited is a company incorporated in the British Virgin Islands with limited liability on September 17, 2015;
"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 on July 31, 2015, 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;
"HK$"	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);
"Share(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 28, 2018

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, Ms. ZHANG Lan, Dr. CHENG Chi-Kong, Adrian and Mr. YANG Yuelin as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.