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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, 2021

2021 INTERIM RESULTS HIGHLIGHTS

Set forth below are our key performance highlights for the six months ended June 30, 2021:

- Our revenue amounted to RMB285.8 million for the six months ended June 30, 2021, representing a substantial increase of 31.9% as compared to the same period last year. Revenue from pediatric services increased rapidly by 50.4% as compared to the same period last year.
- Loss for the period decreased by 84.6% to RMB49.1 million, as compared to RMB319.3 million for the six months ended June 30, 2020. Adjusted loss for the period⁽¹⁾ decreased by 39.2% to RMB41.7 million, as compared to RMB68.6 million for the six months ended June 30, 2020.
- Adjusted EBITDA⁽¹⁾⁽²⁾ for the period increased by 8.1% to RMB22.7 million, as compared to RMB21.0 million for the six months ended June 30, 2020. For the six months ended June 30, 2021, the adjusted EBITDA⁽¹⁾⁽²⁾ of medical institutions which have opened and continued to operate (the “Existing Medical Institutions”)⁽³⁾ amounted to RMB64.8 million in aggregate, representing a 47.9% YoY increase, as compared to RMB43.8 million for the six months ended June 30, 2020.

KEY OPERATIONAL DATA

	For the six months ended June 30		Growth
	2021	2020	
Income from outpatients (RMB'000)	158,039	90,433	67,606
Outpatient visits	116,643	71,493	45,150
Income from inpatients (RMB'000)	105,441	94,480	10,961
Inpatient visits	3,900	3,403	497

- Adjustment includes impairment losses on non-current assets, exchange gains and losses and impact of the RSA Scheme.
- EBITDA = profit before income tax + interest expense + depreciation and amortization.
- Existing Medical Institutions refer to BNC Children’s Hospital, BNC Women’s and Children’s Hospital, BNC Harmony Clinic, BNC Wenyu Clinic, BNC Ao-dong Clinic and Chengdu New Century.

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2021 together with the comparative figures as set out below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	285,844	216,691
Cost of revenue	3	<u>(210,595)</u>	<u>(174,360)</u>
Gross profit		75,249	42,331
Selling expenses		(27,661)	(20,018)
Administrative expenses		(69,366)	(57,146)
Research and development expenses		(5,947)	(5,399)
Net impairment losses on financial assets		(1,035)	–
Impairment losses on non-current assets		(6,383)	(251,461)
Other income		2,844	1,005
Other gains – net		<u>1,890</u>	<u>7,055</u>
Operating loss		(30,409)	(283,633)
Finance income		1,825	3,929
Finance costs		(8,716)	(7,841)
Share of net loss of investments accounted for using the equity method		<u>(557)</u>	<u>–</u>
Loss before income tax		(37,857)	(287,545)
Income tax expense	4	<u>(11,284)</u>	<u>(31,725)</u>
Loss for the period		<u>(49,141)</u>	<u>(319,270)</u>
(Loss)/profit for the period is attributable to:			
Owners of the Company		(54,457)	(308,036)
Non-controlling interests		<u>5,316</u>	<u>(11,234)</u>

		Six months ended June 30,	
		2021	2020
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
	– Exchange differences on translation of foreign operations	<u>87</u>	<u>–</u>
	Total comprehensive loss for the period	<u>(49,054)</u>	<u>(319,270)</u>
Total comprehensive (loss)/income for the period attributable to:			
	Owners of the Company	<u>(54,370)</u>	<u>(308,036)</u>
	Non-controlling interests	<u>5,316</u>	<u>(11,234)</u>
Losses per share for loss attributable to the ordinary equity holders of the Company			
<i>(expressed in RMB per share)</i>			
	Basic and diluted	<u>(0.11)</u>	<u>(0.63)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		June 30, 2021	December 31, 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		180,202	198,898
Right-of-use assets		264,617	308,785
Intangible assets		418,086	424,330
Investments accounted for using the equity method		1,990	2,575
Deferred tax assets		761	499
Long-term deposits and prepayments		9,930	10,709
Amounts due from related parties		3,939	–
Total non-current assets		<u>879,525</u>	<u>945,796</u>
Current assets			
Inventories		17,334	19,584
Trade receivables	6	33,808	28,577
Other receivables, deposits and prepayments		18,866	16,874
Amounts due from related parties		155,769	161,003
Cash and cash equivalents		261,561	299,211
Total current assets		<u>487,338</u>	<u>525,249</u>
Total assets		<u>1,366,863</u>	<u>1,471,045</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	335
Shares held for employee share scheme		(2,829)	(2,826)
Share premium		2,606,495	2,606,495
Reserves		(1,499,909)	(1,499,996)
Accumulated losses		(319,832)	(265,375)
Sub-total		784,260	838,633
Non-controlling interests		(56,114)	(26,781)
Total equity		<u>728,146</u>	<u>811,852</u>

		December 31,
	<i>Notes</i>	2020
		<i>RMB'000</i>
		<i>(Audited)</i>
		2021
		<i>RMB'000</i>
		<i>(Unaudited)</i>
LIABILITIES		
Non-current liabilities		
Lease liabilities		321,256
Deferred tax liabilities		55,790
Deferred income		2,641
		<u>168</u>
Total non-current liabilities		<u>379,687</u>
		<u>343,680</u>
Current liabilities		
Trade payables	7	25,618
Accruals, other payables and provisions		171,183
Lease liabilities		39,839
Contract liabilities		30,539
Current tax liabilities		8,113
Amounts due to related parties		4,214
		<u>4,214</u>
Total current liabilities		<u>279,506</u>
		<u>295,037</u>
Total liabilities		<u>659,193</u>
		<u>638,717</u>
Total equity and liabilities		<u><u>1,471,045</u></u>
		<u><u>1,366,863</u></u>

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, obstetrics and gynecology specialty services in the People’s Republic of China (the “**PRC**”). The Group also provides hospital consulting services to related parties of the Group and online healthcare services.

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, 190 Elgin Avenue, 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 (“**the Listing**”) 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, 2021 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, 2020, 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, 2021.

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.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable during current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 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 segment information is shown 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>	Intersegment eliminations <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)							
Six months ended							
June 30, 2021							
Revenue from external customers	220,992	61,014	493	3,345	-	-	285,844
Inter-segment revenue	-	-	-	5,667	(5,667)	-	-
Total revenue	220,992	61,014	493	9,012	(5,667)	-	285,844
Cost of revenue	(150,315)	(58,187)	(441)	(4,980)	3,328	-	(210,595)
Segment results	23,987	(16,515)	(496)	(12,750)	-	-	(5,774)
Unallocated income						6,850	6,850
Unallocated cost						(38,933)	(38,933)
Profit/(loss) before income tax	23,987	(16,515)	(496)	(12,750)	-	(32,083)	(37,857)
Income tax expense						(11,284)	(11,284)
Loss after income tax							<u>(49,141)</u>

	Pediatrics <i>RMB'000</i>	Obstetrics and gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Intersegment eliminations <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)							
Six months ended June 30, 2020							
Revenue from external customers	146,943	62,344	4,176	3,228	-	-	216,691
Inter-segment revenue	-	-	-	-	-	-	-
Total revenue	146,943	62,344	4,176	3,228	-	-	216,691
Cost of revenue	(114,892)	(51,803)	(2,115)	(5,550)	-	-	(174,360)
Segment results	(87,134)	(149,162)	(12,902)	(42,397)	-	-	(291,595)
Unallocated income						7,558	7,558
Unallocated cost						(3,508)	<u>(3,508)</u>
(Loss)/profit before income tax	(87,134)	(149,162)	(12,902)	(42,397)	-	4,050	(287,545)
Income tax expense						(31,725)	<u>(31,725)</u>
Loss after income tax							<u><u>(319,270)</u></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>
(Unaudited)					
Six months ended June 30, 2021					
Revenue from external customers					
At a point in time	<u>220,992</u>	<u>61,014</u>	<u>493</u>	<u>3,345</u>	<u>285,844</u>

	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>
(Unaudited)					
Six months ended June 30, 2020					
Revenue from external customers					
At a point in time	146,943	62,344	2,256	3,228	214,771
Over time	<u>–</u>	<u>–</u>	<u>1,920</u>	<u>–</u>	<u>1,920</u>
	<u>146,943</u>	<u>62,344</u>	<u>4,176</u>	<u>3,228</u>	<u>216,691</u>

4 INCOME TAX EXPENSE

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	13,487	7,552
Deferred income tax	<u>(2,203)</u>	<u>24,173</u>
	<u>11,284</u>	<u>31,725</u>

5 LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2021.

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u>(54,457)</u>	<u>(308,036)</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>) (i)	<u>483,334</u>	<u>485,238</u>
Basic losses per share (<i>in RMB</i>)	<u>(0.11)</u>	<u>(0.63)</u>

- (i) On July 25, 2017, the Company granted 9,000,000 restricted shares to certain employees pursuant to a restricted share award scheme. As of June 30, 2021, except for 4,767,000 shares that were forfeited, all the other shares were vested. Those forfeited shares were excluded from the calculation of basic losses per share.

As of June 30, 2021, the Company held 1,924,000 (June 30, 2020: nil) shares of the Company to set up an employee stock incentive plan. These shares were not included in the calculation of basic losses per share as they are not outstanding.

(b) Diluted

For the six months ended June 30, 2021 and 2020, diluted losses per share is equivalent to the basic losses per share due to the Group's negative financial results attributable to owners of the Company.

6 TRADE RECEIVABLES

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Trade receivables from contracts with customers	34,268	29,033
Less: allowance for impairment of trade receivables	<u>(460)</u>	<u>(456)</u>
Trade receivables – net	<u>33,808</u>	<u>28,577</u>

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

The majority trade receivables were 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:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Up to 3 months	27,485	21,383
4 – 6 months	1,744	2,170
7 months – 1 year	1,329	1,192
Over 1 year	<u>3,710</u>	<u>4,288</u>
	<u>34,268</u>	<u>29,033</u>

7 TRADE PAYABLES

As of June 30, 2021 and December 31, 2020, the aging analysis of the trade payables based on demand note date was as follows:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Up to 3 months	21,134	17,909
4 – 6 months	3,936	3,941
7 months – 1 year	1,233	1,473
Over 1 year	1,800	2,295
	<u>28,103</u>	<u>25,618</u>

8 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended June 30, 2021 (June 30, 2020: nil).

For the six months ended June 30, 2021, a dividend of RMB21,389,000 was paid to Beijing Children's Hospital, a non-controlling shareholder of BNC Children's Hospital, a subsidiary of the Group. Pursuant to a shareholders' resolution of BNC Children's Hospital dated June 3, 2021, a dividend payable to Beijing Children's Hospital of RMB13,260,000 regarding the unaudited net profit of BNC Children's Hospital for the six months ended June 30, 2021 was accrued and subsequently paid on August 23, 2021.

For the six months ended June 30, 2020, a dividend of RMB43,353,000 was paid to Beijing Children's Hospital.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business revenue of the Group in the first half of 2021 recorded a substantial increase as compared to the same period last year. The Group recorded a revenue of RMB285.8 million, representing a 31.9% YoY increase, and the revenue from medical services amounted to RMB282.0 million, representing a 34.7% YoY increase. In particular, revenue from pediatric services recorded a 50.4% YoY increase to RMB221.0 million, accounting for 78.4% of the total revenue from medical services. Revenue from pediatric outpatient services recorded a 91.8% YoY increase to RMB132.7 million; the number of outpatient visits was 91,639, representing a 83.6% YoY increase. Revenue from pediatric inpatient services recorded a 30.8% YoY increase to RMB69.7 million; the number of inpatient visits was 2,589, representing a YoY increase of 33.2%.

Being a leading private pediatric and gynecologic healthcare service provider in Beijing and China, we provide integrated medical services for customers in respect of pediatrics, obstetrics and gynaecology, and we are characterized by providing comprehensive and in-depth pediatric medical services. Starting from the third quarter of 2020, our pediatric business demonstrated a substantial recovery and growth, and the income level in the second quarter of 2021 was higher than that of the second quarter of 2019. The rapid recovery of pediatric business was mainly attributable to the development of the division of pediatric surgery and pediatric specialties (mainly including ophthalmology, otolaryngology, stomatology, dermatology, etc.) and the growth of the commercial insurance business. In the first half of 2021, the proportion of revenue from pediatric outpatient and inpatient services contributed by revenue from the division of pediatric surgery and pediatric specialties increased to 42.7% as compared with 30.6% in the first half of 2019, and the proportion of revenue from pediatric medical services contributed by revenue from the pediatric business with direct settlement by commercial insurance increased to 24.3% as compared with 18.7% in the first half of 2019, increasing by 12.1 percentage points and 5.6 percentage points respectively.

Revenue from obstetric and gynecologic business recorded a 2.1% YoY decrease to RMB61.0 million. Revenue from obstetric and gynecologic outpatient services recorded a 19.3% YoY increase to RMB25.3 million; the number of outpatient visits was 25,004, representing a 15.8% YoY increase, and the average outpatient spending per visit recorded a 3.2% YoY increase to RMB1,012. Revenue from obstetric and gynecologic inpatient services was RMB35.7 million, representing a 13.3% YoY decrease. The number of inpatient visits reached 1,311, representing a 10.1% YoY decrease.

Loss for the period decreased by 84.6% to RMB49.1 million, as compared to RMB319.3 million for the six months ended June 30, 2020. Adjusted loss for the period decreased by 39.2% to RMB41.7 million, as compared to RMB68.6 million for the six months ended June 30, 2020. Please refer to the section headed “Financial Review – Loss for the six months ended June 30, 2021” below for further details of the adjusted loss.

As the impacts brought by the pandemic on certain clinics newly opened before the COVID-19 outbreak was significant and has been continuing, we made certain operational adjustments to those clinics suffering persistent loss. For the six months ended June 30, 2021, the revenue from Existing Medical Institutions amounted to RMB284.2 million, representing an increase of 34.7% as compared with the first half of 2020. The adjusted EBITDA of Existing Medical Institutions amounted to RMB64.8 million, representing an increase of approximately 47.9% as compared to RMB43.8 million for the same period last year. The increase in revenue and adjusted EBITDA was mainly due to the increase in profit in Beijing and the substantial decrease in loss of Chengdu New Century.

Industry Outlook and the Group’s Strategies

According to the Seventh National Population Census in 2020, as of November 2020, the population of children aged 0 to 14 was 254 million, accounting for 18.0% of the total population, representing an increase of 1.5 percentage points as compared with 2015. Among which, both the population of children aged 0 to 4 and that aged 5 to 14 recorded an increase. The population and health of children are of strategic importance for the long-term development of China’s national strength. Ever since the adoption of two-child policy in 2015 and the introduction of Outline of the Healthy China 2030 Plan in 2016, the state’s awareness on children’s health has reached a new level. Policy guidance and support for children’s health are provided more frequently, including requirements in respect of children’s and adolescents’ myopia prevention and control, mental health, oral health and health management for children aged 0 to 6. The national policy guidance has contributed significantly to enhancing public awareness of children’s health management.

In addition, parents in the new era of learning focus on scientific parenting, resulting in a huge demand for preventive healthcare for children and growth and development management. This also leads to a transformation from the previous demand for pediatric illness treatment to that for diversified, niche, and personalized healthcare and health management. With the upgrading of family’s health consumption after the pandemic and the family’s growing interest in commercial insurance, new opportunities have been brought to the growth of children healthcare market.

According to statistics, the percentage of newborns from the second birth or onwards increased to 57% in 2019 from 45% in 2016. Following the introduction of the three-child policy, it is anticipated that the percentage of pregnant and parturient women having second birth or onwards will further increase in the future. Combined with the increasing percentage of pregnant and parturient women with advanced maternal age amidst the trend of postponement of the first birth among women, this is believed to give rise to higher demand for integrated medical technology of obstetrics and gynecology and pediatrics.

Leveraging on its nearly 20 years of experience in healthcare services, the Group intends to grasp the industry opportunities by implementing the following measures in the second half of 2021:

- Building on the competitive advantages of cooperation from multiple disciplines in pediatrics, focus on the construction of pediatric subspecialties, and develop its product and service chain centering around the medical and health needs of customers to improve customer stickiness
- Enhance the technological edge in clinical practice of obstetrics and the capability advantages of offering integrated medical services of obstetrics and pediatrics
- Step up efforts in brand building and marketing as well as cooperation with insurance institutions to expand target customer coverage
- Empower offline physical medical institutions through technology companies and promote upgrading of operational structure and complete the in-depth integration of professional medical clinical pathway covering pre-treatment, treatment and post-treatment with customer operation to enhance customer experience in all aspects
- Optimize business structure, organizational structure and talent management in accordance with the Group's development strategies, and implement employee incentive plans in due course.

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 of the revenue for the periods indicated:

	Six months ended June 30,			
	2021		2020	
	<i>(in thousands of RMB, except percentages)</i>			
Medical services	282,006	98.6%	209,287	96.6%
Hospital consulting services	493	0.2%	4,176	1.9%
Others ⁽¹⁾	3,345	1.2%	3,228	1.5%
Total	<u>285,844</u>	<u>100.0%</u>	<u>216,691</u>	<u>100.0%</u>

(1) Include revenue from cafeteria and gift shop sales at our medical institutions and online healthcare services after intersegment elimination.

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,	
	2021	2020
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	282,006	209,287
Cost of revenue	208,502	166,695
Gross profit	73,504	42,592
Gross profit margin	26.1%	20.4%

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,			
	2021		2020	
	<i>(in thousands of RMB, except percentages)</i>			
Pediatric services	220,992	77.3%	146,943	67.8%
Obstetric and gynecologic services	<u>61,014</u>	<u>21.3%</u>	<u>62,344</u>	<u>28.8%</u>
Total	<u>282,006</u>	<u>98.6%</u>	<u>209,287</u>	<u>96.6%</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,	
	2021	2020
The Group		
Inpatients services		
Inpatient visits	3,900	3,403
Average inpatient spending per visit (<i>RMB</i>)	27,036	27,764
Outpatients services		
Outpatient visits	116,643	71,493
Average outpatient spending per visit (<i>RMB</i>)	1,355	1,265
Revenue from medical services attributable to inpatients <i>(in thousands of RMB)</i>	105,441	94,480
Revenue from medical services attributable to outpatients <i>(in thousands of RMB)</i>	158,039	90,433
Revenue recognized for membership card sales <i>(in thousands of RMB)</i>	18,526	24,374
Pediatric Services		
Inpatient services		
Inpatient visits	2,589	1,944
Average inpatient spending per visit (<i>RMB</i>)	26,934	27,428
Outpatient services		
Outpatient visits	91,639	49,903
Average outpatient spending per visit (<i>RMB</i>)	1,448	1,388
Revenue from medical services attributable to inpatients <i>(in thousands of RMB)</i>	69,732	53,321

	Six months ended June 30,	
	2021	2020
Revenue from medical services attributable to outpatients <i>(in thousands of RMB)</i>	132,734	69,248
Revenue recognized for membership card sales <i>(in thousands of RMB)</i>	18,526	24,374
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	1,311	1,459
Average inpatient spending per visit <i>(RMB)</i>	27,238	28,210
Outpatient services		
Outpatient visits	25,004	21,590
Average outpatient spending per visit <i>(RMB)</i>	1,012	981
Revenue from medical services attributable to inpatients <i>(in thousands of RMB)</i>	35,709	41,159
Revenue from medical services attributable to outpatients <i>(in thousands of RMB)</i>	25,305	21,185

Revenue from provision of our medical services amounted to RMB282.0 million for the six months ended June 30, 2021, representing a 34.7% YoY increase and accounting for 98.6% of the Group's total revenue. This increase was primarily due to a 74.8% and 11.6% YOY increase in revenue from medical services attributable to the outpatients and inpatients respectively.

For the six months ended June 30, 2021, there were 2,589 pediatric services inpatient visits, representing a YoY increase of 33.2%. There were also 91,639 pediatric services outpatient visits, representing a YoY increase of 83.6%. For obstetric and gynecologic services, there were 1,311 inpatient visits, representing a YoY decrease of 10.1%, and 25,004 outpatient visits, representing a YoY increase of 15.8%.

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, 2021 reached RMB208.5 million, representing a YoY increase of 25.1%. This increase was primarily a result of (i) the increased business, this year's cancellation of government relief on social security contribution in response to the COVID-19 pandemic and increased personnel wages caused by the cancellation of last year's optimization of human resources costs such as personnel structure and employee's working hours arrangement, and (ii) increased costs of medicines, consumables and specialists due to increase in business volume.

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,	
	2021	2020
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	493	4,176
Cost of revenue	441	2,115
Gross profit	52	2,061
Gross profit margin	10.5%	49.4%

The revenue and the gross profit margin of our hospital consulting services amounted to RMB0.5 million and 10.5%, respectively. The main reason for the decrease in revenue is that the consulting revenue of Beijing Jiahua Yihe Management and Consulting Co., Ltd. from Beijing Jiahua Likang Health Investment Co., Ltd. declined during this period compared to the same period last year, as Beijing Jiahua Likang Health Investment Co., Ltd's demand for consulting services reduced due to its improved management capability with the previous efforts from Beijing Jiahua Yihe Management and Consulting Co., Ltd.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2021 amounted to RMB75.2 million, representing a YoY increase of 77.8%. This was primarily because of the recovery of business after the COVID-19 pandemic in the first half of 2021. Our gross profit margin increased from 19.5% in the six months ended June 30, 2020 to 26.3% in the six months ended June 30, 2021.

Selling Expenses

Our selling expenses for the six months ended June 30, 2021 amounted to RMB27.7 million, representing a YoY increase of 38.5%, which was primarily due to the increased sales expenses resulting from the continuous strengthening and expansion of the marketing team for the online businesses as well as the expanded network in the second half of last year lasted to the first half of this year.

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2021 amounted to RMB69.4 million, representing an increase of 21.5% from RMB57.1 million for the six months ended June 30, 2020. Such increase was mainly a result of this year's cancellation of government relief on social security contribution in response to the COVID-19 pandemic and increased personnel wages caused by the cancellation of last year's optimization of human resources costs such as personnel structure and employee's working hours arrangement.

Research and Development Expenses

The Company incurred research and development expenses of RMB5.9 million for the six months ended June 30, 2021, as compared to RMB5.4 million for the same period last year. These expenses related to the development of new online platform technologies as part of the Company's continuous investment in online medical services technologies and facilities.

Impairment Losses on Non-current Assets

During the reporting period, the Company recorded an impairment loss on property, plant and equipment amounting to RMB6.4 million, including the impairment loss of BNC Qingnian Road Clinic amounting to RMB5.4 million and the impairment loss of RMB1.0 million of New Century Healthcare (Hong Kong) Co. Limited. The impairment losses were primarily related to assets impairment due to our decision to spin off certain clinics, including BNC Qingnian Road Clinic and New Century Healthcare (Hong Kong) Co. Limited.

Finance Income and Expenses

Our finance income for the six months ended June 30, 2021 decreased from RMB3.9 million for the six months ended June 30, 2020 to RMB1.8 million which was mainly a result of a decrease of foreign exchange gains of RMB1.9 million and a decrease of interest income of RMB0.2 million. Our finance costs for the six months ended June 30, 2021 amounted to RMB8.7 million, consisting of interest expenses of RMB7.6 million related to lease payment and foreign exchange losses of RMB1.1 million.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2021 amounted to RMB11.3 million, representing a YoY decrease of 64.4%, which was mainly due to the fact that there was no reverse of deferred tax assets related to accumulated tax losses this year.

Due to loss making results for the six months ended June 30, 2021 and 2020, the effective tax rate was not applicable.

Loss for the six months ended June 30, 2021

Our loss for the six months ended June 30, 2021 amounted to RMB49.1 million, as compared to a loss of RMB319.3 million for the six months ended June 30, 2020.

To supplement the Company's consolidated financial statements which are presented in accordance with HKFRSs, the Company also uses non-HKFRS measures, being adjusted net loss and adjusted EBITDA, as additional financial measures, which are not required by, or prepared in accordance with, HKFRSs. The Company believes that such non-HKFRS measures facilitate comparison of operating performance from period to period of the Company by eliminating potential impacts such as the impairment losses on non-current assets, exchange gains and losses and impact of the RSA Scheme, which are not indicative of the Company's operating performance. The Directors also believe that such measures provide useful information to shareholders and the investing public in understanding and evaluating the Company's consolidated results of operations in the same manner as they help the management.

The following tables set forth the Company's net loss, which is adjusted by the impact of the impairment losses on non-current assets, exchange gains and losses, impact of the RSA Scheme and income tax impact of above adjustment items, for the period indicated:

	Six months ended June 30,	
	2021	2020
	<i>(in thousands of RMB)</i>	
Loss for the period	(49,141)	(319,270)
<i>Add back: Impact of the RSA Scheme</i>	–	1,529
<i>Add back: Impairment losses on non-current assets</i>	6,383	251,461
<i>Add back/less: Exchange gains and losses</i>	1,088	(1,892)
<i>Less: Income tax impact of above adjustment items</i>	–	(469)
	<hr/>	<hr/>
Non-HKFRS Measures		
Adjusted loss for the period	<u>(41,670)</u>	<u>(68,641)</u>

FINANCIAL POSITION

Inventories

Our inventories decreased by 11.7% from RMB19.6 million as of December 31, 2020 to RMB17.3 million as of June 30, 2021, primarily due to more inventories being reserved at year-end peak of medical service demand.

Trade Receivables

Our trade receivables increased by 18.2% from RMB28.6 million as of December 31, 2020 to RMB33.8 million as of June 30, 2021, primarily driven by an increase in the receivables from insurance companies as a result of the increase of medical revenue.

Trade Payables

Our trade payables increased by 9.8% from RMB25.6 million as of December 31, 2020 to RMB28.1 million as of June 30, 2021, primarily due to the increase of purchasing quantity of consumables and drugs resulting from expanded business.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2021, we had cash and cash equivalents of RMB261.6 million (December 31, 2020: RMB299.2 million). We did not have any interest-bearing borrowings as of June 30, 2021 (December 31, 2020: 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, 2021.

Capital Expenditures

Our capital expenditures primarily include expenditures on (i) property, plant and equipment which are 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, 2021 was RMB7.2 million, which was mainly a result of upgrading the pre-existing medical institutions.

INDEBTEDNESS

Borrowings

As of June 30, 2021, we did not have any borrowings (December 31, 2020: 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, 2021, 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, 2021, 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, 2021, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2021, 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 effective manner.

Gearing Ratio

As of June 30, 2021, we did not have any borrowings, and therefore the gearing ratio, which is calculated as total borrowings divided by total equity, is not applicable (December 31, 2020: not applicable).

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2021, the Group had 1,368 employees (June 30, 2020: 1,350 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2021 amounted to RMB160.9 million (for the six months ended June 30, 2020: RMB125.9 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 the RSA Scheme and the Employee Share 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, performance at the Company 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, 2021.

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, 2021, 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, 2021. 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, 2021, 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, 2021 and was of the opinion that 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) and the Company (www.ncich.com.cn). The interim report for the six months ended June 30, 2021 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 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 on December 13, 2002, which is a non-wholly-owned subsidiary of the Company;
“BNC Harmony Clinic”	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is a non-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 Wenyu Clinic”	Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd. (北京新世紀溫榆門診部有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;

“BNC Women’s and Children’s Hospital”	Beijing New Century Women’s and Children’s Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on January 4, 2012, which is a non-wholly-owned subsidiary of the Company;
“Board” or “Board of Directors”	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 of the PRC 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;
“Employee Share Scheme”	the restricted share award scheme approved and adopted by the Company on August 28, 2020;
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries;
“HKEX”	Hong Kong Exchanges and Clearing Limited;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“HKFRS”	Hong Kong Financial Reporting Standards;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“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;
“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;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“YoY”	year-on-year; and
“%”	percent.

In this announcement, the terms “connected person”, “controlling shareholder” and “subsidiary” 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 30, 2021

As at 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. XIE Qiang, as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.