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

2022

INTERIM REPORT

Contents

The English text of this interim report shall prevail over the Chinese text in case of any inconsistency.

Corporate Information

DIRECTORS

Executive Directors:

Mr. Jason ZHOU *(Chairman and Chief Executive Officer)*
Ms. XIN Hong *(Senior Vice President and Chief Operating Officer)*
Mr. XU Han *(Senior Vice President and Chief Financial Officer)*

Non-executive Directors:

Mr. GUO Qizhi
Mr. WANG Siye
Dr. CHENG Chi-Kong, Adrian *(resigned with effect from June 1, 2022)*
Mr. YANG Yuelin
Ms. LI Suyu *(appointed with effect from June 1, 2022)*
Mr. XIE Qiang

Independent non-executive Directors:

Mr. WU Guanxiong
Mr. SUN Hongbin
Mr. JIANG Yanfu
Dr. MA Jing

AUDIT COMMITTEE

Mr. SUN Hongbin *(Chairman)*
Mr. GUO Qizhi
Mr. JIANG Yanfu

REMUNERATION COMMITTEE

Mr. WU Guanxiong *(Chairman)*
Mr. YANG Yuelin
Dr. MA Jing

NOMINATION COMMITTEE

Mr. Jason ZHOU *(Chairman)*
Mr. WU Guanxiong
Mr. JIANG Yanfu

AUTHORIZED REPRESENTATIVES

Mr. XU Han
Mr. JIA Xiaofeng

COMPANY SECRETARY

Mr. JIA Xiaofeng

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

56 Nanlishi Road
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 603A, 6/F, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

REGISTERED OFFICE

c/o Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

Corporate Information (Continued)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISERS

Zhong Lun Law Firm LLP
4th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

PRINCIPAL BANKER

Bank of China, Beijing Finance Street Sub-branch
2/F, Investment Square
No. 27 Finance Street
Xicheng District
Beijing

STOCK CODE

01518

COMPANY WEBSITE

www.ncich.com.cn

Management Discussion and Analysis

BUSINESS OVERVIEW

Adhering to its established strategic development goal, the Group further enhanced the collaboration among multiple disciplines of obstetrics, gynecology and pediatrics and the construction of pediatric subspecialties, in a continuous effort to improve the medical service model by centering around the needs of our target customer groups. With an aim to meet the needs of families in the new era for refined, professional and personalized services to promote the healthy development of children, the Group established New Century Child Healthy Development Center (新世紀兒童健康發展中心) in January 2022 to provide children's health development services with a full life-cycle approach, integrating medical treatment, education and care for families with children aged 0 to 18. In order to expand its mid-to-high-end pediatric, obstetric and gynecologic medical service institutional networks in Shandong Province, through the acquisition of 12.47% equity interests of Jiahua Yongsheng in April 2022, the Group indirectly held 12.47% minority equity interests in Qingdao New Century Women's and Children's Hospital. We believe that Qingdao possesses a business growth potential, and the acquisition can provide the Group with a larger target market and is in line with the Group's development strategies. Details of the above acquisition are set out in the announcements dated January 30, 2022 and March 29, 2022, respectively. Subsequent to our investment, Qingdao New Century Women's and Children's Hospital achieved positive growth in both revenue from medical services and the number of outpatient and inpatient visits as compared with that of the same period last year.

Being affected by the implementation of pandemic prevention and control measures as a result of the continuous outbreak of Coronavirus Disease 2019 ("**COVID-19**") in certain regions across the country during the first half of 2022, business revenue of the Group in the first half of 2022 recorded a slight decrease as compared to the same period last year. The Group recorded a revenue of RMB280.1 million, representing a 2.0% YoY decrease, and the revenue from medical services amounted to RMB276.9 million, representing a 1.8% YoY decrease.

Being a leading private pediatric, obstetrics and gynecologic healthcare service provider in Beijing[1] as well as in China, we provide integrated medical services to customers in respect of obstetrics, gynecology and pediatrics, and we are characterized by providing comprehensive and in-depth pediatric medical services. Our pediatric business continued to maintain positive growth momentum in the first half of 2022, and the steady growth in our pediatric business was mainly attributable to the development of the division of pediatric surgery, pediatric specialties (mainly including ophthalmology, otolaryngology, stomatology, dermatology, etc.), children's healthcare as well as the growth of the commercial insurance business. In the first half of 2022, the proportion of revenue from pediatric outpatient and inpatient services contributed by revenue from the division of pediatric surgery and pediatric specialties was 42.3%, which remained constant as compared with that recorded of 42.7% in the first half of 2021, the proportion of revenue contribution by the division of children's healthcare increased to 10.6% from 7.8% in the first half of 2021, and the proportion of revenue from pediatric medical services contributed by revenue from the direct settlement by commercial insurance of pediatric business increased to 26.9% from 24.3% in the first half of 2021.

1 According to the relevant documents, the cooperation between the Group and BCH in respect of BNC Children's Hospital shall last until December 12, 2052.

In the first half of 2022, revenue from pediatric services recorded a 4.3% YoY increase to RMB230.6 million, accounting for 83.3% of the Group's total revenue from medical services. Revenue from pediatric outpatient services recorded an 8.1% YoY increase to RMB143.4 million; the number of outpatient visits was 88,426, representing a 3.5% YoY decrease. Revenue from pediatric inpatient services recorded a 0.4% YoY decrease to RMB69.5 million; the number of inpatient visits was 2,344, representing a YoY decrease of 9.5%.

Revenue from obstetric and gynecologic business recorded a 24.1% YoY decrease to RMB46.3 million. Revenue from obstetric and gynecologic outpatient services recorded a 10.0% YoY decrease to RMB22.8 million; the number of outpatient visits was 22,738, representing a 9.1% YoY decrease, and the average outpatient spending per visit recorded a 1.0% YoY decrease to RMB1,002. Revenue from obstetric and gynecologic inpatient services was RMB23.5 million, representing a 34.1% YoY decrease. The number of inpatient visits reached 807, representing a 38.4% YoY decrease.

The Group recorded net loss of RMB234.7 million for the six months ended June 30, 2022, which was mainly attributable to (i) impairment losses on non-current assets as a result of the on-going stringent epidemic control policies implemented by local governments and more intense market competition since the second quarter of 2022; and (ii) certain significant amounts of impairment losses on financial assets. Please refer to the section headed "Financial Review – Impairment Losses on Non-Current Assets" and the section headed "Financial Review – Impairment Losses on Financial Assets" below for further details on the impairment losses.

INDUSTRY OUTLOOK AND THE GROUP'S STRATEGIES

The population and health of children are of strategic importance to the long-term development of the country's national strength. In 2016, the "Outline of the Healthy China 2030 Plan" (《「健康中國 2030」規劃綱要》) was issued, which outlined the requirements for children's and adolescents' prevention and control of myopia, mental health, oral health and health management for children aged 0-6. The "Decision on Optimizing the Fertility Policy and Promoting the Long-term Balanced Development of the Population" (《關於優化生育政策促進人口長期均衡發展的決定》) released in June 2021 sets out the three-child policy and rolls out supportive measures. The state provided a series of policy guidance and support in relation to children's health, and released the "Action Plan for Child Health Improvement (2021-2025)" (《健康兒童行動提升計劃（2021-2025年）》) in October of that same year. Policy guidance at the national level has greatly contributed to raising public awareness of children's health management, and has also triggered a significant increase in market demand for children preventive care, growth and development management, and pediatric specialties. Pediatric medical services have transformed from demand for pediatric disease treatment in the past to that for diversified, niche, and personalized medical and health management. With the upgrading of health consumption of children's families after the pandemic and the increasing interests of children's families in commercial insurance, new opportunities have been brought to the growth of children healthcare market.

Management Discussion and Analysis (Continued)

In order to stay abreast of the development trend of the industry, the Group will continue to grasp the industry's business opportunities by implementing the following measures:

- Leveraging on the backflow effect from the obstetrics department, cater to the needs of post-natal families for female healthcare, body shaping and pediatric business. Building on the competitive advantages of collaboration from multiple disciplines of pediatrics and gynecology, the Group will focus on the construction of subspecialties, and develop its product and service chain centering around the medical and health needs of customers.

- Make efforts to upgrade the customer management system to fully improve customer experience and stickiness, and to continue expanding the Group's membership base in terms of family units.

- Step up efforts in marketing and cooperation with insurance institutions to expand the target customer coverage.

- Optimize organizational structure, talent management and strengthen cost control in accordance with the Group's development strategies.

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,			
	2022		2021	
	(in thousands of RMB, except percentages)			
Medical services	276,884	98.8%	282,006	98.6%
Hospital consulting services	148	0.1%	493	0.2%
Others[1]	3,072	1.1%	3,345	1.2%
Total	280,104	100.0%	285,844	100.0%

(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,	
	2022	2021
	(in thousands of RMB, except percentages)	
Revenue	276,884	282,006
Cost of revenue	209,942	208,502
Gross profit	66,942	73,504
Gross profit margin	24.2%	26.1%

Management Discussion and Analysis (Continued)

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,			
	2022		2021	
	(in thousands of RMB, except percentages)			
Pediatric services	230,557	82.3%	220,992	77.3%
Obstetric and gynecologic services	46,327	16.5%	61,014	21.3%
Total	276,884	98.8%	282,006	98.6%

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,	
	2022	2021
The Group		
Inpatients services		
Inpatient visits	3,151	3,900
Average inpatient spending per visit *(RMB)*	29,516	27,036
Outpatients services		
Outpatient visits	111,164	116,643
Average outpatient spending per visit *(RMB)*	1,495	1,355
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	93,006	105,441
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	166,210	158,039
Revenue recognized for membership card sales *(in thousands of RMB)*	17,668	18,526
Pediatric Services		
Inpatient services		
Inpatient visits	2,344	2,589
Average inpatient spending per visit *(RMB)*	29,635	26,934
Outpatient services		
Outpatient visits	88,426	91,639
Average outpatient spending per visit *(RMB)*	1,622	1,448

	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue from pediatric services attributable to inpatients *(in thousands of RMB)*	69,464	69,732
Revenue from pediatric services attributable to outpatients *(in thousands of RMB)*	143,425	132,734
Revenue recognized for membership card sales *(in thousands of RMB)*	17,668	18,526
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	807	1,311
Average inpatient spending per visit *(RMB)*	29,172	27,238
Outpatient services		
Outpatient visits	22,738	25,004
Average outpatient spending per visit *(RMB)*	1,002	1,012
Revenue from obstetric and gynecologic services attributable to inpatients *(in thousands of RMB)*	23,542	35,709
Revenue from obstetric and gynecologic services attributable to outpatients *(in thousands of RMB)*	22,785	25,305

Revenue from provision of our medical services amounted to RMB276.9 million for the six months ended June 30, 2022, representing a 1.8% YoY decrease and accounting for 98.8% of the Group's total revenue. This decrease was primarily due to a 5.2% increase in revenue from medical services attributable to the outpatients and a 11.8% decrease in revenue from medical services attributable to the inpatients.

For the six months ended June 30, 2022, there were 2,344 pediatric services inpatient visits, representing a YoY decrease of 9.5%. There were also 88,426 pediatric services outpatient visits, representing a YoY decrease of 3.5%. For obstetric and gynecologic services, there were 807 inpatient visits, representing a YoY decrease of 38.4%, and 22,738 outpatient visits, representing a YoY decrease of 9.1%.

The cost of revenue of our medical services consists primarily of employee benefits expenses, cost of inventories and consumables, consultation fees, outsourced examination and inspection fees and utilities, maintenance fees and office expenses. The cost of revenue of our medical services for the six months ended June 30, 2022 reached RMB209.9 million, representing a YoY increase of 0.7%.

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,	
	2022	2021
	(in thousands of RMB, except percentages)	
Revenue	148	493
Cost of revenue	73	441
Gross profit	75	52
Gross profit margin	50.7%	10.5%

The revenue and the gross profit margin of our hospital consulting services amounted to RMB0.1 million and 50.7%, respectively. The main reason for the decrease in revenue is that the consulting revenue of Jiahua Yihe from Jiahua Likang declined during this period as compared to the same period last year, as Jiahua Likang's demand for consulting services reduced.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2022 amounted to RMB66.6 million, representing a YoY decrease of 11.4%. This was mainly due to the impact of COVID-19 and the higher transmissibility of the Omicron variant, and since the second quarter of 2022, in response to the government's normalized epidemic prevention and control requirements, the Company has been required to step up it's resources and personnel for epidemic and prevention control. Our gross profit margin decreased from 26.3% in the six months ended June 30, 2021 to 23.8% in the six months ended June 30, 2022.

Selling Expenses

Our selling expenses for the six months ended June 30, 2022 amounted to RMB32.5 million, representing a YoY increase of 17.3%, which was primarily due to the increased sales expenses resulting from the continuous strengthening and expansion of the marketing team in order to restore the scale of revenue under the normal control environment of the epidemic.

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2022 amounted to RMB64.5 million, representing a decrease of 7.1% from RMB69.4 million for the six months ended June 30, 2021. Such decrease was mainly a result of strengthening the construction of our operations management team while reducing administrative expenses.

Research and Development Expenses

The Company incurred research and development expenses of RMB4.2 million for the six months ended June 30, 2022, as compared to RMB5.9 million for the same period last year. This decrease was mainly due to the reduction of research and development activities.

Impairment Losses on Non-current Assets

During the reporting period, the Company recorded impairment losses on non-current assets amounting to RMB82.8 million, including an intangible assets impairment loss of RMB37.3 million and a goodwill impairment loss of RMB33.6 million of Chengdu New Century, an intangible assets impairment loss of RMB9.8 million and a property, plant and equipment impairment loss of RMB2.1 million of BNC Ao-dong Clinic.

In terms of Chengdu New Century, such loss was mainly due to the on-going stringent epidemic control policies implemented by the local government and the more intense market competition since the second quarter of 2022, which affected its business performance and will have adverse effect on its future business performance.

As to BNC Ao-dong Clinic, the impairment losses were primarily related to assets impairment based on the lower of the assets' carrying amount and fair value less costs to sale. On 29 June 2022, BNC Women's and Children's Hospital, a subsidiary of the Company (the "**Vendor**"), and an independent third party (the "**Purchaser**") entered into a sale and purchase agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the entire equity interests of BNC Ao-dong Clinic at a total consideration of RMB5.3 million (the "**Disposal**"). As all applicable ratios calculated in respect of the Disposal were under 5.0%, the Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Impairment Losses on Financial Assets

During the reporting period, the Company recorded impairment losses on financial assets amounting to RMB115.4 million, which was primarily due to (i) expected credit losses of RMB94.6 million of amounts due from Jiahua Likang (the "**Jiahua Likang Expected Credit Losses**"); and (ii) expected credit losses of RMB18.9 million from Beijing Bairui Kangchen Technology Development Co., Ltd. (北京栢瑞康辰科技發展有限公司).

The Jiahua Likang Expected Credit Losses was primarily due to (i) the prolonged impact of COVID-19, especially in view of the higher transmissibility of the Omicron variant leading to the on-going stringent epidemic control policies implemented by the PRC government since the second quarter of 2022, which had a significant adverse impact on the outpatient and surgical services provided by medical institutions operated by Jiahua Likang, in particular, the common diseases in the specialties which contribute a significant part of the income of such medical institutions mostly overlap with the diseases strictly regulated under the national epidemic controls; and (ii) the impact of the spread of the Omicron variant coupled with the uncertainty of the macroeconomic domestic economic environment, which adversely affected the financing and funding ability of Jiahua Likang during the period. Going forward, the Company will continue to step up its efforts and will monitor much more closely the collection of the receivables especially mentioned as above.

Finance Income and Expenses

Our finance income for the six months ended June 30, 2022 increased from RMB1.8 million for the six months ended June 30, 2021 to RMB5.5 million which was mainly a result of a increase of foreign exchange gains of RMB4.1 million and a decrease of interest income of RMB0.4 million. Our finance costs for the six months ended June 30, 2022 amounted to RMB6.6 million, mainly consisting of interest expenses of RMB5.8 million related to lease payment.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2022 amounted to RMB1.1 million, which was mainly due to the reversal of deferred tax liabilities caused by the impairment losses of intangible assets.

Due to loss making results for the six months ended June 30, 2022 and 2021, the effective tax rate was not applicable.

Loss for the six months ended June 30, 2022

Our loss for the six months ended June 30, 2022 amounted to RMB234.7 million, as compared to a loss of RMB49.1 million for the six months ended June 30, 2021.

FINANCIAL POSITION

Inventories

Our inventories decreased by 11.4% from RMB21.1 million as of December 31, 2021 to RMB18.7 million as of June 30, 2022, primarily due to more inventories being reserved at year-end peak of medical service demand.

Trade Receivables

Our trade receivables increased by 7.9% from RMB39.4 million as of December 31, 2021 to RMB42.5 million as of June 30, 2022, primarily driven by an increase in the receivables from health insurance bureau.

Trade Payables

Our trade payables increased by 4.0% from RMB27.4million as of December 31, 2021 to RMB28.5 million as of June 30, 2022, primarily due to the increase of purchasing reserved inventories during the first half of 2022.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Policy

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Group's liquidity and financing requirements are regularly reviewed. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development from time to time.

Cash and Cash Equivalents

As of June 30, 2022, we had cash and cash equivalents of RMB178.9 million (December 31, 2021: RMB223.8 million). We did not have any interest-bearing borrowings as of June 30, 2022 (December 31, 2021: nil).

Significant Investments

The Group did not hold any significant investments for the six months ended June 30, 2022.

Acquisitions and Disposals

Save as already disclosed above, the Group had no acquisitions or disposals of subsidiaries, associated companies and joint ventures for the six months ended June 30, 2022.

Management Discussion and Analysis (Continued)

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, 2022 was RMB21.4 million, which was mainly a result of the investment in the equity interests of Jiahua Yongsheng.

INDEBTEDNESS

Borrowings

As of June 30, 2022, we did not have any borrowings (December 31, 2021: 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, 2022, 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, 2022, 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, 2022, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2022, 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, 2022, 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, 2021: not applicable).

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2022, the Group had 1,303 employees (June 30, 2021: 1,368 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2022 amounted to RMB163.1 million (for the six months ended June 30, 2021: RMB160.9 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, 2022.

EVENTS AFTER THE REPORTING PERIOD

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

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of June 30, 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Interests/short positions in the Shares

Name of Director or Chief Executive	Capacity and nature of interest	Number of Shares[1]	Approximate percentage of interest in the Company
Mr. Jason ZHOU[2]	Interests in a controlled corporation; interest held jointly with another person	217,556,394	44.40%
Ms. XIN Hong[3]	Beneficial owner	180,000	0.04%
Mr. XU Han[4]	Beneficial owner	180,000	0.04%

Notes:

1. All interests stated are long positions.

2. The entire issued share capital of each of JoeCare and Century Star is directly held by Mr. Jason ZHOU. Accordingly, Mr. Jason ZHOU is deemed to be interested in the 150,817,051 Shares held by JoeCare and the 8,999,162 Shares held by Century Star. Pursuant to the Voting Agreement, Ms. LIANG Yanqing irrevocably agreed to follow Mr. Jason ZHOU's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement. Hence, Mr. Jason ZHOU is deemed to be interested in all the Shares held by Ms. LIANG Yanqing in aggregate by virtue of the SFO.

3. 450,000 restricted Shares were granted to Ms. XIN Hong under the RSA Scheme, 180,000 of which have been vested in her subject to certain conditions and 270,000 of which have lapsed. Hence, Ms. XIN Hong is interested in 180,000 restricted Shares vested in her under the RSA Scheme.

4. 450,000 restricted Shares were granted to Mr. XU Han under the RSA Scheme, 180,000 of which have been vested in him subject to certain conditions and 270,000 of which have lapsed. Hence, Mr. XU Han is interested in 180,000 restricted Shares vested in him under the RSA Scheme.

Save as disclosed above, as of June 30, 2022, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2022, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
JoeCare(1)	Beneficial owner	150,817,051	30.8%
Victor Gains Limited(2)	Beneficial owner	57,740,181	11.8%
Ms. LIANG Yanqing(2)	Interests in a controlled corporation	57,740,181	11.8%
CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津) 有限公司)(3)	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Taiding Investment Company Limited (天津泰鼎投資有限公司)(3)	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司)(3)	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司)(3)	Interests in a controlled corporation	31,728,156	6.5%
Mr. WU Shangzhi(3)	Interests in a controlled corporation	31,728,156	6.5%
Mr. JIAO Shuge(3)	Interests in a controlled corporation	31,728,156	6.5%
Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥))(4)	Beneficial owner	31,562,713	6.4%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)(4)	Interests in a controlled corporation	31,562,713	6.4%

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)(4)	Interests in a controlled corporation	31,562,713	6.4%
XIA Meiying(4)	Interests in a controlled corporation	31,562,713	6.4%
HUANG Ailian(4)	Interests in a controlled corporation	31,562,713	6.4%
China Life Reinsurance Company Ltd.(5)	Beneficial owner	31,444,000	6.4%
China Reinsurance (Group) Corporation(5)	Interests in a controlled corporation	31,444,000	6.4%
Central Huijin Investment Ltd.(5)	Interests in a controlled corporation	31,444,000	6.4%

Notes:

1. The entire issued share capital of JoeCare is directly held by Mr. Jason ZHOU. Accordingly, such 150,817,051 Shares held by JoeCare have been included and reflected in the number of shares interested by Mr. Jason ZHOU above.

2. The entire issued share capital of Victor Gains Limited is directly held by Ms. LIANG Yanqing. Accordingly, Ms. LIANG Yanqing is deemed to be interested in the 57,740,181 Shares held by Victor Gains Limited. Pursuant to the Voting Agreement, Ms. LIANG Yanqing irrevocably agreed to follow Mr. Jason ZHOU's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement.

3. Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司), which is owned directly as to 63.0% by CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司). Shanghai Fuji Investment Partnership L.P. (Limited Partnership) is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Shanghai Fuji Investment Partnership L.P. (Limited Partnership) is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司), which is owned directly as to 85.4% by Tianjin Taiding Investment Company Limited (天津泰鼎投資有限公司). Tianjin Taiding Investment Company Limited is owned directly as to 55.0% by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 45.0% by Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司) (whose entire issued share capital is held by Mr. JIAO Shuge). Accordingly, each of CDH Equity Investment Management (Tianjin) Co., Ltd., Tianjin Taiding Investment Company Limited, Tianjin Haoyong Investment Management Co., Ltd., Tianjin Weiyuan Investment Management Co., Ltd., Mr. WU Shangzhi and Mr. JIAO Shuge is deemed to be interested in such number of Shares held by Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) and Shanghai Fuji Investment Partnership L.P. (Limited Partnership).

4. Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥)) is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Anyi Hekang (Tianjin) Investment Partnership L.P. is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) whose sole shareholder is Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司) which is owned as to 50% by Xia Meiying and 50% by Huang Ailian. Accordingly, each of Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司), Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), XIA Meiying and HUANG Ailian is deemed to be interested in such number of Shares held by Anyi Hekang (Tianjin) Investment Partnership L.P..

5. China Life Reinsurance Company Ltd. is a company incorporated in the PRC with limited liability, whose sole shareholder is China Reinsurance (Group) Corporation, which is owned as to 71.6% by Central Huijin Investment Ltd.. China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. are deemed to be interested in such number of Shares held by China Life Reinsurance Company Ltd..

Save as disclosed above, as of June 30, 2022, the Company had not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

RSA SCHEME AND EMPLOYEE SHARE SCHEME

(a) RSA Scheme

The RSA Scheme was adopted pursuant to the written resolutions of the Shareholders passed on August 29, 2016 (the "**RSA Scheme Adoption Date**"). The purpose of the RSA Scheme is to give incentives thereto in order to retain key employees for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The RSA Scheme shall be valid and effective for a period of ten years commencing on the RSA Scheme Adoption Date, under the administration of the administration committee and the trustee.

As of January 1, 2021, all restricted Shares previously granted under the RSA Scheme had either vested or lapsed and there were no restricted Shares outstanding. No restricted Shares were granted under the RSA Scheme during the six months ended June 30, 2022.

(b) Employee Share Scheme

On August 28, 2020, the Board adopted the Employee Share Scheme in order to recognize the contributions by the selected participants, to provide them with incentives to achieve performance goals, and to attract suitable personnel for further development of the Group. The Employee Share Scheme shall be valid and effective for a period of ten years commencing on its adoption date, under the administration of the administration committee and the trustee.

No Shares shall be purchased pursuant to the Employee Share Scheme if as a result of such purchase, the number of Shares administered under the Employee Share Scheme reaches 5% or more of the issued share capital of the Company at the date of the Board's approval of the Employee Share Scheme, or such other limit as determined by the administration committee in its sole and absolute discretion provided always that it is in compliance with the Listing Rules. The maximum number of award shares which may be granted to a selected participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company at the same date.

In determining the selected participants, the number of award shares to be granted, the vesting conditions, the exercise price (if any) to be paid by the selected participants for each award share, the manner of payment of the exercise price and the other terms and conditions of the grants of award shares, the administration committee shall take into consideration any matter which it considers relevant. Any award share granted to a selected participant pursuant to the rules governing the Employee Share Scheme (the "**Employee Share Scheme Rules**") shall vest in such selected participant in accordance with the vesting conditions as set out in the grant letter.

As of June 30, 2022, for the purpose of the Employee Share Scheme, 2,073,500 shares have been purchased from the market by the trustee appointed by the Company for the administration of the Employee Share Scheme to hold on trust for the benefit of the selected participants pursuant to the Employee Share Scheme Rules and the provisions of the trust deed in relation to the Employee Share Scheme.

As at the date of this interim report, no Shares were granted under the Employee Share Scheme. For further details of the Employee Share Scheme, please refer to the Company's announcement dated 31 August 2020.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "RSA Scheme and Employee Share Scheme" above, at no time during the six months ended June 30, 2022 were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As of June 30, 2022, for the purpose of the Employee Share Scheme, 2,073,500 shares have been purchased from the market by the trustee appointed by the Company for the administration of the Employee Share Scheme to hold on trust for the benefit of the selected participants pursuant to the rules governing the Employee Share Scheme and the provisions of the trust deed in relation to the Employee Share Scheme.

Save as disclosed in this interim report, during the six months ended June 30, 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM THE IPO

The net proceeds received by the Company from the global offering amounted to HK$857.2 million after deducting underwriting commissions and all related expenses, which have been and will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated December 30, 2016 and the announcements of the Company dated December 6, 2017 and March 25, 2019 regarding the change in use of proceeds.

The use of net proceeds and expected timeline of the intended use of the unutilized proceeds, subject to the then management assessment and market landscape, is set out as below:

Item	Net proceeds as of March 31, 2022 *(HKD million)*	Utilized between March 31, 2022 and August 31, 2022 *(HKD million)*	Unutilized as of August 31, 2022 *(HKD million)*	Expected timeline of the intended use of the unutilized proceeds, subject to the then management assessment and market landscape
Setting up, renovation and acquisition of new hospitals and clinics and the required working capital for such new hospitals and clinics	116.9	6.2	110.7	The remaining amount is expected to be fully utilized by the end of 2023.
Investment in surgery center and medical service technologies (including online diagnosis)	–	–	–	Not applicable
Total	116.9	6.2	110.7	

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, 2022, save and except for code provision C.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, 2022. 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.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

For the six months ended June 30, 2022 and up to the date of this interim report, there were changes in Directors' information as follows:

With effect from June 1, 2022,

(i) Dr. CHENG Chi-Kong, Adrian ceased to act as a non-executive Director of the Company; and

(ii) Ms. LI Suyu had been appointed as a non-executive Director of the Company.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules regarding significant changes in Directors' biographical details from the publication of the Company's 2021 annual report up to the Latest Practicable Date.

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, 2022 and this interim report, and was of the opinion that the interim results and the interim report 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.

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2021 annual report.

By order of the Board
Jason ZHOU
Chairman, Executive Director and Chief Executive Officer

Hong Kong, August 31, 2022

Report on Review of Interim Financial Information

To the Board of Directors of New Century Healthcare Holding Co. Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 60, which comprises the interim condensed consolidated balance sheet of New Century Healthcare Holding Co. Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2022

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	147,232	161,967
Right-of-use assets	7	169,593	223,969
Intangible assets	8	321,973	412,989
Investments accounted for using the equity method	9	20,182	1,809
Deferred tax assets		638	598
Long-term deposits and prepayments		7,241	8,133
Total non-current assets		666,859	809,465
Current assets			
Inventories		18,682	21,142
Trade receivables	10	42,464	39,351
Other receivables, deposits and prepayments		14,248	18,170
Amounts due from related parties	11	50,013	158,925
Cash and cash equivalents		178,868	223,843
		304,275	461,431
Assets classified as held for sale	12	45,759	–
Total current assets		350,034	461,431
Total assets		1,016,893	1,270,896
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	335
Shares held for employee share scheme		(2,939)	(2,829)
Share premium		2,606,495	2,606,495
Other reserves		(1,495,743)	(1,494,950)
Accumulated losses		(605,240)	(371,592)
Sub-total		502,908	737,459
Non-controlling interests		(70,538)	(53,221)
Total equity		432,370	684,238

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	7	187,704	243,498
Deferred tax liabilities		42,803	51,983
Total non-current liabilities		230,507	295,481
Current liabilities			
Trade payables	13	28,460	27,448
Accruals, other payables and provisions		200,947	185,421
Lease liabilities	7	47,070	36,743
Contract liabilities		26,234	30,399
Current tax liabilities		3,534	5,852
Amounts due to related parties	11	7,312	5,314
		313,557	291,177
Liabilities directly associated with assets classified as held for sale	12	40,459	–
Total current liabilities		354,016	291,177
Total liabilities		584,523	586,658
Total equity and liabilities		1,016,893	1,270,896

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial information on pages 25 to 60 were approved by the board of directors of the Company on 31 August 2022 and was signed on its behalf

Jason ZHOU

XU Han

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Revenue	5	280,104	285,844
Cost of revenue	5	(213,459)	(210,595)
Gross profit		66,645	75,249
Selling expenses		(32,528)	(27,661)
Administrative expenses		(64,522)	(69,366)
Research and development expenses		(4,240)	(5,947)
Net impairment losses on financial assets	3.2	(115,352)	(1,035)
Impairment losses on non-current assets		(82,846)	(6,383)
Other income		627	2,844
Other (loss)/gains – net		(64)	1,890
Operating loss		(232,280)	(30,409)
Finance income		5,458	1,825
Finance costs		(6,592)	(8,716)
Share of net loss of investments accounted for using the equity method	9	(211)	(557)
Loss before income tax		(233,625)	(37,857)
Income tax expense	14	(1,116)	(11,284)
Loss for the period		(234,741)	(49,141)
(Loss)/profit for the period attributable to:			
Owners of the Company		(233,648)	(54,457)
Non-controlling interests		(1,093)	5,316
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		(793)	87
Total comprehensive loss for the period		(235,534)	(49,054)

Interim Condensed Consolidated Statement of Comprehensive Income (Continued)

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(234,441)	(54,370)
Non-controlling interests		(1,093)	5,316
Losses per share for loss attributable to the ordinary equity holders of the Company (expressed in RMB per share)			
Basic and diluted	15	(0.48)	(0.11)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company							
		Share capital	Share held for employee share scheme	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)									
Balance at 1 January 2022		335	(2,829)	2,606,495	(1,494,950)	(371,592)	737,459	(53,221)	684,238
Total comprehensive loss									
– Loss for the period		–	–	–	–	(233,648)	(233,648)	(1,093)	(234,741)
– Translation differences		–	–	–	(793)	–	(793)	–	(793)
		–	–	–	(793)	(233,648)	(234,441)	(1,093)	(235,534)
Transactions with owners									
– Dividends	16	–	–	–	–	–	–	(16,224)	(16,224)
– Acquisition of shares for employee share scheme		–	(110)	–	–	–	(110)	–	(110)
Total transactions with owners		–	(110)	–	–	–	(110)	(16,224)	(16,334)
Balance at 30 June 2022		335	(2,939)	2,606,495	(1,495,743)	(605,240)	502,908	(70,538)	432,370
(Unaudited)									
Balance at 1 January 2021		335	(2,826)	2,606,495	(1,499,996)	(265,375)	838,633	(26,781)	811,852
Total comprehensive (loss)/income									
– (Loss)/profit for the period		–	–	–	–	(54,457)	(54,457)	5,316	(49,141)
– Translation differences		–	–	–	87	–	87	–	87
		–	–	–	87	(54,457)	(54,370)	5,316	(49,054)
Transactions with owners									
– Dividends	16	–	–	–	–	–	–	(34,649)	(34,649)
– Acquisition of shares for employee share scheme		–	(3)	–	–	–	(3)	–	(3)
Total transactions with owners		–	(3)	–	–	–	(3)	(34,649)	(34,652)
Balance at 30 June 2021		335	(2,829)	2,606,495	(1,499,909)	(319,832)	784,260	(56,114)	728,146

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		10,804	26,624
Interest paid		(3,853)	(4,965)
Interest received		721	1,274
Income taxes paid		(12,654)	(14,745)
Net cash (outflow)/inflow from operating activities		(4,982)	8,188
Cash flows from investing activities			
Payment for acquisition of an associate		(18,700)	–
Payments for property, plant and equipment		(1,723)	(5,572)
Payments for intangible assets		(1,025)	(1,587)
Proceeds from disposals of property, plant and equipment		6	231
Proceeds from disposal of a subsidiary	12	1,500	–
Loan to a related party		–	(2,850)
Net cash outflow from investing activities		(19,942)	(9,778)
Cash flows from financing activities			
Dividends paid to non-controlling interests	16	(16,224)	(21,389)
Shares repurchased for employee share scheme		(110)	(3)
Principal elements of lease payments		(6,665)	(13,889)
Net cash outflow from financing activities		(22,999)	(35,281)
Net decrease in cash and cash equivalents		(47,923)	(36,871)
Cash and cash equivalents at the beginning of the period		223,843	299,211
Effects of exchange rate changes on cash and cash equivalents		2,948	(779)
Cash and cash equivalents at the end of the period		178,868	261,561

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 31 July 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 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 AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2022 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 report for the year ended 31 December 2021, 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 2022.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for "non-current assets (or disposal groups) held for sale" and the adoption of new and amended standards as below. Except for assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sale, the financial information has been prepared on a historical cost basis.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) 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.

(c) 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 current reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial report, and should be read in conjunction with the Group's annual financial report as at 31 December 2021.

There have been no changes in the risk management policies since year end.

3.2 Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, other receivables and deposits and amounts due from related parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The credit risk arising from cash and cash equivalents is limited as they are deposited in state-owned or public listed commercial banks in the PRC.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.2 Credit risk (Continued)

(i) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss ("ECL") model:

- Trade receivables (third parties),
- Other receivables and deposits, and
- Amounts due from related parties (trade & non-trade).

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 measure ECL which uses a lifetime expected loss allowance for all trade receivables (third parties), which have been grouped based on shared credit risk characteristics. The ECL is determined based on historical loss rate or by reference to external market data.

Other receivables and deposits

The Group assesses the 12-month ECL of other receivables and deposits upon initial recognition. Once there is a significant increase in credit risk, lifetime ECL shall be assessed.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.2 Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Amounts due from related parties

The Group assesses the 12-month ECL of amounts due from related parties (non-trade) and lifetime ECL of amounts due from related parties (trade) upon initial recognition. Once there is a significant increase in credit risk for amounts due from related parties (non-trade), lifetime ECL shall be assessed.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, such as i) external credit rating (if available); ii) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations; and iii) significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparties in the Group and changes in the operating results of the counterparties.

When assessing the ECL for trade receivables (third parties), other receivables and deposits and amounts due from related parties (trade & non-trade), the Group has identified certain forward looking information (e.g. the Gross Domestic Product (GDP) of China) as factors affecting ECL which has been reflected.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.2 Credit risk (Continued)

On that basis, the loss allowance as at 30 June 2022 and 31 December 2021 was determined as follows for trade receivables, amounts due from related parties and other receivables and deposits:

	ECL rate	Basis for recognition of ECL	Gross carrying amount *RMB'000*	ECL *RMB'000*	Net carrying Amount *RMB'000*
(Unaudited)					
30 June 2022					
Provision on trade receivables due from insurance companies and government's insurance scheme	0.86%	Life time ECL	42,639	(368)	42,271
Provision on trade receivables due from individual customers	90.90%	Life time ECL	2,120	(1,927)	193
Provision on amounts due from related parties	71.74%	Life time ECL	176,974	(126,961)	50,013
Provision on other receivables and deposits	1.77%	12 months ECL	12,322	(218)	12,104
			234,055	(129,474)	104,581

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.2 Credit risk (Continued)

	ECL rate	Basis for recognition of ECL	Gross carrying amount *RMB'000*	ECL *RMB'000*	Net carrying Amount *RMB'000*
(Audited)					
31 December 2021					
Provision on trade receivables from insurance companies and government's insurance scheme	0.79%	Life time ECL	38,105	(301)	37,804
Provision on trade receivables from individual customers	8.57%	Life time ECL	1,692	(145)	1,547
Provision on amounts due from related parties	7.81%	Life time ECL	172,389	(13,464)	158,925
Provision on other receivables and deposits	1.09%	12 months ECL	20,032	(218)	19,814
			232,218	(14,128)	218,090

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.2 Credit risk (Continued)

The loss allowances for trade receivables, amounts due from related parties and other receivables and deposits as at 30 June 2022 reconcile to the opening loss allowances as follows:

	Six months ended 30 June 2022 *RMB'000*
Opening loss allowance as at 1 January	(14,128)
Increase in loss allowance recognised in consolidated statement of comprehensive income during the period (i)	(115,352)
Receivables written off during the year as uncollectible	6
Closing loss allowance as at 30 June	(129,474)

(i) Save as disclosed in Note 11, due to the default of repayment plan and deterioration of financial position of certain related parties, significant amount of ECL has been provided for during the six months ended 30 June 2022.

Impairment losses on trade receivables, amounts due from related parties and other receivables and deposits are presented as net impairment losses within operating profit. They are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and indicator(s) of severe financial difficulty. Where trade receivables, amounts due from related parties and other receivables and deposits have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated statement of comprehensive income against the same line item.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.3 Liquidity risk

The Group aims to maintain sufficient cash to meet operating capital requirements. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
(Unaudited)					
At 30 June 2022					
Trade payables	28,460	–	–	–	28,460
Accruals and other payables (excluding non-financial liabilities)	161,332	–	–	–	161,332
Amounts due to related parties	7,312	–	–	–	7,312
Lease liabilities	53,867	31,184	78,654	108,447	272,152
	250,971	31,184	78,654	108,447	469,256
(Audited)					
At 31 December 2021					
Trade payables	27,448	–	–	–	27,448
Accruals and other payables (excluding non-financial liabilities)	152,940	–	–	–	152,940
Amounts due to related parties	5,314	–	–	–	5,314
Lease liabilities	44,256	42,449	97,074	146,366	330,145
	229,958	42,449	97,074	146,366	515,847

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.4 Fair value hierarchy

As at 30 June 2022 and 31 December 2021, the Group does not have any financial assets or liabilities measured at fair value.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, besides of impairment of financial assets, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period.

5 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.

5 SEGMENT INFORMATION (CONTINUED)

The Group's segment information is shown as follows:

(i) Segment information

	Pediatrics *RMB'000*	Obstetrics and gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Intersegment eliminations *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
(Unaudited)							
Six months ended 30 June 2022							
Revenue from external customers	230,557	46,327	148	3,072	–	–	280,104
Inter-segment revenue	–	–	–	11,456	(11,456)	–	–
Total revenue	230,557	46,327	148	14,528	(11,456)	–	280,104
Cost of revenue	(157,627)	(52,315)	(73)	(8,252)	4,808	–	(213,459)
Segment results	(15,747)	(89,170)	(123,812)	(5,870)	–	–	(234,599)
Unallocated income						6,301	6,301
Unallocated cost						(5,327)	(5,327)
(Loss)/profit before income tax	(15,747)	(89,170)	(123,812)	(5,870)	–	974	(233,625)
Income tax expense						(1,116)	(1,116)
Loss after income tax							(234,741)
As at 30 June 2022							
Total assets	529,765	271,936	43,902	6,191	–	165,099	1,016,893
Total liabilities	314,812	204,612	2,600	8,157	–	54,342	584,523

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5 SEGMENT INFORMATION (CONTINUED)

(i) Segment information (Continued)

	Pediatrics *RMB'000*	Obstetrics and gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Intersegment eliminations *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
(Unaudited)							
Six months ended 30 June 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							(49,141)
As at 31 December 2021							
Total assets	557,236	313,856	139,784	5,719	–	254,301	1,270,896
Total liabilities	302,864	199,794	4,209	7,577	–	72,214	586,658

(ii) Disaggregation of revenue from contracts with customers

Substantially all of the Group's revenue from external customers is recognised at a point in time.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and furniture *RMB'000*	Total *RMB'000*
At 31 December 2021					
Cost	196,931	105,967	7,399	34,025	344,322
Accumulated depreciation and impairment	(91,476)	(64,574)	(4,679)	(21,626)	(182,355)
Net book amount	105,455	41,393	2,720	12,399	161,967
(Unaudited)					
Six months ended 30 June 2022					
Opening net book amount	105,455	41,393	2,720	12,399	161,967
Additions	–	944	–	647	1,591
Disposals	–	(185)	–	(25)	(210)
Assets classified as held for sale	–	(676)	–	(457)	(1,133)
Depreciation charge	(6,374)	(4,661)	(244)	(1,585)	(12,864)
Impairment charge (Note 12)	(2,119)	–	–	–	(2,119)
Closing net book amount	96,962	36,815	2,476	10,979	147,232
At 30 June 2022					
Cost	183,806	101,945	7,399	33,191	326,341
Accumulated depreciation and impairment	(86,844)	(65,130)	(4,923)	(22,212)	(179,109)
Net book amount	96,962	36,815	2,476	10,979	147,232

Notes to the Interim Condensed Consolidated Financial Information (Continued)

7 LEASES

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	Properties *RMB'000*	Equipment *RMB'000*	Total *RMB'000*
At 31 December 2021			
Cost	297,058	6,524	303,582
Accumulated depreciation	(77,989)	(1,624)	(79,613)
Net book amount	219,069	4,900	223,969
(Unaudited)			
Six months ended 30 June 2022			
Opening net book amount	219,069	4,900	223,969
Additions	530	–	530
Disposals	(71)	–	(71)
Assets classified as held for sale	(36,730)	–	(36,730)
Depreciation charge	(17,813)	(292)	(18,105)
Closing net book amount	164,985	4,608	169,593
At 30 June 2022			
Cost	246,213	6,524	252,737
Accumulated depreciation	(81,228)	(1,916)	(83,144)
Net book amount	164,985	4,608	169,593

Lease liabilities	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Current	47,070	36,743
Non-current	187,704	243,498
	234,774	280,241

8 INTANGIBLE ASSETS

	Medical licenses *RMB'000*	Goodwill *RMB'000*	Software *RMB'000*	Total *RMB'000*
At 31 December 2021				
Cost	311,969	392,326	33,776	738,071
Accumulated amortisation	(61,075)	–	(10,042)	(71,117)
Impairment charge	(2,504)	(234,486)	(16,975)	(253,965)
Net book amount	248,390	157,840	6,759	412,989
(Unaudited)				
Six months ended 30 June 2022				
Opening net book amount	248,390	157,840	6,759	412,989
Additions	–	–	75	75
Assets classified as held for sale	(2,823)	–	–	(2,823)
Amortisation charge	(6,491)	–	(1,050)	(7,541)
Impairment charge	(47,129)	(33,598)	–	(80,727)
Closing net book amount	191,947	124,242	5,784	321,973
At 30 June 2022				
Cost	286,969	392,326	33,851	713,146
Accumulated amortisation	(55,183)	–	(11,092)	(66,275)
Impairment charge	(39,839)	(268,084)	(16,975)	(324,898)
Net book amount	191,947	124,242	5,784	321,973

8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment on goodwill

Management reviews business performance of each cash-generating unit ("CGU") or each group of CGUs. Goodwill is monitored by the management at each CGU or each group of CGUs level.

A summary of the goodwill allocation is presented below.

	Beginning of period *RMB'000*	Addition *RMB'000*	Impairment *RMB'000*	End of period *RMB'000*
(Unaudited)				
Six months ended 30 June 2022				
The group of CGUs of Pediatric in Beijing area (i)	111,698	–	–	111,698
The group of CGUs of Obstetrics and Gynecology in Beijing area (i)	12,544	–	–	12,544
The CGU of Pediatric in Chengdu New Century (ii)	12,128	–	(12,128)	–
The CGU of Obstetrics and Gynecology in Chengdu New Century (ii)	21,470	–	(21,470)	–
	157,840	–	(33,598)	124,242

(i) Goodwill arose from acquisition of Beijing New Century Women's and Children's Hospital ("BNC Women's and Children's Hospital"), Beijing New Century Ao-dong Clinic ("BNC Ao-dong Clinic") and Beijing New Century Yide Consultancy Co., Ltd. ("BNC Yide Consultancy")

Goodwill of RMB97,682,000, RMB15,537,000 and RMB11,023,000 arose from the acquisitions of BNC Women's and Children's Hospital, BNC Ao-dong Clinic and BNC Yide Consultancy on 30 November 2015, 16 January 2018 and 9 February 2018, respectively. The goodwill arose from the acquisitions of BNC Women's and Children's Hospital, BNC Ao-dong Clinic and BNC Yide Consultancy was allocated to the group of CGUs of Pediatric in Beijing area and the group of CGUs of Obstetrics and Gynecology in Beijing area because the directors of the Company's has expected to benefit from the synergies of the combination.

After re-visiting the financial performance of the groups of CGUs in Beijing area and macroeconomic market conditions, the directors of the Company are of the opinion that there is no indicator of impairment as of 30 June 2022.

8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment on goodwill (Continued)

(ii) Goodwill arose from acquisition of Chengdu New Century Women's and Children's Hospital Co., Ltd. ("Chengdu New Century")

Goodwill of RMB253,697,000 was resulted from the acquisition of Chengdu New Century on 2 August 2018. Chengdu New Century is principally engaged in the provision of medical services to women and children in Chengdu. The goodwill arose from acquisition of Chengdu New Century was allocated to its Pediatric CGU in Chengdu New Century and Obstetrics and Gynecology CGU in Chengdu New Century, respectively.

Due to the on-going stringent epidemic control policies implemented by local government and more intense market competition since the second quarter of 2022, the operation result of Pediatric CGU in Chengdu New Century and Obstetrics and Gynecology CGU in Chengdu New Century for the six months ended 30 June 2022 was below the management's forecast. The directors of the Company performed impairment tests on CGU in Chengdu New Century and Obstetrics and Gynecology CGU in Chengdu New Century, respectively, and concluded the impairment losses on goodwill totalling RMB33,598,000.

The recoverable amount of the CGU of Pediatric in Chengdu New Century and the CGU of Obstetrics and Gynecology in Chengdu New Century is determined based on the higher of value-in-use and fair value less costs of disposal calculations with reference to a valuation report issued by an independent valuer. These calculations use cash flow projections based on financial forecasts approved by management covering eight years forecast period. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below. Management uses a forecast period of eight years considering that: 1) the investment cycle in the healthcare industry is longer than other industries; 2) management has searched industry information to help make more accurate prediction and better plan of the future operation; and 3) based on the available industry information, the compound annual growth rate of healthcare industry is projected to maintain a high level in the forecast period. It is consistent with management's forecast.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment on goodwill (Continued)

(ii) Goodwill arose from acquisition of Chengdu New Century Women's and Children's Hospital Co., Ltd. ("Chengdu New Century") (Continued)

The following table sets out the key assumptions and recoverable amounts of value-in-use, which is assessed higher than fair value less costs of disposal, for the CGU of Pediatric in Chengdu New Century and the CGU of Obstetrics and Gynecology in Chengdu New Century as at 30 June 2022 and 31 December 2021:

	The CGU of Pediatric in Chengdu New Century	
	30 June 2022	31 December 2021
Revenue (% compound growth rate) (1)	11.92%	13.93%
Costs and operating expenses (% compound growth rate) (2)	4.45%	5.52%
Long-term growth rate (3)	3.00%	3.00%
Pre-tax discount rate (4)	15.92%	16.00%
Recoverable amount (RMB'000)	95,308	114,916

	The CGU of Obstetrics and Gynecology in Chengdu New Century	
	30 June 2022	31 December 2021
Revenue (% compound growth rate) (1)	13.71%	17.96%
Costs and operating expenses (% compound growth rate) (2)	3.95%	6.76%
Long-term growth rate (3)	3.00%	3.00%
Pre-tax discount rate (4)	15.92%	15.93%
Recoverable amount (RMB'000)	95,851	174,989

8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment on goodwill (Continued)

(ii) Goodwill arose from acquisition of Chengdu New Century Women's and Children's Hospital Co., Ltd. ("Chengdu New Century") (Continued)

(1) The compound annual growth rates (CAGRs) were estimated by analyzing the variance between historical financial budgets and actual results; and analyzing the adjustments, including the number of total patients and the average spending per patient, in the estimates made in response to these variances. Due to the on-going stringent epidemic control policies implemented by local government and more intense market competition, the Company reduced its forecast of future revenue and resulted in a lower CAGR as at 30 June 2022 compared with 31 December 2021.

(2) The costs and operating expenses to revenue percentages were estimated based on approved financial budgets. The decreases were mainly attributable to the lower CAGR of revenue and certain fixed expenditures (e.g. fixed portion human resource costs, routine maintenance cost for medical equipment etc.) which does not vary according to the Company's level of revenue.

(3) The long-term growth rates were determined by reference to long term inflation rate and economic growth rate in China from commonly used data sources. It did not change for the six months ended 30 June 2022 compared to the year ended 31 December 2021 as there was no change in relation to the long-term average growth rate for the products, industries or country in which the Group operates.

(4) Pre-tax discount rate applied by the Company was derived iteratively, using the post-tax discount rate based on the weighted average cost of capital (the "WACC"). Compared with the WACC applied for the impairment test performed as at 31 December 2021, a similar WACC was applied for the six months ended 30 June 2022, as there was no significant change in the parameters.

(b) Impairment on medical license

As at 30 June 2022, together with the impairment test on goodwill arisen from acquisition of Chengdu New Century, management also assessed the impairment on the medical license of Chengdu New Century. Management selected value-in-use as it is higher than the fair value less costs of disposal of the medical license of Chengdu New Century. Management applied the same financial forecast with the one applied for goodwill impairment test for Chengdu New Century and other key assumptions applied are similar, which resulted in an impairment loss amounting to RMB37,335,000.

If the budgeted revenue used in the value-in-use calculation during the forecast period for the CGU of Pediatric in Chengdu New Century and the CGU of Obstetrics and Gynecology in Chengdu New Century had been 1% lower than management's estimates as at 30 June 2022, with other key assumptions remaining the same, the Group would have had to further recognise an impairment against the carrying amount of medical license totalling to RMB12,321,000.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates, with other key assumptions remaining the same, the Group would have had to further recognise an impairment against medical license of RMB19,652,000.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Associates	20,182	1,809

	Six months ended 30 June 2022 *RMB'000* (Unaudited)
At the beginning of the period	1,809
Additions (a)(i)	18,700
Share of net loss of investments accounted for using the equity method	(211)
Other comprehensive income	(116)
At the end of the period	20,182

(a) Interests in associates

(i) On 7 April 2022, the Group acquired 12.47% equity interests in Beijing Jiahua Yongsheng Medical Investment Management Co.,Ltd. ("Jiahua Yongsheng") for a cash consideration of RMB18,700,000. Jiahua Yongsheng is the investment holding company of Qingdao New Century Women's and Children's Hospital Co., Ltd. ("Qingdao New Century"). The directors of the Group believe that it is appropriate to account for the investment in Jiahua Yongsheng by using the equity method because the Group appointed the Chief Executive Officer of Qingdao New Century which demonstrate that the Group has significant influence in the entire business of Jiahua Yongsheng.

Set out below is the information of the associates.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Quoted fair value		Carrying amount	
		As at 30 June 2022 %	As at 31 December 2021 %			As at 30 June 2022 *RMB'000*	As at 31 December 2021 *RMB'000*	As at 30 June 2022 *RMB'000* Unaudited	As at 31 December 2021 *RMB'000* Audited
Chiron Healthcare Group	Hong Kong	10.1%	10.1%	Associate	Equity method	–*	–*	1,917	1,809
Jiahua Yongsheng	PRC	12.47%	–	Associate	Equity method	–*	–*	18,265	–
Total equity account investments								20,182	1,809

* Private entity – no quoted price available.

10 TRADE RECEIVABLES

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Trade receivables from contracts with customers	44,759	39,797
Less: allowance for impairment of trade receivables	(2,295)	(446)
Trade receivables – net	42,464	39,351

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.

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

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Up to 3 months	25,839	31,738
4 – 6 months	9,855	1,604
7 months – 1 year	4,311	904
Over 1 year	4,754	5,551
	44,759	39,797

Notes to the Interim Condensed Consolidated Financial Information (Continued)

11 BALANCES WITH RELATED PARTIES

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Amounts due from related parties		
– Trade		
Beijing Jiahua Likang Health Investment Co., Ltd. ("Jiahua Likang") (i)	140,446	140,446
Chengdu Yunxi Ge Health Management Co., Ltd.	2,518	1,379
Others	978	86
	143,942	141,911
Less: provision for impairment	(101,878)	(7,280)
	42,064	134,631
– Non-Trade		
Beijing Bairui Kangchen Technology Development Co., Ltd. ("Bairui Kangchen") (ii)	28,517	26,522
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd.	1,850	1,850
Chengdu Yunxi Ge Health Management Co., Ltd.	1,084	982
Chengdu Wuhou New Century Joy City Clinic Outpatient Service Co., Ltd.	1,076	636
Others	505	488
	33,032	30,478
Less: provision for impairment	(25,083)	(6,184)
	7,949	24,294
	50,013	158,925

11 BALANCES WITH RELATED PARTIES (CONTINUED)

(i) Amounts due from Jiahua Likang arose from hospital consulting services provided by the Group. As at 30 June 2022, such receivables have been defaulted by Jiahua Likang as a result of the pandemic impact in the second quarter and the collection has been stagnated. After considering the possibility of default and loss given default, the ECL for Jiahua Likang of RMB94,598,000 was provided for the period ended 30 June 2022.

(ii) As at 30 June 2022, amounts due from Bairui Kangchen represent loans amounting to RMB24,250,000 and related interests with an annual interest rate at 4.75%. Pursuant to the loan agreement, Bairui Kangchen pledged its share interests in its two subsidiaries to the Group as collateral for the loans. Due to the impact of the pandemic since the second quarter of 2022, the business development of Bairui Kangchen is behind schedule. The directors of the Company are of the opinion that the loans to Bairui Kangchen are credit-impaired. After considering the possibility of default and loss given default, the ECL for loans to Bairui Kangchen of RMB18,899,000 was provided for the period ended 30 June 2022.

The directors of the Company is closely monitoring the financial position and any other financing activities of Jiahua Likang and Bairui Kangchen to further assess the recoverability of amounts due from Jiahua Likang and Bairui Kangchen.

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Amounts due to related parties		
– Trade		
Beijing Children's Hospital, Capital Medical University	2,463	1,572
Beijing MuHe JiaYe Property Management Co., Ltd.	2,266	978
Chengdu Women's and Children's Central Hospital	125	110
	4,854	2,660
– Non-Trade		
Beijing Children's Hospital, Capital Medical University	1,937	2,027
Others	521	627
	2,458	2,654
	7,312	5,314

Notes to the Interim Condensed Consolidated Financial Information (Continued)

12 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

	As at 30 June 2022 *RMB'000* (Unaudited)
ASSETS	
Property, plant and equipment	1,133
Right-of-use assets	36,730
Intangible assets	2,823
Inventories	3,717
Other receivables, deposits and prepayments	1,356
Total assets classified as held for sale	45,759
LIABILITIES	
Lease liabilities	40,459
Total liabilities classified as held for sale	40,459
Total net assets classified as held for sale	5,300

On 29 June 2022, the Group has entered into a sale and purchase agreement (the "SPA") with an independent third party (the "Buyer") to sell the entire equity interests of BNC Ao-dong Clinic held by the Group. According to the SPA, certain assets and related liabilities of BNC Ao-dong Clinic, which are attributed to the Buyer, have been identified as a disposal group and then classified as held for sale. And a downpayment consideration of RMB1,500,000 has been received. The disposal of BNC Ao-dong Clinic is not considered as a discontinued operation as it does not represent a major line of business of the Group.

The assets and liabilities classified as held for sale were remeasured at the lower of carrying amount and fair value less costs to sell at the date of held for sale classification. The fair value less costs to sell is estimated based on the purchase consideration as stated in the SPA.

As at 30 June 2022, the assets of disposal group was measured at fair value less costs to sell as it is lower than the carrying amount, which resulted in impairment losses on the leasehold improvements and medical license of BNC Ao-dong Clinic amounting to RMB2,119,000 (Note 6) and RMB9,794,000 (Note 8), respectively.

13 TRADE PAYABLES

As at 30 June 2022 and 31 December 2021, the aging analysis of the trade payables based on demand note date was as follows:

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Up to 3 months	20,728	20,138
4 – 6 months	5,207	5,099
7 months – 1 year	1,329	957
Over 1 year	1,196	1,254
	28,460	27,448

14 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 *RMB'000* (Unaudited)	2021 *RMB'000* (Unaudited)
Current income tax:		
– PRC corporate income tax	10,336	13,487
Deferred income tax	(9,220)	(2,203)
	1,116	11,284

Notes to the Interim Condensed Consolidated Financial Information (Continued)

15 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 30 June 2022.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Loss attributable to owners of the Company (RMB'000)	(233,648)	(54,457)
Weighted average number of ordinary shares in issue (in thousands) (i)	483,309	483,334
Basic losses per share (in RMB)	(0.48)	(0.11)

(i) On 25 July 2017, the Company granted 9,000,000 restricted shares to certain employees pursuant to a restricted share award scheme. As at 30 June 2022, 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 at 30 June 2022, the Company held 2,073,500 (30 June 2021: 1,924,000) 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, 2022 and 2021, diluted losses per share is equal to the basic losses per share as there were no potential dilutive shares.

16 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2022 (30 June 2021: nil).

For the six months ended 30 June 2022, a dividend of RMB16,224,000 (30 June 2021: RMB21,389,000) was paid to Beijing Children's Hospital, Capital Medical University ("BCH"), a non-controlling shareholder of Beijing New Century Children's Hospital Co., Ltd. ("BNC Children's Hospital"), a subsidiary of the Group.

17 COMMITMENTS

Capital commitments

The following is the details of capital expenditure contracted for but not provided in the consolidated financial statements.

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Contracted but not provided for		
– Property, plant and equipment	1,887	446
– Intangible assets	2,464	–
	4,351	446

18 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
Beijing Jiahua Likang Health Investment Co., Ltd. (北京嘉華麗康醫療投資管理有限公司)	Significant influenced by the controlling shareholder of the Company
Beijing Children's Hospital, Capital Medical University (首都醫科大學附屬北京兒童醫院)	Significant influence on a subsidiary of the Company
Beijing MuHe JiaYe Property Management Co., Ltd. (北京睦合嘉業物業管理有限公司)	Controlled by Ms. ZHAO Juan, the spouse of the controlling shareholder of the Company
Beijing Bairui Kangchen Technology Development Co., Ltd. (北京柏瑞康辰科技發展有限公司)	Controlled by a shareholder of the Company
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd. (上海新世紀浦錦兒科門診部有限公司)	Controlled by a shareholder of the Company
Chengdu Women's and Children's Central Hospital (成都市婦女兒童中心醫院)	Significant influence on a subsidiary of the Company
Chengdu Yunxi Ge Health Management Co., Ltd. (成都雲禧閣健康管理有限公司)	Significant influenced by the controlling shareholder of the Company
Foshan Shunde Yihe Clinic Co., Ltd. (佛山市順德怡和門診部有限公司)	Significant influenced by the controlling shareholder of the Company
Chengdu Wuhou New Century Joy City Clinic Outpatient Service Co., Ltd. (成都武侯新世紀大悅城門診部)	Significant influenced by the controlling shareholder of the Company

18 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

The following significant transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Six months ended 30 June	
	2022 *RMB'000* (Unaudited)	2021 *RMB'000* (Unaudited)
Examination and laboratory test services received from		
– Beijing Children's Hospital, Capital Medical University	982	713
– Chengdu Women's and Children's Central Hospital	14	24
Cleaning services received from		
– Beijing MuHe JiaYe Property Management Co., Ltd.	5,047	4,108
Premise rental services from		
– Chengdu Women's and Children's Central Hospital	5,457	5,144

(b) Loans to related parties

	Six months ended 30 June	
	2022 *RMB'000* (Unaudited)	2021 *RMB'000* (Unaudited)
Beginning of the period	28,811	24,830
Loans advanced	–	2,850
Interest expense	595	551
	29,406	28,231
Less: provision for impairment	(25,083)	–
End of the period	4,323	28,231

18 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Period/year-end balances arising from sales/purchases of services

Balances with related parties as at 30 June 2022 and 31 December 2021 are disclosed in Note 11.

(d) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services was shown as below:

	Six months ended 30 June	
	2022 *RMB'000* (Unaudited)	2021 *RMB'000* (Unaudited)
Salaries and bonus	4,627	5,783
Contribution to pension plans	135	127
Welfare and other expenses	258	294
Total	5,020	6,204

(e) Provision of premises by a related party

The Group established BNC Children's Hospital based on a public-private-partnership arrangement with BCH, a public hospital in Beijing, the PRC. Pursuant to the cooperation agreements, BCH agreed to provide premises on its allocated land for the business operation of BNC Children's Hospital without extra payments to each other.

19 CONTINGENCIES

The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice from third-party legal counsels.

20 EVENT OCCURRING AFTER REPORTING PERIOD

There were no material subsequent events occurred during the period from 30 June 2022 to the approval date of this interim condensed consolidated financial information by the board of directors of the Company.

Definitions

"Audit Committee"	the audit committee of the Board;
"Beijing Children's Hospital" or "BCH"	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 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"	the board of Directors of the Company;
"BVI"	the British Virgin Islands;
"Century Star"	Century Star Investment Co., Ltd., a company incorporated in the BVI with limited liability on August 14, 2015 and is wholly-owned by Mr. Jason ZHOU;
"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 interim report only, references to "China" or the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong;

"Company"	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability on July 31, 2015, 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;
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"IPO"	the initial public offering of the Shares and listing of the Group on the Stock Exchange;
"Jiahua Likang"	Beijing Jiahua Likang Medical Investment and Management Co., Ltd. (北京嘉華麗康醫療投資管理有限公司), a company incorporated in the PRC with limited liability on April 16, 2009, and is a connected person of the Company;
"Jiahua Yihe"	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability on June 15, 2015 and wholly-owned by the Company;
"Jiahua Yongsheng"	Beijing Jiahua Yongsheng Medical Investment Management Co., Ltd. (北京嘉華永盛醫療投資管理有限公司), a company incorporated in the PRC with limited liability on September 22, 2015, which is owned directly as to 67.53% and 20.00% by Jiahua Likang and Beijing Qiaonaisen Star Medical Consulting Co., Ltd. (北京喬耐森星醫療諮詢有限公司), and as to 12.47% by Jiahua Yihe indirectly through its wholly-owned subsidiary;
"JoeCare"	JoeCare Investment Co., Ltd., a company incorporated in the BVI with limited liability on July 16, 2015 and wholly-owned by Mr. Jason ZHOU. JoeCare is one of our controlling Shareholders;
"Latest Practicable Date"	September 16, 2022 being the latest practicable date for the purpose of ascertaining certain information contained in this interim report;
"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;
"New Century Child Healthy Development Center"	New Century Healthcare Group Child Healthy Development Center (新世紀兒童健康發展中心), a new pediatric outpatient service center officially established and registered on January 16, 2022 under the New Century Healthcare brand name;
"Nomination Committee"	the nomination committee of the Board;
"Qingdao New Century Women's and Children's Hospital"	Qingdao New Century Women's and Children's Hospital Co., Ltd. (青島新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on December 15, 2015, and is wholly-owned by Jiahua Yongsheng;
"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;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"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;
"USD"	United State dollars, the lawful currency of the United States of America;
"Voting Agreement"	an agreement entered into between Mr. Zhou and Ms. Liang on February 18, 2016 and renewed on February 17, 2019 and subsequently automatically renewed on February 17, 2022 (pursuant to a renewal agreement entered into between the same parties on March 23, 2022) for a renewed term of three years until February 17, 2025, pursuant to which Ms. Liang irrevocably agreed to follow Mr. Zhou's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement;

Definitions (Continued)

"YoY"	year-on-year; and
"%"	percent.

In this interim report, 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.