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新世紀醫療控股有限公司

New Century Healthcare Holding Co. Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

2023 INTERIM RESULTS HIGHLIGHTS

Set forth below are our key performance highlights for the six months ended June 30, 2023:

1. Our revenue amounted to RMB416.1 million for the six months ended June 30, 2023, representing an increase of 48.6% as compared to the same period last year.
2. Profit before income tax for the period reached RMB63.8 million as compared to loss before tax of RMB233.6 million for the same period last year, which was mainly attributable to (1) gross profit increased by RMB103.2 million; (2) net impairment loss on financial assets decreased by RMB109.1 million; and (3) impairment loss on non-current assets decreased by RMB82.8 million.

KEY OPERATIONAL DATA

	For the six months ended June 30,		Growth
	2023	2022	
Revenue from outpatients (RMB'000)	251,045	166,210	51.0%
Outpatient visits	154,487	111,164	39.0%
Revenue from inpatients (RMB'000)	136,174	93,006	46.4%
Inpatient visits	4,318	3,151	37.0%

Our Board is pleased to announce the interim unaudited condensed consolidated financial results of our Group for the six months ended June 30, 2023 together with the comparative figures as set out below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	416,133	280,104
Cost of revenue	3	(246,336)	(213,459)
Impairment losses on non-current assets		—	(82,846)
Selling expenses		(33,003)	(32,528)
Administrative expenses		(63,452)	(64,522)
Research and development expenses		(3,071)	(4,240)
Net impairment losses on financial assets		(6,294)	(115,352)
Other income		631	627
Other losses — net		(57)	(64)
		<hr/>	<hr/>
Operating profit/(loss)		64,551	(232,280)
Finance income		3,718	5,458
Finance costs		(4,635)	(6,592)
Share of net profits/(losses) of associates accounted for using the equity method		123	(211)
		<hr/>	<hr/>
Profit/(loss) before income tax		63,757	(233,625)
Income tax expense	4	(19,631)	(1,116)
		<hr/>	<hr/>
Profit/(loss) for the period		44,126	(234,741)
		<hr/>	<hr/>
Profit/(loss) for the period attributable to:			
Owners of the Company		23,099	(233,648)
Non-controlling interests		21,027	(1,093)
		<hr/> <hr/>	<hr/> <hr/>

		Six months ended June 30,	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
— Exchange differences on translation of foreign operations		<u>(309)</u>	<u>(793)</u>
Total comprehensive income/(loss) for the period		<u>43,817</u>	<u>(235,534)</u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		22,790	(234,441)
Non-controlling interests		<u>21,027</u>	<u>(1,093)</u>
Earnings/(losses) per share for profit/(loss) attributable to the ordinary equity holders of the Company			
<i>(expressed in RMB per share)</i>			
Basic and diluted	5	<u>0.05</u>	<u>(0.48)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As of June 30, 2023 <i>RMB'000</i> (Unaudited)	As of December 31, 2022 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		127,826	137,345
Right-of-use assets		139,030	154,203
Intangible assets		246,384	250,008
Investments accounted for using the equity method		12,969	12,634
Deferred tax assets		1,336	685
Long-term deposits and prepayments		3,534	2,862
Total non-current assets		531,079	557,737
Current assets			
Inventories		27,559	24,885
Trade receivables	6	45,706	33,636
Other receivables, deposits and prepayments		30,650	24,810
Amounts due from related parties		28,537	34,237
Cash and cash equivalents		246,020	226,079
Total current assets		378,472	343,647
Total assets		909,551	901,384
EQUITY			
Share capital		335	335
Shares held for employee share scheme		(2,939)	(2,939)
Share premium		2,606,495	2,606,495
Other reserves		(1,496,610)	(1,496,301)
Accumulated losses		(646,227)	(669,326)
Equity attributable to owners of the Company		461,054	438,264
Non-controlling interests		(63,972)	(76,913)
Total equity		397,082	361,351

	<i>Notes</i>	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		164,016	181,108
Deferred tax liabilities		23,973	25,113
Total non-current liabilities		187,989	206,221
Current liabilities			
Trade payables	7	39,100	39,800
Accruals, other payables and provisions		206,679	221,871
Lease liabilities		36,434	35,908
Contract liabilities		18,964	19,480
Current tax liabilities		14,042	9,784
Amounts due to related parties		9,261	6,969
Total current liabilities		324,480	333,812
Total liabilities		512,469	540,033
Total equity and liabilities		909,551	901,384

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

New Century Healthcare Holding Co. Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in provision of pediatrics, obstetrics and gynecology specialty services in the People’s Republic of China (the “**PRC**”). The Group also provides hospital consulting services to related parties of the Group and online healthcare services.

The Company is a limited liability company incorporated in the Cayman Islands on July 31, 2015. The address of its registered office is c/o Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**the Listing**”) on January 18, 2017.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended June 30, 2023 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 December 31, 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and any public announcements made by the Company during the six months ended June 30, 2023.

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

(a) New and amended standards adopted by the Group

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

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

Certain new accounting standards, amendments to existing accounting standards and interpretations have been published that are not mandatory for current reporting period 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 SEGMENT INFORMATION

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

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

The Group’s segment information is shown as follows:

(i) Segment information

	Pediatrics 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 June 30, 2023							
Revenue from external customers	357,860	53,217	17	5,039	—	—	416,133
Inter-segment revenue	—	—	—	15,763	(15,763)	—	—
Total revenue	357,860	53,217	17	20,802	(15,763)	—	416,133
Cost of revenue	(191,449)	(49,209)	—	(9,515)	3,837	—	(246,336)
Segment results	90,290	(15,314)	(519)	(11,065)	—	—	63,392
Unallocated income						5,868	5,868
Unallocated cost						(5,503)	(5,503)
Profit/(loss) before income tax	90,290	(15,314)	(519)	(11,065)	—	365	63,757
Income tax expense						(19,631)	(19,631)
Profit for the period							44,126
As of June 30, 2023							
Total assets	457,146	150,131	28,133	12,127	—	262,014	909,551
Total liabilities	318,935	137,178	—	9,044	—	47,312	512,469
Six months ended June 30, 2023							
Others							
Depreciation and amortisation	17,106	11,014	—	2,138	—	—	30,258

	Pediatrics <i>RMB'000</i>	Obstetrics and gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Intersegment eliminations <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)							
Six months ended June 30, 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							<u>(234,741)</u>
As of December 31, 2022							
Total assets	410,598	205,051	33,187	6,428	—	246,120	<u>901,384</u>
Total liabilities	298,903	180,596	2,947	9,295	—	48,292	<u>540,033</u>
Six months ended June 30, 2022							
Others							
Depreciation and amortisation	19,569	15,834	1,037	1,508	—	—	37,948

(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.

4 INCOME TAX EXPENSE

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax:		
— PRC corporate income tax	21,422	10,336
Deferred income tax	(1,791)	(9,220)
	<u>19,631</u>	<u>1,116</u>

5 EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue and excluding shares held for restricted share award scheme.

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company (RMB'000)	<u>23,099</u>	<u>(233,648)</u>
Weighted average number of ordinary shares in issue (in thousands) (i)	<u>483,184</u>	<u>483,309</u>
Basic earnings/(losses) per share (in RMB)	<u><u>0.05</u></u>	<u><u>(0.48)</u></u>

- (i) On July 25, 2017, the Company granted 9,000,000 restricted shares to certain employees pursuant to a restricted share award scheme, among which 4,767,000 shares that were forfeited and then held by the trustee of the restricted share award scheme.

As of June 30, 2023, the Company held 2,073,500 (2022: 2,073,500) shares of the Company for employee stock incentive plan.

All above shares were not outstanding as they were not granted or vested. Accordingly, all those share were excluded from calculation of weighted average number of ordinary shares in issue.

(b) Diluted

For the six months ended June 30, 2023 and 2022, diluted earnings/(losses) per share is equal to the basic earnings/(losses) per share as there were no potential dilutive shares.

6 TRADE RECEIVABLES

	As of June 30, 2023 <i>RMB'000</i> (Unaudited)	As of December 31, 2022 <i>RMB'000</i> (Audited)
Trade receivables from contracts with customers	49,448	34,238
Less: allowance for impairment of trade receivables	<u>(3,742)</u>	<u>(602)</u>
Trade receivables — net	<u>45,706</u>	<u>33,636</u>

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

The majority trade receivables were due from commercial insurance companies and government's insurance schemes.

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

	As of June 30, 2023 <i>RMB'000</i> (Unaudited)	As of December 31, 2022 <i>RMB'000</i> (Audited)
Up to 3 months	37,308	24,207
4–6 months	3,870	4,153
7 months–1 year	3,544	1,495
Over 1 year	<u>4,726</u>	<u>4,383</u>
	<u>49,448</u>	<u>34,238</u>

7 TRADE PAYABLES

As of June 30, 2023 and December 31, 2022, the aging analysis of the trade payables based on demand note date was as follows:

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Up to 3 months	29,817	26,722
4–6 months	5,741	10,977
7 months–1 year	2,090	735
Over 1 year	1,452	1,366
	<u>39,100</u>	<u>39,800</u>

8 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended June 30, 2023 (June 30, 2022: nil).

For the six months ended June 30, 2023, a dividend of RMB8,086,000 (June 30, 2022: RMB16,224,000) was paid to Beijing Children's Hospital, Capital Medical University, a non-controlling shareholder of Beijing New Century Children's Hospital Co., Ltd., a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Our Group's business gradually picked up in the first half of 2023 and recorded a revenue of RMB416.1 million, representing a 48.6% YoY increase. Our revenue from medical services was RMB411.1 million, representing a 48.5% YoY increase, among which, the revenue from pediatric services recorded a 55.2% YoY increase to RMB357.9 million, accounting for 87.1% of the total revenue from medical services. Our revenue from pediatric outpatient services recorded a 55.4% YoY increase to RMB222.8 million. The number of pediatric services outpatient visits was 129,239, representing a 46.2% YoY increase. Our revenue from pediatric inpatient services recorded a 60.0% YoY increase to RMB111.2 million. The number of pediatric inpatient visits was 3,446, representing a 47.0% YoY increase.

In the first half of 2023, our revenue from obstetric and gynecologic business recorded a 14.9% YoY increase to RMB53.2 million. Our revenue from obstetric and gynecologic outpatient services recorded a 23.7% YoY increase to RMB28.2 million; the number of outpatient visits was 25,248, representing a 11.0% YoY increase, and the average outpatient spending per visit recorded a 11.5% YoY increase to RMB1,117. Our revenue from obstetric and gynecologic inpatient services was RMB25.0 million, representing a 6.4% YoY increase. The number of inpatient visits reached 872, representing an 8.1% YoY increase.

Being a leading private pediatric, obstetrics and gynecologic healthcare service provider in Beijing 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 a positive growth momentum in the first half of 2023, and the steady growth in our pediatric business was mainly attributable to (i) our Group's strengthening of clinical deployment, product and service organization and service promotion of internal medicine-pediatric services (mainly including General Pediatrics, Haematology, Respiratory and Cardiology etc.) and children's healthcare (mainly including preventive health care, physical examination, growth and development clinics, psychological counseling, etc.); (ii) strengthening the buildup of commercial insurance team and actively developing commercial insurance business; (iii) strengthening the construction of the "New Century Family Doctor" panda membership program and improving the quality of member service; and (iv) with the help of digitalized customer operation and management systems, improving customer reach and enhancing customer visit experience, so as to improve customer stickiness. In the first half of 2023, our revenue from internal medicine-pediatric services and pediatric healthcare services increased by 85.8% as compared with the first half of 2022. In addition, the direct payment income of commercial insurance in our pediatric business recorded a 94.6% YoY increase, and its contribution to the income of our pediatric services increased to 35.5% from 26.9% in the first half of 2022. The combined revenue of pediatric membership and commercial insurance direct payment accounts for over 50.0% of our revenue from pediatric services, reflecting a customer base with consumption power.

The net profit attributable to the owners of our Company amounted to RMB23.1 million for the six months ended June 30, 2023, while the net loss attributable to the owners of our Company was RMB233.6 million for the same period in 2022. This was mainly attributable to (i) the increase of revenue during the period due to the improvement and gradual recovery of operating results of our Group’s medical institutions following the relaxation of the COVID-19 epidemic restrictions since the first quarter of 2023; and (ii) the decrease in impairment losses on financial assets and non-current assets of our Company for the six months ended June 30, 2023 as compared with the first half of 2022.

Industry Outlook and our Group’s Strategies

In this new stage of social development, the theme of women and children’s health has expanded to include comprehensive health development, with an increasingly strong demand for diversified health services, as well as new and higher requirements for medical service capabilities, service models, and service concepts. In September 2021, the State Council issued the “Outline on the Development of Chinese Women (2021–2030)” and “Outline on the Development of Chinese Children (2021–2030)”, which are of great significance in promoting the high-quality development of China’s women and children’s health undertakings in the new era. The “Notice of the National Health Commission on Publishing the Implementation Plan for the 2021–2030 Outlines for the Development of Chinese Women and Children” issued in April 2022 provides further guidance.

China’s women and children’s health work still faces many challenges such as insufficient total service resources, uneven distribution, and a shortage of high-quality resources. Especially since the adjustment of the birth policy, the proportion of advanced age and multiparous women has increased, the risk of complications, comorbidities, and birth defects during pregnancy has increased, and the demand for newborn safety and children’s healthcare has further increased, triggering a significant increase in the market demand for the provision of whole-cycle, whole-process and all-round medical and health services to women and children.

Adhering to the previously formulated development strategies, our Group will continue to grasp the industry opportunities by implementing the following measures in 2023:

- 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, our Group will focus on the construction of subspecialties, and develop its product and service chain centering around the medical and health needs of customers.

- Expand the market-oriented consumption of medical services in ophthalmology, children’s healthcare, endocrinology and stomatology for the pediatric business.
- Upgrade the customer management system to fully improve customer experience and stickiness and to continue expanding the membership base in terms of family units.
- Strengthen marketing and cooperation with insurance institutions to expand the coverage of the target customers.
- Optimize the organizational structure and talent management, and strengthen cost control in accordance with our Group’s development strategy.

FINANCIAL REVIEW

Segment Revenue

We generate revenue primarily from providing medical services, including pediatric services and obstetric and gynecologic services. The following table sets forth a breakdown of the revenue by segment for the periods indicated:

	Six months ended June 30,			
	2023		2022	
	<i>(in thousands of RMB, except percentages)</i>			
Medical services	411,077	98.8%	276,884	98.8%
Hospital consulting services	17	—	148	0.1%
Others ⁽¹⁾	5,039	1.2%	3,072	1.1%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>416,133</u>	<u>100.0%</u>	<u>280,104</u>	<u>100.0%</u>

⁽¹⁾ Including 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,	
	2023	2022
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	411,077	276,884
Cost of revenue	240,658	209,942
Gross profit ⁽¹⁾	170,419	66,942
Gross profit margin ⁽²⁾	41.5%	24.2%

Notes:

- (1) Gross profit is calculated by deducting cost of revenue (excluding impairment) from revenue.
- (2) Gross profit margin is calculated by using gross profit divided by revenue and multiplied by 100%.

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,			
	2023		2022	
	<i>(in thousands of RMB, except percentages)</i>			
Pediatric services	357,860	86.0%	230,557	82.3%
Obstetric and gynecologic services	53,217	12.8%	46,327	16.5%
Total	<u>411,077</u>	<u>98.8%</u>	<u>276,884</u>	<u>98.8%</u>

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

	Six months ended June 30,	
	2023	2022
The Group		
Inpatients services		
Inpatient visits	4,318	3,151
Average inpatient spending per visit (<i>RMB</i>)	31,536	29,516
Outpatients services		
Outpatient visits	154,487	111,164
Average outpatient spending per visit (<i>RMB</i>)	1,625	1,495
Revenue from medical services attributable to inpatients		
<i>(in thousands of RMB)</i>	136,174	93,006
Revenue from medical services attributable to outpatients		
<i>(in thousands of RMB)</i>	251,045	166,210
Revenue recognized for membership card sales		
<i>(in thousands of RMB)</i>	23,858	17,668
Pediatric Services		
Inpatient services		
Inpatient visits	3,446	2,344
Average inpatient spending per visit (<i>RMB</i>)	32,258	29,635
Outpatient services		
Outpatient visits	129,239	88,426
Average outpatient spending per visit (<i>RMB</i>)	1,724	1,622
Revenue from pediatric services attributable to inpatients		
<i>(in thousands of RMB)</i>	111,162	69,464
Revenue from pediatric services attributable to outpatients		
<i>(in thousands of RMB)</i>	222,840	143,425
Revenue recognized for membership card sales		
<i>(in thousands of RMB)</i>	23,858	17,668
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	872	807
Average inpatient spending per visit (<i>RMB</i>)	28,683	29,172

	Six months ended June 30,	
	2023	2022
Outpatient services		
Outpatient visits	25,248	22,738
Average outpatient spending per visit (<i>RMB</i>)	1,117	1,002
Revenue from obstetric and gynecologic services attributable to inpatients (<i>in thousands of RMB</i>)	25,012	23,542
Revenue from obstetric and gynecologic services attributable to outpatients (<i>in thousands of RMB</i>)	28,205	22,785

Revenue from the provision of our medical services amounted to RMB411.1 million for the six months ended June 30, 2023, representing a 48.5% YoY increase and accounting for 98.8% of our Group's total revenue. This increase was primarily due to a 51.0% YoY increase in revenue from medical services attributable to the outpatients and a 46.4% YoY increase in revenue from medical services attributable to the inpatients.

For the six months ended June 30, 2023, there were 3,446 pediatric services inpatient visits, representing a 47.0% YoY increase. There were also 129,239 pediatric services outpatient visits, representing a 46.2% YoY increase. For obstetric and gynecologic services, there were 872 inpatient visits, representing a 8.1% YoY increase, and 25,248 outpatient visits, representing a 11.0% YoY increase.

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, 2023 reached RMB240.7 million, representing a 14.7% YoY increase.

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,	
	2023	2022
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	17	148
Cost of revenue	—	73
Gross profit	17	75
Gross profit margin	100.0%	50.7%

The revenue and the gross profit margin of our hospital consulting services amounted to RMB17,000 and 100.0%, respectively. The main reason for the decrease in revenue is due to the decrease of services provided to a related party of our Group during the period.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2023 amounted to RMB169.8 million, representing a 155.0% YoY increase. This was mainly due to the increase of medical services provided in the first half of 2023. Our gross profit margin increased from 23.8% for the six months ended June 30, 2022 to 40.8% for the six months ended June 30, 2023.

Selling Expenses

Our selling expenses for the six months ended June 30, 2023 amounted to RMB33.0 million, representing a 1.5% YoY increase, which was primarily due to the strengthened marketing activities to facilitate greater revenue scale during the first half of 2023.

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2023 amounted to RMB63.5 million, representing a decrease of 1.6% from RMB64.5 million for the six months ended June 30, 2022. Such decrease was mainly a result of (i) fewer number of operating clinics as compared to the same period last year which led to decreased expenses; and (ii) we carried out measures to optimize personnel structure to improve the operation efficiency of our clinics.

Research and Development Expenses

Our Company incurred research and development expenses of RMB3.1 million for the six months ended June 30, 2023, as compared to RMB4.2 million for the same period last year. This decrease was mainly due to the reduction of research and development activities in the first half of 2023.

Net Impairment Losses on Financial Assets

During the reporting period, our Company recorded net impairment losses on financial assets amounting to RMB6.3 million, which was mainly due to the increase in medical service related credit risk in trade receivables from commercial insurance companies and individuals based on the expected credit loss model of our Group.

Finance Income and Expenses

Our finance income for the six months ended June 30, 2023 decreased from RMB5.5 million for the six months ended June 30, 2022 to RMB3.7 million, which was mainly a result of a decrease in foreign exchange gains of RMB1.2 million and a decrease in interest income of RMB0.6 million. Our finance costs for the six months ended June 30, 2023 amounted to RMB4.6 million, mainly consisting of interest expenses of RMB4.0 million related to lease payment.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2023 amounted to RMB19.6 million, which was mainly due to the increased profits of our Group in the first half of 2023.

Profit for the six months ended June 30, 2023

Our profit for the six months ended June 30, 2023 amounted to RMB44.1 million, as compared to a loss of RMB234.7 million for the six months ended June 30, 2022.

FINANCIAL POSITION

Inventories

Our inventories increased by 10.8% from RMB24.9 million as of December 31, 2022 to RMB27.6 million as of June 30, 2023, which was primarily due to an increase in inventory of pharmaceuticals and medical consumables in response to business growth in our Group's medical institutions.

Trade Receivables

Our trade receivables increased by 36.0% from RMB33.6 million as of December 31, 2022 to RMB45.7 million as of June 30, 2023, primarily driven by significant increase in revenue in the first half of 2023.

Trade Payables

Our trade payables remained the similar level at RMB39.1 million as of June 30, 2023 compared with the balance of RMB39.8 million as of December 31, 2022, which was in line with the purchase scale at relevant period end.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2023, we had cash and cash equivalents of RMB246.0 million (December 31, 2022: RMB226.1 million). We did not have any interest-bearing borrowings as of June 30, 2023 (December 31, 2022: nil).

Significant Investments

Our Group did not hold any significant investments for the six months ended June 30, 2023.

Acquisitions and Disposals

Save as already disclosed, our Group had no acquisitions or disposals of subsidiaries, associated companies and joint ventures for the six months ended June 30, 2023.

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 for the six months ended June 30, 2023 was RMB2.5 million, which was mainly a result of purchases of property, plant and equipment and intangible assets for business development.

INDEBTEDNESS

Borrowings

As of June 30, 2023, we did not have any borrowings (December 31, 2022: 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, 2023, 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, 2023, 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, 2023, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2023, 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 in a timely and effective manner.

Gearing Ratio

As of June 30, 2023, 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, 2022: not applicable).

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2023, our Group had 1,252 employees (June 30, 2022: 1,303 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2023 amounted to RMB166.3 million (for the six months ended June 30, 2022: RMB163.1 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 our Group, performance-based compensation and discretionary bonus. Our Group also adopted the RSA Scheme and the Employee Share Scheme to attract, retain and monitor our key employees.

The remuneration of our Directors is reviewed by the Remuneration Committee and approved by our 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 our Directors.

INTERIM DIVIDEND

Our Board does not recommend the payment of an interim dividend for the six months ended June 30, 2023.

CORPORATE GOVERNANCE PRACTICE

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

In the opinion of our Directors, our Company has complied with all applicable code provisions as set out in the CG Code during the six months ended June 30, 2023, 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. Our 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, our Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable our Company to make and implement decisions more promptly and effectively. Thus, our Company does not segregate the roles of chairman and chief executive officer. Our Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of our Company in due course after taking into account the overall circumstances of our Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Our 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, 2023. Our Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of our Company's securities, without noticing any violation of the guidelines.

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

During the six months ended June 30, 2023, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company’s listed securities.

AUDIT COMMITTEE

Our 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.

Our Audit Committee has reviewed the unaudited interim results of our Group for the six months ended June 30, 2023 and was of the opinion that such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the supplemental announcement of our Company dated July 10, 2023 (the “**Supplemental Announcement**”). Unless otherwise defined, terms used herein this section shall bear the same meaning as defined in the Supplemental Announcement.

In relation to the matters as disclosed in the Supplemental Announcement, our Company has devised and implemented, among others, the following remedial measures and procedures: (i) ceasing to provide any further consulting services to Jiahua Likang; (ii) the termination of the existing framework management consulting service agreement with Jiahua Likang; (iii) our Directors have attended not less than 20 hours of training on Listing Rules compliance and directors’ duties; (iv) to continue reviewing and enhancing our Company’s risks management internal control systems and strictly enforce the compliance with the internal control manual and risk control matters of its business operations; and (v) we will continue to monitor and periodically negotiate with Jiahua Likang on a best effort basis in relation to the repayment of the outstanding amount due and to further explore any repayment proposal and/or restructuring proposal of Jiahua Likang to increase its repayment ability.

In relation to the outstanding amount due from Bairui Kangchen, we will continue to monitor and periodically negotiate with Bairui Kangchen on a best effort basis on the repayment.

For details, please refer to the Supplemental Announcement.

Save as already disclosed, there is no significant event of our Group after the reporting period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the HKEX (www.hkexnews.hk) and the Company (www.ncich.com.cn). The interim report for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

“Audit Committee”	the audit committee of our Board;
“Board” or “Board of Directors”	the board of Directors of our Company;
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“China” or “PRC”	the People’s Republic of China; for the purpose of this announcement only, references to “China” or the “PRC” do not include Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong;
“Company”	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	directors of our 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”	our Company and its subsidiaries;
“HKEX”	Hong Kong Exchanges and Clearing Limited;

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“HKFRS”	Hong Kong Financial Reporting Standards;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
“Remuneration Committee”	the remuneration committee of our Board;
“RMB”	Renminbi, the lawful currency of the PRC;
“RSA Scheme”	the restricted share award scheme approved and adopted by our Company on August 29, 2016;
“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 our Company, shares forming part of the ordinary equity share capital of our Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“YoY” year-on-year; and

“%” percent.

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

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

Hong Kong, August 31, 2023

As at the date of this announcement, our Board comprises Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han, as executive Directors; Mr. GUO Qizhi, Mr. WANG Siye, Ms. LI Suyu, Mr. YANG Yuelin and Mr. XIE Qiang, as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.