



New Century Healthcare Holding Co. Limited

新世紀醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1518



INTERIM REPORT

2023



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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 (*resigned with effect from September 1, 2023*)
Mr. WANG Siye
Mr. YANG Yuelin
Ms. LI Suyu
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 (*resigned with effect from September 1, 2023*)
Mr. JIANG Yanfu
Mr. YANG Yuelin (*appointed with effect from September 1, 2023*)

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
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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
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183 Queen's Road East
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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

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No. 27 Finance Street
Xicheng District
Beijing

STOCK CODE

01518

COMPANY WEBSITE

www.ncich.com.cn



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.



Management Discussion and Analysis (Continued)

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:

- 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.



Management Discussion and Analysis (Continued)

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%
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%.



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,			
	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	411,077	98.8%	276,884	98.8%

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 (RMB)	31,536	29,516
Outpatients services		
Outpatient visits	154,487	111,164
Average outpatient spending per visit (RMB)	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 (RMB)	32,258	29,635
Outpatient services		
Outpatient visits	129,239	88,426
Average outpatient spending per visit (RMB)	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



Management Discussion and Analysis (Continued)

	Six months ended June 30,	
	2023	2022
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
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 an 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.



Management Discussion and Analysis (Continued)

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.



Management Discussion and Analysis (Continued)

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.



Management Discussion and Analysis (Continued)

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

Treasury Policy

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

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.



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 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.



Management Discussion and Analysis (Continued)

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.



Management Discussion and Analysis (Continued)

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.



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, 2023, the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to our 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 our 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 our 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:

- All interests stated are long positions.
- 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.
- 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.
- 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.



Other Information (Continued)

Save as disclosed above, as of June 30, 2023, so far as is known to the Directors or chief executive of our Company, none of the Directors or chief executive of our Company had any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to our 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 our Company and the Stock Exchange.

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

As of June 30, 2023, so far as was known to any Director or chief executive of our Company, the following persons (other than the Directors and chief executive of our Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by our Company under Section 336 of the SFO:

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in our 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%
Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥)) ⁽³⁾	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) ⁽³⁾	Interests in a controlled corporation	31,562,713	6.4%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司) ⁽³⁾	Interests in a controlled corporation	31,562,713	6.4%
XIA Meiyang ⁽³⁾	Interests in a controlled corporation	31,562,713	6.4%
HUANG Ailian ⁽³⁾	Interests in a controlled corporation	31,562,713	6.4%
China Life Reinsurance Company Ltd. ⁽⁴⁾	Beneficial owner	31,444,000	6.4%
China Reinsurance (Group) Corporation ⁽⁴⁾	Interests in a controlled corporation	31,444,000	6.4%
Central Huijin Investment Ltd. ⁽⁴⁾	Interests in a controlled corporation	31,444,000	6.4%

Notes:

- 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.
- 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.



Other Information (Continued)

3. 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 Meiyang 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 Meiyang and HUANG Ailian is deemed to be interested in such number of Shares held by Anyi Hekang (Tianjin) Investment Partnership L.P..
4. 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, 2023, our Company had not been notified by any person (other than the Directors or chief executive of our Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to our 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 our Group and to attract suitable personnel for further development of our 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, 2023.



Other Information (Continued)

(b) Employee Share Scheme

On August 28, 2020, our 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 our 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 our Company at the date of our 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 our 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, 2023, for the purpose of the Employee Share Scheme, 2,073,500 shares have been purchased from the market by the trustee appointed by our 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 our Company's announcement dated 31 August 2020.

As at the date of this interim report, the total number of shares of our Company available for grant under the Employee Share Scheme remained at 24,501,250 shares, representing the 5% scheme limit as approved and adopted by our Board on August 28, 2020. As at the date of this interim report, the scheme limit remained unchanged at 5%.



Other Information (Continued)

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, 2023 were there rights to acquire benefits by means of the acquisition of Shares in or debentures of our Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by the Directors; or was our 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, 2023, for the purpose of the Employee Share Scheme, 2,073,500 shares have been purchased from the market by the trustee appointed by our 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, 2023, neither our Company nor any of its subsidiaries had purchased, sold or redeemed any of our Company's listed securities.

USE OF PROCEEDS FROM THE IPO

The net proceeds received by our 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 our Company dated December 30, 2016 and the announcements of our Company dated December 6, 2017 and March 25, 2019 regarding the change in use of proceeds.



Other Information (Continued)

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	Utilized between	Expected timeline of the
	as of March 31, 2023 (HKD million)	March 31, 2023 and August 31, 2023 (HKD million)	Unutilized as of August 31, 2023 (HKD million) 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	90.3	7.7	82.6 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	<u>90.3</u>	<u>7.7</u>	<u>82.6</u>

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 the 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. 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 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. The 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 of the then overall circumstances of our Group.



Other Information (Continued)

MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Our 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).

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.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

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 our Company's 2022 annual report up to the Latest Practicable Date.

For the six months ended June 30, 2023 and up to the date of this interim report, there were changes in the Directors' information as follows:

With effect from September 1, 2023,

- (i) Mr. GUO Qizhi ceased to act as a non-executive Director of our Company and a member of the Audit Committee; and
- (ii) Mr. YANG Yuelin had been appointed as a member of the Audit Committee.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(b) (1) of the Listing Rules regarding significant changes in Directors' biographical details from the publication of our Company's 2022 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. YANG Yuelin. The chairman of the Audit Committee is Mr. SUN Hongbin.

The Audit Committee has reviewed the unaudited interim results of our Group for the six months ended June 30, 2023 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.



Other Information (Continued)

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, our Company confirms that our 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 our Company’s 2022 annual report.

By order of the Board

Jason ZHOU

Chairman, Executive Director and Chief Executive Officer

Hong Kong, August 31, 2023



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 24 to 51, 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 2023 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 selected explanatory notes. 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” issued by the Hong Kong Institute of Certified Public Accountants. 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 2023



Interim Condensed Consolidated Balance Sheet

		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	6	127,826	137,345
Right-of-use assets	7	139,030	154,203
Intangible assets	8	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	9	45,706	33,636
Other receivables, deposits and prepayments		30,650	24,810
Amounts due from related parties	10	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



Interim Condensed Consolidated Balance Sheet (Continued)

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	7	164,016	181,108
Deferred tax liabilities		23,973	25,113
Total non-current liabilities		187,989	206,221
Current liabilities			
Trade payables	11	39,100	39,800
Accruals, other payables and provisions		206,679	221,871
Lease liabilities	7	36,434	35,908
Contract liabilities		18,964	19,480
Current tax liabilities		14,042	9,784
Amounts due to related parties	10	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

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

The financial information on pages 24 to 51 were approved by the board of directors of the Company on 31 August 2023 and was signed on its behalf

Jason ZHOU

XU Han



Interim Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	416,133	280,104
Cost of revenue	5	(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	3.2	(6,294)	(115,352)
Other income		631	627
Other losses — net		(57)	(64)
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)
Profit/(loss) before income tax		63,757	(233,625)
Income tax expense	12	(19,631)	(1,116)
Profit/(loss) for the period		44,126	(234,741)
Profit/(loss) for the period attributable to:			
Owners of the Company		23,099	(233,648)
Non-controlling interests		21,027	(1,093)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
— Exchange differences on translation of foreign operations		(309)	(793)
Total comprehensive income/(loss) for the period		43,817	(235,534)



Interim Condensed Consolidated Statement of Comprehensive Income (Continued)

		Six months ended 30 June	
	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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 (expressed in RMB per share)			
Basic and diluted	13	<u>0.05</u>	<u>(0.48)</u>

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

		Attributable to owners of the Company							
Note		Shares held for employee share scheme		Share premium	Other reserves	Accumulated losses	Subtotal	Non-controlling interests	Total equity
		Share capital	share scheme						
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)								
	Balance at 1 January 2023	335	(2,939)	2,606,495	(1,496,301)	(669,326)	438,264	(76,913)	361,351
	Total comprehensive income								
	— Profit for the period	—	—	—	—	23,099	23,099	21,027	44,126
	— Translation differences	—	—	—	(309)	—	(309)	—	(309)
		—	—	—	(309)	23,099	22,790	21,027	43,817
	Transactions with owners								
	— Dividends	14	—	—	—	—	—	(8,086)	(8,086)
	Total transactions with owners		—	—	—	—	—	(8,086)	(8,086)
	Balance at 30 June 2023	335	(2,939)	2,606,495	(1,496,610)	(646,227)	461,054	(63,972)	397,082
	(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	14	—	—	—	—	—	(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

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

	Six months ended 30 June	
Note	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	62,911	10,804
Interest paid	(3,165)	(3,853)
Interest received	693	721
Income taxes paid	(17,164)	(12,654)
Net cash generated from/(used in) operating activities	43,275	(4,982)
Cash flows from investing activities		
Payments for investment in an associate	—	(18,700)
Payments for property, plant and equipment	(2,354)	(1,723)
Payments for intangible assets	(175)	(1,025)
Proceeds from disposals of property, plant and equipment	5	6
Proceeds from disposal of a subsidiary	—	1,500
Net cash used in investing activities	(2,524)	(19,942)
Cash flows from financing activities		
Dividends paid to non-controlling interests	14 (8,086)	(16,224)
Shares repurchased for employee share scheme	—	(110)
Principal elements of lease payments	(17,275)	(6,665)
Others	2,099	—
Net cash used in financing activities	(23,262)	(22,999)
Net increase/(decrease) in cash and cash equivalents	17,489	(47,923)
Cash and cash equivalents at the beginning of the period	226,079	223,843
Effects of exchange rate changes on cash and cash equivalents	2,452	2,948
Cash and cash equivalents at the end of the period	246,020	178,868

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 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 31 December 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 30 June 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.



Notes to the Interim Condensed Consolidated Financial Information (Continued)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(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 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 report for the year ended 31 December 2022.

There have been no changes in the risk management policies for the six months ended 30 June 2023.

3.2 Credit risk

Credit risk of the Group mainly arises from credit exposures to cash and cash equivalents, receivables from customers, government's insurance schemes, commercial insurance companies and 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 with regards to cash and cash equivalents of the Group is assessed to be not material as the counterparties are primarily state-owned or public listed commercial banks and financial institutions in the PRC.



Notes to the Interim Condensed Consolidated Financial Information (Continued)

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,
- Other receivables and deposits, and
- Amounts due from related parties.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was not material.

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For certain insurance companies with increased credit risk, their expected credit losses are evaluated on an individual basis.

The ECL of trade receivables is determined based on historical loss rate of the customers over a period not less than 3 years before 30 June 2023, or by reference to external credit rating of the customers. The Group has identified certain forward-looking macroeconomic data and adjusts the historical loss rate.

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 expected credit losses shall be assessed (stage 2). Once it's credit impaired (e.g. default), lifetime expected credit losses shall still be assessed (stage 3). Most of other receivables and deposits are at stage 1 as at 30 June 2023 and 31 December 2022.

The ECL of other receivables and deposits is generally determined by reference to external credit rating of the counterparties and adjusted by forward-looking macroeconomic data. For certain counterparties with increased credit risk, their expected credit losses are evaluated on an individual basis.



Notes to the Interim Condensed Consolidated Financial Information (Continued)

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 which are non-trade in nature and lifetime expected credit losses of amounts due from related parties which are trade in nature upon initial recognition.

Once there is a significant increase in credit risk for amounts due from related parties which are non-trade in nature, lifetime expected credit losses shall be assessed (stage 2). Once it's credit impaired (e.g. default), lifetime expected credit losses shall still be assessed (stage 3).

Significant increase in credit risk

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 adjustment factors. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- 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;
- actual or expected significant changes in the operating results of the counterparty;
- significant increases in credit risk on other financial instruments of the same counterparty;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the counterparty.



Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.2 Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets 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 loans or receivables 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.

On that basis, the loss allowances as at 30 June 2023 and 31 December 2022 were assessed as follows for trade receivables, amounts due from related parties and other receivables and deposits:

	ECL rate	Gross carrying amount RMB'000	ECL RMB'000	Net carrying amount RMB'000
(Unaudited)				
30 June 2023				
Trade receivables from insurance companies and government's insurance scheme	7.24%	46,836	(3,390)	43,446
Trade receivables from individual customers	13.48%	2,612	(352)	2,260
Amounts due from related parties	83.17%	169,536	(140,999)	28,537
Other receivables and deposits	7.94%	28,941	(2,297)	26,644
		<u>247,925</u>	<u>(147,038)</u>	<u>100,887</u>



Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.2 Credit risk (Continued)

	ECL rate	Gross carrying amount <i>RMB'000</i>	ECL <i>RMB'000</i>	Net carrying amount <i>RMB'000</i>
(Audited)				
31 December 2022				
Trade receivables from insurance companies and government's insurance scheme	1.43%	32,197	(459)	31,738
Trade receivables from individual customers	7.01%	2,041	(143)	1,898
Amounts due from related parties	80.34%	174,164	(139,927)	34,237
Other receivables and deposits	0.98%	22,204	(218)	21,986
		<u>230,606</u>	<u>(140,747)</u>	<u>89,859</u>

The loss allowances for trade receivables, amounts due from related parties and other receivables and deposits as at 30 June 2023 reconcile to the opening loss allowances as follows:

	Six months ended 30 June 2023 <i>RMB'000</i>
Opening loss allowance as at 1 January 2023	<u>(140,747)</u>
Increase in loss allowance recognised in consolidated statement of comprehensive income during the period	(6,294)
Receivables written off during the year as uncollectible	<u>3</u>
Closing loss allowance as at 30 June 2023	<u>(147,038)</u>

Impairment losses on trade receivables, amounts due from related parties and other receivables and deposits are presented as net impairment losses within operating profit.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

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 2023					
Trade payables	39,100	—	—	—	39,100
Accruals and other payables (excluding non-financial liabilities)	157,439	—	—	—	157,439
Amounts due to related parties	9,261	—	—	—	9,261
Lease liabilities	42,534	26,241	78,060	88,236	235,071
	<u>248,334</u>	<u>26,241</u>	<u>78,060</u>	<u>88,236</u>	<u>440,871</u>
(Audited)					
At 31 December 2022					
Trade payables	39,800	—	—	—	39,800
Accruals and other payables (excluding non-financial liabilities)	152,184	—	—	—	152,184
Amounts due to related parties	6,969	—	—	—	6,969
Lease liabilities	44,370	27,557	78,565	100,153	250,645
	<u>243,323</u>	<u>27,557</u>	<u>78,565</u>	<u>100,153</u>	<u>449,598</u>



Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.4 Fair value hierarchy

As at 30 June 2023 and 31 December 2022, 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, 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 2022.

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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

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 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 at 30 June 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 30 June 2023							
Others							
Depreciation and amortisation	17,106	11,014	—	2,138	—	—	30,258



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 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 31 December 2022							
Total assets	410,598	205,051	33,187	6,428	—	246,120	901,384
Total liabilities	298,903	180,596	2,947	9,295	—	48,292	540,033
Six months ended 30 June 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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements <i>RMB'000</i>	Medical equipments <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipments and furnitures <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2022					
Cost	184,386	107,278	7,399	33,359	332,422
Accumulated depreciation and impairment	(97,559)	(68,928)	(5,168)	(23,422)	(195,077)
Net book amount	<u>86,827</u>	<u>38,350</u>	<u>2,231</u>	<u>9,937</u>	<u>137,345</u>
(Unaudited)					
Six months ended 30 June 2023					
Opening net book amount	86,827	38,350	2,231	9,937	137,345
Additions	10	1,301	131	561	2,003
Disposals	—	(17)	—	(44)	(61)
Depreciation charge	(4,159)	(4,728)	(233)	(2,341)	(11,461)
Closing net book amount	<u>82,678</u>	<u>34,906</u>	<u>2,129</u>	<u>8,113</u>	<u>127,826</u>
At 30 June 2023					
Cost	184,396	108,248	7,530	33,136	333,310
Accumulated depreciation and impairment	(101,718)	(73,342)	(5,401)	(25,023)	(205,484)
Net book amount	<u>82,678</u>	<u>34,906</u>	<u>2,129</u>	<u>8,113</u>	<u>127,826</u>



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 <i>RMB'000</i>	Equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2022			
Cost	246,143	6,174	252,317
Accumulated depreciation	(96,197)	(1,917)	(98,114)
Net book amount	<u>149,946</u>	<u>4,257</u>	<u>154,203</u>
(Unaudited)			
Six months ended 30 June 2023			
Opening net book amount	149,946	4,257	154,203
Depreciation charge	(14,895)	(278)	(15,173)
Closing net book amount	<u>135,051</u>	<u>3,979</u>	<u>139,030</u>
At 30 June 2023			
Cost	245,146	6,174	251,320
Accumulated depreciation	(110,095)	(2,195)	(112,290)
Net book amount	<u>135,051</u>	<u>3,979</u>	<u>139,030</u>
Lease liabilities			
	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)	
Current	36,434	35,908	
Non-current	<u>164,016</u>	<u>181,108</u>	
	<u>200,450</u>	<u>217,016</u>	

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8 INTANGIBLE ASSETS

	Medical licenses RMB'000	Goodwill RMB'000	Software RMB'000	Total RMB'000
At 31 December 2022				
Cost	286,969	377,939	35,551	700,459
Accumulated amortisation	(59,379)	—	(12,521)	(71,900)
Impairment charge	(107,879)	(253,697)	(16,975)	(378,551)
Net book amount	<u>119,711</u>	<u>124,242</u>	<u>6,055</u>	<u>250,008</u>
(Unaudited)				
Six months ended 30 June 2023				
Opening net book amount	119,711	124,242	6,055	250,008
Additions	—	—	175	175
Amortisation charge	(2,644)	—	(1,155)	(3,799)
Closing net book amount	<u>117,067</u>	<u>124,242</u>	<u>5,075</u>	<u>246,384</u>
At 30 June 2023				
Cost	286,969	377,939	35,720	700,628
Accumulated amortisation	(62,023)	—	(13,670)	(75,693)
Impairment charge	(107,879)	(253,697)	(16,975)	(378,551)
Net book amount	<u>117,067</u>	<u>124,242</u>	<u>5,075</u>	<u>246,384</u>

Note: for the six months ended 30 June 2023, the Group disposed certain fully amortised software.



Notes to the Interim Condensed Consolidated Financial Information (Continued)

9 TRADE RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables from contracts with customers	49,448	34,238
Less: allowance for impairment of trade receivables	(3,742)	(602)
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 at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (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	4,726	4,383
	<u>49,448</u>	<u>34,238</u>



Notes to the Interim Condensed Consolidated Financial Information (Continued)

10 BALANCES WITH RELATED PARTIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amounts due from related parties		
— Trade		
Beijing Jiahua Likang Health Investment Co., Ltd. ("Jiahua Likang") (i)	140,468	140,468
Chengdu Yunxi Ge Health Management Co., Ltd. ("Yunxi Ge") (iii)	—	874
Others	7	99
	<u>140,475</u>	<u>141,441</u>
Less: provision for impairment	<u>(112,342)</u>	<u>(111,807)</u>
	<u>28,133</u>	<u>29,634</u>
— Non-Trade		
Beijing Bairui Kangchen Technology Development Co., Ltd. ("Bairui Kangchen") (ii)	27,211	27,159
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd.	1,850	1,850
Yunxi Ge (iii)	—	2,544
Chengdu Wuhou New Century Joy City Clinic Outpatient Service Co., Ltd.	—	1,170
	<u>29,061</u>	<u>32,723</u>
Less: provision for impairment	<u>(28,657)</u>	<u>(28,120)</u>
	<u>404</u>	<u>4,603</u>
	<u>28,537</u>	<u>34,237</u>



Notes to the Interim Condensed Consolidated Financial Information (Continued)

10 BALANCES WITH RELATED PARTIES (CONTINUED)

Relationship between the above related parties and the Group are set out in Note 16.

- (i) Amounts due from Jiahua Likang primarily arose from hospital consulting services provided by the Group. In 2022, such receivables were defaulted by Jiahua Likang and the collection has been stagnated. After considering the possibility of default and loss given default, loss allowance of RMB112,335,000 was provided for amounts due from Jiahua Likang as at 30 June 2023 (31 December 2022: RMB111,800,000).
- (ii) Amounts due from Bairui Kangchen represent the loan principals and relevant interests with an annual interest rate at 4.75%. In 2022, such loan principals and relevant interests were defaulted by Bairui Kangchen due to deterioration in its financial position. The Company is of the opinion that amounts due from Bairui Kangchen have been credit impaired and then transferred to stage 3. Accordingly, after considering the possibility of default and loss given default, loss allowance of RMB26,807,000 was provided for amounts due from Bairui Kangchen as at 30 June 2023 (31 December 2022: RMB26,270,000).
- (iii) In March 2023, Yunxi Ge was disposed by its shareholder to a third-party. Accordingly, Yunxi Ge is no longer a related party of the Group upon the completion of disposal. Amounts due from Yunxi Ge have been accounted for as other receivables and prepayments in "Other receivables, deposits and prepayments" since then.

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amounts due to related parties		
— Trade		
Beijing Children's Hospital, Capital Medical University	3,719	2,278
Beijing MuHe JiaYe Property Management Co., Ltd.	2,509	2,425
Chengdu Women's and Children's Central Hospital	112	139
	6,340	4,842
— Non-Trade		
Beijing Children's Hospital, Capital Medical University	2,906	1,977
Others	15	150
	2,921	2,127
	9,261	6,969



Notes to the Interim Condensed Consolidated Financial Information (Continued)

11 TRADE PAYABLES

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 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>

12 INCOME TAX EXPENSE

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



Notes to the Interim Condensed Consolidated Financial Information (Continued)

13 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 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit/(loss) attributable to owners of the Company (RMB'000)	23,099	(233,648)
Weighted average number of ordinary shares in issue (in thousands) (i)	483,184	483,309
Basic earnings/(losses) per share (in RMB)	0.05	(0.48)

- (i) On 25 July 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 at 30 June 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 30 June 2023 and 2022, diluted earnings/(losses) per share is equal to the basic earnings/(losses) per share as there were no potential dilutive shares.



Notes to the Interim Condensed Consolidated Financial Information (Continued)

14 DIVIDENDS

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

For the six months ended 30 June 2023, a dividend of RMB8,086,000 (30 June 2022: RMB16,224,000) 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.

15 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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contracted but not provided for		
— Property, plant and equipment	1,834	170
— Intangible assets	240	87
	<u>2,074</u>	<u>257</u>



Notes to the Interim Condensed Consolidated Financial Information (Continued)

16 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
Jiahua Likang (北京嘉華麗康醫療投資管理有限公司)	Significantly 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
Bairui Kangchen (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
Yunxi Ge (成都雲禧閣健康管理有限公司) (Note)	Significantly 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)	Significantly influenced by the controlling shareholder of the Company

Note: In March 2023, Yunxi Ge was disposed by its shareholder to a third-party. Accordingly, Yunxi Ge is no longer a related party of the Group upon the completion of disposal.



Notes to the Interim Condensed Consolidated Financial Information (Continued)

16 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Examination and laboratory test services received from		
— Beijing Children's Hospital, Capital Medical University	1,405	982
— Chengdu Women's and Children's Central Hospital	10	14
Cleaning services received from		
— Beijing MuHe JiaYe Property Management Co., Ltd.	4,627	5,047
Premise rental services from		
— Chengdu Women's and Children's Central Hospital	5,000	5,457

(b) Loans to related parties

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Beginning of the period	29,009	28,811
Interest expense	52	595
	29,061	29,406
Less: provision for impairment	(28,657)	(25,083)
End of the period	404	4,323



Notes to the Interim Condensed Consolidated Financial Information (Continued)

16 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

Balances with related parties as at 30 June 2023 and 31 December 2022 are disclosed in Note 10.

(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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries and bonus	4,200	4,627
Contribution to pension plans	153	135
Welfare and other expenses	217	258
Total	<u>4,570</u>	<u>5,020</u>

(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 this cooperation agreements, BCH agreed to provide premises on its allocated land for the business operation of BNC Children's Hospital without extra charges to each other.

17 CONTINGENCIES

The Group has been or used to be 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 its legal counsels.

18 EVENT OCCURRING AFTER REPORTING PERIOD

There were no material subsequent events occurred during the period from 30 June 2023 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 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;
“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;
“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;



Definitions (Continued)

“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;
“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 15, 2023 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;
“Nomination Committee”	the nomination committee of the Board;
“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;



Definitions (Continued)

“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;
“%”	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.