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New Century Healthcare Holding Co. Limited

新世紀醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

2017 INTERIM RESULTS HIGHLIGHTS

- Total revenue for the six months ended June 30, 2017 amounted to RMB243.2 million, representing a YoY increase of 7.4% as compared to RMB226.5 million for the six months ended June 30, 2016.
- Profit for the six months ended June 30, 2017 amounted to RMB66.9 million, representing a YoY increase of 115.7% as compared to RMB31.0 million for the six months ended June 30, 2016.
- Basic earnings per share attributable to owners of the Company for the six months ended June 30, 2017 amounted to RMB0.10 (for the six months ended June 30, 2016: RMB0.05).
- The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2017.

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended June 30, 2017 together with the comparative figures for the six months ended June 30, 2016 as set out below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2017	2016
	Note	RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	3	243,219	226,545
Cost of revenue	3	(124,494)	(115,874)
Gross profit		118,725	110,671
Selling expenses		(10,235)	(9,304)
Administrative expenses		(32,970)	(40,769)
Other income		171	263
Other gains/(losses) – net	4	14,406	(12,233)
Operating profit		90,097	48,628
Finance income		2,263	161
Finance expenses		(5,819)	(861)
Profit before income tax		86,541	47,928
Income tax expense	5	(19,632)	(16,904)
Profit for the period		66,909	31,024
Other comprehensive income		–	–
Total comprehensive income		66,909	31,024
Profit and total comprehensive income attributable to:			
Owners of the Company		47,938	14,441
Non-controlling interests		18,971	16,583
		66,909	31,024
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	6(a)	0.10	0.05
Diluted earnings per share	6(b)	0.07	0.05

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		June 30, 2017 <i>RMB'000</i> (Unaudited)	December 31, 2016 <i>RMB'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		102,546	106,510
Intangible assets		247,494	249,984
Deferred income tax assets		26,004	28,844
Total non-current assets		376,044	385,338
Current assets			
Inventories		6,039	6,449
Trade receivables	7	15,144	18,810
Other receivables, deposits and prepayments		11,030	13,120
Amounts due from related parties		44,139	24,069
Financial assets carried at fair value through profit or loss		11,573	—
Structured deposits		303,000	—
Cash and cash equivalents		634,374	188,963
Total current assets		1,025,299	251,411
Total assets		1,401,343	636,749
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	66
Share premium		2,576,092	1,538,280
Reserves		(1,519,709)	(1,519,709)
Retained earnings		108,486	60,548
		1,165,204	79,185
Non-controlling interests		41,494	55,336
Total equity		1,206,698	134,521

		June 30, 2017	December 31, 2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Convertible preferred shares		–	169,695
Deferred income tax liabilities		37,490	38,196
Other non-current liabilities		–	80,122
Total non-current liabilities		37,490	288,013
Current liabilities			
Trade payables	8	12,889	16,844
Accruals, other payables and provisions		108,260	119,815
Deferred revenue		30,487	28,519
Current income tax liabilities		2,376	3,283
Amounts due to related parties		3,143	25,774
Borrowings		–	19,980
Total current liabilities		157,155	214,215
Total liabilities		194,645	502,228
Total equity and liabilities		1,401,343	636,749

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

New Century Healthcare Holding Co. Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in provision of pediatrics and obstetrics and gynecology specialty services in Beijing, the People’s Republic of China (the “**PRC**”). The Group also provides hospital consulting services to Beijing Jiahua Likang Health Investment Co., Ltd. (“**Jiahua Likang**”), a related party of the Group, relating to the for-profit private hospitals invested by Jiahua Likang, all of which are outside Beijing.

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, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**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

This interim condensed consolidated financial information for the six months ended June 30, 2017 has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), ‘Interim Financial Reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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.

The CODM considers the business from both the service and product perspective and reviews the Group's business performance by service line rather than by legal entity. The Group aggregates businesses that have similar economic characteristics, such as: (i) the nature of the products and services; (ii) the nature of the production processes; (iii) the type or class of customers for their products and services; (iv) the methods used to distribute their products or provide their services; and (v) if applicable, the nature of the regulatory environment.

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.

Management is of the view that pediatric services and obstetric and gynecologic services are different in terms of the nature of businesses, including but not limited to different customers, different medical personnel involved, different medical procedures and different financial performance. Management recognizes revenue and identifiable direct cost and expenses in relation to pediatric services and obstetric and gynecologic services in the Group's business and accounting systems separately. Management uses a reasonable and consistent basis with reference to some historical information, e.g. areas occupied, in determining those common costs and expenses incurred in pediatric services and obstetric and gynecologic services to be attributable to each segment and prepare discrete financial information for the CODM to review. As a result, discrete segmental financial information is available for the creation and disclosure of segment reports for the different services provided by the Group.

The Group's operating and reportable segments for segment reporting purpose are as follows:

(a) Pediatrics

Revenue derived from specialized pediatric services, is contributed by Beijing New Century International Children's Hospital Co., Ltd. ("**BNC Children's Hospital**"), Beijing New Century Harmony Clinic Co., Ltd. ("**BNC Harmony Clinic**") and Beijing New Century Women's and Children's Hospital Co., Ltd. ("**BNC Women's and Children's Hospital**"), the subsidiaries of the Company.

(b) Obstetrics and gynecology

Revenue derived from specialized obstetric and gynecologic services, is mainly contributed by BNC Women's and Children's Hospital.

(c) *Hospital consulting services*

The Group provides hospital consulting services to Jiahua Likang and its hospital subsidiaries under hospital consulting service agreements. The Group receives hospital consulting fees from Jiahua Likang.

(d) *Others*

The Group provides marketing services and operates canteens, gift and groceries shops in its own hospitals.

The accounting policies of the operating segments are the same as the Group's accounting policies described in those annual financial statements as at December 31, 2016.

For the purposes of monitoring segment performances and allocating resources between segments, segment results represent the profit before tax earned by each segment, without allocation of finance income, finance expense, other income, other gains/(losses) – net and listing expense that not directly related to the respective segments, which represent the internally generated financial information regularly reviewed by the CODM. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for cash and cash equivalents, deferred income tax assets and other assets that not directly related to the respective segment. Segment liabilities exclude borrowings, tax payable and other liabilities that not directly related to the respective segment.

No geographical information is presented as all of the Group's revenue is derived from activities in the PRC, and the Group's operations and non-current assets are mainly located in the PRC.

Revenues of approximately RMB18,934,000 for the six months ended June 30, 2017 are derived from a single external customer. These revenues are attributable to the hospital consulting services segment (June 30, 2016: RMB13,124,000).

	Pediatrics <i>RMB'000</i>	Obstetrics and Gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)						
Six months ended						
June 30, 2017						
Revenue	185,275	36,412	18,934	2,598	–	243,219
Cost of revenue	88,863	26,447	6,616	2,568	–	124,494
Segment results	72,507	1,086	7,809	30	–	81,432
Unallocated income					16,943	16,943
Unallocated cost					(11,834)	(11,834)
Profit before income tax	72,507	1,086	7,809	30	5,109	86,541
Income tax expense					(19,632)	(19,632)
Profit after income tax						66,909
As at June 30, 2017						
Assets						
Segment assets	218,796	63,140	46,774	–	–	328,710
Goodwill	86,779	10,903	–	–	–	97,682
Unallocated assets					974,951	974,951
Total assets	305,575	74,043	46,774	–	974,951	1,401,343
Total liabilities	77,697	47,612	4,298	–	65,038	194,645

	Pediatrics <i>RMB'000</i>	Obstetrics and Gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
(Audited)						
Six months ended						
June 30, 2016						
Revenue	172,931	37,729	13,124	2,761	–	226,545
Cost of revenue	85,639	22,495	5,899	1,841	–	115,874
Segment results	59,908	4,241	6,645	920	–	71,714
Unallocated income					424	424
Unallocated cost					(24,210)	<u>(24,210)</u>
Profit before income tax	59,908	4,241	6,645	920	(23,786)	47,928
Income tax expense					(16,904)	<u>(16,904)</u>
Profit after income tax						<u><u>31,024</u></u>
As at December 31, 2016						
Assets						
Segment assets	226,097	69,219	24,496	–	–	319,812
Goodwill	86,779	10,903	–	–	–	97,682
Unallocated assets					219,255	<u>219,255</u>
Total assets	312,876	80,122	24,496	–	219,255	<u><u>636,749</u></u>
Total liabilities	85,342	47,303	2,027	–	367,556	<u><u>502,228</u></u>

4 Other gains/(losses) – net

	Six months ended June 30,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Losses on disposal of property, plant and equipment	(103)	(13)
Fair value changes of convertible preferred shares and other non-current liabilities	14,436	(27,497)
Gains on liability settlement by equity instrument	–	15,277
Gains on financial assets carried at fair value through profit or loss	73	–
	<u>14,406</u>	<u>(12,233)</u>

5 Income tax expense

	Six months ended June 30,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Current income taxation:		
– PRC corporate income tax	17,498	15,953
Deferred income tax	2,134	951
	<u>19,632</u>	<u>16,904</u>

(a) *Cayman Islands income tax*

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) *PRC Corporate Income Tax*

Subsidiaries established and operating in Mainland China are subject to PRC corporate income tax at the rate of 25%.

(c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the six months ended June 30, 2017 and 2016. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the six months ended June 30, 2017 and the six months ended June 30, 2016.

6 Earnings per share (“EPS”)

(a) Basic

Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2017.

	Six months ended June 30,	
	2017	2016
	(Unaudited)	(Audited)
Profit attributable to owners of the Company (RMB '000)	<u>47,718</u>	<u>13,588</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>460,704</u>	<u>248,773</u>
Basic EPS (in RMB)	<u><u>0.10</u></u>	<u><u>0.05</u></u>

(b) Diluted

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares before the capitalization issue: 7,542,002 Group B Preferred Shares and 3,560,993 ordinary shares redesignated as other non-current liabilities, which were granted the same rights of Group B Preferred Shares. The convertible preferred shares and other non-current liabilities are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the impact of fair value change of convertible preferred shares and other non-current liabilities.

	Six months ended June 30,	
	2017	2016
	(Unaudited)	(Audited)
Profit attributable to owners of the Company (RMB'000)	47,718	13,588
Fair value change and exchange gain of the convertible preferred share (RMB'000)	(14,436)	27,497
Profit used to determine diluted EPS (RMB'000)	33,282	41,085
Weighted average number of ordinary shares in issue (in thousands)	460,704	248,773
Adjusted for:		
– Assumed conversion of convertible preferred shares and other non-current liabilities (in thousands)	3,603	65,578
Weighted average number of ordinary shares for diluted EPS (in thousands)	464,307	314,351
Diluted EPS (in RMB)	0.07	0.05

The calculation of basic EPS has not considered the 6,548,602 ordinary shares, before the Capitalization Issue, with liquidation preference from February 18, 2016 as these shares are not considered as ordinary shares that are subordinated to all other class of equity instrument. The profit attributable to those shares is also excluded from the calculation from February 18, 2016 to January 18, 2017 when the liquidation preference right has been terminated. These shares are not included in the calculation of diluted EPS during the same period as they do not have dilutive effect.

Both the calculation of basic EPS and diluted EPS for the six months ended 30 June 2017 have not considered the 2,757,744 shares which were issued under the restricted share award scheme as no shares have been granted or agreed to be granted by the Company as at June 30, 2017 pursuant to the RSA Scheme.

7 Trade receivables

	As at June 30, 2017 <i>RMB'000</i> (Unaudited)	As at December 31, 2016 <i>RMB'000</i> (Audited)
Trade receivables	15,166	18,832
Less: allowance for impairment of trade receivables	<u>(22)</u>	<u>(22)</u>
Trade receivables – net	<u>15,144</u>	<u>18,810</u>

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

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

	As at June 30, 2017 <i>RMB'000</i> (Unaudited)	As at December 31, 2016 <i>RMB'000</i> (Audited)
Up to 3 months	11,739	17,175
4–6 months	2,468	1,077
7 months–1 year	769	249
Over 1 year	<u>190</u>	<u>331</u>
	<u>15,166</u>	<u>18,832</u>

8 Trade payables

At June 30, 2017, the ageing analysis of the trade payables based on invoice date were as follows:

	As at June 30, 2017 <i>RMB'000</i> (Unaudited)	As at December 31, 2016 <i>RMB'000</i> (Audited)
Up to 3 months	7,701	12,139
4–6 months	3,806	3,953
7 months–1 year	1,160	401
Over 1 year	222	351
	12,889	16,844

9 Dividends

According to the shareholder resolution of BNC Children's Hospital, a dividend of RMB32,813,000 was paid to Beijing Children Hospital in May 2017.

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2017 (June 30, 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

In the first half of 2017, we adhered to our established strategies, continued to improve our operational and management capabilities, sought new business opportunities, strove to explore the market, introduced new projects and models, and further promoted the sustainable development of our Group under our brand name “New Century Healthcare”. In the first half of 2017, while we maintained the continuous and stable development, we also introduced new projects, and seized new opportunities to lay the foundation for further improvement.

Our Group started to further shape the development layout in the Beijing market and made multiple breakthroughs in the settings of the clinics and outpatient services. The commencement of the establishment of expert clinics, general pediatric specialist outpatient department, obstetrics and gynecology outpatient department demonstrated our efforts to lay out satellite clinics in Beijing; our Group also continued to develop new market in the tier-1 cities and sought suitable investment opportunities so as to enlarge our market coverage. Our Group also took measures to further promote and cultivate our “family doctor club” membership program, which has a history of over a decade. Meanwhile, our Group began to carry out online business and construct telemedicine platform. The online business development, together with the support of our high-quality medical resources, greatly enhances our relationship with our new and existing middle to high-end customers. The construction of telemedicine and remote diagnosis platform greatly facilitates the allocation of our specialist and expert teams, and provides a high level of medical support for our customers on our medical platform.

Our Group continued to uphold its principle of building private hospitals with high-quality medical services as well as academic excellence. Our Group is committed to strict medical quality management. We have conducted regular academic discussions and conferences which cover different subjects and topics, and have sent medical personnel to the world’s top medical institutions for academic exchanges and training in order to broaden their horizons and adopt new technologies and concept for the enhancement of our medical services and operational standards.

In the first half of 2017, our pediatric surgery business has grown rapidly. While our Group maintained its previous advantages and specialties (such as pediatric surgery under anesthesia using NMR technology, pediatric circumcision surgery, treatment of Kawasaki disease in children, psychological counseling, nutrition guidance and midwives clinic), we further developed pediatric stomatologic treatment under anesthesia, treatment of cleft lip and palate and other medical treatment methods.

Our Group explored new medical services model in the Internet era and communicated with different doctor groups and medical technology innovation companies in respect of the cooperation in gynecology and obstetrics, pediatrics and other areas. With development of our existing business and cooperation with a variety of medical models, we explored new directions for the extension of our medical business. To further expand our medical network as our Group grows, we are also exploring opportunities in other major cities with similar demographic features as those of tier-1 cities.

In the first half of 2017, our Group began to provide hospital consulting services in Qingdao, Foshan and other places. In the first half of 2017, the income from hospital consulting services is RMB18.9 million. With the development in recent years, our Group built a highly effective hospital consulting team, which can provide management services on a systematic basis. With the liberalization of health reform policies in different cities, improvement of marketization for medical institutions, and rapid development of new medical institutions in various regions, there is a rigid demand for standardized hospital consulting services, which is expected to lead to a substantial development of our hospital consulting business in the next few years. With the continuous development of our business, introduction of new business models and technologies, and with the benefits from the introduction and implementation of various medical reform policies for development of private medical institutions, we strive to become a nation-wide medical healthcare group which provides consistent and high-quality medical services.

Our Group continued to be the leader in China's middle to high-end pediatric medical services in 2016. According to the latest survey by the industry consultant, Shanghai Renxi Management Consulting Co., Ltd. (上海仁汐管理諮詢有限公司), based on the revenue in 2016, our Group ranked the first with a market share of 11.5%⁽¹⁾ in China's middle to high-end pediatric medical services industry. Our Group ranked the first with a market share of 52% in Beijing's middle to high-end pediatric medical services industry and the fifth with a market share of 3.9% in Beijing's middle to high-end gynecology and obstetrics medical services industry.

(1) The market share will be 14% if the 2016 revenue from other medical institutions that are not owned by our Group but are operated under our brand name of "New Century Healthcare" is also included.

FINANCIAL REVIEW

Segment Revenue

We generate revenue primarily from providing (i) medical services, including pediatric services and obstetric and gynecologic services, and (ii) hospital consulting services. The following table sets forth a breakdown for the periods indicated:

Six months ended June 30,				
	2017		2016	
<i>(in thousands of RMB, except percentages)</i>				
Medical services	221,687	91.1%	210,660	93.0%
Hospital consulting services	18,934	7.8	13,124	5.8
Others ⁽¹⁾	2,598	1.1	2,761	1.2
Total	<u>243,219</u>	<u>100.0%</u>	<u>226,545</u>	<u>100.0%</u>

(1) Include revenue from cafeteria and gift shop sales at our medical institutions.

Medical Services

Our revenue from the provision of medical services consists of healthcare services fees and revenue from pharmaceutical sales. The following table sets forth the revenue, cost of revenue, gross profit and gross profit margin of our medical services for the periods indicated:

Six months ended June 30,		
	2017	2016
<i>(in thousands of RMB, except percentages)</i>		
Revenue	221,687	210,660
Cost of revenue	115,310	108,134
Gross profit	106,377	102,526
Gross profit margin	48.0%	48.7%

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,			
	2017		2016	
	(in thousands of RMB, except percentages)			
Pediatric services	185,275	76.1%	172,931	76.3%
Obstetric and gynecologic services	36,412	15.0	37,729	16.7
Total	221,687	91.1%	210,660	93.0%

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,	
	2017	2016
Group⁽¹⁾		
Inpatients		
Inpatient visits	4,031	3,912
Revenue from medical services attributable to inpatients <i>(in thousands of RMB)</i>	98,398	93,491
Average inpatient spending per visit <i>(RMB)</i>	24,410	23,899
Outpatients		
Outpatient visits ⁽²⁾	90,651	87,776
Revenue from medical services attributable to outpatients <i>(in thousands of RMB)</i>	102,176	98,852
Average outpatient spending per visit <i>(RMB)</i>	1,127	1,126
Revenue recognized for membership card sales <i>(in thousands of RMB)</i>	21,113	18,317

(1) In addition to revenue from medical services attributable to inpatients and outpatients, our medical services revenue also included the revenue recognized from the membership card sales.

(2) Include accident and emergency visits.

Revenue from provision of our medical services amounted to RMB221.7 million for the six months ended June 30, 2017, representing a 5.2% YoY increase and accounting for 91.1% of the Group's total revenue. This increase was primarily due to (i) the YoY increase in business volume of medical services attributable to outpatients and inpatients by 3.3% and 3.0% respectively which results in the increase in revenue by RMB8.2 million; and (ii) the increase in revenue recognized from the membership card sales by RMB 2.8 million.

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, 2017 reached RMB115.3 million, representing a YoY increase of 6.6%. This increase was primarily a result of the increase in employee-related cost for physicians and other medical staff.

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,	
	2017	2016
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	18,934	13,124
Cost of revenue	6,616	5,899
Gross profit	12,318	7,225
Gross profit margin	65.1%	55.1%

The YoY increases in the revenue, cost of revenue and gross profit of our hospital consulting services were primarily due to the increase in business volume of the hospital consulting services driven by the consulting project in Foshan and the nearly commenced project in Qingdao. The gross profit margin of our hospital consulting services increased from 55.1% for the six months ended June 30, 2016 to 65.1% for the six months ended June 30, 2017, primarily because of the increase in revenue from providing hospital consulting services and the relatively stable consulting employee-related cost.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2017 amounted to RMB118.7 million, representing a YoY increase of 7.3%. This was mainly due to (i) the increase in gross profit brought by the increase in revenue from the medical services; and (ii) the increase in gross profit brought by the increase in revenue from the hospital consulting services. Our gross profit margin for the six months ended June 30, 2017 remained stable at 48.8% as compared to 48.9% for the six months ended June 30, 2016.

Selling Expenses

Our selling expenses for the six months ended June 30, 2017 amounted to RMB10.2 million, representing a YoY increase of 10.0%, which was primarily due to the increase in marketing promotion expenses for business development.

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2017 amounted to RMB33.0 million, a decrease from RMB40.8 million for the six months ended June 30, 2016. Such decrease was mainly a result of (i) the decrease in expenses of RMB8.9 million in relation to the Listing; and (ii) the increase in other administrative expenses of RMB1.1 million.

Other Income

Our other income for the six months ended June 30, 2017 decreased significantly to RMB171,000 from RMB263,000 for the six months ended June 30, 2016. Such decrease was mainly due to the fact that the government subsidy for 2016 was actually paid to the Company in July 2017.

Other Gains/(Losses) – Net

Our other gains (net) for the six months ended June 30, 2017 amounted to RMB14.4 million, as compared to other losses (net) of RMB12.2 million for the six months ended June 30, 2016. Our other gains (net) for the six months ended June 30, 2017 were mainly a result of the gains from the fair value changes of preferred shares and other non-current liabilities before their conversion into ordinary shares of the Company at the time of Listing.

Finance Income and Expenses

Our finance income for the six months ended June 30, 2017 increased significantly from RMB161,000 for the six months ended June 30, 2016 to RMB2.3 million which was mainly a result of the interest income from the deposit of the net proceeds from the global offering. Our finance expenses for the six months ended June 30, 2017 amounted to RMB5.8 million, a significant increase from RMB861,000 for the six months ended June 30, 2016, primarily due to (i) the exchange loss of RMB5.8 million arising from the net proceeds from the global offering at the end of the reporting period for the six months ended June 30, 2017; and (ii) the advance repayment of bank borrowings in order to reduce the interest expenses of RMB0.8 million.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2017 amounted to RMB19.6 million, representing a YoY increase of 16.1%, which was mainly due to the increase in our profit before income tax from RMB47.9 million for the six months ended June 30, 2016 to RMB86.5 million for the six months ended June 30, 2017. Our effective tax rate was 22.7% and 35.3% for the six months ended June 30, 2017 and for the six months ended June 30, 2016, respectively.

Profit for the six months ended June 30, 2017

Our profit for the six months ended June 30, 2017 amounted to RMB66.9 million, a significant increase from RMB31.0 million for the six months ended June 30, 2016.

FINANCIAL POSITION

Inventories

Our inventories decreased by 6.4% from RMB6.4 million as of December 31, 2016 to RMB6.0 million as of June 30, 2017 primarily due to the growth of our business.

Trade Receivables

Our trade receivables decreased by 19.5% from RMB18.8 million as of December 31, 2016 to RMB15.1 million as of June 30, 2017 primarily driven by our enhanced effort to collect trade receivables.

Trade Payables

Our trade payables decreased by 23.5% from RMB16.8 million as of December 31, 2016 to RMB12.9 million as of June 30, 2017 primarily due to the shortening of payment period for certain supplies in order to obtain a more favorable purchase price.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2017, we had cash and cash equivalents of RMB634.4 million (December 31, 2016: RMB189.0 million). We did not have any interest-bearing liabilities as of June 30, 2017 (December 31, 2016: RMB20.0 million).

Significant Investments, Acquisitions and Disposals

During the six months ended June 30, 2017, we did not have any significant investment.

During the six months ended June 30, 2017, we had no material acquisition or disposal.

INDEBTEDNESS

Borrowings

As of June 30, 2017, we did not have any borrowings, as compared to RMB20.0 million as of December 31, 2016. The bank loan, borrowed on December 23, 2015, has a fixed interest rate of 5.7% and will be matured on December 13, 2017. The 100.0% YoY decrease in our borrowings was resulted from the advance repayment of bank borrowings in order to reduce the interest expenses.

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB and therefore have minimal exposure to foreign exchange risk. 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, 2017, 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, 2017, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2017, we did not have any contractual obligations that would have a material effect on our financial position or results of operations.

Financial Instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, amounts due from related parties, financial assets carried at fair value through profit or loss, structured deposits, cash and cash equivalents, borrowings, trade payables, other payables excluding non-financial liabilities, amounts due to related parties, convertible preferred shares and other non-current liabilities. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effective manner.

Gearing Ratio

As of June 30, 2017, we did not have any borrowings and the gearing ratio, calculated as total borrowings divided by total equity, was 0.0%. Our gearing ratio as of December 31, 2016 was 14.9%.

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2017, the Group had 771 employees (June 30, 2016: 702 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2017 amounted to RMB86.5 million (for the six months ended June 30, 2016: RMB77.4 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other staff benefits include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus.

The Group has adopted the RSA Scheme to attract, retain and monitor our key employees. 9,000,000 restricted shares have been granted to 2 Directors and 265 employees of the Group up to the date of this announcement. Details of the grant of restricted shares are set out in the announcement of the Company dated July 25, 2017.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2017.

CORPORATE GOVERNANCE PRACTICE

The Board of Directors is committed to maintaining high corporate governance standards.

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. During the period from the Listing Date up to the date of this announcement, the Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules which are applicable to the Company save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jason ZHOU is both our chairman and chief executive officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe that he is instrumental to our growth and business expansion since our establishment in 2002. 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, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of chairman and chief executive officer. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the period from the Listing Date to June 30, 2017. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received by the Company from the global offering amounted to HK\$857.2 million after deducting underwriting commissions and all related expenses, and were being kept at the bank accounts of the Group as of June 30, 2017. The net proceeds received from the global offering will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Since the Listing of the Company and up to June 30, 2017, the proceeds from the Listing were not applied for any use.

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

During the period from the Listing Date up to June 30, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The Audit Committee comprises two independent non-executive Directors, namely, Mr. SUN Hongbin and Mr. JIANG Yanfu, and a non-executive Director, Dr. HE Xin. The chairman of the Audit Committee is Mr. SUN Hongbin.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2017 and was of the opinion that the preparation of such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On July 25, 2017, 9,000,000 restricted shares were granted to 2 Directors and 265 employees of the Group.

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, 2017 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

“Audit Committee”	the audit committee of the Board;
“BNC Children’s Hospital”	Beijing New Century Children’s Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability on December 13, 2002, which is a non-wholly-owned subsidiary of the Company;
“BNC Harmony Clinic”	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is a non-wholly-owned subsidiary of the Company;
“BNC Women’s and Children’s Hospital”	Beijing New Century Women’s and Children’s Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on January 4, 2012, which is a non-wholly-owned subsidiary of the Company;
“Board” or “Board of Directors”	the board of Directors of the Company;
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;

“China” or “PRC”	the People’s Republic of China; for the purpose of this announcement only, references to “China” or the “PRC” do not include Taiwan, the Macau Special Administrative Region and Hong Kong;
“Company”	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability on July 31, 2015, the Shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	directors of the Company;
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries;
“HKEx”	Hong Kong Exchanges and Clearing Limited;
“HKFRS”	Hong Kong Financial Reporting Standards;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“Listing Date”	the date on which dealings in the Shares first commenced on the Stock Exchange, i.e. January 18, 2017;
“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;
“Prospectus”	the prospectus dated December 30, 2016 issued by the Company;
“Remuneration Committee”	the remuneration committee of the Board;

“RMB”	Renminbi, the lawful currency of the PRC;
“RSA Scheme”	the restricted share award scheme approved and adopted by the Company on August 29, 2016;
“Shareholder(s)”	holder(s) of the Share(s);
“Shares(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tier 1 Cities”	Beijing, Shanghai, Guangzhou and Shenzhen or, where the context so requires, any of them;
“YoY”	year-on-year; and
“%”	percent.

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

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

Hong Kong, August 28, 2017

As of the date of this announcement, the executive Directors are Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han; the non-executive Directors are Ms. LIANG Yanqing, Dr. HE Xin, Mr. WANG Siye and Ms. ZHANG Lan; and the independent non-executive Directors are Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing.