# 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

# 2017
# INTERIM REPORT

# Contents



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

# Corporate Information

## DIRECTORS

### Executive Directors:

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

### Non-executive Directors:

Ms. LIANG Yanqing
Dr. HE Xin
Mr. WANG Siye
Ms. ZHANG Lan

### Independent Non-executive Directors:

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

## AUDIT COMMITTEE

Mr. SUN Hongbin *(Chairman)*
Dr. HE Xin
Mr. JIANG Yanfu

## REMUNERATION COMMITTEE

Mr. WU Guanxiong *(Chairman)*
Ms. LIANG Yanqing
Dr. Ma Jing

## NOMINATION COMMITTEE

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

## AUTHORIZED REPRESENTATIVES

Mr. XU Han
Mr. JIA Xiaofeng

## JOINT COMPANY SECRETARIES

Mr. JIA Xiaofeng
Ms. WONG Sau Ping

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

56 Nanlishi Road
Xicheng District
Beijing
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

## REGISTERED OFFICE

c/o Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1–9008
Cayman Islands

# Corporate Information (Continued)

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1–9008
Cayman Islands

## HONG KONG SHARE REGISTRAR

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

## AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants*
22/F, Prince's Building
Central, Hong Kong

## LEGAL ADVISER

Sullivan & Cromwell (Hong Kong) LLP
28th Floor
Nine Queen's Road Central
Hong Kong

## COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

## PRINCIPAL BANKER

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

## STOCK CODE

01518

## COMPANY WEBSITE

www.ncich.com.cn

# Management Discussion and Analysis

## BUSINESS OVERVIEW 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.

# Management Discussion and Analysis (Continued)

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.

*Note:*

(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.

# Management Discussion and Analysis (Continued)

## 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 | |
| | *(in thousands of RMB, except percentages)* | | | |
| 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 | 243,219 | 100.0% | 226,545 | 100.0% |

*Note:*

(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 |
| | *(in thousands of RMB, except percentages)* | |
| 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% |

# 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, | | | |
|---|---|---|---|---|
| | 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 *(in thousands of RMB)* | 98,398 | 93,491 |
| Average inpatient spending per visit *(RMB)* | 24,410 | 23,899 |
| Outpatients | | |
| Outpatient visits[(2)] | 90,651 | 87,776 |
| Revenue from medical services attributable to outpatients *(in thousands of RMB)* | 102,176 | 98,852 |
| Average outpatient spending per visit *(RMB)* | 1,127 | 1,126 |
| Revenue recognized for membership card sales *(in thousands of RMB)* | 21,113 | 18,317 |

*Notes:*

(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.

# Management Discussion and Analysis (Continued)

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 RMB2.8 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 |
| | *(in thousands of RMB, except percentages)* | |
| 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.

# Management Discussion and Analysis (Continued)

## 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

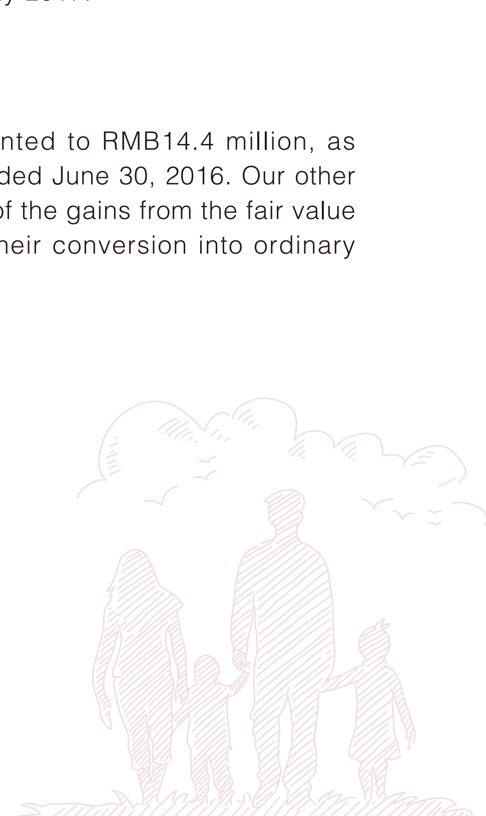
Our administrative expenses for the six months ended June 30, 2017 amounted to RMB33.0 million, a decrease from RMB40.8 million for the six months ended June 30, 2016. Such decrease was mainly a result of (i) the decrease in expenses of RMB8.9 million in relation to the Listing; and (ii) the increase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



# Management Discussion and Analysis (Continued)

### 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.

# Management Discussion and Analysis (Continued)

## 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.

# Management Discussion and Analysis (Continued)

### 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%.

We adopted the funding and treasury policy which suits our business operation needs. This policy will be reviewed on an annual basis.

## 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. Training courses and conferences aimed at improving team members' knowledge and skills were organized during the period.

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 Latest Practicable Date. 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.

# Management Discussion and Analysis (Continued)

## INTERIM DIVIDEND

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

## 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.

# Corporate Governance Highlights

## 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 Latest Practicable Date, the Company has applied and complied with 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.

# Corporate Governance Highlights (Continued)

## REVIEW OF INTERIM REPORT

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 this interim report and was of the opinion that the preparation of such interim results and this 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.

## DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Dr. HE Xin, a non-executive Director, retired as non-executive director of Wenzhou Kangning Hospital Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 2120), with effect from June 14, 2017.

Save as disclosed herein, during the period from the disclosure in the Company's 2016 annual report up to the Latest Practicable Date, there had been no change in Director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# Other Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

### (a) Interests/short positions in the Shares of the Company

| Name of Director or Chief Executive | Capacity and nature of interest | Number of Shares[1] | Approximate percentage of interest in the Company |
|---|---|---|---|
| Mr. Zhou[2] | Interests in a controlled corporation; interest held jointly with another person | 215,816,894 | 44.0% |
| Ms. Liang[3] | Interests in a controlled corporation | 57,740,181 | 11.8% |
| XIN Hong[4] | Beneficial owner | 450,000 | 0.09% |
| XU Han[5] | Beneficial owner | 450,000 | 0.09% |

*Notes:*

1. All interests stated are long positions.

2. The entire issued share capital of each of JoeCare and Century Star is directly held by Mr. Zhou. Accordingly, Mr. Zhou is deemed to be interested in the 149,077,551 Shares held by JoeCare and the 8,999,162 Shares held by Century Star. Pursuant to the Voting Agreement, 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. Hence, Mr. Zhou is deemed to be interested in all the Shares held by Ms. Liang in aggregate by virtue of the SFO.

3. The entire issued share capital of Victor Gains is directly held by Ms. Liang. Accordingly, Ms. Liang is deemed to be interested in the 57,740,181 Shares held by Victor Gains. Pursuant to the Voting Agreement, 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.

4. Ms. XIN Hong is interested in 450,000 restricted Shares granted to her under the RSA Scheme, 76,500 of which have vested in her.

5. Mr. XU Han is interested in 450,000 restricted Shares granted to him under the RSA Scheme, 76,500 of which have vested in him.

# Other Information (Continued)

## (b) Interests/short positions in the share capital or debentures of the associated corporations of the Company

| Name of Director or Chief Executive | Name of associated corporation of the Company | Capacity and nature of interest | Number of shares in the corporation | Approximate percentage of interest in the corporation |
|---|---|---|---|---|
| Mr. Zhou | BNC Women's and Children's Hospital | Interest of controlled corporation; interest of spouse[1] | N/A | 30% |
| Mr. Zhou | BNC Harmony Clinic | Interest of controlled corporation; interest of spouse[2] | N/A | 30% |

*Notes:*

1. BNC Women's and Children's Hospital is held as to 70% by Jiahua Yihe, a wholly-owned subsidiary of the Company, and as to 30% by Jiahua Kangming, a PRC company controlled by (as defined in the SFO) Mr. Zhou.

2. BNC Harmony Clinic is held as to 70% by Jiahua Yihe, a wholly-owned subsidiary of our Company, and as to 30% by Jiahua Kangming, a PRC company controlled by (as defined in the SFO) Mr. Zhou.

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

# Other Information (Continued)

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

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

| Name of Shareholders | Capacity and nature of interest | Number of Shares | Approximate percentage of interest in the Company |
|---|---|---|---|
| JoeCare | Beneficial owner | 149,077,551 | 30.4% |
| Victor Gains | Beneficial owner | 57,740,181 | 11.8% |
| CDH Fuji | Beneficial owner | 29,865,602 | 6.1% |
| CDH Fuyi | Beneficial owner | 29,865,602 | 6.1% |
| CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司)[2] | Interests in a controlled corporation | 29,865,602 | 6.1% |
| CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司)[1][2] | Interests in a controlled corporation | 59,731,204 | 12.2% |
| Tianjin Taiding Investment[1][2] | Interests in a controlled corporation | 59,731,204 | 12.2% |
| Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司)[1][2] | Interests in a controlled corporation | 59,731,204 | 12.2% |
| Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司)[1][2] | Interests in a controlled corporation | 59,731,204 | 12.2% |
| Mr. WU Shangzhi[1][2] | Interests in a controlled corporation | 59,731,204 | 12.2% |
| Mr. JIAO Shuge[1][2] | Interests in a controlled corporation | 59,731,204 | 12.2% |
| Boyu AH | 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% |

# Other Information (Continued)

| Name of Shareholders | Capacity and nature of interest | Number of Shares | Approximate percentage of interest in the Company |
|---|---|---|---|
| Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)(3) | Interests in a controlled corporation | 31,562,713 | 6.4% |
| XIA Meiying(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 | 31,609,000 | 6.5% |
| China Reinsurance (Group) Corporation(4) | Interests in a controlled corporation | 31,609,000 | 6.5% |
| Central Huijin Investment Ltd.(4) | Interests in a controlled corporation | 31,609,000 | 6.5% |

*Notes:*

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

2. CDH Fuyi is a limited liability partnership organized and existing under the laws of the PRC. The general partner of CDH Fuyi is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司), which is owned directly as to 57.2% by CDH Equity Investment Management (Tianjin) Co., Ltd. and as to 42.8% by certain other investors, none of which is entitled to exercise or control the exercise of one third or more of the voting rights of CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司). The general partner of CDH Fuji is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司), which is owned directly as to 85.4% by Tianjin Taiding Investment. Tianjin Taiding Investment is owned directly as to 55.0% by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 45.0% by Tianjin Weiyuan Investment Management Co., Ltd. (whose entire issued share capital is held by Mr. JIAO Shuge). Accordingly, each of CDH Huatai Investment Management (Beijing) Co., Ltd., CDH Equity Investment Management (Tianjin) Co., Ltd., Tianjin Taiding Investment, Tianjin Haoyong Investment Management Co., Ltd., Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司), Mr. WU Shangzhi and Mr. JIAO Shuge is deemed to be interested in such number of Shares held by CDH Fuyi.

3. Boyu AH is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Boyu AH is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) whose sole shareholder is Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司) which is owned as to 50% by Xia Meiying and 50% by Huang Ailian. Accordingly, each of Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司), Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), XIA Meiying and HUANG Ailian is deemed to be interested in such number of Shares held by Boyu AH.

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..

# Other Information (Continued)

Save as disclosed above, as of the Latest Practicable Date, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Division 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

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

Details of the interests of the Directors and other employees of the Group in the restricted Shares under the RSA Scheme are set out below.

| Name of grantees of restricted Shares | Position held with the Group | Number of Shares represented by the restricted Shares as of January 1, 2017 and June 30, 2017 | Date of grant | Number of Shares represented by the restricted Shares as of the date of grant | Exercise price *(RMB)* | Vested between the date of grant and the Latest Practicable Date | Lapsed between the date of grant and the Latest Practicable Date | Number of Shares represented by the restricted Shares as of the Latest Practicable Date |
|---|---|---|---|---|---|---|---|---|
| Directors | | | | | | | | |
| XIN Hong | Executive Director | – | July 25, 2017 | 450,000 | – | 76,500 | – | 373,500 |
| XU Han | Executive Director | – | July 25, 2017 | 450,000 | – | 76,500 | – | 373,500 |
| Sub-total | | | | 900,000 | – | 153,000 | – | 747,000 |
| 265 other employees of the Group | | – | July 25, 2017 | 8,100,000 | – | 1,377,000 | – | 6,723,000 |
| Sub-total | | | | 8,100,000 | – | 1,377,000 | – | 6,723,000 |

# Other Information (Continued)

The grantees of the restricted Shares granted under the RSA Scheme as referred to in the table above are not required to pay for the grant of any restricted Shares under the RSA Scheme.

For the restricted Shares granted on July 25, 2017 to the named individual grantee of the restricted Shares set out in the table above, subject to certain vesting conditions, they shall vest as follows:

(i) as to 17% of the restricted Shares on July 25, 2017;

(ii) as to 23% of the restricted Shares on July 25, 2018;

(iii) as to 30% of the restricted Shares on July 25, 2019; and

(iv) as to the remaining 30% of the restricted Shares on July 25, 2020.

## DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

## 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.

# Other Information (Continued)

## 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.

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

Hong Kong, September 19, 2017

# Report on Review of Interim Financial Information

To The Board Of Directors Of New Century Healthcare Holding Co. Limited
*(incorporated in Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 62, 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 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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". 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 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
*Certified Public Accountants*

Hong Kong, 28 August 2017

# Interim Condensed Consolidated Balance Sheet

| | Note | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 102,546 | 106,510 |
| Intangible assets | 7 | 247,494 | 249,984 |
| Deferred income tax assets | 17 | 26,004 | 28,844 |
| **Total non-current assets** | | 376,044 | 385,338 |
| **Current assets** | | | |
| Inventories | | 6,039 | 6,449 |
| Trade receivables | 8 | 15,144 | 18,810 |
| Other receivables, deposits and prepayments | 9 | 11,030 | 13,120 |
| Amounts due from related parties | 10 | 44,139 | 24,069 |
| Financial assets carried at fair value through profit or loss | 5(3) | 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 | 11 | 335 | 66 |
| Share premium | 12 | 2,576,092 | 1,538,280 |
| Reserves | 12 | (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 |

# Interim Condensed Consolidated Balance Sheet (Continued)

| | Note | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Convertible preferred shares | 13 | – | 169,695 |
| Deferred income tax liabilities | 17 | 37,490 | 38,196 |
| Other non-current liabilities | 13 | – | 80,122 |
| Total non-current liabilities | | 37,490 | 288,013 |
| Current liabilities | | | |
| Trade payables | 14 | 12,889 | 16,844 |
| Accruals, other payables and provisions | 15 | 108,260 | 119,815 |
| Deferred revenue | 16 | 30,487 | 28,519 |
| Current income tax liabilities | | 2,376 | 3,283 |
| Amounts due to related parties | 10 | 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 |

The notes on pages 30 to 62 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

| | Note | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Audited) |
|---|---|---|---|
| Revenue | 6 | 243,219 | 226,545 |
| Cost of revenue | 18 | (124,494) | (115,874) |
| Gross profit | | 118,725 | 110,671 |
| Selling expenses | 18 | (10,235) | (9,304) |
| Administrative expenses | 18 | (32,970) | (40,769) |
| Other income | | 171 | 263 |
| Other gains/(losses) – net | 19 | 14,406 | (12,233) |
| Operating profit | | 90,097 | 48,628 |
| Finance income | 20 | 2,263 | 161 |
| Finance expenses | 20 | (5,819) | (861) |
| Profit before income tax | | 86,541 | 47,928 |
| Income tax expense | 21 | (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 | 22 | 0.10 | 0.05 |
| Diluted earnings per share | 22 | 0.07 | 0.05 |

The notes on pages 30 to 62 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Note* | Share capital *RMB'000* | Share premium *RMB'000* | Reserves *RMB'000* | Retained earnings *RMB'000* | Total *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| (Unaudited) | | | | | | | | |
| Balance at 1 January 2017 | | 66 | 1,538,280 | (1,519,709) | 60,548 | 79,185 | 55,336 | 134,521 |
| Comprehensive income | | | | | | | | |
| – Profit for the period | | – | – | – | 47,938 | 47,938 | 18,971 | 66,909 |
| Transactions with owners | | | | | | | | |
| – Dividends | 23 | – | – | – | – | – | (32,813) | (32,813) |
| – Issuance of new ordinary shares | 11(a) | 90 | 845,363 | – | – | 845,453 | – | 845,453 |
| – Capitalization issue | 11(b) | 171 | (171) | – | – | – | – | – |
| – Conversion from preferred shares into ordinary shares | 11(c) | 6 | 159,883 | – | – | 159,889 | – | 159,889 |
| – Conversion from ordinary shares with preference rights to ordinary shares | 11(c) | 2 | 75,490 | – | – | 75,492 | – | 75,492 |
| – Share issuance costs | | – | (42,753) | – | – | (42,753) | – | (42,753) |
| Total transactions with owners | | 269 | 1,037,812 | – | – | 1,038,081 | (32,813) | 1,005,268 |
| Balance at 30 June 2017 | | 335 | 2,576,092 | (1,519,709) | 108,486 | 1,165,204 | 41,494 | 1,206,698 |

# Interim Condensed Consolidated Statement of Changes In Equity (Continued)

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Reserves RMB'000 | Retained earnings/ (accumulated losses) RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| (Audited) | | | | | | | | |
| Balance at 1 January 2016 | | – | – | (32,956) | (10,545) | (43,501) | 11,107 | (32,394) |
| Comprehensive income | | | | | | | | |
| – Profit for the period | | – | – | – | 14,441 | 14,441 | 16,583 | 31,024 |
| Transactions with owners | | | | | | | | |
| – Dividends | | – | – | – | – | – | (2,024) | (2,024) |
| – Issuance of ordinary shares | | 55 | 1,192,374 | (1,192,374) | – | 55 | – | 55 |
| – Deemed distribution to the controlling shareholder | | (2) | – | (301,907) | – | (301,909) | – | (301,909) |
| – Liability settlement by equity instrument | | – | – | 8,555 | – | 8,555 | – | 8,555 |
| – Transaction with the non-controlling interests | | – | – | (1,027) | – | (1,027) | 7,927 | 6,900 |
| Total transactions with owners | | 53 | 1,192,374 | (1,486,753) | – | (294,326) | 5,903 | (288,423) |
| Balance at 30 June 2016 | | 53 | 1,192,374 | (1,519,709) | 3,896 | (323,386) | 33,593 | (289,793) |

The notes on pages 30 to 62 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Cash Flows

| | Note | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Audited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | 55,028 | 83,740 |
| Interest paid | | (27) | (856) |
| Interest received | 20 | 408 | 161 |
| Income tax paid | | (18,405) | (17,046) |
| **Net cash generated from operating activities** | | 37,004 | 65,999 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (3,219) | (8,581) |
| Purchases of intangible assets | 7 | (419) | (18) |
| Loan to related parties | | – | (14,500) |
| Proceeds from disposals of property, plant and equipment | | – | 2 |
| Investing in structured deposits and financial assets | | (314,500) | – |
| **Net cash used in investing activities** | | (318,138) | (23,097) |
| **Cash flows from financing activities** | | | |
| Net Proceeds from global offering and issuance of share capital | | 812,672 | – |
| Repayment of borrowings | | (19,980) | – |
| Dividends paid to the then shareholders of Beijing Jiahua Yihe Management Consulting Co., Ltd. ("**Jiahua Yihe**") | | (27,542) | – |
| Dividends paid to non-controlling interests | | (32,813) | (20,034) |
| Proceeds from issuance of convertible preferred shares | | – | 215,834 |
| Capital contribution by shareholders | | – | 55 |
| Deemed distribution to the controlling shareholder | | – | (200,000) |
| Borrowing from related parties | | – | 6 |
| **Net cash generated from/(used in) financing activities** | | 732,337 | (4,139) |
| **Net increase in cash and cash equivalents** | | 451,203 | 38,763 |
| Cash and cash equivalents at the beginning of the period | | 188,963 | 81,231 |
| Exchange losses | | (5,792) | – |
| **Cash and cash equivalents at the end of the period** | | 634,374 | 119,994 |

The notes on pages 30 to 62 form an integral part of this interim consolidated financial information.

# 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 speciality 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 owned by Jiahua Likang, all of which are outside Beijing.

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, 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 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

This interim condensed consolidated financial information for the six months ended 30 June 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 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

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

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 3 ACCOUNTING POLICIES (CONTINUED)

### (i) HKFRS 9 Financial instruments

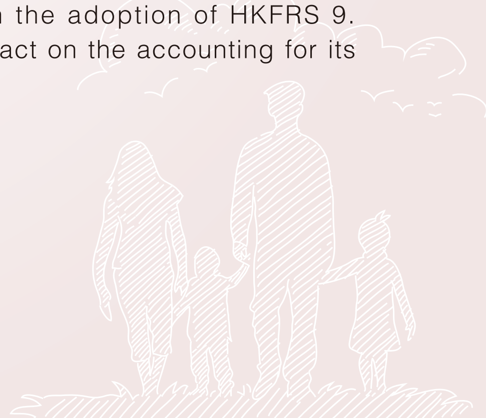
HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale (AfS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.
- A FVOCI election is available for the equity instruments which are currently classified as AfS.
- Equity investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under HKFRS 9.
- Debt instruments currently classified as held-to-maturity and measured at amortized cost appear to meet the conditions for classification at amortized cost under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the Group does not expect to identify any new hedge relationships. It would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.



# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 3 ACCOUNTING POLICIES (CONTINUED)

### (i) HKFRS 9 Financial instruments (Continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group is still finalizing the impairment model based on ECL. Management does not expect material impact on the financial statements based on the preliminary assessment.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

### (ii) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for the membership card program which including several separate performance obligations – HKFRS 15 requires that the total consideration received must be allocated to the discount right granted to customer and services elements covered under membership card program based on relative stand-alone service prices rather than based on the residual value method; this could result in the selling price of membership card being allocated to these separate services elements based on relative stand-alone selling prices and impact in the timing of the revenue recognition.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 3 ACCOUNTING POLICIES (CONTINUED)

### (ii) HKFRS 15 Revenue from contracts with customers (Continued)

Management is still finalizing the estimation of the impact related with HKFRS 15, but management does not expect material impact on the financial statements based on the preliminary assessment.

### (iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB36,556,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 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 2016.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017.

| | Level 1<br>*RMB'000* | Level 2<br>*RMB'000* | Level 3<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets carried at fair value through profit or loss (a) | – | 11,573 | – | 11,573 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Fair value estimation (Continued)

(a) Financial assets carried at fair value through profit or loss are financial assets held for trading which represents certain structured financial products purchased by the Group. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets because the management expected to hold the financial assets for six months.

Gains or losses arising from changes in the fair value of the 'financial assets carried at fair value through profit or loss' category are presented in the statement of profit or loss within 'Other gains/(losses) – net' in the period in which they arise.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Liabilities** | | | | |
| Convertible preferred shares | – | – | 169,695 | 169,695 |
| Other non-current liabilities | – | – | 80,122 | 80,122 |
| **Total** | – | – | 249,817 | 249,817 |

There were no transfers between Level 1 and Level 2 during the period.

There were no other changes in valuation techniques during the period.

### 5.4 Valuation techniques used to derive Level 2 fair values

Level 2 financial assets are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices released by financial services providers related with the structured financial products purchased by the Group.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.5 Fair value measurements using significant unobservable inputs (Level 3)

See Note 13 for disclosures of the other non-current liabilities and convertible preferred shares that are measured at fair value.

### 5.6 Group's valuation processes

At the end of 2016, the Company was approaching the completion of the global offering of the shares, the directors of the Company adopted equity allocation method to determine the fair value of other non-current liabilities and convertible preferred shares as of December 31, 2016 by reference to the mid-point of the estimated IPO price range indicated in the prospectus. The key assumptions are set out as below:

| | As of December 31, 2016 |
|---|---|
| IPO Price (Mid-Point) (HKD) | 7.36 |
| IPO probability | 95% |
| Liquidation probability | 2.5% |
| Redemption probability | 2.5% |

### 5.7 Fair value of financial assets and liabilities measured at amortized cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Other receivables, deposits and prepayments
- Amounts due from related parties
- Structured deposits
- Cash and cash equivalents
- Trade payables
- Accruals, other payables and provisions (excluding non-financial liabilities)
- Amounts due to related parties

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 6 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.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 6 SEGMENT INFORMATION (CONTINUED)

### (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 31 December 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.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 6 SEGMENT INFORMATION (CONTINUED)

### (d) Others (Continued)

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

| | Pediatrics RMB'000 | Obstetrics and Gynecology RMB'000 | Hospital consulting services RMB'000 | Others RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| (Unaudited) | | | | | | |
| Six months ended 30 June 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 30 June 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 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 6 SEGMENT INFORMATION (CONTINUED)

### (d) Others (Continued)

| | Pediatrics | Obstetrics and Gynecology | Hospital consulting services | Others | Unallocated | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (Audited) | | | | | | |
| Six months ended 30 June 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) | (24,210) |
| Profit before income tax | 59,908 | 4,241 | 6,645 | 920 | (23,786) | 47,928 |
| Income tax expense | | | | | (16,904) | (16,904) |
| Profit after income tax | | | | | | 31,024 |
| As at 31 December 2016 | | | | | | |
| Assets | | | | | | |
| Segment assets | 226,097 | 69,219 | 24,496 | – | – | 319,812 |
| Goodwill | 86,779 | 10,903 | – | – | – | 97,682 |
| Unallocated assets | | | | | 219,255 | 219,255 |
| Total assets | 312,876 | 80,122 | 24,496 | – | 219,255 | 636,749 |
| Total liabilities | 85,342 | 47,303 | 2,027 | – | 367,556 | 502,228 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| | Property, plant and equipment *RMB'000* | Medical licenses *RMB'000* | Goodwill *RMB'000* | Computer Software *RMB'000* |
|---|---|---|---|---|
| (Unaudited) | | | | |
| Six Months ended 30 June 2017 | | | | |
| Net book value | | | | |
| Opening amount as at 1 January 2017 | 106,510 | 151,122 | 97,682 | 1,180 |
| Additions | 2,455 | – | – | 419 |
| Disposals | (103) | – | – | – |
| Depreciation and amortization | (6,316) | (2,613) | – | (296) |
| Closing net book amount as at 30 June 2017 | 102,546 | 148,509 | 97,682 | 1,303 |
| (Audited) | | | | |
| Six Months ended 30 June 2016 | | | | |
| Net book value | | | | |
| Opening amount as at 1 January 2016 | 114,359 | 156,348 | 97,682 | 1,337 |
| Additions | 6,116 | – | – | 18 |
| Disposals | (15) | – | – | – |
| Depreciation and amortization | (7,738) | (2,613) | – | (285) |
| Closing net book amount as at 30 June 2016 | 112,722 | 153,735 | 97,682 | 1,070 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 8 TRADE RECEIVABLES

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

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

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

| | As at 30 June 2017 *RMB'000* (Unaudited) | As at 31 December 2016 *RMB'000* (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 | 190 | 331 |
| | 15,166 | 18,832 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | As at 30 June 2017 *RMB'000* (Unaudited) | As at 31 December 2016 *RMB'000* (Audited) |
|---|---|---|
| Prepayments | 4,779 | 6,005 |
| Other receivables | 995 | 1,251 |
| Deposits | 1,246 | 1,234 |
| Interest receivables | 1,855 | – |
| Others | 2,155 | 4,630 |
| | 11,030 | 13,120 |

## 10 BALANCES WITH RELATED PARTIES

| | As at 30 June 2017 *RMB'000* (Unaudited) | As at 31 December 2016 *RMB'000* (Audited) |
|---|---|---|
| Amounts due from related parties | | |
| – Trade | | |
| Beijing Jiahua Likang Health Investment Co., Ltd. | 44,139 | 24,069 |

| | As at 30 June 2017 *RMB'000* (Unaudited) | As at 31 December 2016 *RMB'000* (Audited) |
|---|---|---|
| Amounts due to related parties | | |
| – Trade | | |
| Beijing Children's Hospital | 1,016 | 1,311 |
| Beijing Muhe Jiaye Property Management Co., Ltd. | 152 | 138 |
| | 1,168 | 1,449 |
| – Non-Trade | | |
| Beijing Children's Hospital | 1,973 | 2,268 |
| Beijing Jiahua Likang Health Investment Co., Ltd. | – | 22 |
| Mr. Xu Han | 1 | 1 |
| Ms. Xin Hong | 1 | 1 |
| Ms. Zhao Juan | – | 21,813 |
| Ms. Zhou Jie | – | 220 |
| | 1,975 | 24,325 |
| | 3,143 | 25,774 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 10 BALANCES WITH RELATED PARTIES (CONTINUED)

The amounts due from/to related parties are unsecured, interest-free, and repayable on demand and denominated in RMB. Their carrying values as at 30 June 2017 and 31 December 2016 approximate their fair values.

## 11 SHARE CAPITAL

| | Note | Number of ordinary shares | Nominal value of ordinary shares USD | Number of preferred shares | Nominal value of preferred shares USD |
|---|---|---|---|---|---|
| (Unaudited) | | | | | |
| Authorized: | | | | | |
| As at 1 January 2017 | | 492,457,998 | 49,245 | 7,542,002 | 755 |
| Conversion from preferred shares into ordinary shares | (c) | 7,542,002 | 755 | (7,542,002) | (755) |
| As at 30 June 2017 | | 500,000,000 | 50,000 | – | – |
| (Audited) | | | | | |
| As at 1 January 2016 | | 50,000 | 50,000 | – | – |
| Share Sub-division on 18 February 2016 | | 499,950,000 | – | – | – |
| Re-designation on issuance of preferred shares | | (23,936,268) | (2,394) | 23,936,268 | 2,394 |
| As at 30 June 2016 | | 476,063,732 | 47,606 | 23,936,268 | 2,394 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 11 SHARE CAPITAL (CONTINUED)

| | Note | Number of ordinary shares | Nominal value of ordinary shares USD | Equivalent nominal value of ordinary shares RMB'000 |
|---|---|---|---|---|
| (Unaudited) | | | | |
| Issued and paid: | | | | |
| As at 1 January 2017 | | 102,767,744 | 10,277 | 66 |
| Issuance of ordinary shares upon global offering | (a) | 120,000,000 | 12,000 | 83 |
| Issuance of ordinary shares upon exercise of over-allotment option | (a) | 10,025,000 | 1,002 | 7 |
| Capitalization issue | (b) | 249,690,254 | 24,969 | 171 |
| Conversion from preferred shares into ordinary shares | (c) | 7,542,002 | 755 | 6 |
| Conversion from ordinary shares with preference rights to ordinary shares | (c) | – | – | 2 |
| As at 30 June 2017 | | 490,025,000 | 49,003 | 335 |
| (Audited) | | | | |
| As at 1 January 2016 | | 1 | 1 | – |
| Share Sub-division on 18 February 2016 | | 9,999 | – | – |
| Issued of ordinary shares of USD0.0001 on 18 February 2016 | | 83,605,734 | 8,361 | 55 |
| Re-designation on issuance of preferred shares | | – | – | (2) |
| As at 30 June 2016 | | 83,615,734 | 8,362 | 53 |

### (a) Issuance of new ordinary shares

On 18 January 2017, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**HKSE**"), 120,000,000 ordinary shares were issued at a price of HKD7.36 per share for a total cash consideration, before related issuance expenses, of approximately HKD883,200,000 (equivalent to approximately RMB780,361,000). Dealings in these shares on HKSE commenced on 18 January 2017. Accordingly, 120,000,000 ordinary shares with par value of USD0.0001 each are issued and USD12,000 (equivalent to approximately RMB83,000) are credited to share capital, and remaining amounts, after netting of listing expenses, are credited to share premium.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 11 SHARE CAPITAL (CONTINUED)

### (a) Issuance of new ordinary shares (Continued)

On 17 February 2017, the Company issued additional 10,025,000 new shares with nominal value of USD0.0001 each for the exercises of over-allotment of the global offering at a price of HKD7.36 per share and 10,025,000 ordinary share with par value of USD0.0001 each are issued and USD1,003 (equivalent to approximately RMB7,000) are credited to share capital, and remaining amounts, after netting of listing expenses, are credited to share premium.

### (b) Capitalization issue

Pursuant to a written resolution of all shareholders of the Company passed on December 22, 2016, conditional on the share premium account of the Company being credited as a result of the issuance of new shares pursuant to the global offering, the directors of the Company were authorized to capitalize an amount of USD24,969 towards paying up in full at par of 249,690,254 ordinary shares of USD0.0001 each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 17 January 2017 in proportion to their then existing shareholding ("**Capitalization Issue**"). Accordingly, 249,690,254 ordinary shares with par value of USD0.0001 each are issued and USD24,969 (equivalent to approximately RMB171,000) are credited to share capital.

### (c) Derecognize other non-current liabilities and conversion of convertible preferred shares

Save as disclosed in Note 13, on 18 January 2017, the 7,542,002 group B preferred shares ("**Group B Preferred Shares**") and 3,560,993 ordinary shares accounted for as if Group B Preferred Shares have been automatically converted into 7,542,002 ordinary shares and 3,560,993 ordinary shares, respectively, upon listing of the Company's shares on the Main Board of HKSE. Accordingly, approximately RMB6,000 and RMB2,000 are credited to share capital.

### (d) Shares held for restricted share award scheme ("RSA Scheme")

On August 29, 2016, the RSA Scheme was approved by the shareholders of the Company. In accordance with the shareholders' approval, 2,757,744 ordinary shares before Capitalization Issue (the "**Restricted Shares**", representing 2.5% of the issued share capital of the Company as enlarged by the RSA Shares) were allotted and issued at par value each to Talent Wise Investments Limited, a business company incorporated in the British Virgin Islands with limited liability, and the Restricted Shares were held on trust by the two shareholders of Talent Wise Investments Limited as trustee for the RSA Scheme. The two shareholders are the senior management of the Company.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 11 SHARE CAPITAL (CONTINUED)

### (d) Shares held for restricted share award scheme (“RSA Scheme”) (Continued)

The purposes of the RSA Scheme are: (i) to provide any individual, being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any other member of the Group, who is selected by the Administration Committee (as defined below) in accordance with the terms of and entitled to receive a grant under the RSA Scheme (the “**Selected Participant**”), with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with the Group and provide additional incentive for them to achieve performance goals; and (iii) to attract suitable personnel for further development of the Group.

The RSA Scheme was managed by a sub-committee of the board of the Company, including the Chief Executive Officer, chairman of the remuneration committee and other senior management of the Company, delegated with the power and authority by the board to administer the RSA Scheme (the “**Administration Committee**”) may stipulate at the time of selecting any person as a Selected Participant.

The criteria for determining Selected Participants, number of Restricted Shares and grant consideration and the other terms and conditions of the grants, the Administration Committee shall take into consideration matters including, but without limitation to, the present contribution and expected contribution of the relevant Selected Participants, the Group’s general financial condition, overall business objectives and future development plan, the initial issue price of the shares held by the trustee, the net asset value per share as of the end of the financial year immediately before the date of the grant letter.

As the Company has the power to determine the financial and operating policies of Talent Wise Investment Limited through its control over the Administration Committee, the directors of the Company consider that it is appropriate to consolidate the Talent Wise Investment Limited.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 12 SHARE PREMIUM AND RESERVES

| | | Reserves | | | |
|---|---|---|---|---|---|
| | Share premium *RMB'000* | Other reserves *RMB'000* | Merger reserve *RMB'000* | Surplus reserve *RMB'000* | Subtotal *RMB'000* |
| (Unaudited) | | | | | |
| As at 1 January 2017 | 1,538,280 | (119,119) | (1,407,090) | 6,500 | (1,519,709) |
| Issuance of ordinary shares upon global offering (11(a)) | 780,278 | – | – | – | – |
| Issuance of ordinary shares upon exercise of over-allotment option (11(a)) | 65,085 | – | – | – | – |
| Capitalization issue (11(b)) | (171) | – | – | – | – |
| Conversion of preferred shares into ordinary shares (11(c)) | 159,883 | – | – | – | – |
| Conversion from ordinary shares with preference rights to ordinary shares (11(c)) | 75,490 | – | – | – | – |
| Share issuance costs | (42,753) | – | – | – | – |
| As at 30 June 2017 | 2,576,092 | (119,119) | (1,407,090) | 6,500 | (1,519,709) |
| (Audited) | | | | | |
| As at 1 January 2016 | – | 1,367,634 | (1,407,090) | 6,500 | (32,956) |
| Issuance of ordinary shares | 1,192,374 | (1,192,374) | – | – | (1,192,374) |
| Deemed distribution to the controlling shareholder | – | (301,907) | – | – | (301,907) |
| Liability settlement by equity instrument | – | 8,555 | – | – | 8,555 |
| Transaction with the non-controlling interests | – | (1,027) | – | – | (1,027) |
| As at 30 June 2016 | 1,192,374 | (119,119) | (1,407,090) | 6,500 | (1,519,709) |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 13 OTHER NON-CURRENT LIABILITIES AND CONVERTIBLE PREFERRED SHARES

The Company was obliged to issue 16,394,266 convertible preferred shares to Shanghai Fuji Investment Partnership L.P. ("**CDH Fuji**") and Shanghai Fuyi Investment Partnership L.P. ("**CDH Fuyi**") (CDH Fuji and CDH Fuyi are collectively referred to as "**CDH Investment II**") when the Group acquired the entire interests in BNC Women's and Children's Hospital on 30 November 2015. Relevant preferred shares were issued on 18 February 2016. The related preferred shares have been converted into ordinary shares on 29 August 2016.

The Company agreed to issue 7,542,002 preferred shares to Anyi Hekang (Tianjin) Investment Partnership L.P., CDB Kai Yuan Capital Management Co., Ltd. and CDH Investment II (the "**Group B Preferred Shareholders**"). And JoeCare Investment Co., Ltd. transferred 3,560,993 ordinary shares to Group B Preferred Shareholders and the Company also granted the same preferred share rights prescribed in the group B preferred shares purchase agreements. The Company recognized these preferred shares as convertible preferred shares and these ordinary shares with preferred shares rights as non-current liabilities. Relevant shares were issued on 18 February 2016. The fair value of the non-current liabilities and the preferred shares are RMB80,122,000 and RMB169,695,000 as at 31 December 2016, respectively.

The fair value changes between the contract signed off date and the shares issuance date were recognized as derivative as fair value change through profit and loss.

On 18 January 2017, all other non-current liabilities and convertible preferred shares were automatically converted into 3,560,993 and 7,542,002 ordinary shares (before the Capitalization Issue as mentioned in Note 11(b)), respectively. The fair value of other non-current liabilities and convertible preferred shares were changed to RMB75,492,000 and RMB159,889,000, respectively, as determined based on the quoted market price of the ordinary shares on 18 January 2017. And the fair value gains of RMB4,630,000 and RMB9,806,000 were charged into 'Other gains/(losses) – net' (Note 19).

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 13 OTHER NON-CURRENT LIABILITIES AND CONVERTIBLE PREFERRED SHARES (CONTINUED)

The movement of other non-current liabilities and derivative instruments is set out as below:

| | Group A Preferred Shares to be issued | Derivative liability | Redesignation of ordinary shares into liability | Total other non-current liabilities |
|---|---|---|---|---|
| (Unaudited) | | | | |
| As at 1 January 2017 | – | – | 80,122 | 80,122 |
| Change in fair value | – | – | (4,630) | (4,630) |
| Ordinary shares reclassified from liability to equity | – | – | (75,492) | (75,492) |
| As at 30 June 2017 | – | – | – | – |
| Changes in fair value charged to consolidated statements of comprehensive income for the six months ended 30 June 2017 | – | – | (4,630) | (4,630) |
| (Audited) | | | | |
| As at 1 January 2016 | 339,361 | – | – | 339,361 |
| Change in fair value | 9,837 | 5,551 | – | 15,388 |
| Liability settlement with equity instrument | (14,755) | (8,882) | – | (23,637) |
| Derecognize the derivative liability upon issuance of Group B Preferred Shares | – | 3,331 | (1,131) | 2,200 |
| Issuance of preferred shares | (334,443) | – | – | (334,443) |
| Ordinary shares classified as liability | – | – | 101,907 | 101,907 |
| Change in fair value | – | – | 1,780 | 1,780 |
| As at 30 June 2016 | – | – | 102,556 | 102,556 |
| Changes in fair value charged to consolidated statements of comprehensive income for the six months ended 30 June 2016 | 9,837 | 5,551 | 1,780 | 17,168 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 13 OTHER NON-CURRENT LIABILITIES AND CONVERTIBLE PREFERRED SHARES (CONTINUED)

The movement of the convertible preferred shares is set out as below:

| | Current liability - Group A Preferred Shares | | Non-current liability - Group B Preferred Shares | | Total | |
|---|---|---|---|---|---|---|
| | *Number of preferred shares* | *RMB'000* | *Number of preferred shares* | *RMB'000* | *Number of preferred shares* | *RMB'000* |
| (Unaudited) | | | | | | |
| As at 1 January 2017 | – | – | 7,542,002 | 169,695 | 7,542,002 | 169,695 |
| Changes in fair value | – | – | – | (9,806) | – | (9,806) |
| Group B Preferred Shares converted to ordinary shares | – | – | (7,542,002) | (159,889) | (7,542,002) | (159,889) |
| As at 30 June 2017 | – | – | – | – | – | – |
| Change in fair value of convertible preferred shares charged in consolidated statements of comprehensive income for the six months ended 30 June 2017 | – | – | – | (9,806) | – | (9,806) |
| (Audited) | | | | | | |
| As at 1 January 2016 | – | – | – | – | – | – |
| Issuance of preferred shares | 16,394,266 | 334,443 | 7,542,002 | 213,439 | 23,936,268 | 547,882 |
| Changes in fair value | – | 6,558 | – | 3,771 | – | 10,329 |
| As at 30 June 2016 | 16,394,266 | 341,001 | 7,542,002 | 217,210 | 23,936,268 | 558,211 |
| Change in fair value of convertible preferred shares charged in consolidated statements of comprehensive income for the six months ended 30 June 2016 | – | 6,558 | – | 3,771 | – | 10,329 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 14 TRADE PAYABLES

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

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (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 |

## 15 ACCRUALS, OTHER PAYABLES AND PROVISIONS

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Accrued employee benefits | 28,638 | 33,910 |
| Accrued operating expenses | 6,550 | 3,176 |
| Payables in relation to listing expenses | 19,980 | 22,750 |
| Advance from customers | 43,377 | 42,713 |
| Duty and tax payable other than corporate income tax | 1,925 | 7,726 |
| Other payables to suppliers of plant and equipment | 3,386 | 4,410 |
| Others | 4,404 | 5,130 |
| | 108,260 | 119,815 |

## 16 DEFERRED REVENUE

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Deferred revenue for membership cards | 30,487 | 28,519 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 17 DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities for the six months ended 30 June 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| Deferred income tax assets | Provision for receivables<br>*RMB'000* | Tax losses<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|
| (Unaudited) | | | |
| Balance at 1 January 2017 | 6 | 28,838 | 28,844 |
| Charged to the income statement | – | (2,840) | (2,840) |
| At 30 June 2017 | 6 | 25,998 | 26,004 |
| (Audited) | | | |
| Balance at 1 January 2016 | 21 | 36,204 | 36,225 |
| Charged to the income statement | (5) | (1,652) | (1,657) |
| At 30 June 2016 | 16 | 34,552 | 34,568 |

| Deferred tax liabilities | Intangible Assets<br>*RMB'000* |
|---|---|
| (Unaudited) | |
| Balance at 1 January 2017 | 38,196 |
| Credited to the income statement | (706) |
| At 30 June 2017 | 37,490 |
| (Audited) | |
| Balance at 1 January 2016 | 39,609 |
| Credited to the income statement | (706) |
| At 30 June 2016 | 38,903 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 18 EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|---|---|
| | 2017<br>*RMB'000*<br>(Unaudited) | 2016<br>*RMB'000*<br>(Audited) |
| Employee benefits expenses | 86,477 | 77,428 |
| Cost of inventories and consumables | 21,832 | 21,582 |
| Consultation fees | 12,724 | 9,530 |
| Outsourced examination and inspection fees | 1,781 | 2,142 |
| Utilities, maintenance fee and office expenses | 13,408 | 17,811 |
| Rental expenses | 8,400 | 7,752 |
| Depreciation and amortization | 9,225 | 10,636 |
| Expenses in relation to the Listing | 1,550 | 10,496 |
| Auditor's remuneration | 1,463 | – |
| Other expenses | 10,839 | 8,570 |
| | 167,699 | 165,947 |

## 19 OTHER GAINS/(LOSSES) – NET

| | Six months ended 30 June | |
|---|---|---|
| | 2017<br>*RMB'000*<br>(Unaudited) | 2016<br>*RMB'000*<br>(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 | – |
| | 14,406 | (12,233) |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 20 FINANCE EXPENSES – NET

| | Six months ended 30 June | |
|---|---|---|
| | 2017 *RMB'000* (Unaudited) | 2016 *RMB'000* (Audited) |
| **Finance Income** | | |
| Interest income | (2,263) | (161) |
| **Finance Expenses** | | |
| Interest expense on bank borrowings | 27 | 861 |
| Net foreign exchange losses | 5,792 | – |
| | 5,819 | 861 |
| **Financial Expenses – Net** | 3,556 | 700 |

## 21 INCOME TAX EXPENSE

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

### (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%.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 21 INCOME TAX EXPENSE (CONTINUED)

### (c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the six months ended 30 June 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 30 June 2017 and the six months ended 30 June 2016.

The reorganization of the Group had been accomplished in May 2016. As at 30 June 2017, deferred income tax liabilities of RMB6,149,000 (30 June 2016: RMB2,624,000), have not been recognized for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Management expects to be reinvested such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at 30 June 2017 amounted to RMB61,486,000 (30 June 2016: RMB26,241,000)

## 22 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 30 June 2017.

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

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 22 EARNINGS PER SHARE ("EPS") (CONTINUED)

### (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 (Note 13), 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 (Note 13).

| | Six months ended 30 June | |
|---|---|---|
| | 2017 (Unaudited) | 2016 (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 18 February 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 18 February 2016 to 18 January 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.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 22 EARNINGS PER SHARE ("EPS") (CONTINUED)

### (b) Diluted (Continued)

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 30 June 2017 pursuant to the RSA Scheme.

## 23 DIVIDENDS

According 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 of directors of the Company does not declare any dividends for the six months ended 30 June 2017 (30 June 2016: Nil).

## 24 COMMITMENTS

### (a) Capital commitments

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

| | As at 30 June 2017 *RMB'000* (Unaudited) | As at 31 December 2016 *RMB'000* (Audited) |
|---|---|---|
| Contracted but not provided for – Property, plant and equipment | 387 | 125 |

### (b) Operating lease commitments

The Group leases certain office buildings and hospitals under non-cancellable operating lease agreements. The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

| | As at 30 June 2017 *RMB'000* (Unaudited) | As at 31 December 2016 *RMB'000* (Audited) |
|---|---|---|
| No later than 1 year | 11,915 | 11,630 |
| Later than 1 year and no later than 5 years | 24,641 | 27,284 |
| Total | 36,556 | 38,914 |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Other parties are also considered to be related if they are subject to common control, common significant influence or joint control, controlling shareholder, members of key management and their close family member of the Group are also considered as 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 |
|---|---|
| Mr. Jason ZHOU | The controlling shareholder of the Company |
| Beijing Jiahua Kangyong Investment and Management Co., Ltd. (北京嘉華康永投資管理有限公司) | Controlled by the same ultimate controlling shareholder |
| Beijing Jiahua Yide Medical Investment Management Co., Ltd. (北京嘉華怡德醫療投資管理有限公司) | Jointly controlled by the controlling shareholder of the Company before 18 May 2016 |
| Beijing Yide Hospital Co., Ltd. (北京怡德醫院有限公司) | Jointly controlled by the controlling shareholder of the Company before 18 May 2016 |
| Beijing Jiahua Likang Health Investment Co., Ltd. (北京嘉華麗康醫療投資管理有限公司) | The controlling shareholder of the Company has significant influence |
| Tianjin Heping New Century Women's and Children's Hospital Co., Ltd. (天津和平新世紀婦兒醫院有限公司) | The controlling shareholder of the Company has significant influence |
| Chengdu New Century Women's and Children's Hospital Co., Ltd. (成都新世紀婦女兒童醫院有限公司) | The controlling shareholder of the Company has significant influence |
| Suzhou New Century International Children's Hospital Co., Ltd. (蘇州新世紀兒童醫院) | The controlling shareholder of the Company has significant influence |
| Beijing Children's Hospital (首都醫科大學附屬北京兒童醫院) | Significant influence on the subsidiary of the Company |
| Beijing MuHeJiaYe Property Management Co., Ltd. (北京睦合嘉業物業管理有限公司) | Controlled by Ms. Zhao, the spouse of the controlling shareholder of the Company |
| Beijing Jiahe Commercial & Management Co.,Ltd. (北京嘉禾興業商業資產管理有限公司) | Controlled by Ms. Zhao, the spouse of the controlling shareholder of the Company |
| Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司) | Controlled by Ms. Zhao, the spouse of the controlling shareholder of the Company |

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS (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.

### (a) Significant transactions with related parties

| | Six months ended 30 June | |
|---|---|---|
| | 2017 *RMB'000* (Unaudited) | 2016 *RMB'000* (Audited) |
| Hospital consulting services provided to | | |
| – Beijing Jiahua Likang Health Investment Co., Ltd. (i) | 18,934 | 13,124 |
| Examination and laboratory test services received from | | |
| – Beijing Children's Hospital | 544 | 435 |
| Purchase of goods from | | |
| – Beijing Children's Hospital | 239 | 196 |
| Cleaning services received from | | |
| – Beijing MuHeJiaYe Property Management Co., Ltd. | 3,163 | 2,926 |
| | 3,946 | 3,557 |

(i) Jiahua Yihe has commenced providing hospital consulting services to Jiahua Likang for its seven for-profit private hospitals. Pursuant to a management consulting services agreement, the agreement became effective on December 1, 2015 and is valid until November 30, 2018. Under the arrangement, the hospital consulting services that Jiahua Yihe provides relate to brand licensing and authorizing use of management know-how, best practices for medical services and operations and the relevant know-how, professional development training systems and clinical experience exchange platform, procurement and supplier services support and information technology systems and support. Under the agreement, Jiahua Likang agrees to pay Jiahua Yihe a monthly base fee of RMB100,000 for each of its hospitals that receives Jiahua Yihe's specified services in the agreement. In addition, Jiahua Yihe provides other additional business operational and financial consultancy services upon request by Jiahua Likang from time to time at specified hourly rates.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Period/Year-end balances arising from sales/purchases of services

Balances with related parties as at 30 June 2017 and 31 December 2016 were disclosed in Note 10.

### (c) Key management compensation

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

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Audited) |
| Salaries and bonus | 2,892 | 1,726 |
| Contribution to pension plans | 121 | 83 |
| Welfare and other expenses | 153 | 117 |
| | 3,166 | 1,926 |

### (d) Free trademark license agreement

On 10 May 2016, Jiahua Yihe, entered into a trademark licensing and transfer agreement with Jiahua Likang pursuant to which Jiahua Likang agreed to transfer two trademarks to Jiahua Yihe and also irrevocably grant, on a royalty-free basis, a non-exclusive, non-assignable and non-transferable license to Jiahua Yihe and its affiliates to use such trademarks free of charge. The application for the trademark transfer was filed with the relevant competent authority in the PRC on 16 May 2016, which is still under the processing of Trademark Office of The State Administration For Industry & Commerce of the People's Republic of China.

### (e) Provision of premises by a related party

The Group has established BNC Children's Hospital based on a public-private-partnership arrangement with Beijing Children's Hospital ("**BCH**"), a public hospital in Beijing, the PRC. Pursuant to the cooperation agreement in 2002, BCH has agreed to provide premises on its allocated land for the business operation of BNC Children's Hospital without extra payments to each other. The term of the cooperation with BCH lasts until 12 December 2022.

# Notes to the Interim Condensed Consolidated Financial Information (Continued)

## 26 CONTINGENCIES

The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. As of the reporting date, no significant lawsuit provision has been made as based on directors' assessment, the pending lawsuits have little impact on the Group's finance results or the outflow of resources is not probable.

## 27 SUBSEQUENT EVENTS

The Board of the Company announced that on 25 July 2017, 2 Directors and 265 employees of the Group were granted Restricted Shares in respect of an aggregate of 9,000,000 shares (2,757,744 shares before Capitalization Issue) of par value of USD0.0001 each of the Company. The RSA Scheme involves granting of Restricted Shares over the existing shares held by Talent Wise Investments Limited as the RSA Scheme nominee on trust for the benefit of the relevant participants of the RSA Scheme pursuant to the RSA Scheme. Subject to certain vesting conditions, the newly granted Restricted Shares shall vest as follows:

(i) as to 17% of the Restricted Shares on 25 July 2017;

(ii) as to 23% of the Restricted Shares on 25 July 2018;

(iii) as to 30% of the Restricted Shares on 25 July 2019; and

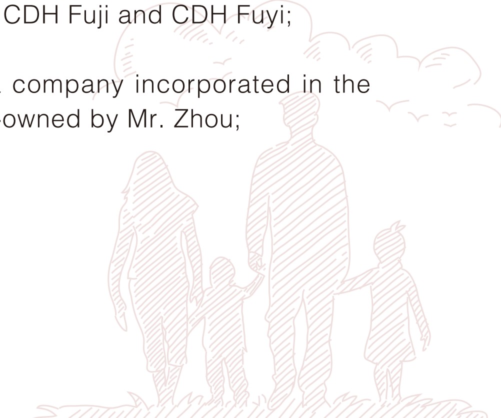
(iv) as to the remaining 30% of the Restricted Shares on 25 July 2020.

Among the 9,000,000 Restricted Shares granted by the Company to the Grantees: (i) 450,000 Restricted Shares were granted to Ms. Xin Hong, an executive Director of the Company; (ii) 450,000 Restricted Shares were granted to Mr. Xu Han, an executive Director of the Company. Based on the closing price of HKD7.65 per share as quoted on the Stock Exchange on July 25, 2017, the market value of the Restricted Shares granted to Ms. Xin Hong and Mr. Xu Han amounted to approximately HKD3.44 million and HKD3.44 million respectively.

In accordance with the rules of the RSA Scheme, the grant of Restricted Shares to Ms. Xin Hong and Mr. Xu Han has been approved by the remuneration committee of the Board, the members of which do not include Ms. Xin Hong and Mr. Xu Han.

# 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, 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, 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, which is a non-wholly-owned subsidiary of the Company; |
| "Board" or "Board of Directors" | the board of Directors of the Company; |
| "Boyu AH" | Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC whose general partner is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司). Boyu AH is an Independent Third Party at the time; |
| "BVI" | the British Virgin Islands; |
| "CDH Fuji" | Shanghai Fuji Investment Partnership L.P. (上海孚紀投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC whose general partner is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi; |
| "CDH Fuyi" | Shanghai Fuyi Investment Partnership L.P. (上海孚怡投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC whose general partner is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi; |
| "Century Star" | Century Star Investment Co., Ltd., a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Zhou; |



# Definitions (Continued)

| | |
|---|---|
| "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 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, 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; |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC; |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong; |
| "Independent Third Party(ies)" | any individual(s) or entity(ies) who, as far as the Directors are aware, is/are not connected with the Company or our connected persons within the meaning ascribed under the Listing Rules; |
| "Jiahua Kangming" | Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司), a company incorporated in the PRC with limited liability and is a connected person of the Company; |
| "Jiahua Yihe" | Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Company; |
| "JoeCare" | JoeCare Investment Co., Ltd., a company incorporated in the BVI with limited liability and wholly-owned by Mr. Zhou. JoeCare is one of the controlling Shareholders; |
| "Latest Practicable Date" | August 28, 2017; |

# Definitions (Continued)

| | |
|---|---|
| "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; |
| "Mr. Zhou" | Mr. Jason ZHOU, Chairman of the Board, chief executive officer, an executive Director and one of the controlling Shareholders; |
| "Ms. Liang" | Ms. LIANG Yanqing (梁艷清), a non-executive Director and one of the substantial Shareholders; |
| "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; |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time; |
| "Shares(s)" | ordinary share(s) of US$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company; |
| "Shareholder(s)" | holder(s) of the Share(s); |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited; |
| "Subsidiary(ies)" | has the meaning ascribed to it in section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance; |

# Definitions (Continued)

| | |
|---|---|
| "Tianjin Taiding Investment" | Tianjin Taiding Investment Co., Ltd. (天津泰鼎投資有限公司), a company incorporated in the PRC with limited liability and is owned directly as to 55.0% by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 45.0% by Tianjin Weiyuan Investment Management Co., Ltd. (whose entire issued share capital is held by Mr. JIAO Shuge). Tianjin Taiding Investment is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi; |
| "Tier 1 Cities" | Beijing, Shanghai, Guangzhou and Shenzhen or, where the context so requires, any of them; |
| "Victor Gains" | Victor Gains Limited, a company incorporated in the BVI with limited liability and wholly-owned by Ms. Liang, and one of our substantial Shareholders; |
| "Voting Agreement" | an agreement entered into between Mr. Zhou and Ms. Liang on February 18, 2016 with an initial term of three years from the date thereof, 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; |
| "YoY" | year-on-year; and |
| "%" | percent. |

In this interim report, 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.