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: 01518

2018

INTERIM REPORT

Contents

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

Corporate Information

DIRECTORS

Executive Directors:

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

Non-executive Directors:

Ms. LIANG Yanqing *(resigned on June 1, 2018)*
Mr. GUO Qizhi
Mr. WANG Siye
Ms. ZHANG Lan
Dr. CHENG Chi-Kong, Adrian *(appointed on June 1, 2018)*
Mr. YANG Yuelin *(appointed on June 1, 2018)*

Independent non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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 *(resigned on August 28, 2018)*
Ms. SO Lai Shan *(appointed on August 28, 2018)*

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

56 Nanlishi Road
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/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

Business Overview for the First Half of 2018

In 2018, we adhered to our established strategies, expanded the coverage and depth of the medical services, and upgraded the management operations capability in order to integrate and strengthen our expertise in pediatric specialty services. In the first half of 2018, the Company achieved a stable growth of business, with total revenue amounted to RMB271.9 million, representing an 11.8% YoY increase. In particular, revenue from pediatric business and obstetric and gynecologic business recorded a 13.0% YoY increase to RMB209.4 million and a 12.8% YoY increase to RMB41.1 million, respectively. The net profit attributable to owners of the Company was RMB28.8 million after adjusted items. The adjusted profit attributable to owners of the Company excluding New Institutions[1] was RMB46.6 million, representing an increase of 12.8% as compared to RMB41.3 million for the corresponding period.

	Six months ended June 30	
	2018	2017
	(in thousands of RMB)	
	(Unaudited)	(Unaudited)
Profit before income tax	64,426	86,541
Adjusted items		
– Fair value changes of convertible preferred shares and other non-current liabilities	–	(14,436)
– Expenses in relation to the listing	–	1,550
– Expenses arising from the RSA Scheme	7,701	–
– Net foreign exchange (gains)/losses	(4,055)	5,792
	3,646	(7,094)
Adjusted profit before income tax	68,072	79,447
Further adjustment of losses before income tax of New Institutions	20,322	–
Adjusted profit before income tax excluding New Institutions	88,394	79,447
Income tax expense	(22,624)	(19,632)
Tax effect of adjusted items	618	437
Adjusted profit for the period	46,066	60,252
Further adjustment of losses for the period of New Institutions	19,473	–
Adjusted profit for the period excluding New Institutions	65,539	60,252

(1) Newly acquired and set up institutions ("**New Institutions**") include the newly acquired BNC Ao-dong Clinic and BNC Chaowai Clinic, and newly set up BNC Qingnian Road Clinic which is under construction.

Management Discussion and Analysis (Continued)

	Six months ended June 30	
	2018	2017
	(in thousands of RMB)	
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	26,006	47,938
Adjusted items	3,646	(7,094)
Tax effect of adjusted items	618	437
Adjusted items attributable to non-controlling interests	(1,422)	–
Adjusted profit attributable to owners of the Company	28,848	41,281
Further adjustment of losses attributable to owners of the Company of New Institutions	17,736	–
Adjusted profit attributable to owners of the Company excluding New Institutions	46,584	41,281
Adjusted profit before income tax	68,072	79,447
Interest income	(6,662)	(2,263)
Interest expenses	–	27
Depreciation and amortization	13,939	9,225
Adjusted EBITDA	75,349	86,436
Further adjustment of losses before income tax of New Institutions	20,322	–
Further adjustment of interest income, depreciation and amortization of the Company of New Institutions	(4,860)	–
Adjusted EBITDA excluding New Institutions	90,811	86,436

In the first half of 2018, there were 97,757 outpatient visits, representing a YoY increase of 7.8%. Among them, pediatric outpatient visits had a 6.8% YoY increase to 85,720 as compared to 80,232 in the first half of 2017. There were also 4,319 inpatient visits, representing a YoY increase of 7.1%. Among them, pediatric inpatient visits had a 3.5% YoY increase to 3,376 as compared to 3,263 in the first half of 2017. The average outpatient spending per visit had a 5.6% YoY increase to RMB1,191 and the average inpatient spending per visit had a 3.3% YoY increase to RMB25,206.

The Company actively shapes the development layout of the Beijing pediatric healthcare services market and expands its operations to cities with economic development potential. In the first half of 2018, BNC Ao-dong Clinic and BNC Chaowai Clinic commenced operation in succession, which enables us to establish a sound tiered medical network and strengthen our medical services capability in Beijing, and to make sufficient preparation for pediatric seasons of the second half of the year. Reference is made to the announcement of the Company dated March 16, 2018 for more details of our acquisition of the two clinics. Moreover, as of the Latest Practicable Date, the Company has completed the acquisition of Chengdu New Century, which achieved the strategic layout in the southwest region.

Management Discussion and Analysis (Continued)

The Company strategically invested in the Chiron Healthcare Group in Hong Kong, leveraging on our respective strengths in medical resources, network and management capability, the Group and Chiron Healthcare Group will carry out in-depth cooperation in many aspects, including but not limited to cross-border healthcare services (including oncology/specialty consultation, vaccination and medical services for women and children as well as assisted reproductive services, etc.), two-way referral services between Mainland China and Hong Kong, knowledge sharing in medical technology and trainings and medical institution management. We look forward to achieving synergies by complementing each other's advantages and improving the quality of our healthcare services. Moreover, the Group will also support the further expansion and development of Chiron Healthcare Group, and expects to establish healthcare interoperability in the Guangdong-Hong Kong-Macao Greater Bay Area in the future through our in-depth cooperation with Chiron Healthcare Group. Reference is made to the announcement of the Company dated August 13, 2018 for details of our investment in the Chiron Healthcare Group.

The Company continued to promote the "New Century Family Doctor Club" panda membership program and had a 19.5% YoY increase in membership revenue for the first half of 2018. The growth of membership base will substantially assist the Company on the introduction of new projects, new products and various derivative services, which will promote the overall business of the Company.

The Company continued to uphold its principle of building private hospitals with high-quality medical services as well as academic excellence and strictly managed its medical quality. We have conducted regular academic discussions and conferences which cover various subjects and topics and had academic exchanges and trainings with the world's top medical institutions. The Company continued to explore new medical services models in the internet era and communicated with different doctors' groups and medical innovation companies on cooperation in pediatric, obstetric and gynecologic and other fields.

Industry Outlook and the Group's Strategies

The cumulative effect from the increased population and the shortage of medical resources continue to drive the growth of demand for pediatric medical services. Because of the consumption upgrade and the increased awareness of health management, there is also strong demand for high-quality medical services. By 2022, the pediatric healthcare market and the obstetric and gynecologic healthcare market are expected to reach RMB226.8 billion and RMB697.2 billion respectively, in terms of total revenue, with private healthcare providers accounting for 6.1% and 12.0% respectively.

In pediatric healthcare market, we have established competition barriers on branding, technology and management and are able to provide one-stop service for health management and medical treatment. 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 2017, the Group ranked the first with a market share of 11.3%[1] in China's middle to high-end private pediatric medical services industry. Our Group ranked the first with a market share of 50.5% in Beijing's middle to high-end private pediatric medical services industry.

[1] The market share will be 14.9% if the 2017 revenue from other medical institutions that are not owned by the Group but are operated under the brand name "New Century Healthcare" is also included.

Management Discussion and Analysis (Continued)

Given the consumption upgrade and the growing importance of privacy and comfort of obstetric and gynecologic healthcare services from the perspective of middle to high-end customers, the proportion of revenue generated by private obstetric and gynecologic healthcare providers is expected to rise continuously. This will further promote the demand for high-quality pediatric medical services.

We intend to leverage such favorable industry prospects by pursuing the following strategies:

- Set up service outlets in new communities and commercial properties, with an aim to further enhance its coverage density and service depth in Beijing. Set up a sound pediatric family doctor and pediatric healthcare service system in order to increase our community influence.

- Make investment in Hong Kong healthcare group, to commence the healthcare network presence of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area. Connect the New Century healthcare service between Guangdong and Hong Kong to achieve healthcare interoperability in the Hong Kong-Mainland.

- Remote medical service: connect the remote video and remote image system to the medical institutions in order to create a new medical services network where community medical institutions will provide medical treatment based on our expert's medical advice.

- Medical plan: based on the existing membership program, design and develop pediatric medical plan at different prices and in areas where conditions permit, include the general healthcare, outpatient services (including remote consultation) and inpatient services in the annual service plan.

- Make diversified investments to extend pediatric healthcare service chain.

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,			
	2018		2017	
	(in thousands of RMB, except percentages)			
Medical services	**250,494**	**92.1%**	221,687	91.1%
Hospital consulting services	**18,771**	**6.9%**	18,934	7.8%
Others[(1)]	**2,590**	**1.0%**	2,598	1.1%
Total	**271,855**	**100.0%**	243,219	100.0%

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

Management Discussion and Analysis (Continued)

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,	
	2018	2017
	(in thousands of RMB, except percentages)	
Revenue	250,494	221,687
Cost of revenue	148,207	115,310
Gross profit	102,287	106,377
Gross profit margin	40.8%	48.0%

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,			
	2018		2017	
	(in thousands of RMB, except percentages)			
Pediatric services	209,430	77.0%	185,275	76.1%
Obstetric and gynecologic services	41,064	15.1%	36,412	15.0%
Total	250,494	92.1%	221,687	91.1%

Management Discussion and Analysis (Continued)

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,	
	2018	2017
Group		
Inpatient services		
Inpatient visits	4,319	4,031
Average inpatient spending per visit *(RMB)*	25,206	24,410
Outpatient services		
Outpatient visits	97,757	90,651
Average outpatient spending per visit *(RMB)*	1,191	1,127
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	108,864	98,398
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	116,410	102,176
Revenue recognized for membership card sales *(in thousands of RMB)*	25,220	21,113
Pediatric Services		
Inpatient services		
Inpatient visits	3,376	3,263
Average inpatient spending per visit *(RMB)*	24,060	22,662
Outpatient services		
Outpatient visits	85,720	80,232
Average outpatient spending per visit *(RMB)*	1,201	1,124
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	81,226	73,947
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	102,984	90,215
Revenue recognized for membership card sales *(in thousands of RMB)*	25,220	21,113
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	943	768
Average inpatient spending per visit *(RMB)*	29,308	31,838
Outpatient services		
Outpatient visits	12,037	10,419
Average outpatient spending per visit *(RMB)*	1,115	1,148
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	27,638	24,451
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	13,426	11,961

Management Discussion and Analysis (Continued)

Revenue from provision of our medical services amounted to RMB250.5 million for the six months ended June 30, 2018, representing a 13.0% YoY increase and accounting for 92.1% of the Group's total revenue. This increase was primarily due to (i) a 13.9% and 10.6% YoY increase in revenue from medical services attributable to the outpatients and inpatients respectively, and (ii) a 19.5% YoY increase in revenue recognized for membership card sales. The increase in revenue from medical services provided by the Group's pre-existing medical institutions accounted for 91.0% of the increase.

For the six months ended June 30, 2018, there were 3,376 pediatric services inpatient visits, representing a YoY increase of 3.5%. There were also 85,720 pediatric services outpatient visits, representing a YoY increase of 6.8%. For obstetric and gynecologic services, there were 943 inpatient visits, representing a YoY increase of 22.8%, and 12,037 outpatient visits, representing a YoY increase of 15.5%. The increase in provision of pediatric and obstetric and gynecologic services contributes to the completion of 2,489 operations, representing a YoY increase of 16.2%.

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 and maintenance fees. The cost of revenue of our medical services for the six months ended June 30, 2018 reached RMB148.2 million, representing a YoY increase of 28.5%. This increase was primarily a result of (i) an increase in total remuneration of medical personnel including those from our newly acquired clinics, (ii) accrued expenses related to the RSA Scheme, and (iii) increased rental, depreciation and amortization costs of the business premises arising from New Institutions.

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,	
	2018	2017
	(in thousands of RMB, except percentages)	
Revenue	18,771	18,934
Cost of revenue	7,169	6,616
Gross profit	11,602	12,318
Gross profit margin	61.8%	65.1%

The revenue of our hospital consulting services remained stable at approximately RMB18.8 million. The gross profit margin of our hospital consulting services decreased from 65.1% for the six months ended June 30, 2017 to 61.8% for the six months ended June 30, 2018, primarily due to (i) retention of more personnel in order to accommodate increasing demands of consultation services during clients' operational phase while the revenue remained stable, and (ii) accrued expenses related to the RSA Scheme.

Management Discussion and Analysis (Continued)

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2018 amounted to RMB113.9 million, representing a YoY decrease of 4.1%. This was mainly due to our newly acquired institutions being still in their infancy, thus being loss-making. The gross profits of our pre-existing institutions saw an increase over the same period. Our gross profit margin for the six months ended June 30, 2018 decreased to 41.9% as compared to 48.8% for the six months ended June 30, 2017.

Selling Expenses

Our selling expenses for the six months ended June 30, 2018 amounted to RMB12.2 million, representing a YoY increase of 18.8%, which was primarily due to (i) increased personnel wages and marketing costs, and (ii) accrued expenses related to the RSA Scheme.

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2018 amounted to RMB49.8 million, an increase from RMB33.0 million for the six months ended June 30, 2017, which was mainly a result of (i) increased administrative expenses arising out of our new acquisitions, (ii) accrued expenses related to the RSA Scheme, and (iii) increases in employee wages.

Other Gains – Net

Our other gains (net) for the six months ended June 30, 2018 amounted to RMB1.8 million, as compared to our other gains (net) of RMB14.4 million for the six months ended June 30, 2017. Our other gains (net) for the six months ended June 30, 2018 were mainly a result of (i) no gains from the conversion of convertible preferred shares and other non-current liabilities into ordinary shares recorded during the period as compared to the corresponding period of last year, with the offsetting from (ii) an increase of RMB1.8 million in the fair value of our wealth management products.

Finance Income and Expenses

Our finance income for the six months ended June 30, 2018 increased from RMB2.3 million for the six months ended June 30, 2017 to RMB10.7 million which was mainly a result of (i) an increase in deposit interest income of RMB4.4 million, and (ii) foreign exchange gains of RMB4.1 million. We incurred no finance expenses for the six months ended June 30, 2018, a decrease from RMB5.8 million for the six months ended June 30, 2017, primarily due to the absence of foreign exchange losses.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2018 amounted to RMB22.6 million, representing a YoY increase of 15.2%, which was mainly due to (i) an increase in the income tax expense as a result of an increase in profit before income tax of our pre-existing medical institutions, and (ii) our newly acquired institutions recorded losses before tax, and no income tax expense was incurred, meanwhile the institutions are still in their infancy, thus no deferred income tax arising from losses was recognized. Our effective tax rate was 35.1% and 22.7% for the six months ended June 30, 2018 and for the six months ended June 30, 2017, respectively.

Management Discussion and Analysis (Continued)

Profit for the six months ended June 30, 2018

Our profit for the six months ended June 30, 2018 amounted to RMB41.8 million, a decrease from RMB66.9 million for the six months ended June 30, 2017.

FINANCIAL POSITION

Inventories

Our inventories increased by 4.7% from RMB7.2 million as of December 31, 2017 to RMB7.5 million as of June 30, 2018 primarily due to an increase in medical inventories arising from our acquisition of two clinics.

Trade Receivables

Our trade receivables decreased by 17.6% from RMB20.0 million as of December 31, 2017 to RMB16.5 million as of June 30, 2018 primarily driven by (i) faster payments by insurers, and (ii) a reduction in accounts receivable from consulting services.

Trade Payables

Our trade payables decreased by 0.9% from RMB17.3 million as of December 31, 2017 to RMB17.1 million as of June 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2018, we had cash and cash equivalents of RMB679.4 million (December 31, 2017: RMB763.7 million). We did not have any interest-bearing liabilities as of June 30, 2018 (December 31, 2017: Nil).

Significant Investments, Acquisitions and Disposals

Please refer to the section headed "Events after the Reporting Period" of this interim report for details in respect of the acquisition of Chengdu New Century. Save as disclosed in this interim report, we did not have any significant investment, material acquisitions or material disposals during the six months ended June 30, 2018.

INDEBTEDNESS

Borrowings

As of June 30, 2018, we did not have any borrowings (December 31, 2017: Nil).

Management Discussion and Analysis (Continued)

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB. As of June 30, 2018, our assets and liabilities are primarily denominated in RMB, except for cash and cash equivalent. Currency exposure arising from the net proceeds from global offering denominated in the relevant foreign currencies. 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, 2018, 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, 2018, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2018, 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, trade payables, other payables excluding non-financial liabilities and amounts due to related parties. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effect manner.

Gearing Ratio

As of June 30, 2018, 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, 2017 was 0.0%.

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2018, the Group had 868 employees (June 30, 2017: 771 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2018 amounted to RMB108.3 million (for the six months ended June 30, 2017: RMB86.5 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other staff benefits include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus. The Group has also adopted the RSA Scheme to attract, retain and monitor our key employees.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2018.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the Company's announcements dated December 6 and 29, 2017, January 18 and August 13, 2018 and the circular dated December 29, 2017 in relation to acquisition of 85.0% equity interest of Chengdu New Century for a cash consideration of RMB200.0 million (the "**Acquisition**"). The Acquisition completed and Chengdu New Century completed the alteration registration with the relevant administration of industry and commerce and obtained the new business license in early August of 2018 and it has been consolidated into the Group. As of the Latest Practicable Date, the Company indirectly held 85.0% equity interest of Chengdu New Century.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2018, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or 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. Jason ZHOU[2]	Interests in a controlled corporation; interest held jointly with another person	215,816,894	44.0%
XIN Hong[3]	Beneficial owner	450,000	0.09%
XU Han[4]	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. Jason ZHOU. Accordingly, Mr. Jason 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 Yanqing irrevocably agreed to follow Mr. Jason ZHOU's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement. Hence, Mr. Jason ZHOU is deemed to be interested in all the Shares held by Ms. LIANG Yanqing in aggregate by virtue of the SFO.

3. 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.

4. 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.

(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. Jason ZHOU	BNC Women's and Children's Hospital	Interest of controlled corporation; interest of spouse[(1)]	N/A	30%
Mr. Jason 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 Beijing Jiahua Yihe Management and Consulting Co., Ltd., a wholly-owned subsidiary of the Company, and as to 30% by Beijing Jiahua Kangming Medical Investment and Management Co., Ltd., a PRC company controlled by (as defined in the SFO) Mr. Jason ZHOU.

2. BNC Harmony Clinic is held as to 70% by Beijing Jiahua Yihe Management and Consulting Co., Ltd., a wholly-owned subsidiary of our Company, and as to 30% by Beijing Jiahua Kangming Medical Investment and Management Co., Ltd., a PRC company controlled by (as defined in the SFO) Mr. Jason ZHOU.

Save as disclosed above, as of June 30, 2018, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) that was recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of June 30, 2018, 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 Limited	Beneficial owner	57,740,181	11.8%
Ms. LIANG Yanqing(1)	Interests in a controlled corporation	57,740,181	11.8%
CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司)(2)(3)	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Taiding Investment Company Limited (天津泰鼎投資有限公司)(2)(3)	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司)(2)(3)	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司)(2)(3)	Interests in a controlled corporation	31,728,156	6.5%
Mr. WU Shangzhi(2)(3)	Interests in a controlled corporation	31,728,156	6.5%
Mr. JIAO Shuge(2)(3)	Interests in a controlled corporation	31,728,156	6.5%
Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥))	Beneficial owner	31,562,713	6.4%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)(4)	Interests in a controlled corporation	31,562,713	6.4%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)(4)	Interests in a controlled corporation	31,562,713	6.4%
XIA Meiying(4)	Interests in a controlled corporation	31,562,713	6.4%
HUANG Ailian(4)	Interests in a controlled corporation	31,562,713	6.4%

Other Information (Continued)

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
China Life Reinsurance Company Ltd.[(5)]	Beneficial owner	31,609,000	6.5%
China Reinsurance (Group) Corporation[(5)]	Interests in a controlled corporation	31,609,000	6.5%
Central Huijin Investment Ltd.[(5)]	Interests in a controlled corporation	31,609,000	6.5%

Notes:

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

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

3. Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司), which is owned directly as to 57.2% by CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) 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.. CDH Equity Investment Management (Tianjin) Co., Ltd. is owned directly as to 85.4% by Tianjin Taiding Investment Company Limited (天津泰鼎投資有限公司). Tianjin Taiding Investment Company Limited is owned directly as to 55.0% by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 45.0% by Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司) (whose entire issued share capital is held by Mr. JIAO Shuge). Accordingly, each of CDH Huatai Investment Management (Beijing) Co., Ltd., CDH Equity Investment Management (Tianjin) Co., Ltd., Tianjin Taiding Investment Company Limited, Tianjin Haoyong Investment Management Co., Ltd., Tianjin Weiyuan Investment Management Co., Ltd., Mr. WU Shangzhi and Mr. JIAO Shuge is deemed to be interested in such number of Shares held by Shanghai Fuyi Investment Partnership L.P. (Limited Partnership).

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

Other Information (Continued)

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

Save as disclosed above, as of June 30, 2018, the Company had not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to 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

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, 2018	Date of grant	Exercise price *(RMB)*	Exercised between January 1, 2018 and June 30, 2018	Lapsed between January 1, 2018 and June 30, 2018	Number of Shares represented by the restricted Shares as of June 30, 2018
Directors							
XIN Hong	Executive Director	373,500	July 25, 2017	–	–	–	373,500
XU Han	Executive Director	373,500	July 25, 2017	–	–	–	373,500
Sub-total		747,000		–	–	–	747,000
265 other employees of the Group		6,723,000	July 25, 2017	–	–	–	6,723,000
Sub-total		6,723,000		–	–	–	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.

Reference is made to the announcement of the Company dated March 16, 2018. The restricted Shares that are initially scheduled to be vested on July 25, 2017 are expected to be actually transferred to the relevant participants on or after July 25, 2018 due to the delay in the stock accounts opening process.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "RSA Scheme" above, at no time during the six months ended June 30, 2018 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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, which have been and will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus and the Company's announcement dated December 6, 2017 regarding the change in use of proceeds.

Other Information (Continued)

The use of net proceeds from the global offering (including the proceeds raised from the exercise of the over-allotment option) is set out as follows:

Item	Approximate % of total net proceeds	Allocation *(HK$ million)*	Utilized between January 18, 2017 and December 31, 2017 *(HK$ million)*	Utilized between January 1, 2018 and the Latest Practicable Date *(HK$ million)*	Unutilized as of the Latest Practicable Date *(HK$ million)*
Constructing a remote medical diagnostic center in Beijing	5%	42.86	3.25	0.90	**38.71**
Renovation and upgrade of one surgery center in Beijing	5%	42.86	–	–	**42.86**
Opening one new hospital in Beijing to provide specialty pediatric and obstetric and gynecologic services and two clinics in Beijing to mainly provide outpatient services	20%	171.44	–	3.65	**167.79**
Opening one new hospital and two clinics in Tier 1 Cities other than Beijing	20%	171.44	–	–	**171.44**
Acquiring hospital(s) and clinic(s) in Tier 1 Cities and other major cities in the PRC	40%	342.88	5.98	255.10	**81.80**
Working capital and other general corporate purposes	10%	85.72	55.73	29.99	–

Other Information (Continued)

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

Item	Unutilized as of the Latest Practicable Date *(HK$ million)*	Expected timeline
Constructing a remote medical diagnostic center in Beijing	38.71	The remaining amount is expected to be fully utilized by the end of 2019.
Renovation and upgrade of one surgery center in Beijing	42.86	The remaining amount is expected to be fully utilized by the end of 2019.
Opening one new hospital in Beijing to provide specialty pediatric and obstetric and gynecologic services and two clinics in Beijing to mainly provide outpatient services	167.79	The remaining amount is expected to be fully utilized by the end of 2019.
Opening one new hospital and two clinics in Tier 1 Cities other than Beijing	171.44	The remaining amount is expected to be fully utilized by the end of 2019.
Acquiring hospital(s) and clinic(s) in Tier 1 Cities and other major cities in the PRC	81.80	The remaining amount is expected to be fully utilized by the end of 2019.

As of the Latest Practicable Date, the Company had no plan to make any material adjustments to the use of proceeds, taking into account the following factors:

(1) Site selection is critical for a medical institution to maintain a reasonable profit margin, and the premise rent and land costs are the key factors in determining the location for a medical institution. As of the Latest Practicable Date, all the new medical projects of the Group in various cities are still at the site selection stage. Once the locations are determined, a fairly high level of capital expenditures will be incurred in relation to the corresponding design, renovation and interior decoration work;

(2) The Company has been actively seeking quality targets for acquisitions in accordance with its investment criteria;

(3) The Company will gradually renovate and upgrade the surgery centers in the projects acquired earlier this year; and

(4) As the remote medical center for Beijing New Century Children's Hospital Co., Ltd. and BNC Women's and Children's Hospital has been constructed and is now covering some of the Company's clinics in Beijing, subsequent expenditures will be made to continuously improve the hardware infrastructure and software and network systems of the remote medical center and accelerate the setting up of the online appointment and online customer service systems.

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

During the six months ended June 30, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICE

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

In the opinion of the Directors, the Company has complied with all applicable code provisions as set out in the CG Code during the six months ended June 30, 2018, 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 the establishment of the Company in 2002. The Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of chairman and chief executive officer. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Other Information (Continued)

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the six months ended June 30, 2018. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

On June 1, 2018, (i) Ms. LIANG Yanqing resigned from her positions as a non-executive Director and a member of the Remuneration Committee by reason of her desire to focus on her other work commitments; (ii) Dr. CHENG Chi-Kong, Adrian was appointed as a non-executive Director; and (iii) Mr. YANG Yuelin was appointed as a non-executive Director and a member of the Remuneration Committee. The biographical details of Dr. CHENG Chi-Kong, Adrian and Mr. YANG Yuelin were set out in the Company's circular dated April 30, 2018.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules regarding changes in Directors' biographical details from the publication of the Company's 2017 annual report up to the Latest Practicable Date.

REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2018 and was of the opinion that the preparation of such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2017 annual report.

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

Hong Kong, September 26, 2018

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 26 to 75, 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 2018 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and 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 2018

Interim Condensed Consolidated Balance Sheet

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	131,714	98,487
Intangible assets	8	296,448	244,561
Deferred income tax assets	17	17,351	20,253
Long-term prepayment		10,877	–
Total non-current assets		456,390	363,301
Current assets			
Inventories		7,531	7,193
Trade receivables	9	16,468	19,974
Other receivables, deposits and prepayments	10	28,165	48,171
Amounts due from related parties	11	84,525	64,627
Financial assets carried at fair value through profit or loss	5.3	83,674	25,010
Structured deposits		110,000	150,000
Cash and cash equivalents		679,402	763,659
Total current assets		1,009,765	1,078,634
Total assets		1,466,155	1,441,935
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	335	335
Share premium	13	2,576,092	2,576,092
Reserves	13	(1,499,295)	(1,516,823)
Retained earnings	3(b)	129,207	134,041
		1,206,339	1,193,645
Non-controlling interests		27,184	44,792
Total equity		1,233,523	1,238,437

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	17	42,949	36,783
Total non-current liabilities		42,949	36,783
Current liabilities			
Trade payables	15	17,110	17,267
Accruals, other payables and provisions	16	130,493	104,901
Deferred revenue	3(d)	–	37,339
Contract liabilities	3(d)	37,040	–
Current income tax liabilities		3,499	3,905
Amounts due to related parties	11	1,541	3,303
Total current liabilities		189,683	166,715
Total liabilities		232,632	203,498
Total equity and liabilities		1,466,155	1,441,935

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
		Six months ended 30 June	
Revenue	6	271,855	243,219
Cost of revenue	18	(157,984)	(124,494)
Gross profit		113,871	118,725
Selling expenses	18	(12,159)	(10,235)
Administrative expenses	18	(49,847)	(32,970)
Other income		21	171
Other gains – net		1,823	14,406
Operating profit		53,709	90,097
Finance income	19	10,717	2,263
Finance expenses	19	–	(5,819)
Profit before income tax		64,426	86,541
Income tax expense	20	(22,624)	(19,632)
Profit for the period		41,802	66,909
Other comprehensive income		–	–
Total comprehensive income		41,802	66,909
Profit and total comprehensive income attributable to:			
Owners of the Company		26,006	47,938
Non-controlling interests		15,796	18,971
		41,802	66,909
Earnings per share attributable to owners of the Company *(expressed in RMB per share)*			
Basic earnings per share	21	0.05	0.10
Diluted earnings per share	21	0.05	0.07

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

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company						
		Share capital	Share Premium	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)								
Total equity as at 31 December 2017		335	2,576,092	(1,516,823)	134,041	1,193,645	44,792	1,238,437
Change in accounting policy	3	–	–	–	(108)	(108)	(14)	(122)
Restated total equity at 1 January 2018		335	2,576,092	(1,516,823)	133,933	1,193,537	44,778	1,238,315
Comprehensive income								
– Profit for the period		–	–	–	26,006	26,006	15,796	41,802
Transactions with owners								
– Dividends	22	–	–	–	(20,031)	(20,031)	(38,291)	(58,322)
– Business combination	23	–	–	–	–	–	4,027	4,027
– Capital injection	23	–	–	(874)	–	(874)	874	–
– Appropriation to statutory reserves		–	–	10,701	(10,701)	–	–	–
– Share based payments		–	–	7,701	–	7,701	–	7,701
Total transactions with owners		–	–	17,528	(30,732)	(13,204)	(33,390)	(46,594)
Balance at 30 June 2018		335	2,576,092	(1,499,295)	129,207	1,206,339	27,184	1,233,523

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

	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
		Attributable to owners of the Company						
(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		–	–	–	–	–	(32,813)	(32,813)
– Issuance of new ordinary shares		90	845,363	–	–	845,453	–	845,453
– Capitalization issue		171	(171)	–	–	–	–	–
– Conversion from preferred shares into ordinary shares		6	159,883	–	–	159,889	–	159,889
– Conversion from ordinary shares with preference rights to ordinary shares		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

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

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		15,604	55,028
Interest paid		–	(27)
Interest received		1,993	408
Income tax paid		(21,186)	(18,405)
Net cash (used in)/generated from operating activities		(3,589)	37,004
Cash flows from investing activities			
Business combination, net of cash payment	23	(13,775)	–
Purchases of property, plant and equipment	7	(3,395)	(3,219)
Purchases of intangible assets	8	(7,979)	(419)
Investing in structured deposits and financial assets		(571,000)	(314,500)
Withdraw structured deposits and financial assets		553,000	–
Interest received from structured deposits and financial assets		5,254	–
Net cash used in investing activities		(37,895)	(318,138)
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 Company's shareholders		(8,484)	–
Dividends paid to the then shareholders of Beijing Jiahua Yihe Management Consulting Co., Ltd. ("**Jiahua Yihe**")		–	(27,542)
Dividends paid to non-controlling interests		(38,291)	(32,813)
Net cash (used in)/generated from financing activities		(46,775)	732,337
Net (decrease)/increase in cash and cash equivalents		(88,259)	451,203
Cash and cash equivalents at the beginning of the period		763,659	188,963
Exchange gains/(losses) on cash and cash equivalents		4,002	(5,792)
Cash and cash equivalents at the end of the period		679,402	634,374

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

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

New Century Healthcare Holding Co. Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in provision of pediatrics and obstetrics and gynecology speciality services in 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.

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 AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), 'Interim financial reporting'.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), and any public announcements made by the Company during the six months ended 30 June 2018.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings (see note 20) and the adoption of new and amended standards as set out below.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result 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 RMB333,682,000. 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. The Group does not intend to adopt the standard before its effective date.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As explained in note 3(d) below, HKFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new contract assets recognized rules are therefore recognised in the opening balance sheet on 1 January 2018. The adjustment arising from new impairment rules of HKFRS 9 is recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Balance sheet (extract)	31 December 2017 As originally presented *RMB'000*	HKFRS 9 *RMB'000*	HKFRS 15 *RMB'000*	1 January 2018 Restated *RMB'000*
Non-current assets				
Deferred tax assets	20,253	41	–	20,294
Current Assets				
Trade receivables	19,974	(163)	–	19,811
Total assets	1,441,935	(122)	–	1,441,813
Current Liabilities				
Contract liabilities	–	–	37,339	37,339
Deferred revenue	37,339	–	(37,339)	–
Total liabilities	203,498	–	–	203,498
Net assets	1,238,437	(122)	–	1,238,315
Retained earnings	134,041	(108)	–	133,933
Non-controlling interests	44,792	(14)	–	44,778
Total equity	1,238,437	(122)	–	1,238,315

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 3(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the group's retained earnings as at 1 January 2018 is as follows:

	2018 *RMB'000*
Closing retained earnings 31 December – HKAS 39/HKAS 18	134,041
Increase in provision for trade receivables	(163)
Increase in deferred tax assets relating to impairment provisions	41
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018	(122)
Opening retained earnings 1 January – HKFRS 9	133,919

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. There is no effect resulting from this reclassification.

(ii) Impairment of financial assets

The Group has one type of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables from the provision of medical services and hospital consulting services, and for sales of pharmaceutical and related goods.

The Group was required to revise its impairment methodology under HKFRS 9 for the class of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 3(b) above.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 January 2018	Current	Within 30 days past due	Within 30-60 days past due	Within 60-120 days past due	More than 120 days past due	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivable from insurance companies						
Expected loss rate	0.3%	1.0%	3.0%	4.0%	5.0%	
Gross carrying amount	14,936	1,188	812	430	1,167	18,533
Loss allowance	45	12	24	17	58	156

1 January 2018	Within 30 days past due	Within 30-60 days past due	Within 60-120 days past due	More than 120 days past due	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivable from individual patients					
Expected loss rate	1.0%	3.0%	4.0%	6.0%	
Gross carrying amount	664	138	50	633	1,485
Loss allowance	7	4	2	38	51

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables *RMB'000*
At 31 December 2017 – calculated under HKAS 39	(44)
Amounts restated through opening retained earnings	(163)
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	(207)

The loss allowances increased by a further RMB7,000 to RMB214,000 for trade receivables during the six months ended 30 June 2018. The difference from the increase under the incurred loss model of HKAS 39 was immaterial.

(c) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018

(i) Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("**ECL**") allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income ("**FVOCI**"), which results in an accounting loss being recognised in profit or loss.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018 (Continued)

(ii) Classification and subsequent measurement

Financial assets

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Other financial assets including receivables are required to be classified as financial assets at amortised cost under HKFRS 9.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018 (Continued)

(ii) Classification and subsequent measurement (Continued)

Debt Instruments

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018 (Continued)

(ii) Classification and subsequent measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

At initial recognition, the Group may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial liabilities

In both the current and prior period, financial liabilities of the Group are classified as subsequently measured at amortised cost.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018 (Continued)

(iii) Derecognition

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognised an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018 (Continued)

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its receivables, contract assets, debt instruments carried at amortised cost and FVOCI. The Group recognises a loss allowance for such losses at each reporting date.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) HKFRS 15 Revenue from contracts with customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities[i]	–	37,339	37,339
Deferred revenue[i]	37,339	(37,339)	–
Accruals, other payables and provisions			
– Advance from customer[ii]	45,214	(45,214)	–
Accruals, other payables and provisions			
– Refund liability[ii]	–	45,214	45,214

The adoption of HKFRS15 has no significant impact on the Group's assets and retained earnings as at 1 January 2018 and 1 January 2017.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) HKFRS 15 Revenue from contracts with customers – Impact of adoption (Continued)

(i) Presentation of liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

Contract liabilities in relation to services contracts were previously presented in deferred revenue (RMB37,339,000 as at 1 January 2018).

(ii) Accounting for refunds

When the customer has a right to return the hospital services in package within a given period, the entity is obliged to refund the remaining purchase price which the services have not been provided by the Group. The Group previously recognised the total purchase price as advance from customer for the package fees received from the customer.

Under HKFRS 15, a refund liability for the expected refunds to customers is recognised as adjustment to revenue in other payables.

To reflect this change in policy, the Group has reclassified RMB45,214,000 from advance from customer and recognised refund liability of RMB45,214,000 on 1 January 2018.

(e) HKFRS 15 Revenue from contracts with customers – Accounting policies

Revenue recognition

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) HKFRS 15 Revenue from contracts with customers – Accounting policies (Continued)

Revenue recognition (Continued)

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation.

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) HKFRS 15 Revenue from contracts with customers – Accounting policies (Continued)

Provision of medical services

Revenue from provision of medical services is recognized when the services have been rendered to customers. Transactions are settled by payment of commercial assurance scheme, bank card or cash.

The Group sells membership cards to customers which entitles them to purchase medical services at different discount rates depending on the type of membership cards. The cards are normally valid for one-year membership period. The total consideration received from the membership card sold will be allocated to service elements covered under membership card program based on relative stand-alone service prices. If the Group expects to be entitled to a breakage amount in a contract liability, the Group recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. If the Group does not expect to be entitled to a breakage amount, the Group recognizes the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

The Group provides medical services in package which is accounted as multiple element transactions. The total consideration of the package will be allocated by using the fair value of the consideration of each element under the package. When the customer has a right to return the package within a given period, the Group is obliged to refund the purchase price. Such consideration is recognized as a refund liability at the time of the initial sale transaction. for the expected refunds to customers. It will be recognised as revenue when the Group's obligations have been fulfilled or expired.

Pharmaceutical sales

Revenue from pharmaceutical sales is recognized at the point when the Group sells the pharmaceutical to customers.

Hospital consulting service revenue

Revenue from hospital consulting service is recognized when services have been rendered.

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 2017.

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 2017.

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

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and liabilities that are measured and recognized at fair value at 30 June 2018 and 31 December 2017 on a recurring basis:

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

	As at 30 June 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets carried at fair value through profit or loss	–	4,130	79,544	83,674

	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets carried at fair value through profit or loss	–	25,010	–	25,010

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2018.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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.

5.5 Fair value measurements using significant unobservable inputs (level 3)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Structured financial products with floating rates *RMB'000*
Opening balance 31 December 2017	–
Acquisitions	176,000
Disposals	(97,000)
Gains and losses recognised in other gains – net*	544
Closing balance 30 June 2018	79,544

* Includes unrealised gains or losses recognised in "other gains/(losses) – net" attributable to balances held at the end of the reporting period.

The main level 3 inputs used by the group in measuring the fair value of financial instruments are derived from the structured financial products contractual terms.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.6 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

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.

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 SEGMENT INFORMATION (CONTINUED)

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
Six months ended 30 June 2018						
Revenue	209,430	41,064	18,771	2,590	–	271,855
Cost of revenue	112,641	35,566	7,169	2,608	–	157,984
Segment results	59,815	(4,866)	3,159	(17)	–	58,091
Unallocated income					12,561	12,561
Unallocated cost					(6,226)	(6,226)
Profit before income tax	59,815	(4,866)	3,159	(17)	6,335	64,426
Income tax expense					(22,624)	(22,624)
Profit after income tax						41,802
As at 30 June 2018						
Total segment assets	395,893	81,113	94,553	–	894,596	1,466,155
Total segment liabilities	110,711	57,282	3,780	–	60,859	232,632

6 SEGMENT INFORMATION (CONTINUED)

	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 31 December 2017						
Total segment assets	306,683	76,691	69,269	–	989,292	1,441,935
Total segment liabilities	104,163	47,457	4,615	–	47,263	203,498

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and furniture *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
(Unaudited)						
Six Months ended 30 June 2018						
Net book value						
Opening amount as at 1 January 2018	60,645	30,262	2,555	4,375	650	98,487
Additions	–	2,994	–	2,405	29	5,428
Acquisition of subsidiaries	31,777	4,374	–	1,774	–	37,925
Disposals	–	(1)	(501)	(7)	–	(509)
Transfer upon completion	641	–	–	–	(641)	–
Depreciation	(5,440)	(2,817)	(162)	(1,198)	–	(9,617)
Closing net book amount as at 30 June 2018	87,623	34,812	1,892	7,349	38	131,714
(Unaudited)						
Six Months ended 30 June 2017						
Net book value						
Opening amount as at 1 January 2017	66,013	33,699	1,416	5,382	–	106,510
Additions	52	481	1,496	388	38	2,455
Disposals	–	(73)	–	(30)	–	(103)
Depreciation	(2,708)	(2,532)	(172)	(904)	–	(6,316)
Closing net book amount as at 30 June 2017	63,357	31,575	2,740	4,836	38	102,546

8 INTANGIBLE ASSETS

	Medical licenses *RMB'000*	Goodwill *RMB'000*	Computer Software *RMB'000*	Total *RMB'000*
(Unaudited)				
Six Months ended 30 June 2018				
Net book value				
Opening amount as at 1 January 2018	145,896	97,682	983	244,561
Additions	–	–	5	5
Acquisition of subsidiaries	28,900	26,560	744	56,204
Amortization	(4,022)	–	(300)	(4,322)
Closing net book amount as at 30 June 2018	170,774	124,242	1,432	296,448
(Unaudited)				
Six Months ended 30 June 2017				
Net book value				
Opening amount as at 1 January 2017	151,122	97,682	1,180	249,984
Additions	–	–	419	419
Amortization	(2,613)	–	(296)	(2,909)
Closing net book amount as at 30 June 2017	148,509	97,682	1,303	247,494

Notes to the Interim Condensed Consolidated Financial Information (Continued)

9 TRADE RECEIVABLES

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Trade receivables	16,682	20,018
Less: allowance for impairment of trade receivables	(214)	(44)
Trade receivables – net	16,468	19,974

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 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Up to 3 months	12,638	16,949
4 – 6 months	2,062	1,553
7 months – 1 year	848	855
Over 1 year	1,134	661
	16,682	20,018

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Prepayments	22,070	17,006
Deposits	8,262	1,911
Other receivables	1,213	25,770
Interest receivables	1,028	425
Others	6,469	3,059
	39,042	48,171
Less: non-current portion	10,877	–
	28,165	48,171

11 BALANCES WITH RELATED PARTIES

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Amounts due from related parties		
– Trade		
Beijing Jiahua Likang Health Investment Co., Ltd.	84,525	64,627

Notes to the Interim Condensed Consolidated Financial Information (Continued)

11 BALANCES WITH RELATED PARTIES (CONTINUED)

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Amounts due to related parties		
– Trade		
Beijing Children's Hospital	425	1,343
Beijing MuHeJiaYe Property Management Co., Ltd.	61	52
	486	1,395
– Non-Trade		
Beijing Children's Hospital	1,009	1,906
Beijing Jiahua Likang Health Investment Co., Ltd.	44	–
Mr. Xu Han	1	1
Ms. Xin Hong	1	1
	1,055	1,908
	1,541	3,303

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 2018 and 31 December 2017 approximate their fair values.

12 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares USD	Number of preferred shares	Nominal value of preferred shares USD
Authorized:				
(Unaudited)				
As at 1 January 2018	500,000,000	50,000	–	–
As at 30 June 2018	500,000,000	50,000	–	–
(Unaudited)				
As at 1 January 2017	492,457,998	49,245	7,542,002	755
Conversion from preferred shares into ordinary shares	7,542,002	755	(7,542,002)	(755)
As at 30 June 2017	500,000,000	50,000	–	–

	Note	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB'000
Issued and paid:				
(Unaudited)				
As at 1 January 2018		490,025,000	49,003	335
As at 30 June 2018		490,025,000	49,003	335
(Unaudited)				
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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

12 SHARE CAPITAL (CONTINUED)

(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). Accordingly, 120,000,000 ordinary shares with par value of USD0.0001 each were issued and USD12,000 (equivalent to approximately RMB83,000) were credited to share capital, and remaining amounts, after netting of listing expenses, were credited to share premium.

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 were issued and USD1,003 (equivalent to approximately RMB7,000) were credited to share capital, and remaining amounts, after netting of listing expenses, were credited to share premium.

(b) Capitalization issue

Pursuant to a written resolution of all shareholders of the Company passed on 22 December 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 were issued and USD24,969 (equivalent to approximately RMB171,000) were credited to share capital.

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

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 were credited to share capital.

13 SHARE PREMIUM AND RESERVES

	Note	Share premium RMB'000	Reserves: Other reserves RMB'000	Merger reserve RMB'000	Surplus reserve RMB'000	Subtotal RMB'000
(Unaudited)						
As at 1 January 2018		2,576,092	(105,358)	(1,417,965)	6,500	(1,516,823)
Capital injection		–	(874)	–	–	(874)
Share-based payment	14	–	7,701	–	–	7,701
Appropriation to statutory reserves		–	–	–	10,701	10,701
As at 30 June 2018		2,576,092	(98,531)	(1,417,965)	17,201	(1,499,295)

	Note	Share premium RMB'000	Reserves: Other reserves RMB'000	Merger reserve RMB'000	Surplus reserve RMB'000	Subtotal RMB'000
(Unaudited)						
At 1 January 2017		1,538,280	(119,119)	(1,407,090)	6,500	(1,519,709)
Issuance of ordinary shares upon global offering	12(a)	780,278	–	–	–	–
Issuance of ordinary shares upon exercise of over-allotment option	12(a)	65,085	–	–	–	–
Capitalization issue	12(b)	(171)	–	–	–	–
Conversion of preferred shares into ordinary shares	12(c)	159,883	–	–	–	–
Conversion from ordinary shares with preference rights to ordinary shares	12(c)	75,490	–	–	–	–
Share issuance costs		(42,753)	–	–	–	–
At 30 June 2017		2,576,092	(119,119)	(1,407,090)	6,500	(1,519,709)

14 SHARE-BASED PAYMENTS

Restricted shares ("**Restricted Shares**") were granted under the employee share award scheme of the Company are as follows:

	As at 30 June 2018	As at 31 December 2017
Number of shares granted under the restricted shares award scheme on 25 July 2017	9,000,000	9,000,000

Subject to certain vesting conditions such as the service condition and non-market performance condition, the Restricted Shares shall be vested as the vesting schedule on or after 25 July 2018.

The directors have used the Binomial pricing model to determine the fair value of the Restricted Shares as at the grant date. Key assumptions, such as the risk-free interest rate and projections of staff turnover rate, are required to be determined by the directors with best estimates as follows:

	As at 25 July 2017	
	Employee	Executive
Fair market value per share as at valuation date *(HKD)*	7.65	7.65
Exercise price *(HKD per share)*	3.83	3.83
Risk free rate of interest	2.37%	2.37%
Dividend Yield	0.65%	0.65%
Life of restricted shares award scheme *(years)*	5.0	5.0
Volatility	40.00%	40.00%
Exercise multiple	2.2	2.8
Annual staff turnover rate	10.00%	0.00%

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Shares issued under restricted shares award scheme	7,701	–

15 TRADE PAYABLES

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Up to 3 months	9,781	11,251
4 – 6 months	4,484	4,684
7 months – 1 year	1,660	435
Over 1 year	1,185	897
	17,110	17,267

16 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Accrued employee benefits	28,198	38,945
Advance from customers	–	45,214
Refund liabilities	48,392	–
Accrued operating expenses	29,703	9,446
Dividend payable	11,538	–
Other payables to suppliers of plant and equipment	5,644	3,984
Duty and tax payable other than corporate income tax	1,979	2,683
Others	5,039	4,629
	130,493	104,901

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 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Accruals	Provision for receivables	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
Balance at 1 January 2018 (Restated)	–	53	20,241	20,294
Charged to the income statement	554	1	(3,498)	(2,943)
At 30 June 2018	554	54	16,743	17,351
(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

Deferred income tax liabilities	Intangible Assets
	RMB'000
(Unaudited)	
Balance at 1 January 2018	36,783
Acquisition of subsidiaries	7,225
Credited to the income statement	(1,059)
At 30 June 2018	42,949
(Unaudited)	
Balance at 1 January 2017	38,196
Credited to the income statement	(706)
At 30 June 2017	37,490

18 EXPENSES BY NATURE

	Six months ended 30 June 2018 RMB'000 (Unaudited)	Six months ended 30 June 2017 RMB'000 (Unaudited)
Employee benefits expenses	108,302	86,477
Cost of inventories and consumables	24,300	21,832
Consultation fees	21,927	12,724
Outsourced examination and inspection fees	2,323	1,781
Utilities, maintenance fee and office expenses	13,580	13,408
Rental expenses	21,049	8,400
Depreciation and amortization	13,939	9,225
Expenses in relation to the Listing	–	1,550
Auditor's remuneration	1,405	1,463
Other expenses	13,165	10,839
	219,990	167,699

19 FINANCE EXPENSES — NET

	Six months ended 30 June 2018 RMB'000 (Unaudited)	Six months ended 30 June 2017 RMB'000 (Unaudited)
Finance Income		
Interest income	(6,662)	(2,263)
Net foreign exchange gains	(4,055)	–
	(10,717)	(2,263)
Finance Expenses		
Interest expense on bank borrowings	–	27
Net foreign exchange losses	–	5,792
	–	5,819
Financial Expenses – Net	(10,717)	3,556

20 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income taxation:		
– PRC corporate income tax	20,740	17,498
Deferred income tax	1,884	2,134
	22,624	19,632

(a) Cayman Islands income tax

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

(b) PRC Corporate Income Tax

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

(c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2018 and 2017. 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 2018 and the six months ended 30 June 2017.

As at 30 June 2018, deferred income tax liabilities of RMB12,132,000 (30 June 2017: RMB6,149,000), have not been recognized for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. The management of the Company expects such amount to be reinvested in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at 30 June 2018 amounted to RMB121,315,000 (30 June 2017: RMB61,486,000).

21 EARNINGS PER SHARE ("EPS")

The EPS is calculated by using the weighted average number of ordinary shares during the six months ended 30 June 2018 and 30 June 2017.

(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 2018.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to owners of the Company *(RMB'000)*[i]	26,006	47,718
Weighted average number of ordinary shares in issue *(in thousands)*[ii]	481,025	460,704
Basic EPS *(in RMB)*	0.05	0.10

(i) The calculation of basic EPS for the six months ended 30 June 2017 has not considered the 6,548,602 ordinary shares, before the Capitalization Issue of the Company, with liquidation preference. These shares were not considered as ordinary shares that are subordinated to all other class of equity instrument. The profit attributable to those shares was also excluded from the calculation before 18 January 2017 when the liquidation preference right had been terminated. These shares were not included in the calculation of diluted EPS during the same period as they did not have dilutive effect.

(ii) The Company granted 9,000,000 Restricted Shares to employees on 25 July 2017 pursuant to the restricted share awards scheme. As at 30 June 2018, no shares have been vested based on the vesting schedule and vesting condition, the 9,000,000 shares has not been included in the calculation of basic EPS.

21 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.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to owners of the Company *(RMB'000)*	26,006	47,718
Fair value change and exchange gain of the convertible preferred shares *(RMB'000)*	–	(14,436)
Profit used to determine diluted EPS *(RMB'000)*	26,006	33,282
Weighted average number of ordinary shares in issue *(in thousands)*	481,025	460,704
Adjusted for:		
– Assumed conversion of convertible preferred shares and other non-current liabilities	–	3,603
– Number of Restricted Shares by adjusting the shares to be issued at fair value(iii)	2,408	–
Weighted average number of ordinary shares for diluted EPS *(in thousands)*	483,433	464,307
Diluted EPS *(in RMB)*	0.05	0.07

(iii) The weighted average number of ordinary shares of diluted EPS considering the potential ordinary shares related with the Restricted Shares of the Company. As the employees met the non-market performance by the period ended 30 June 2018, 40% of the Restricted Shares could be vested. The relevant shares has been taken into account in the calculation of diluted EPS from the grant date by considering the incremental number of shares issued for nil consideration.

The shares adjusted for the weighted average number of ordinary shares for diluted EPS are immaterial, the diluted EPS is approximately equal the basic EPS for the six months ended 30 June 2018.

22 DIVIDENDS

Dividends of HKD0.05 per share, approximately RMB20,031,000 in total, have been agreed and declared to be paid to the shareholders by the Group out of their profit for the year ended December 31, 2017. A dividend of RMB8,484,000 was paid in June 2018 (2017: Nil).

A dividend of RMB38,291,000 related with the earnings of BNC Children's Hospital for the year ended December 31, 2017 was paid to Beijing Children's Hospital in June 2018 (2017: RMB32,813,000).

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

23 BUSINESS COMBINATION

(a) Business combinations of Beijing Meihua Women and Children Clinic Co., Ltd. ("Meihua")

On 16 January 2018, the Group through its subsidiary BNC Women's and Children's Hospital acquired 100% equity interest of Meihua, a clinic for the provision of pediatric and gynecologic healthcare services in Beijing, for consideration of RMB5,000,000.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Total purchase consideration	5,000

23 BUSINESS COMBINATION (CONTINUED)

(a) Business combinations of Beijing Meihua Women and Children Clinic Co., Ltd. ("Meihua") (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value *RMB'000*
Property, plant and equipment	24,319
Intangible assets	25,000
Inventories	241
Trade receivables	200
Other receivables, deposits and prepayments	1,018
Cash and cash equivalents	2,726
Deferred income tax liabilities	(6,250)
Trade payables	(131)
Accruals, other payables and provisions	(44,636)
Amounts due to related parties	(11,834)
Contract liabilities	(1,190)
Net identifiable assets acquired	(10,537)
Add: goodwill	15,537
	5,000

The above goodwill is attributable to high-speed growth of healthcare market of Beijing and synergies expected to arise after the Group's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. See note 8 above for the changes in goodwill as a result of the acquisition.

(i) Acquired receivables

The fair value of trade and other receivables is RMB1,218,000 and includes trade receivables with a fair value of RMB200,000. The gross contractual amount for trade receivables due is nil.

(ii) Revenue and profit contribution

The acquired business contributed revenues of RMB2,489,000 and net losses of RMB10,958,000 to the Group for the period from 16 January 2018 to 30 June 2018. If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated losses after tax for the half-year ended 30 June 2018 would have been RMB3,246,000 and RMB13,056,000 respectively.

23 BUSINESS COMBINATION (CONTINUED)

(b) Business combinations of Beijing New Century Yide Consultancy Co., Ltd. ("BNC Yide")

On 9 February 2018, the Group through its subsidiary BNC Women's and Children's Hospital acquired 65% equity interest of Renze (Beijing) International Corporation Management and Service Co., Ltd., a clinic is for the provision of pediatric healthcare services in Beijing, for a consideration of RMB18,502,000 and renamed BNC Yide.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Total purchase consideration	18,502

The assets and liabilities arising from the acquisition are as follows:

	Fair value *RMB'000*
Property, plant and equipment	13,606
Intangible assets	4,644
Inventories	26
Cash and cash equivalents	1
Deferred income tax liabilities	(975)
Trade payables	(1,448)
Accruals, other payables and provisions	(4,348)
Net identifiable assets acquired	11,506
Less: non-controlling interest	(4,027)
Add: goodwill	11,023
	18,502

The above goodwill is attributable to high-speed growth of Beijing's healthcare market and advantageous geographical location of the clinic and synergies expected to arise after the Group's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. See note 8 above for the changes in goodwill as a result of the acquisition.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

23 BUSINESS COMBINATION (CONTINUED)

(b) Business combinations of Beijing New Century Yide Consultancy Co., Ltd. ("BNC Yide") (Continued)

(i) Revenue and profit contribution

The acquired business contributed revenues of RMB105,000 and net losses of RMB5,612,000 to the Group for the period from 16 January 2018 to 30 June 2018. If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated losses after tax for the half-year ended 30 June 2018 would have been RMB105,000 and RMB6,555,000 respectively.

The Group further made capital injection to BNC Yide, amounting to RMB4,830,000, and finally hold 70% equity interest of BNC Yide. The capital injection transaction result the increase of non-controlling interest of RMB874,000 and decrease the Group's reserve of RMB874,000.

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 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Contracted but not provided for		
– Property, plant and equipment	2,061	3,100
– Intangible assets	5,136	–
Consideration for acquisition		
– Chengdu New Century Women's and Children's Hospital Co., Ltd.	200,000	200,000
– BNC Yide	–	18,333
– Meihua	2,000	5,000
	209,197	226,433

24 COMMITMENTS (CONTINUED)

(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 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
No later than 1 year	44,045	13,480
Later than 1 year and no later than 5 years	136,300	47,311
Later than 5 years	153,337	15,643
Total	333,682	76,434

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

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.

25 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

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
Mr. XU Han	An executive Director of the Company
Ms. XIN Hong	An executive Director of the Company
Ms. ZHAO Juan	The spouse of Mr. Jason ZHOU
Ms. ZHOU Jie	The sister of Mr. Jason ZHOU
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
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 Juan, the spouse of the controlling shareholder of the Company

25 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hospital consulting services provided to		
– Beijing Jiahua Likang Health Investment Co., Ltd.	18,771	18,934
Examination and laboratory test services received from		
– Beijing Children's Hospital	445	544
Purchase of goods from		
– Beijing Children's Hospital	254	239
Cleaning services received from		
– Beijing MuHeJiaYe Property Management Co., Ltd.	3,095	3,163
	3,794	3,946

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

Balances with related parties as at 30 June 2018 and 31 December 2017 are disclosed in Note 11.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

25 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and bonus	6,046	2,892
Share based payment	1,988	–
Others	483	274
	8,517	3,166

(d) 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.

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, there is no outstanding lawsuit of the Group and no material contingent liabilities.

27 SUBSEQUENT EVENTS

(a) Acquisition of 85% of equity interest of Chengdu New Century Women's and Children's Hospital Co., Ltd. ("Chengdu NC")

The Group have completed the Chengdu NC acquisition and Chengdu NC have completed the alteration registration with the relevant administration of industry and commerce and obtained the new business license on August 2, 2018. Upon completion, the Group held 85% equity interests in Chengdu NC.

(b) Strategic Equity Investment in Chiron Healthcare Holdings Limited in Hong Kong

On 4 August 2018, NCH Marvel Investment (BVI) Limited ("**NCH Marvel**"), a wholly-owned subsidiary of the Group, entered into the share subscription agreement and other investment documents with Chiron Healthcare Holdings Limited ("**Chiron Healthcare**", together with its subsidiaries, collectively "**Chiron Healthcare Group**") to subscribe the shares of Chiron Healthcare (the "**Investment**"). The Investment has been completed in August 2018. Upon completion, the Group held 10.1% equity interests in Chiron Healthcare.

Definitions

"Audit Committee"	the audit committee of the Board;
"BNC Ao-dong Clinic"	Beijing New Century Ao-dong Clinic Outpatient Service Co., Ltd. (北京新世紀奧東門診部有限公司), formerly known as Beijing Meihua Women and Children Clinic Co., Ltd. (北京美華婦兒門診部有限公司), a company incorporated in the PRC with limited liability on May 15, 2014, which is a wholly owned subsidiary of the Company;
"BNC Chaowai Clinic"	Beijing New Century Yide Chaowai Clinic of Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司新世紀怡德朝外診所). Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司), formerly known as Renze (Beijing) International Corporation Management and Service Co., Ltd. (仁澤(北京)國際企業管理服務有限責任公司), is a company incorporated in the PRC with limited liability on October 27, 2014, which is a non-wholly owned subsidiary of the Company;
"BNC Harmony Clinic"	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is a non-wholly owned subsidiary of the Company;
"BNC Women's and Children's Hospital"	Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on January 4, 2012, which is a non-wholly owned subsidiary of the Company;
"Board"	the board of Directors of the Company;
"Century Star"	Century Star Investment Co., Ltd., a company incorporated in the BVI with limited liability on August 14, 2015 and is wholly-owned by Mr. Jason ZHOU;
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"China" or "PRC"	the People's Republic of China; for the purpose of this interim report only, references to "China" or the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong;
"Chengdu New Century"	Chengdu New Century Women's and Children's Hospital Co., Ltd. (成都新世紀婦女兒童醫院有限公司), a company incorporated in the PRC with limited liability on September 28, 2010, which is a non-wholly owned subsidiary of the Company;

Definitions (Continued)

"Chiron Healthcare Group"	Chiron Healthcare Holdings Limited and its subsidiaries. Chiron Healthcare Holdings Limited is a company incorporated in the British Virgin Islands with limited liability on September 17, 2015;
"Company"	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability on July 31, 2015, the Shares of which are listed on the Main Board of the Stock Exchange;
"Directors"	directors of the Company;
"Group", "our Group", "we" or "us"	the Company and its subsidiaries;
"HKEx"	Hong Kong Exchanges and Clearing Limited;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"JoeCare"	JoeCare Investment Co., Ltd., a company incorporated in the BVI with limited liability on July 16, 2015 and wholly-owned by Mr. Jason ZHOU. JoeCare is one of our controlling Shareholders;
"Latest Practicable Date"	August 28, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this report;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
"Remuneration Committee"	the remuneration committee of the Board;
"RMB"	Renminbi, the lawful currency of the PRC;
"RSA Scheme"	the restricted share award scheme approved and adopted by the Company on August 29, 2016;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholder(s)"	holder(s) of the Share(s);

Definitions (Continued)

"Share(s)"	ordinary share(s) of US$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Tier 1 Cities"	Beijing, Shanghai, Guangzhou and Shenzhen or, where the context so requires, any of them;
"Voting Agreement"	an agreement entered into between Mr. Jason ZHOU and Ms. LIANG Yanqing 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.