New Century Healthcare Holding Co. Limited

新世紀醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1518

2019 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:

Mr. GUO Qizhi
Mr. WANG Siye
Dr. CHENG Chi-Kong, Adrian
Mr. YANG Yuelin
Mr. FENG Xiaoliang

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)*
Mr. YANG Yuelin
Dr. MA Jing

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. XU Han
Mr. JIA Xiaofeng

JOINT COMPANY SECRETARIES

Mr. JIA Xiaofeng
Ms. SO Lai Shan

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

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 2019

In the first half of 2019, we adhered to our established strategies, expanded the depth of the medical services, and upgraded the management operations capability in order to integrate and strengthen our expertise in pediatric and obstetric and gynecologic specialty services. The Company achieved a stable growth of business, with total revenue amounted to RMB342.5 million, representing a 26.0% YoY increase. In particular, revenue from pediatric business and obstetric and gynecologic business recorded a 22.1% YoY increase to RMB255.8 million and a 54.5% YoY increase to RMB63.5 million, respectively. The adjusted EBITDA recorded a 19.3% YoY increase to RMB89.9 million. The net profit attributable to owners of the Company was negative RMB6.2 million after adjusted items. The adjusted profit attributable to owners of the Company excluding New Institutions was RMB34.7 million, representing a decrease of 25.4% as compared to RMB46.6 million for the corresponding period.

The Company actively develops the pediatric healthcare service market in major cities across the country and continues to consolidate the layout advantage of the pre-existing medical institutions network. While continuously raising income levels, the Company conducts effective marketing and cost control and continues to establish a comprehensive pediatric family doctor and child health service system to expand its influence.

The Company will set up the management center of the Group in Beijing to optimize the organization structure, comprehensively improve the middle and senior management and provide strong management support to the efficient operation of the pre-existing medical institutions network.

Industry Outlook and the Group's Strategies

The Company intends to grasp the industry opportunities by implementing the following measures, improving the Company's operating efficiency, and laying a solid foundation for the Company's rapid development:

- Establishing a mergers and acquisition fund to screen and nurture new medical institutions for the Company.

- Promoting the in-depth integration of the online and remote medical service with its offline medical services to further enhance the efficiency of the Group's operational management.

- Continuing to improve the medical service network in Beijing, Chengdu and the Guangdong-Hong Kong-Macao Greater Bay Area to enhance the synergy and linkage among the medical institutions in Guangdong-Hong Kong Area and mainland China.

- Repurchasing stocks to design and implement an equity incentive plan suitable for the Company's development.

- Making 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,			
	2019		2018	
	(in thousands of RMB, except percentages)			
Medical services	319,209	93.2%	250,494	92.1%
Hospital consulting services	19,214	5.6%	18,771	6.9%
Others[1]	4,065	1.2%	2,590	1.0%
Total	342,488	100.0%	271,855	100.0%

[1] Include revenue from cafeteria and gift shop sales at our medical institutions.

Medical Services

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

	Six months ended June 30,	
	2019	2018
	(in thousands of RMB, except percentages)	
Revenue	319,209	250,494
Cost of revenue	212,039	148,207
Gross profit	107,170	102,287
Gross profit margin	33.6%	40.8%

Management Discussion and Analysis (Continued)

The following table sets forth the composition of our revenue from pediatric and obstetric and gynecologic services for the periods indicated:

	Six months ended June 30,			
	2019		2018	
	(in thousands of RMB, except percentages)			
Pediatric services	255,755	74.7%	209,430	77.0%
Obstetric and gynecologic services	63,454	18.5%	41,064	15.1%
Total	319,209	93.2%	250,494	92.1%

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,	
	2019	2018
The Group		
Inpatients services		
Inpatient visits	5,374	4,319
Average inpatient spending per visit *(RMB)*	24,561	25,206
Outpatients services		
Outpatient visits	138,817	97,757
Average outpatient spending per visit *(RMB)*	1,140	1,191
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	131,992	108,864
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	158,310	116,410
Revenue recognized for membership card sales *(in thousands of RMB)*	28,907	25,220
Pediatric Services		
Inpatient services		
Inpatient visits	3,913	3,376
Average inpatient spending per visit *(RMB)*	23,273	24,060
Outpatient services		
Outpatient visits	113,768	85,720
Average outpatient spending per visit *(RMB)*	1,193	1,201

Management Discussion and Analysis (Continued)

	Six months ended June 30,	
	2019	2018
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	91,066	81,226
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	135,782	102,984
Revenue recognized for membership card sales *(in thousands of RMB)*	28,907	25,220
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	1,461	943
Average inpatient spending per visit *(RMB)*	28,012	29,308
Outpatient services		
Outpatient visits	25,049	12,037
Average outpatient spending per visit *(RMB)*	899	1,115
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	40,926	27,638
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	22,528	13,426

Revenue from provision of our medical services amounted to RMB319.2 million for the six months ended June 30, 2019, representing a 27.4% YoY increase and accounting for 93.2% of the Group's total revenue. This increase was primarily due to (i) a 36.0% and 21.2% YoY increase in revenue from medical services attributable to the outpatients and inpatients respectively; and (ii) a 14.6% 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 27.2% of the increase. The increase in revenue from medical services provided by the newly acquired Chengdu New Century accounted for 64.8% of the increase.

For the six months ended June 30, 2019, there were 3,913 pediatric services inpatient visits, representing a YoY increase of 15.9%. There were also 113,768 pediatric services outpatient visits, representing a YoY increase of 32.7%. For obstetric and gynecologic services, there were 1,461 inpatient visits, representing a YoY increase of 54.9%, and 25,049 outpatient visits, representing a YoY increase of 108.1%.

The cost of revenue of our medical services consists primarily of employee benefits expenses, cost of inventories and consumables, consultation fees, outsourced examination and inspection fees and utilities, maintenance fees and office expenses. The cost of revenue of our medical services for the six months ended June 30, 2019 reached RMB212.0 million, representing a YoY increase of 43.1%. This increase was primarily a result of (i) an increase in total remuneration of medical personnel, including those from our newly acquired medical institutions and clinics; (ii) increased costs of medicines and consumables due to increased medical business; and (iii) an increase in depreciation and amortization expenses, including those from our newly acquired institutions and the adoption of HKFRS 16.

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,	
	2019	2018
	(in thousands of RMB, except percentages)	
Revenue	19,214	18,771
Cost of revenue	7,337	7,169
Gross profit	11,877	11,602
Gross profit margin	61.8%	61.8%

The revenue and the gross profit margin of our hospital consulting services slightly increased at RMB19.2 million and 61.8%, respectively.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2019 amounted to RMB119.1 million, representing a YoY increase of 4.6%. This was primarily because the pre-existing medical institutions' net profits steadily grew while the newly acquired institutions incurred losses. The gross profits of our pre-existing institutions saw an increase over the same period. Our gross profit margin decreased from 41.9% in the six months ended June 30, 2018 to 34.8% in the six months ended June 30, 2019.

Selling Expenses

Our selling expenses for the six months ended June 30, 2019 amounted to RMB19.1 million, representing a YoY increase of 57.4%, which was primarily due to (i) the increased selling expenses of New Institutions; and (ii) the increased personnel expenses to strengthen the marketing teams of the pre-existing institutions.

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2019 amounted to RMB69.3 million, an increase from RMB49.8 million for the six months ended June 30, 2018. Such increase was mainly a result of (i) the increased management expenses from New Institutions; and (ii) the increased management cost from the implementation of management personnel and organization structure enhancement in line with the business expansion.

Other Gains – Net

Our other net gains for the six months ended June 30, 2019 amounted to RMB1.9 million, as compared to other net gains of RMB1.8 million for the six months ended June 30, 2018. Our other net gains for the six months ended June 30, 2019 were mainly a result of (i) the gain of RMB1.8 million on change in fair value of our wealth management products; and (ii) the income of RMB0.1 million from the disposal of medical equipment and office equipment.

Finance Income and Expenses

Our finance income for the six months ended June 30, 2019 decreased from RMB10.7 million for the six months ended June 30, 2018 to RMB0.7 million which was mainly because (i) the interests related with cash and cash equivalents decreased by RMB6.0 million; and (ii) there were exchange income of RMB4.1 million for the six months ended June 30, 2018. Our finance expenses for the six months ended June 30, 2019 amounted to RMB10.5 million, primarily due to interest expenses as a result of the adoption of HKFRS 16.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2019 amounted to RMB18.8 million, representing a YoY decrease of 16.7%, which was mainly because (i) the newly acquired clinics recorded a pre-tax loss and had not yet incurred any income tax expenses; (ii) the newly acquired clinics had not recognized deferred income tax arising from the loss due to its early stage development; and (iii) certain deferred tax assets related with accumulated tax losses reversed which is expected not to be utilized before expired. Our effective tax rate was 82.5% and 35.1% for the six months ended June 30, 2019 and for the six months ended June 30, 2018, respectively.

Profit for the six months ended June 30, 2019

Our profit for the six months ended June 30, 2019 amounted to RMB4.0 million, a decrease from RMB41.8 million for the six months ended June 30, 2018.

Management Discussion and Analysis (Continued)

FINANCIAL POSITION

Inventories

Our inventories decreased by 4.3% from RMB13.7 million as of December 31, 2018 to RMB13.1 million as of June 30, 2019, primarily due to more inventories being reserved at year-end peak of medical service demand.

Trade Receivables

Our trade receivables decreased by 7.3% from RMB24.8 million as of December 31, 2018 to RMB23.0 million as of June 30, 2019, primarily driven by the increased revenue during the year-end peak of medical service demand leading to the increase in accounts receivables.

Trade Payables

Our trade payables decreased by 6.2% from RMB23.7 million as of December 31, 2018 to RMB22.2 million as of June 30, 2019, primarily due to the increased purchases of medicine and consumables during the year-end peak of medical service demand leading to an increase in accounts payables.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2019, we had cash and cash equivalents of RMB303.2 million (December 31, 2018: RMB433.3 million). We did not have any interest-bearing borrowings as of June 30, 2019 (December 31, 2018: Nil).

Significant Investments, Acquisitions and Disposals

We did not have any significant investment, material acquisitions or material disposals during the six months ended June 30, 2019.

Capital Expenditures

Our capital expenditures primarily include expenditures on (i) property, plant and equipment, leasehold improvements, medical equipment, furniture and office equipment, motor vehicles and construction in progress; and (ii) intangible assets such as computer software relating to our operations. The amount of our capital expenditures in the six months ended June 30, 2019 was RMB11.9 million, which was mainly a result of (i) upgrading the pre-existing medical institutions; and (ii) setting up clinics in Beijing and Hong Kong.

Management Discussion and Analysis (Continued)

INDEBTEDNESS

Borrowings

As of June 30, 2019, we did not have any borrowings (December 31, 2018: Nil).

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. As of June 30, 2019, our assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalent denominated in USD or HKD and dividend payable denominated in HKD. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

Contingent Liabilities

As of June 30, 2019, 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, 2019, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2019, we did not have any contractual obligations that would have a material effect on our financial position or results of operations.

Financial Instruments

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

Gearing Ratio

As of June 30, 2019, our gearing ratio, calculated as total borrowings divided by total equity, was 0% as compared to 0% as of December 31, 2018.

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2019, the Group had 1,307 employees (June 30, 2018: 868 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2019 amounted to RMB149.9 million (for the six months ended June 30, 2018: RMB108.3 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 also adopted 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, 2019.

EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events occurred after June 30, 2019 and up to the Latest Practicable Date.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of June 30, 2019, 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) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Interests/short positions in the Shares

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	216,201,394	44.12%
Ms. XIN Hong(3)	Beneficial owner	450,000	0.09%
Mr. 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 149,462,051 Shares held by JoeCare and the 8,999,162 Shares held by Century Star. Pursuant to the Voting Agreement, Ms. LIANG Yanqing irrevocably agreed to follow Mr. Jason ZHOU's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement. Hence, Mr. Jason ZHOU is deemed to be interested in all the Shares held by Ms. LIANG Yanqing in aggregate by virtue of the SFO.

3. Ms. XIN Hong is interested in 450,000 restricted Shares granted to her under the RSA Scheme, 180,000 of which have vested in her.

4. Mr. XU Han is interested in 450,000 restricted Shares granted to him under the RSA Scheme, 180,000 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 Jiahua Yihe, a wholly-owned subsidiary of the Company, and as to 30% by Jiahua Kangming, a PRC company controlled by (as defined in the SFO) Mr. Jason ZHOU.

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

Save as disclosed above, as of June 30, 2019, 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 positions in the Shares, underlying Shares or debentures of the Company or any associated corporation which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information (Continued)

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

As of June 30, 2019, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executives 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	149,462,051	30.5%
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)	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)	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)	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)	Interests in a controlled corporation	31,728,156	6.5%
Mr. WU Shangzhi(2)	Interests in a controlled corporation	31,728,156	6.5%
Mr. JIAO Shuge(2)	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))(3)	Beneficial owner	31,562,713	6.4%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)(3)	Interests in a controlled corporation	31,562,713	6.4%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)(3)	Interests in a controlled corporation	31,562,713	6.4%
XIA Meiying(3)	Interests in a controlled corporation	31,562,713	6.4%
HUANG Ailian(3)	Interests in a controlled corporation	31,562,713	6.4%

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.[(4)]	Beneficial owner	31,609,000	6.5%
China Reinsurance (Group) Corporation[(4)]	Interests in a controlled corporation	31,609,000	6.5%
Central Huijin Investment Ltd.[(4)]	Interests in a controlled corporation	31,609,000	6.5%

Notes:

1. 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. 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..

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

Save as disclosed above, as of June 30, 2019, 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 Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

RSA SCHEME

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, 2019	Date of grant	Exercise price *(HKD)*	Exercised between January 1, 2019 and June 30, 2019	Lapsed between January 1, 2019 and June 30, 2019	Number of Shares represented by the restricted Shares as of June 30, 2019
Directors							
Ms. XIN Hong	Executive Director	270,000	July 25, 2017	3.825	–	–	270,000
Mr. XU Han	Executive Director	270,000	July 25, 2017	3.825	–	–	270,000
Sub-total		540,000			–	–	540,000
265 other employees of the Group		4,659,000	July 25, 2017	3.825	–	–	4,659,000
Sub-total		4,659,000			–	–	4,659,000

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.

Other Information (Continued)

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, 2019 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.

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

During the six months ended June 30, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM THE IPO

As disclosed in the annual report of the Group for the year ended December 31, 2018, the remaining proceeds from the IPO had been consolidated for the use of (a) the setting up, renovation and acquisition of new hospitals and clinics and the required working capital for such new hospitals and clinics; and (b) the investment in surgery center and online diagnosis.

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

Item	Net proceeds as of March 25, 2019 *(HKD million)*	Utilized between March 25, 2019 to August 26, 2019 *(HKD million)*	Unutilized as of August 26, 2019 *(HKD million)*	Expected timeline of the intended use of the unutilized proceeds, subject to the then management assessment and market landscape
Setting up, renovation and acquisition of new hospitals and clinics and the required working capital for such new hospitals and clinic	383.3	74.3	309.0	The remaining amount is expected to be fully utilized by the end of 2020.
Investment in surgery center and online diagnosis	78.4	0.1	78.3	The remaining amount is expected to be fully utilized by the end of 2020.
Total	461.7	74.4	387.3	

Other Information (Continued)

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

During the six months ended June 30, 2019, 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 code provisions as set out in the CG Code during the six months ended June 30, 2019, 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 of the Company, 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).

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, 2019. 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.

Other Information (Continued)

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on Directors for the six months ended June 30, 2019 and up to the Latest Practicable Date are as follows:

Dr. CHENG Chi-Kong, Adrian resigned as a non-executive director of i-Cable Communications Limited (Stock Code: 1097), a company listed on the Main Board of the Stock Exchange, on July 2, 2019.

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 2018 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, 2019 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 2018 annual report.

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

Hong Kong, August 26, 2019

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 22 to 57, 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 June 30, 2019 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 26, 2019

Interim Condensed Consolidated Balance Sheet

	Note	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	243,795	250,797
Right-of-use assets	3(a)	408,981	–
Intangible assets	8	666,745	670,801
Investments accounted for using the equity method		13,052	13,052
Deferred income tax assets	16	4,774	39
Long-term deposits and prepayments	10	14,963	20,620
Total non-current assets		1,352,310	955,309
Current assets			
Inventories		13,125	13,717
Trade receivables	9	22,974	24,777
Other receivables, deposits and prepayments	10	18,071	26,967
Amounts due from related parties	11	166,442	106,927
Financial assets at fair value through profit or loss	5.3	77,166	50,000
Cash and cash equivalents		303,223	433,327
Total current assets		601,001	655,715
Total assets		1,953,311	1,611,024
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	335
Share premium	12	2,600,902	2,600,209
Reserves	12	(1,497,487)	(1,507,310)
Retained earnings		128,318	144,274
		1,232,068	1,237,508
Non-controlling interests		11,340	33,836
Total equity		1,243,408	1,271,344


Interim Condensed Consolidated Balance Sheet (Continued)

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	3(a)	387,302	–
Deferred income tax liabilities	16	32,324	27,220
Total non-current liabilities		419,626	27,220
Current liabilities			
Trade payables	14	22,247	23,726
Accruals, other payables and provisions	15	151,557	163,271
Lease liabilities	3(a)	71,215	–
Contract liabilities		41,579	40,617
Current income tax liabilities		2,297	4,574
Amounts due to related parties	11	1,382	80,272
Total current liabilities		290,277	312,460
Total liabilities		709,903	339,680
Total equity and liabilities		1,953,311	1,611,024

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

The financial statements on pages 22 to 57 were approved by the Board on 26 August 2019 and were signed on its behalf:

Jason ZHOU

XU Han

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2019 *RMB'000* (Unaudited)	 2018 *RMB'000* (Unaudited)
Revenue	6	342,488	271,855
Cost of revenue	17	(223,400)	(157,984)
Gross profit		119,088	113,871
Selling expenses	17	(19,135)	(12,159)
Administrative expenses	17	(69,280)	(49,847)
Other income		52	21
Other gains – net		1,881	1,823
Operating profit		32,606	53,709
Finance income	18	691	10,717
Finance expenses	18	(10,456)	–
Profit before income tax		22,841	64,426
Income tax expense	19	(18,835)	(22,624)
Profit for the period		4,006	41,802
Other comprehensive income		–	–
Total comprehensive income		4,006	41,802
Profit and total comprehensive income attributable to:			
Owners of the Company		(9,392)	26,006
Non-controlling interests		13,398	15,796
		4,006	41,802
(Losses)/earnings per share attributable to owners of the Company *(expressed in RMB per share)*			
Basic and diluted (losses)/earnings per share	20	(0.02)	0.05

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)								
Balance at 1 January 2019		335	2,600,209	(1,507,310)	144,274	1,237,508	33,836	1,271,344
Comprehensive income								
– Profit for the period		–	–	–	(9,392)	(9,392)	13,398	4,006
Transactions with owners								
– Dividends	21	–	–	–	–	–	(35,894)	(35,894)
– Appropriation to statutory reserves		–	–	6,564	(6,564)	–	–	–
– Shares exercised under share award scheme		–	693	(693)	–	–	–	–
– Share based payments	13	–	–	3,952	–	3,952	–	3,952
Total transactions with owners		–	693	9,823	(6,564)	3,952	(35,894)	(31,942)
Balance at 30 June 2019		335	2,600,902	(1,497,487)	128,318	1,232,068	11,340	1,243,408
(Unaudited)								
Balance 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		–	–	–	(20,031)	(20,031)	(38,291)	(58,322)
– Business combination		–	–	–	–	–	4,027	4,027
– Capital injection		–	–	(874)	–	(874)	874	–
– Appropriation to statutory reserves		–	–	10,701	(10,701)	–	–	–
– Share based payments	13	–	–	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

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 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		69,446	15,604
Interest paid		(7,588)	–
Interest received		657	1,993
Income taxes paid		(20,743)	(21,186)
Net cash inflow/(outflow) from operating activities		41,772	(3,589)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		–	(13,775)
Payments for property, plant and equipment		(9,792)	(3,395)
Payments for intangible assets		(2,086)	(7,979)
Purchase of structured deposits and financial assets		(450,000)	(571,000)
Proceeds from sale of structured deposits and financial assets		423,000	553,000
Interest received on structured deposits and financial assets		1,758	5,254
Loans to related parties	11	(42,597)	–
Net cash outflow from investing activities		(79,717)	(37,895)
Cash flows from financing activities			
Repayment of borrowings from a related party	11	(34,418)	–
Dividends paid to non-controlling interests		(35,894)	(38,291)
Dividends paid to the Company's shareholders		(3,170)	(8,484)
Principal elements of lease payments		(19,524)	–
Proceeds from shares exercised under share award scheme		596	–
Net cash outflow from financing activities		(92,410)	(46,775)
Net decrease in cash and cash equivalents		(130,355)	(88,259)
Cash and cash equivalents at the beginning of the period		433,327	763,659
Effects of exchange rate changes on cash and cash equivalents		251	4,002
Cash and cash equivalents at the end of the period		303,223	679,402

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 as well as hospital consulting services in the People's Republic of China (the "**PRC**").

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 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 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), 'Interim financial reporting'.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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 2019.

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

(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 HKFRS 16 Leases.

The impact of the adoption of the leasing standard 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.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 3(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.87%.

	2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	567,835
Discounted using the lessee's incremental borrowing rate of at the date of initial application	456,962
(Less): short-term leases recognised on a straight-line basis as expense	402
(Less): low-value leases recognised on a straight-line basis as expense	83
Lease liability recognised as at 1 January 2019	456,477
Of which are:	
Current lease liabilities	66,940
Non-current lease liabilities	389,537
	456,477

All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

The recognised right-of-use assets relate to the following types of assets:

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 1 January 2019 *RMB'000* (Unaudited)
Properties	408,179	414,398
Equipment	802	949
Total right-of-use assets	**408,981**	415,347

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increased by RMB415,347,000
- amounts due to related parties – decreased by RMB42,176,000
- prepayments – decreased by RMB7,068,000
- accruals – decreased by RMB6,022,000
- lease liabilities – increased by RMB456,477,000

There is no impact on retained earnings on 1 January 2019.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

(i) Impact on segment disclosures and earnings per share

Segment results decreased, segment assets and segment liabilities increased for June 2019 as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment results *RMB'000*	Segment assets *RMB'000*	Segment liabilities *RMB'000*
Pediatrics	(2,945)	242,094	245,039
Obstetrics and gynecology	(1,960)	156,296	158,256
Hospital consulting services	(203)	6,591	6,794
Unallocated	(106)	2,352	2,458
	(5,214)	407,333	412,547

Earnings per share decreased by RMB0.01 per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, operating sites, and equipments and vehicles. Rental contracts are typically made for fixed periods of 1 to 20 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, small items of medical equipment.

(i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of the Group's lease contracts which have extension options have been included in the lease liability because it is reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, there is no financial effect of revising lease terms to reflect the effect of exercising extension and termination options.

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 2018.

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 foreign exchange risk and fair value 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 2018.

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 hierarchy

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.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value hierarchy (Continued)

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018 on a recurring basis:

	As at 30 June 2019			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss	–	–	77,166	77,166

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss	–	–	50,000	50,000

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 2019.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value hierarchy (Continued)

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 which maximise the use of observable market data 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.

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

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2019:

	Structured financial products with floating rates *RMB'000*
Opening balance 31 December 2018	50,000
Acquisitions	440,000
Disposals	(414,508)
Gains and losses recognised in other gains – net*	1,674
Closing balance 30 June 2019	77,166
* Includes unrealised gains or losses recognised in "other gains – net" attributable to balances held at the end of the reporting period.	166

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)

5.4 Fair value measurements using significant unobservable inputs (level 3) (Continued)

(a) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfer between the levels of the fair value hierarchy in the six months ended 30 June 2019. There were also no changes made to any of the valuation techniques applied as of 31 December 2018.

(b) Valuation process, inputs and relationships to fair value

The finance department of the Group performs the valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case by case basis. At least once a year, the finance department would use valuation techniques to determine the fair value of the Group's level 3 instruments and report to senior management and directors of the Group.

The valuation of the level 3 instruments mainly include financial assets at fair value through profit or loss. The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value		Unobservable inputs	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000		As at 30 June 2019	As at 31 December 2018	
Structured financial products with floating rates	77,166	50,000	Expected rate of return	3.20%-3.95%	2.75%-3.95%	If expected rate of return +/- 50 basis points, the fair value would increase/ decrease by RMB385,000

5.5 Fair value of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

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:

(i) Segment information

	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 2019						
Revenue	255,755	63,454	19,214	4,065	–	342,488
Cost of revenue	150,070	61,969	7,337	4,024	–	223,400
Segment results	50,166	(21,724)	36	41	–	28,519
Unallocated income					2,624	2,624
Unallocated cost					(8,302)	(8,302)
Profit before income tax	50,166	(21,724)	36	41	(5,678)	22,841
Income tax expense					(18,835)	(18,835)
Profit after income tax						4,006
As at 30 June 2019						
Total segment assets	788,369	534,709	180,020	–	450,213	1,953,311
Total segment liabilities	378,734	242,324	46,374	–	42,471	709,903

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 SEGMENT INFORMATION (CONTINUED)

(i) 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 31 December 2018						
Total segment assets	571,956	413,921	123,527	–	501,620	1,611,024
Total segment liabilities	148,380	110,263	5,248	–	75,789	339,680

6 SEGMENT INFORMATION (CONTINUED)

(ii) Disaggregation of revenue from contracts with customers

	Pediatrics *RMB'000*	Obstetrics and gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Total *RMB'000*
(Unaudited)					
Six months ended 30 June 2019					
Revenue from external customers					
At a point in time	255,755	63,454	17,214	4,065	340,488
Over time	–	–	2,000	–	2,000
	255,755	63,454	19,214	4,065	342,488

	Pediatrics *RMB'000*	Obstetrics and gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Total *RMB'000*
(Unaudited)					
Six months ended 30 June 2018					
Revenue from external customers					
At a point in time	209,430	41,064	16,971	2,590	270,055
Over time	–	–	1,800	–	1,800
	209,430	41,064	18,771	2,590	271,855

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	Construc-tion in progress RMB'000	Total RMB'000
At 31 December 2018						
Cost	213,146	98,165	7,145	30,452	2,159	351,067
Accumulated depreciation	(48,159)	(36,658)	(2,876)	(12,577)	–	(100,270)
Net book amount	164,987	61,507	4,269	17,875	2,159	250,797
(Unaudited)						
Six Months ended 30 June 2019						
Opening net book amount	164,987	61,507	4,269	17,875	2,159	250,797
Additions	–	3,446	221	2,528	6,833	13,028
Disposals	–	(96)	–	(18)	–	(114)
Transfer upon completion	6,786	–	–	–	(6,786)	–
Depreciation charge	(11,299)	(5,026)	(320)	(3,271)	–	(19,916)
Closing net book amount	160,474	59,831	4,170	17,114	2,206	243,795
At 30 June 2019						
Cost	219,932	100,465	7,366	32,826	2,206	362,795
Accumulated depreciation	(59,458)	(40,634)	(3,196)	(15,712)	–	(119,000)
Net book amount	160,474	59,831	4,170	17,114	2,206	243,795

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8 INTANGIBLE ASSETS

	Medical licenses *RMB'000*	Goodwill *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 31 December 2018				
Cost	311,684	377,939	5,525	695,148
Accumulated amortization	(21,238)	–	(3,109)	(24,347)
Net book amount	290,446	377,939	2,416	670,801
(Unaudited)				
Six Months ended 30 June 2019				
Opening net book amount	290,446	377,939	2,416	670,801
Additions	–	–	3,575	3,575
Amortization charge	(6,735)	–	(896)	(7,631)
Closing net book amount	283,711	377,939	5,095	666,745
At 30 June 2019				
Cost	311,684	377,939	9,100	698,723
Accumulated amortization	(27,973)	–	(4,005)	(31,978)
Net book amount	283,711	377,939	5,095	666,745

9 TRADE RECEIVABLES

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Trade receivables	23,318	25,044
Less: allowance for impairment of trade receivables	(344)	(267)
Trade receivables – net	22,974	24,777

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

The majority trade receivables were due from commercial insurance companies and social insurance bureau, with credit terms of 30 to 60 days based on their collaboration arrangement with the Group.

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

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Up to 3 months	17,082	21,179
4 – 6 months	3,539	1,936
7 months – 1 year	1,657	992
Over 1 year	1,040	937
	23,318	25,044

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Prepayments	14,456	26,518
Deposits	11,944	11,975
Other receivables	3,797	6,302
Interest receivables	–	153
Others	2,837	2,639
Total	33,034	47,587
Less:non-current portion	(14,963)	(20,620)
Current Portion	18,071	26,967

11 BALANCES WITH RELATED PARTIES

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Amounts due from related parties		
– Trade		
Beijing Jiahua Likang Health Investment Co., Ltd.	122,202	106,927
– Non-Trade		
Beijing Jiarun Yunzhong Health Technology Co., Ltd. (i)	36,097	–
Beijing Bairui Kangchen Technology Development Co., Ltd. (ii)	6,500	–
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd.	1,643	–
	166,442	106,927

11 BALANCES WITH RELATED PARTIES (CONTINUED)

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Amounts due to related parties		
– Trade		
Beijing Children's Hospital	426	1,403
Beijing MuHeJiaYe Property Management Co., Ltd.	134	398
Chengdu Women's and Children's Central Hospital	77	42,176
	637	43,977
– Non-Trade		
Beijing Children's Hospital	743	1,875
Beijing Jiahua Likang Health Investment Co., Ltd.	–	34,418
Mr. Xu Han	1	1
Ms. Xin Hong	1	1
	745	36,295
	1,382	80,272

(i) On 28 June 2019, Beijing Jiahua Yihe Management and Consulting Co., Ltd. ("**Jiahua Yihe**") entered into a loan agreement with Beijing Jiarun Yunzhong Health Technology Co., Ltd. ("**Jiarun Yunzhong**"), a related party which is controlled by a key management of the Company. Pursuant to the agreement, Jiarun Yunzhong borrowed RMB36,097,000 from Jiahua Yihe with interest bearing at fixed rate of 6% annually. The mature date of this borrowing is on 27 June 2021.

(ii) On 11 April 2019, Jiahua Yihe entered into a loan agreement amounting to RMB6,500,000 with Beijing Bairui Kangchen Technology Development Co., Ltd. ("**Bairui Kangchen**"), a related party which is controlled by a shareholder of the Company. The interest rate is the annual bank borrowing interest rate. On 25 June 2019, Bairui Kangchen borrowed RMB6,500,000 from Jiahua Yihe. The mature date of this borrowing is on 24 June 2021. Bairui Kangchen pledged all its shares of Shenzhen New Century Healthcare Investment Co., Ltd. to Jiahua Yihe as collateral for the loan (note 23).

On 19 May 2019, Jiahua Yihe entered into a contract and provided credit facility to Bairui Kangchen. Pursuant to the agreement, Jiahua Yihe has agreed to provide a loan credit line amounting to RMB10,000,000 to Bairui Kangchen in the coming year. Bairui Kangchen has pledged its all shares of Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd. as collateral for the loan. As at the report date, no borrowings have been made by Bairui Kangchen under such credit line.

(iii) The other 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 2019 and 31 December 2018 approximate their fair values.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

12 SHARE PREMIUM AND RESERVES

	Note	Share premium *RMB'000*	Reserves: Other reserves *RMB'000*	Reserves: Merger reserve *RMB'000*	Reserves: Surplus reserve *RMB'000*	Reserves: Subtotal *RMB'000*
(Unaudited)						
At 1 January 2019		2,600,209	(106,987)	(1,417,965)	17,642	(1,507,310)
Share-based payment	13	–	3,952	–	–	3,952
Appropriation to statutory reserves		–	–	–	6,564	6,564
Shares exercised under share award scheme		693	(693)	–	–	(693)
At 30 June 2019		2,600,902	(103,728)	(1,417,965)	24,206	(1,497,487)

	Note	Share premium *RMB'000*	Reserves: Other reserves *RMB'000*	Reserves: Merger reserve *RMB'000*	Reserves: Surplus reserve *RMB'000*	Reserves: Subtotal *RMB'000*
(Unaudited)						
At 1 January 2018		2,576,092	(105,358)	(1,417,965)	6,500	(1,516,823)
Capital injection		–	(874)	–	–	(874)
Share-based payment	13	–	7,701	–	–	7,701
Appropriation to statutory reserves		–	–	–	10,701	10,701
At 30 June 2018		2,576,092	(98,531)	(1,417,965)	17,201	(1,499,295)

13 SHARE-BASED PAYMENTS

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

	As at 30 June 2019	As at 31 December 2018
Number of shares granted under the restricted shares award scheme on 25 July 2017	9,000,000	9,000,000

Movements in the number of Restricted Shares for the six months ended 30 June 2019 was as follows:

	Six months ended 30 June 2019
As at 1 January	5,379,000
Exercised during the period	(180,000)
As at 30 June	5,199,000
Vested and exercisable at 30 June	–

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 consistent with those of the previous financial year and corresponding interim reporting period.

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Shares issued under restricted shares award scheme ("**RSA Scheme**")	3,952	7,701

14 TRADE PAYABLES

As at 30 June 2019 and 31 December 2018, the aging analysis of the trade payables based on demand note date was as follows:

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Up to 3 months	15,241	12,819
4 – 6 months	3,614	6,567
7 months – 1 year	1,970	2,984
Over 1 year	1,422	1,356
	22,247	23,726

15 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Accrued employee benefits	30,300	37,302
Refundable liabilities (i)	78,847	70,907
Accrued operating expenses	19,297	27,265
Other payables to suppliers of plant and equipment	13,849	14,450
Dividend payable	2,642	5,812
Duty and tax payable other than corporate income tax	966	2,071
Others	5,656	5,464
	151,557	163,271

(i) Refundable liabilities

When a customer has a right to return unused services within a given period, the Group recognises a refundable liability for the amount of consideration received for which the entity does not expect to be entitled.

16 DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities for the six months ended 30 June 2019 and 2018 before offsetting was 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 2019	–	65	47,492	47,557
Charged to the income statement	783	18	(3,241)	(2,440)
At 30 June 2019	783	83	44,251	45,117
(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

Deferred income tax liabilities	Intangible Assets
	RMB'000
(Unaudited)	
Balance at 1 January 2019	74,738
Credited to the income statement	(2,071)
At 30 June 2019	72,667
(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

The amount of offsetting deferred income tax assets and liabilities is RMB40,343,000 as at 30 June 2019 (30 June 2018: Nil).

17 EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefits expenses	149,947	108,302
Depreciation and amortization	52,711	13,939
Cost of inventories and consumables	42,902	24,300
Consultation fees	22,673	21,927
Utilities, maintenance fee and office expenses	19,342	13,580
Outsourced examination and inspection fees	2,198	2,323
Rental expenses	1,137	21,049
Auditor's remuneration	960	1,405
Other expenses	19,945	13,165
	311,815	219,990

18 FINANCE (EXPENSES)/INCOME — NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance Income		
Interest income	657	6,662
Net foreign exchange gains	34	4,055
	691	10,717
Finance Expenses		
Interest expense on lease liabilities	(10,456)	–
Finance (expenses)/income – net	(9,765)	10,717

19 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income taxation:		
– PRC corporate income tax	18,466	20,740
Deferred income tax (note 16)	369	1,884
	18,835	22,624

(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 2019 and 2018. 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 2019 and 2018.

As at 30 June 2019, deferred income tax liabilities of RMB19,084,000 (30 June 2018: RMB12,132,000), have not been recognised for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Management expects to be reinvested such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at 30 June 2019 amounted to RMB190,835,000 (30 June 2018: RMB121,315,000).

20 (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019.

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
(Loss)/profit attributable to owners of the Company *(RMB'000)*	(9,392)	26,006
Weighted average number of ordinary shares in issue *(in thousands) (i)*	484,491	481,025
Basic (losses)/earnings per share *(in RMB)*	(0.02)	0.05

The (losses)/earnings per share presented above is calculated by using the weighted average number of ordinary shares during the six months ended 30 June 2019.

(i) The Company granted 9,000,000 Restricted Shares to employees on 25 July 2017 pursuant to the RSA Scheme. As at 30 June 2019, 3,466,000 Restricted Shares have been vested which have been included in the calculation of basic (losses)/earnings per share. The remaining 5,534,000 shares, including the forfeited shares, have not been included in the calculation of basic (losses)/earnings per share.

(b) Diluted

The Group had potential dilutive shares during the six months ended 30 June 2019 in relation to the shares held for RSA Scheme. Due to the Group's negative financial results during the six months ended 30 June 2019, shares held for RSA Scheme has anti-dilutive effect on the Group's losses per share. Thus, diluted losses per share is equivalent to the basic losses per share.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

21 DIVIDENDS

The Board does not resolve to declare an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

A dividend of RMB35,894,000 related with the earnings of BNC Children's Hospital for the year ended December 31, 2018 was paid to Beijing Children's Hospital in April 2019 (2018: RMB38,291,000).

22 COMMITMENTS

Capital commitments

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

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Contracted but not provided for		
– Property, plant and equipment	3,340	6,766
– Intangible assets	14,475	5,223
	17,815	11,989

23 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.

The Directors 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
Ms. GAN Feng	A shareholder of the Company
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 (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
Beijing Jiarun Yunzhong Health Technology Co., Ltd. (北京嘉潤雲眾健康科技有限公司)	Controlled by a key management of the Company
Beijing Bairui Kangchen Technology Development Co., Ltd. (北京柏瑞康辰科技發展有限公司)	Controlled by a shareholder of the Company
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd. (上海新世紀浦錦兒科門診部有限公司)	Controlled by a shareholder of the Company
Chengdu Women's and Children's Central Hospital (成都市婦女兒童中心醫院)	Significant influence on the subsidiary of the Company

Notes to the Interim Condensed Consolidated Financial Information (Continued)

23 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, 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.

(i) Transactions with related parties

	Six months ended 30 June	
	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Unaudited)
Hospital consulting services provided to		
– Beijing Jiahua Likang Health Investment Co., Ltd.	19,128	18,771
Examination and laboratory test services received from		
– Beijing Children's Hospital	482	445
– Chengdu Women's and Children's Central Hospital	77	–
Purchase of goods from		
– Beijing Children's Hospital	290	254
Cleaning services received from		
– Beijing MuHeJiaYe Property Management Co., Ltd.	5,130	3,095
Premise Rental Services from		
– Chengdu Women's and Children's Central Hospital	5,311	–
	11,290	3,794

23 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Loans to related parties

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Beginning of the period	–	–
Loans to related parties (note 11)	42,597	–
End of the period	42,597	–

(c) Investment in a related party

On 28 June 2019, Jiahua Yihe entered into a purchase and capital injection agreement with Ms. Zhao Juan, Mr. Jia Xiaofeng and Zhuhai Yunzhong Equity Investment Limited Partnership which are the shareholders of Jiarun Yunzhong. Pursuant to the agreement, Jiahua Yihe agreed to acquire 15% equity interest of Jiarun Yunzhong for a cash consideration of RMB300,000, and further make capital injection to Jiarun Yunzhong, amounting to RMB2,000,000. Based on the arrangement, Jiahua Yihe will obtain 57.5% shareholder rights only when it pay the consideration and complete the alteration registration with relevant industrial and commercial administration authority. Due to the restriction of the Foreign Investment Catalogue, the business of Jiarun Yunzhong is subject to foreign ownership restriction. Therefore, according to the agreement Jiahua Yihe can appoint a related party to fulfil the agreement without the consent of shareholders of Jiarun Yunzhong. And a series contractual arrangements will be set up before the completion of this acquisition.

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

Balances with related parties as at 30 June 2019 and 31 December 2018 are disclosed in Note 11.

23 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management compensation

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and bonus	4,724	6,046
Share based payment	1,026	1,988
Others	517	483
Total	6,267	8,517

(f) Free trademark license agreement

On 10 May 2016, Jiahua Yihe, entered into a trademark licensing and transfer agreement with Jiahua Likang pursuant to which Jiahua Likang agreed to transfer two trademarks to Jiahua Yihe and also irrevocably grant, on a royalty-free basis, a non-exclusive, non-assignable and non-transferable license to Jiahua Yihe and its affiliates to use such trademarks free of charge. The application for the trademark transfer have been approved by relevant competent authority, and trademark registers were issued on 7 May 2017 and 21 August 2017, respectively.

(g) 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, a public hospital in Beijing, the PRC. Pursuant to the cooperation agreement in 2002, Beijing Children's Hospital 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 Beijing Children's Hospital lasts until 12 December 2022.

24 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 significant outstanding lawsuit of the Group and no material contingent liabilities.

25 EVENT OCCURRING AFTER REPORTING PERIOD

There were no material subsequent events occurred during the period from 30 June 2019 to the approval date of these interim condensed consolidated financial statements by the Board on 26 August 2019.

Definitions

"Audit Committee"	the audit committee of the Board;
"Beijing Children's Hospital"	Beijing Children's Hospital, Capital Medical University (首都醫科大學附屬北京兒童醫院), a connected person of the Company on the subsidiary level only due to its 35.0% interest in BNC Children's Hospital;
"BNC 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), a clinic under BNC Yide Consultancy;
"BNC Children's Hospital"	Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
"BNC Harmony Clinic"	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is a non-wholly owned subsidiary of the Company;
"BNC Hong Kong Clinic"	New Century Healthcare (Hong Kong) Co. Limited (新世紀醫療(香港)有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company;
"BNC Qingnian Road Clinic"	Beijing New Century Qingnian Road Pediatric Clinic Co., Ltd. (北京新世紀青年路兒科診所有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;
"BNC Yide Consultancy"	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 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;

Definitions (Continued)

"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;
"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;
"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;
"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;
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"IPO"	the initial public offering of the Shares and listing of the Group on the Stock Exchange;
"Jiahua Kangming"	Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司), a company incorporated in the PRC with limited liability, which is a connected person of the Company;
"Jiahua Yihe"	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;

Definitions (Continued)

"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 26, 2019, 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;
"New Institutions"	newly acquired and set up institutions, namely, BNC Ao-dong Clinic, BNC Chaowai Clinic, BNC Qingnian Road Clinic, Chengdu New Century and BNC Hong Kong Clinic;
"Remuneration Committee"	the remuneration committee of the Board;
"RMB"	Renminbi, the lawful currency of the PRC;
"RSA Scheme"	the restricted share award scheme approved and adopted by the Company on August 29, 2016;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholder(s)"	holder(s) of the Share(s);
"Share(s)"	ordinary share(s) of US$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Voting Agreement"	an agreement entered into between Mr. Jason ZHOU and Ms. LIANG Yanqing on February 18, 2016 and automatically renewed on February 17, 2019 for a term of three years until February 17, 2022, pursuant to which 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;
"YoY"	year-on-year; and
"%"	percent.