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

2020
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

COMPANY SECRETARY

Mr. JIA Xiaofeng

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

56 Nanlishi Road
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Tower 5, The Gateway
Harbour City, Tsim Sha Tsui
Kowloon, 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 and
Registered Public Interest Entity Auditor
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 2020

According to the strategic development plan at the beginning of the year, the Company comprehensively promoted the integration of medical services and the internet. Chengdu New Century passed the inspection conducted by the local health commission and obtained an internet hospital license, and internally upgraded to the internet hospital of New Century Healthcare Group (新世紀醫療集團互聯網醫院). The technology company (previously named as Jiarun Yunzhong Health Technology Co., Ltd.) officially changed its name to New Century Healthcare Technology (Beijing) Co., Ltd. (新世紀醫療科技(北京)有限公司), integrating IT research and development, member services and marketing resources at the group level to further upgrade its member service system and optimize its management organization structure and personnel structure, and enhance operation capability, which enabled implementation of tiered medical services more efficiently and consolidated the leading position of New Century Healthcare in the field of pediatric services.

Affected by the outbreak of the COVID-19 pandemic ("**COVID-19 Outbreak**"), business revenue of the Company showed a negative growth in the first half of 2020 for the first time since its listing in January 2017. The business revenue amounted to RMB216.7 million, representing a 36.7% YoY decrease, and the revenue from medical services amounted to RMB209.3 million, representing a 34.4% YoY decrease. Taking into account the impact of the pandemic and uncertainty of future economic growth, the Company made impairment adjustment to goodwill and other intangible assets of certain subsidiaries by reducing RMB251.5 million, resulting in a net loss of RMB319.3 million and EBITDA of RMB(230.1) million of the Company in the first half of 2020. Excluding the impact of the RSA Scheme, impairment losses on intangible assets, exchange gains and losses, and the New Institutions, the adjusted net profit and the adjusted EBITDA for the first half of 2020 was RMB9.8 million and RMB40.1 million, respectively. Please refer to the section headed "Loss for the six months ended June 30, 2020" below for further details of the adjusted net profit and the adjusted EBITDA.

During the reporting period, the contribution of online medical services to the Company's business gradually emerged, with the total number of online and offline visits reaching 79,510, of which online consultations reached 8,017, accounting for 10.1% of the Company's total consultation visits. The rapid improvement of online service capability ensured that the Company could continue to provide customers with customary medical services during the pandemic. During the pandemic, 10% of customers have chosen to use our online portal to make self-service appointments.

Management Discussion and Analysis (Continued)

Due to the pandemic, the Company's offline pediatric business has been affected to a larger extent. Services provided by our medical institutions have been greatly restricted because of the government's requirements for anti-epidemic prevention and control, resulting in a temporary suppression of customers' demand for routine outpatient and inpatient diagnosis and treatments. However, the rigid demand for pediatric specialist outpatient and inpatient services remains unchanged. Revenue from pediatric business recorded a 42.5% YoY decrease to RMB146.9 million. Revenue from offline pediatric outpatient services recorded a 49.0% YoY decrease to RMB69.2 million; there were 49,903 outpatient visits, representing a 56.1% YoY decrease. Due to the increase in the specialist outpatients, the average outpatient spending per visit had a 16.3% YoY increase to RMB1,388. Revenue from pediatric inpatients recorded a 41.4% YoY decrease to RMB53.3 million; number of discharge was 1,944, representing a YoY decrease of 50.3%. Due to the increase in the specialist inpatients, the average inpatient spending per visit had a 17.9% YoY increase to RMB27,428. For the month of August 2020 and up to the Latest Practicable Date, the number of the Group's pediatric outpatient visits had resumed to 90% of the same month last year, and the number of pediatric discharge was close to 70% of the same month last year.

For the obstetric and gynecologic business, particularly the obstetrics business was not affected during the pandemic, and hence has maintained its relatively stable performance. The decline in offline outpatient visits were due to the reduced demand for customary gynaecology business. The obstetric and gynecologic business recorded a 1.7% YoY decrease to RMB62.3 million. Revenue from offline obstetric and gynecologic outpatient services recorded a 6.0% YoY decrease to RMB21.2 million; there were 21,590 outpatient visits, representing a 13.8% YoY decrease, and the average outpatient spending per visit had a 9.1% YoY increase to RMB981. Revenue from obstetric and gynecologic inpatients was RMB41.2 million, with the number of discharge reaching 1,459, and the average discharge spending per capita was RMB28,210, all of which remained stable as compared with those in the corresponding period last year.

Industry Outlook and the Group's Strategies

The cumulative effect from the increased population and the shortage of medical resources continue to drive the growth of demand for pediatric healthcare services. The consumption upgrade of emerging customers and the increased awareness of health management result in a consistently strong demand for high-quality medical services. By 2022, the pediatric healthcare market is expected to reach RMB224 billion in terms of total revenue, with private medical institutions accounting for 6.1%. In particular, the pediatric healthcare market in Beijing is expected to reach RMB21.5 billion, with the proportion of private medical institutions increasing to 14.0%.

Management Discussion and Analysis (Continued)

Over recent years, residents' awareness of health management is increasing. Meanwhile, the aging population also drives the continuous growth in demand for quality medical resources. To better meet the medical needs of people, the Chinese central and local governments continue to deepen and advance the "Internet + Healthcare" model, launch various policies, guidance and standards for online healthcare services, and incorporate online consultation and treatment into the social insurance system, thereby encouraging and supporting the development of online healthcare sector. For example, the government made it clear that health technology is a strategic area of development for China. It also features heavily in both the 13th Five-Year Plan (2016-2020) and its Healthy China 2030 strategy. In April 2018, the State Council also issued new guidelines to promote internet-based healthcare, encouraging medical institutions to leverage internet-based technologies to improve the efficiency of medical services.

The Company intends to seize business opportunities in the industry by implementing the following measures in the second half of 2020:

- Building the internet platform for its gynecologic and pediatric medical services, strengthening the integration of its online and offline medical services and promoting the digital upgrading of the offline servicescape;

- Optimizing its management organization structure and personnel structure and adopting a new share incentive scheme in accordance with the Group's development objectives;

- Actively exploring opportunities for strategic synergy and cooperation in different industries.

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,			
	2020		2019	
	(in thousands of RMB, except percentages)			
Medical services	209,287	96.6%	319,209	93.2%
Hospital consulting services	4,176	1.9%	19,214	5.6%
Others(1)	3,228	1.5%	4,065	1.2%
Total	216,691	100.0%	342,488	100.0%

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

Management Discussion and Analysis (Continued)

Medical Services

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

	Six months ended June 30, 2020	2019
	(in thousands of RMB, except percentages)	
Revenue	209,287	319,209
Cost of revenue	166,695	212,039
Gross profit	42,592	107,170
Gross profit margin	20.4%	33.6%

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, 2020		2019	
	(in thousands of RMB, except percentages)			
Pediatric services	146,943	67.8%	255,755	74.7%
Obstetric and gynecologic services	62,344	28.8%	63,454	18.5%
Total	209,287	96.6%	319,209	93.2%

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, 2020	2019
The Group		
Inpatients services		
Inpatient visits	3,403	5,374
Average inpatient spending per visit *(RMB)*	27,764	24,561
Outpatients services		
Outpatient visits	71,493	138,817
Average outpatient spending per visit *(RMB)*	1,265	1,140
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	94,480	131,992
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	90,433	158,310

	Six months ended June 30, 2020	2019
Revenue recognized for membership card sales *(in thousands of RMB)*	24,374	28,907
Pediatric Services		
Inpatient services		
Inpatient visits	1,944	3,913
Average inpatient spending per visit *(RMB)*	27,428	23,273
Outpatient services		
Outpatient visits	49,903	113,768
Average outpatient spending per visit *(RMB)*	1,388	1,193
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	53,321	91,066
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	69,248	135,782
Revenue recognized for membership card sales *(in thousands of RMB)*	24,374	28,907
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	1,459	1,461
Average inpatient spending per visit *(RMB)*	28,210	28,012
Outpatient services		
Outpatient visits	21,590	25,049
Average outpatient spending per visit *(RMB)*	981	899
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	41,159	40,926
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	21,185	22,528

Revenue from provision of our medical services amounted to RMB209.3 million for the six months ended June 30, 2020, representing a 34.4% YoY decrease and accounting for 96.6% of the Group's total revenue. This decrease was primarily due to the restriction and control on the provision of medical services and the temporary suppression on the customers' demand for regular medical services, both of which were due to the implementation of various epidemic prevention policies and preventive measures amid the COVID-19 Outbreak. As a result of such impact, (i) the revenue from medical services attributable to the outpatients and inpatients decreased YoY by 42.9% and 28.4%, respectively; and (ii) the revenue recognized for membership card sales decreased YoY by 15.7%.

For the six months ended June 30, 2020, there were 1,944 pediatric services inpatient visits, representing a YoY decrease of 50.3%. There were also 49,903 pediatric services outpatient visits, representing a YoY decrease of 56.1%. For obstetric and gynecologic services, there were 1,459 inpatient visits, remaining stable, and 21,590 outpatient visits, representing a YoY decrease of 13.8%. All such decreases were primarily due to the COVID-19 Outbreak.

Management Discussion and Analysis (Continued)

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, 2020 reached RMB166.7 million, representing a YoY decrease of 21.4%. This decrease was primarily a result of (i) decrease in personnel wages due to adjustment of personnel structure, optimization of human resources costs such as employees' working hours arrangement, and government relief on social security contribution in response to the COVID-19 Outbreak; and (ii) decreased costs of medicines, consumables and specialists due to decreased medical business.

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,	
	2020	2019
	(in thousands of RMB, except percentages)	
Revenue	4,176	19,214
Cost of revenue	2,115	7,337
Gross profit	2,061	11,877
Gross profit margin	49.4%	61.8%

The revenue and the gross profit margin of our hospital consulting services amounted to RMB4.2 million and 49.4%, respectively.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2020 amounted to RMB42.3 million, representing a YoY decrease of 64.5%. This was primarily because of the reduced business volume due to COVID-19. Our gross profit margin decreased from 34.8% in the six months ended June 30, 2019 to 19.5% in the six months ended June 30, 2020.

Selling Expenses

Our selling expenses for the six months ended June 30, 2020 amounted to RMB20.0 million, representing a YoY increase of 4.6%, which was primarily due to the increased sales expenses resulting from the continuous strengthening and expansion of the marketing team for the online businesses as well as the expanded network since the second half of last year.

Management Discussion and Analysis (Continued)

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2020 amounted to RMB57.1 million, a decrease from RMB69.3 million for the six months ended June 30, 2019. Such decrease was mainly a result of (i) decrease in personnel wages due to optimization of personnel structure and employees' working hours arrangement, and government relief on social security contribution due to the COVID-19 Outbreak, and (ii) the decrease of depreciation and amortization expenses due to the decreased rental area in certain clinics.

Research and Development Expenses

The Company incurred research and development expenses of RMB5.4 million, as compared to nil for the same period last year. These expenses related to the development of new online platform technologies as part of the Company's continuous investment in online medical services technologies and facilities.

Impairment Losses on Intangible Assets

During the reporting period, the Company recorded a significant impairment loss on goodwill and other intangible assets amounted to RMB251.5 million, including the goodwill impairment loss of Chengdu New Century amounted to RMB220.1 million and the goodwill and other intangible assets impairment loss of New Century Healthcare Technology amounted to RMB14.4 million and RMB17.0 million, respectively. With respect to Chengdu New Century, this was primarily due to the impact of the COVID-19 Outbreak and the increasing uncertainty of macroeconomic environment, both of which were believed to adversely affect consumer confidence in the near to medium term, which may lead to more severe competition affecting its future business performance. With respect to New Century Healthcare Technology, in response to the COVID-19 Outbreak, it continued to make structural adjustments and planned to invest in the development of new online platform technologies. The Company carried out the impairment assessment and the impairment losses were recorded based on the assessment results.

Other Gains – Net

Our other net gains for the six months ended June 30, 2020 amounted to RMB7.1 million, as compared to other net gains of RMB1.9 million for the six months ended June 30, 2019. Our other net gains for the six months ended June 30, 2020 were mainly a result of (i) the gain of RMB0.8 million on change in fair value of our wealth management products; (ii) the gain of RMB1.6 million from disposal of non-current assets and office equipment, etc. following the early termination of leases of certain institutions; and (iii) the gain of RMB4.7 million from the acquisition of a new clinic.

Finance Income and Costs

Our finance income for the six months ended June 30, 2020 increased from RMB0.7 million for the six months ended June 30, 2019 to RMB3.9 million which was mainly because (i) the interests related with cash and cash equivalents and borrowing to related parties increased by RMB1.4 million; and (ii) the exchange income increased by RMB1.8 million. Our finance costs for the six months ended June 30, 2020 amounted to RMB7.8 million, primarily due to interest expenses as a result of the adoption of HKFRS 16.

Management Discussion and Analysis (Continued)

Income Tax Expense

Our income tax expense for the six months ended June 30, 2020 amounted to RMB31.7 million, representing a YoY increase of 68.4%, which was mainly due to the reverse of certain accumulated tax losses (relating to deferred tax assets) which could not have been utilized as expected because it had expired.

Our effective tax rate was -11.0% and 82.5% for the six months ended June 30, 2020 and for the six months ended June 30, 2019, respectively.

Loss for the six months ended June 30, 2020

Our loss for the six months ended June 30, 2020 amounted to RMB319.3 million, as compared to a profit of RMB4.0 million for the six months ended June 30, 2019.

To supplement the Company's consolidated financial information which are presented in accordance with HKFRSs, the Company also uses non-HKFRS measures, being adjusted net profit and adjusted EBITDA, as additional financial measures, which are not required by, or prepared in accordance with, HKFRSs. The Company believes that such non-HKFRS measures facilitate the comparison of operating performance from period to period of the Company by eliminating potential impacts of the RSA Scheme, impairment losses on intangible assets, exchange gains and losses, and the New Institutions, which are not indicative of the Company's operating performance. The Directors also believe that such measures provide useful information to shareholders and the investing public in understanding and evaluating the Company's consolidated results of operations in the same manner as they help the management.

The following tables set forth each of the Company's net profit/(loss) and EBITDA, which is adjusted by the impact of the RSA Scheme, impairment losses on intangible assets, exchange gains and losses, and the New Institutions, for the periods indicated:

	Six months ended June 30,	
	2020	2019
	(in thousands of RMB)	
(Loss)/profit for the period	(319,270)	4,006
Add back: Impact of the RSA Scheme	1,529	3,952
Add back: Impairment losses on intangible assets	251,461	–
Add back: Impact of the New Institutions	77,950	46,089
Less: Exchange gains and losses	(1,892)	(34)
Non-HKFRS Measure		
Adjusted net profit for the period	9,778	54,013

	Six months ended June 30, 2020	2019
	(in thousands of RMB)	
EBITDA for the period	(230,138)	86,008
Add back: Impact of the RSA Scheme	1,529	3,952
Add back: Impairment losses on intangible assets	251,461	–
Add back: Impact of the New Institutions	19,168	9,041
Less: Exchange gains and losses	(1,892)	(34)
Non-HKFRS Measure		
Adjusted EBITDA for the period	40,128	98,967

FINANCIAL POSITION

Inventories

Our inventories decreased by 7.6% from RMB15.7 million as of December 31, 2019 to RMB14.5 million as of June 30, 2020, primarily due to more inventories being reserved at year-end peak of medical service demand.

Trade Receivables

Our trade receivables decreased by 43.7% from RMB30.8 million as of December 31, 2019 to RMB17.4 million as of June 30, 2020, primarily driven by the decrease of revenue during the first half year of 2020 due to the COVID-19 Outbreak comparing the year-end peak of medical service demand of December 31, 2019.

Trade Payables

Our trade payables decreased by 7.8% from RMB26.4 million as of December 31, 2019 to RMB24.3 million as of June 30, 2020, primarily due to the decreased purchases of medicine and consumables as the services demand declined.

Management Discussion and Analysis (Continued)

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2020, we had cash and cash equivalents of RMB308.1 million (December 31, 2019: RMB349.1 million). We did not have any interest-bearing borrowings as of June 30, 2020 (December 31, 2019: Nil).

Significant Investments, Acquisitions and Disposals

On February 20, 2020, the Group through its subsidiary BNC Women's and Children's Hospital acquired 100% equity interest of Beijing Phoenix UMP Wenyu Clinic Outpatient Service Co., Ltd., a clinic for the provision of pediatric and gynecologic healthcare services in Beijing, with zero consideration. Upon completion of the acquisition, the entity's name was changed into Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd.. The provisional fair value of net identifiable assets acquired was RMB4,674,000 and the gain on bargain purchase was RMB4,674,000.

Save for the above, we did not have any significant investment, material acquisitions or material disposals during the six months ended June 30, 2020.

Capital Expenditures

Our capital expenditures primarily include expenditures on (i) property, plant and equipment which are leasehold improvements, medical equipment, furniture and office equipment, motor vehicles and construction in progress; and (ii) intangible assets such as computer software relating to our operations. The amount of our capital expenditures in the six months ended June 30, 2020 was RMB3.1 million, which was mainly a result of upgrading the pre-existing medical institutions.

INDEBTEDNESS

Borrowings

As of June 30, 2020, we did not have any borrowings (December 31, 2019: Nil).

Management Discussion and Analysis (Continued)

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB. 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, 2020, 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, 2020, 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, 2020, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2020, 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 effective manner.

Gearing Ratio

As of June 30, 2020, our gearing ratio, calculated as total borrowings divided by total equity, was 0% as compared to 0% as of December 31, 2019.

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2020, the Group had 1,350 employees (June 30, 2019: 1,307 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2020 amounted to RMB125.9 million (for the six months ended June 30, 2019: RMB149.9 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 the RSA Scheme and the New 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, 2020.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated June 4, 2020 in relation to the legal proceedings between the Group and Serenium Inc. ("**Serenium**").

On August 14, 2020, Beijing Arbitration Commission made the arbitration award in favour of New Century Healthcare (International) Co., Ltd. (a wholly-owned subsidiary of the Company and as applicant to the arbitration) ("**New Century International**") to the effect that, among other things, (i) the framework agreement which was entered into by New Century International with Serenium in April 2018 for the proposed development of the pediatric sleep apnea screening and diagnosis business ("**Framework Agreement**") be terminated; and (ii) Serenium to repay the principal amount of the development cost of US$500,000 that was pre-paid by New Century International under the Framework Agreement together with interest accrued thereon, as well as the legal fees incurred by New Century International for the arbitration.

Meanwhile, the Company has filed an application to United States District Court for the Northern District of California to dismiss Serenium's action (allegedly relating to the same joint development project), which is still on-going.

Other Information

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

As of June 30, 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, 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 subject to certain conditions.

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 subject to certain conditions.

Save as disclosed above, as of June 30, 2020, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had 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.

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

As of June 30, 2020, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares 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[1]	Beneficial owner	149,462,051	30.5%
Victor Gains Limited	Beneficial owner	57,740,181	11.8%
Ms. LIANG Yanqing[2]	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)[3]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Taiding Investment Company Limited (天津泰鼎投資有限公司)[3]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司)[3]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司)[3]	Interests in a controlled corporation	31,728,156	6.5%
Mr. WU Shangzhi[3]	Interests in a controlled corporation	31,728,156	6.5%
Mr. JIAO Shuge[3]	Interests in a controlled corporation	31,728,156	6.5%
Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥))[4]	Beneficial owner	31,562,713	6.4%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)[4]	Interests in a controlled corporation	31,562,713	6.4%

Other Information (Continued)

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)(4)	Interests in a controlled corporation	31,562,713	6.4%
XIA Meiying(4)	Interests in a controlled corporation	31,562,713	6.4%
HUANG Ailian(4)	Interests in a controlled corporation	31,562,713	6.4%
China Life Reinsurance Company Ltd.(5)	Beneficial owner	31,609,000	6.5%
China Reinsurance (Group) Corporation(5)	Interests in a controlled corporation	31,609,000	6.5%
Central Huijin Investment Ltd.(5)	Interests in a controlled corporation	31,609,000	6.5%

Notes:

1. The entire issued share capital of JoeCare is directly held by Mr. Jason ZHOU. Accordingly, such 149,462,051 Shares held by JoeCare have been included and reflected in the number of shares interested by Mr. Jason ZHOU above.

2. 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.

3. Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司), which is owned directly as to 57.2% by CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司). 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., 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 Fuyi Investment Partnership L.P. (Limited Partnership) and Shanghai Fuji Investment Partnership L.P. (Limited Partnership).

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

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

Save as disclosed above, as of June 30, 2020, 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 SCHEMES

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, 2020	Date of grant	Exercise price *(HKD)*	Exercised between January 1, 2020 and June 30, 2020	Lapsed between January 1, 2020 and June 30, 2020	Number of Shares represented by the restricted Shares as of June 30, 2020
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		3,912,000	July 25, 2017	3.825	–	–	3,912,000
Sub-total		3,912,000			–	–	3,912,000

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 grantees 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.

On August 28, 2020, the Board adopted the New RSA Scheme in order to recognize the contributions by the selected participants, to provide them with incentives to achieve performance goals, and to attract suitable personnel for further development of the Group. The New RSA Scheme shall be valid and effective for a period of ten years commencing on its adoption date, under the administration of the administration committee and the trustee.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "RSA Schemes" above, at no time during the six months ended June 30, 2020 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, 2020, 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, 2020 *(HKD million)*	Utilized between March 25, 2020 and August 28, 2020 *(HKD million)*	Unutilized as of August 28, 2020 *(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	247.0	21.9	225.1	The remaining amount is expected to be fully utilized by the end of 2020.
Investment in surgery center and online diagnosis	77.8	6.0	71.8	The remaining amount is expected to be fully utilized by the end of 2020.
Total	324.8	27.9	296.9	

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, 2020, 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, 2020, 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, 2020. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

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 2019 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, 2020 and this interim report, and was of the opinion that the interim results and the interim report had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

Other Information (Continued)

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed herein, 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 2019 annual report.

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

Hong Kong, August 28, 2020

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 56 which comprises the interim condensed consolidated balance sheet of New Century Healthcare Holding Co. Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 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, 28 August 2020

Interim Condensed Consolidated Balance Sheet

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	206,759	217,552
Right-of-use assets		302,302	311,584
Intangible assets	7	432,877	692,901
Investments accounted for using the equity method		12,985	12,985
Deferred tax assets	13	38	2,244
Long-term deposits and prepayments	9	8,546	10,248
Total non-current assets		963,507	1,247,514
Current assets			
Inventories		14,501	15,687
Trade receivables	8	17,371	30,829
Other receivables, deposits and prepayments	9	16,098	13,970
Amounts due from related parties	10	160,062	158,421
Financial assets at fair value through profit or loss	4.3	40,000	61,122
Cash and cash equivalents		308,137	349,125
Total current assets		556,169	629,154
Total assets		1,519,676	1,876,668
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	335
Share premium		2,606,495	2,606,262
Other reserves		(1,499,167)	(1,507,673)
(Accumulated losses)/retained earnings		(203,300)	111,881
		904,363	1,210,805
Non-controlling interests		(31,864)	22,723
Total equity		872,499	1,233,528

Interim Condensed Consolidated Balance Sheet (Continued)

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		314,920	316,648
Deferred tax liabilities	13	53,997	32,030
Total non-current liabilities		368,917	348,678
Current liabilities			
Trade payables	11	24,297	26,353
Accruals, other payables and provisions	12	164,035	171,168
Lease liabilities		43,731	39,753
Contract liabilities		34,292	45,160
Current tax liabilities		5,022	7,536
Amounts due to related parties	10	6,883	4,492
Total current liabilities		278,260	294,462
Total liabilities		647,177	643,140
Total equity and liabilities		1,519,676	1,876,668

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

The financial information on pages 25 to 56 were approved by the board of directors of the Company on 28 August 2020 and were signed on its behalf

Jason ZHOU

XU Han

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	216,691	342,488
Cost of revenue	14	(174,360)	(223,400)
Gross profit		42,331	119,088
Selling expenses	14	(20,018)	(19,135)
Administrative expenses	14	(57,146)	(69,280)
Research and development expenses	14	(5,399)	–
Impairment losses on intangible assets	7	(251,461)	–
Other income		1,005	52
Other gains – net	15	7,055	1,881
Operating (loss)/profit		(283,633)	32,606
Finance income	16	3,929	691
Finance costs	16	(7,841)	(10,456)
(Loss)/profit before income tax		(287,545)	22,841
Income tax expense	17	(31,725)	(18,835)
(Loss)/profit for the period		(319,270)	4,006
Other comprehensive income		–	–
Total comprehensive(loss)/income		(319,270)	4,006
(Loss)/profit and total comprehensive (loss)/income attributable to:			
Owners of the Company		(308,036)	(9,392)
Non-controlling interests		(11,234)	13,398
		(319,270)	4,006
Losses per share attributable to owners of the Company *(expressed in RMB per share)*			
Basic and diluted losses per share	18	(0.63)	(0.02)

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

Interim Condensed Consolidated Statement of Changes in Equity

		Attributable to owners of the Company						
	Notes	Share capital RMB'000	Share Premium RMB'000	Other Reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)								
Balance at 1 January 2020		335	2,606,262	(1,507,673)	111,881	1,210,805	22,723	1,233,528
Comprehensive income								
– Loss for the period		–	–	–	(308,036)	(308,036)	(11,234)	(319,270)
Transactions with owners								
– Dividends	19	–	–	–	–	–	(43,353)	(43,353)
– Appropriation to statutory reserves		–	–	7,145	(7,145)	–	–	–
– Shares exercised under share award scheme		–	233	(168)	–	65	–	65
– Share-based payments		–	–	1,529	–	1,529	–	1,529
Total transactions with owners		–	233	8,506	(7,145)	1,594	(43,353)	(41,759)
Balance at 30 June 2020		335	2,606,495	(1,499,167)	(203,300)	904,363	(31,864)	872,499
(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								
– Loss/(profit) for the period		–	–	–	(9,392)	(9,392)	13,398	4,006
Transactions with owners								
– Dividends	19	–	–	–	–	–	(35,894)	(35,894)
– Appropriation to statutory reserves		–	–	6,564	(6,564)	–	–	–
– Shares exercised under share award scheme		–	693	(693)	–	–	–	–
– Share-based payments		–	–	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

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

	Notes	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		5,536	69,446
Interest paid		(4,940)	(7,588)
Interest received		1,393	657
Income taxes paid		(10,066)	(20,743)
Net cash (outflow)/inflow from operating activities		(8,077)	41,772
Cash flows from investing activities			
Cash acquired from acquisition of a subsidiary		3,342	–
Payments for property, plant and equipment		(2,736)	(9,792)
Payments for intangible assets		(395)	(2,086)
Purchase of structured deposits and financial assets		(231,100)	(450,000)
Proceeds from redemption of structured deposits and financial assets		252,222	423,000
Interest received on structured deposits and financial assets		776	1,758
Loans to related parties		(1,500)	(42,597)
Net cash inflow/(outflow) from investing activities		20,609	(79,717)
Cash flows from financing activities			
Repayment of borrowings from a related party		–	(34,418)
Dividends paid to non-controlling interests		(43,353)	(35,894)
Dividends paid to the Company's shareholders		–	(3,170)
Principal elements of lease payments		(12,224)	(19,524)
Proceeds from shares exercised under share award scheme		65	596
Net cash outflow from financing activities		(55,512)	(92,410)
Net decrease in cash and cash equivalents		(42,980)	(130,355)
Cash and cash equivalents at the beginning of the period		349,125	433,327
Effects of exchange rate changes on cash and cash equivalents		1,992	251
Cash and cash equivalents at the end of the period		308,137	303,223

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 specialty services in the People's Republic of China (the "PRC"). The Group also provides hospital consulting services to related parties of the Group and online healthcare services.

The Company is a limited liability company incorporated in the Cayman Islands on 31 July 2015. The address of its registered office is c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Listing") on 18 January 2017.

The interim condensed consolidated financial information is presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019, 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 2020.

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. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 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 2019.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

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

4.2 Liquidity risk

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

4.3 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.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value hierarchy (Continued)

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 30 June 2020 and 31 December 2019 on a recurring basis:

	As at 30 June 2020			
	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	–	–	40,000	40,000

	As at 31 December 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	–	–	61,122	61,122

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 2020.

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.

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.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value hierarchy (Continued)

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.

4.4 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 2020:

	Structured financial products with floating rates *RMB'000*
Opening balance 31 December 2019	61,122
Acquisitions	231,100
Disposals	(252,998)
Gains recognised in other gains – net (note 15)	776
Closing balance 30 June 2020	40,000

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.4 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 transfers between the levels of the fair value hierarchy in the six months ended 30 June 2020. There were also no changes made to any of the valuation techniques applied as of 31 December 2019.

(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 includes 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 As at 30 June 2020 *RMB'000*	Fair value As at 31 December 2019 *RMB'000*	Unobservable inputs	Range of inputs (probability-weighted average) As at 30 June 2020	Range of inputs (probability-weighted average) As at 31 December 2019	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	40,000	61,122	Expected rate of return	1.15%-3.15%	2.75%-3.95%	If expected rate of return +/- 50 basis points, the fair value would increase/decrease by RMB200,000

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.5 Fair value of other financial instruments

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.

5 SEGMENT INFORMATION

Mr. Jason ZHOU in his role as the executive director and chairman of the Company, serves as the chief operating decision-maker (the "CODM") of the Group. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

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

The Group's segment information is shown as follows:

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5 SEGMENT INFORMATION (CONTINUED)

(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 2020						
Revenue	146,943	62,344	4,176	3,228	–	216,691
Cost of revenue	114,892	51,803	2,115	5,550	–	174,360
Segment results	(87,134)	(149,162)	(12,902)	(42,397)	–	(291,595)
Unallocated income	–	–	–	–	7,558	7,558
Unallocated cost	–	–	–	–	(3,508)	(3,508)
(Loss)/profit before income tax	(87,134)	(149,162)	(12,902)	(42,397)	4,050	(287,545)
Income tax expense					(31,725)	(31,725)
Loss after income tax						(319,270)
As at 30 June 2020						
Total segment assets	608,496	351,590	151,895	1,985	405,710	1,519,676
Total segment liabilities	304,605	232,103	5,664	2,608	102,197	647,177

	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/(loss) 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 31 December 2019						
Total segment assets	691,632	510,904	162,391	37,487	474,254	1,876,668
Total segment liabilities	315,260	229,023	5,452	5,852	87,553	643,140

5 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 2020					
Revenue from external customers					
At a point in time	146,943	62,344	2,256	3,228	214,771
Over time	–	–	1,920	–	1,920
	146,943	62,344	4,176	3,228	216,691

	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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and furniture *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 31 December 2019						
Cost	211,968	102,876	7,366	33,899	–	356,109
Accumulated depreciation	(70,648)	(45,784)	(3,530)	(18,595)	–	(138,557)
Net book amount	141,320	57,092	3,836	15,304	–	217,552
(Unaudited)						
Six Months ended 30 June 2020						
Opening net book amount	141,320	57,092	3,836	15,304	–	217,552
Additions	122	565	224	595	1,178	2,684
Acquisition of a subsidiary	1,895	2,995	–	496	–	5,386
Disposals	–	(16)	(103)	(8)	–	(127)
Depreciation charge	(10,862)	(5,475)	(332)	(2,067)	–	(18,736)
Closing net book amount	132,475	55,161	3,625	14,320	1,178	206,759
At 30 June 2020						
Cost	213,985	106,405	7,404	34,835	1,178	363,807
Accumulated depreciation	(81,510)	(51,244)	(3,779)	(20,515)	–	(157,048)
Net book amount	132,475	55,161	3,625	14,320	1,178	206,759

7 INTANGIBLE ASSETS

	Medical licenses *RMB'000*	Goodwill *RMB'000*	Software *RMB'000*	Total *RMB'000*
At 31 December 2019				
Cost	311,684	392,326	29,258	733,268
Accumulated amortisation	(34,707)	–	(5,660)	(40,367)
Net book amount	276,977	392,326	23,598	692,901
(Unaudited)				
Six Months ended 30 June 2020				
Opening net book amount	276,977	392,326	23,598	692,901
Additions	–	–	323	323
Amortisation charge	(6,735)	–	(2,151)	(8,886)
Impairment charge	–	(234,486)	(16,975)	(251,461)
Closing net book amount	270,242	157,840	4,795	432,877
At 30 June 2020				
Cost	311,684	392,326	29,581	733,591
Accumulated amortisation and impairment	(41,442)	(234,486)	(24,786)	(300,714)
Net book amount	270,242	157,840	4,795	432,877

Notes to the Interim Condensed Consolidated Financial Information (Continued)

7 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill impairment

Management reviews business performance of each operating segment. Goodwill is monitored by the management at the operating segment level.

The recoverable amount of each operating segment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering six to eight years forecast period. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the operating segment operates.

After the outbreak of Coronavirus Disease 2019 in early 2020, a significant impact on the Group's operation due to a series of precautionary and control measures which have been and continued to be implemented across the country/region results that the operating for the six-month ended 30 June 2020 was below the management forecast significantly. Management expects there will be further impact on the future operation. An impairment loss on goodwill of RMB234,486,000 was recognised including the goodwill of the operating segments of Chengdu New Century Women's and Children's Hospital Co., Ltd. ("Chengdu New Century") amounting to RMB220,099,000 and New Century Healthcare Technology (Beijing) Co., Ltd. (previously named as Jiarun Yunzhong Health Technology Co., Ltd.) amounting to RMB14,387,000, respectively.

7 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill impairment (Continued)

The following is a summary of goodwill and impairment for each operating segment:

	Beginning of period RMB'000	Addition RMB'000	Impairment RMB'000	End of period RMB'000
Six months ended 30 June 2020				
Pediatric segment in Beijing area (i)	111,698	–	–	111,698
Obstetrics and Gynecology segment in Beijing area (i)	12,544	–	–	12,544
Pediatric segment in Chengdu New Century (ii)	88,695	–	(76,567)	12,128
Obstetrics and Gynecology segment in Chengdu New Century (ii)	165,002	–	(143,532)	21,470
Operating segment in New Century Healthcare Technology (Beijing) Co., Ltd. (iii)	14,387	–	(14,387)	–
	392,326	–	(234,486)	157,840

(i) Goodwill in Beijing area

The key assumptions are revenue growth rates, costs and operating expenses of revenue and pre-tax discount rates which are estimated based on past practices and expectations of future changes in the market. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of Pediatric segment in Beijing area and Obstetrics and Gynecology segment in Beijing area to exceed their recoverable amount. Therefore, no impairment was required for these operating segments.

7 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill impairment (Continued)

(ii) Goodwill in Chengdu New Century

For pediatric segment and obstetrics and gynecology segment of Chengdu New Century with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at 30 June 2020 are as follows:

	Pediatric segment in Chengdu New Century	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Revenue (% compound growth rate)	11.93%	18.01%
Costs and operating expenses (% of revenue)	114.75%	76.17%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	14.02%	16.51%
Recoverable amount of operating segment (RMB'000)	59,153	269,560

	Obstetrics and gynecology segment in Chengdu New Century	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Revenue (% compound growth rate)	10.83%	19.95%
Costs and operating expenses (% of revenue)	103.08%	73.54%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	14.02%	16.59%
Recoverable amount of operating segment (RMB'000)	116,385	397,959

7 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill impairment (Continued)

(iii) Goodwill in New Century Healthcare Technology (Beijing) Co., Ltd.

For operating segment of New Century Healthcare Technology (Beijing) Co., Ltd. with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at 30 June 2020 are as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Revenue (% compound growth rate)	87.43%	74.33%
Costs and operating expenses (% of revenue)	277.55%	80.34%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	20.00%	23.94%
Recoverable amount of operating segment (RMB'000)	(55,580)	26,751

(b) Impairment in other intangible assets

An impairment loss of other intangible assets amounting to RMB16,975,000 was recognised on full provision of the software of New Century Healthcare Technology (Beijing) Co., Ltd. due to the recoverable amount below its carrying amount.

8 TRADE RECEIVABLES

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade receivables from contracts with customers	17,889	31,202
Less: allowance for impairment of trade receivables	(518)	(373)
Trade receivables – net	17,371	30,829

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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8 TRADE RECEIVABLES (CONTINUED)

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

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Up to 3 months	8,898	25,765
4 – 6 months	2,579	2,313
7 months – 1 year	3,367	744
Over 1 year	3,045	2,380
	17,889	31,202

9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Current		
Prepayments	5,266	5,363
Deposits	2,730	1,437
Other receivables	4,690	5,074
Interest receivables	–	16
Others	3,412	2,080
	16,098	13,970
Less: provision for impairment	–	–
	16,098	13,970
Non-current		
Prepayments	2,113	5,402
Deposits	6,433	8,014
	8,546	13,416
Less:provision for impairment	–	(3,168)
	8,546	10,248

10 BALANCES WITH RELATED PARTIES

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Amounts due from related parties		
– Trade		
Beijing Jiahua Likang Health Investment Co., Ltd.	137,430	138,125
Chengdu Yunxi Ge Health Management Co., Ltd.	81	–
Tianjin Heping New Century Women's and Children's Hospital	71	–
Chengdu Women's and Children's Central Hospital	7	7
	137,589	138,132
– Non-Trade		
Beijing Bairui Kangchen Technology Development Co., Ltd.	20,144	18,000
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd.	1,849	2,289
Foshan Shunde Yihe Clinic Co., Ltd.	440	–
Zhuhai Yunzhong Equity Investment Limited Partnership	40	–
	22,473	20,289
	160,062	158,421
Amounts due to related parties		
– Trade		
Beijing Children's Hospital, Capital Medical University	1,701	1,429
Beijing MuHe JiaYe Property Management Co., Ltd.	1,419	365
Chengdu Women's and Children's Central Hospital	–	186
	3,120	1,980
– Non-Trade		
Beijing Children's Hospital, Capital Medical University	3,447	2,149
Ms. Zhao Juan	190	190
Zhuhai Yunzhong Equity Investment Limited Partnership	110	110
Mr. Jia Xiaofeng	14	4
Mr. Xu Han	1	1
Ms. Xin Hong	1	1
Beijing Jiahua Likang Health Investment Co., Ltd.	–	57
	3,763	2,512
	6,883	4,492

Notes to the Interim Condensed Consolidated Financial Information (Continued)

11 TRADE PAYABLES

As at 30 June 2020 and 31 December 2019, the aging analysis of the trade payables based on demand note date was as follows:

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Up to 3 months	10,146	19,394
4 – 6 months	6,001	4,435
7 months – 1 year	6,115	1,121
Over 1 year	2,035	1,403
	24,297	26,353

12 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Accrued employee benefits	30,217	42,668
Refundable liabilities	87,595	85,690
Accrued operating expenses	19,113	20,700
Other payables to suppliers of plant and equipment	11,156	11,401
Dividend payable	2,642	2,642
Duty and tax payable other than corporate income tax	1,271	1,560
Others	12,041	6,507
	164,035	171,168

13 DEFERRED TAX BALANCES

The movement in deferred tax assets and liabilities for the six months ended 30 June 2020 and 2019 before offsetting was as follows:

Deferred tax assets	Lease liabilities *RMB'000*	Provision for receivables *RMB'000*	Tax losses *RMB'000*	Total *RMB'000*
(Unaudited)				
Balance at 1 January 2020	927	89	43,226	44,242
Charged to the income statement	(575)	4	(28,795)	(29,366)
At 30 June 2020	352	93	14,431	14,876
(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

Deferred tax liabilities	Intangible assets *RMB'000*
(Unaudited)	
Balance at 1 January 2020	74,028
Credited to the income statement	(5,193)
At 30 June 2020	68,835
(Unaudited)	
Balance at 1 January 2019	74,738
Credited to the income statement	(2,071)
At 30 June 2019	72,667

The amount of offsetting deferred tax assets and liabilities is RMB14,838,000 as at 30 June 2020 (30 June 2019: RMB40,343,000).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

14 EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefits expenses	125,887	149,947
Depreciation and amortisation	49,566	52,711
Cost of inventories and consumables	30,034	42,902
Utilities, maintenance fee and office expenses	16,498	19,342
Consultation fees	13,019	22,673
Outsourced examination and inspection fees	1,677	2,198
Rental expenses	1,165	1,137
Auditor's remuneration	960	960
Other expenses	18,117	19,945
	256,923	311,815

15 OTHER GAINS – NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gains on acquisition of a subsidiary (note 20)	4,674	–
Gains on disposal of right-of-use assets	1,678	224
Gains on financial assets at fair value	776	1,771
Losses on disposal of property, plant and equipment	(73)	(114)
	7,055	1,881

16 FINANCE COSTS – NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income	2,037	657
Net foreign exchange gains	1,892	34
	3,929	691
Finance costs		
Interest expense on lease liabilities	(7,841)	(10,456)
Finance costs – net	(3,912)	(9,765)

17 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	7,552	18,466
Deferred income tax (note 13)	24,173	369
	31,725	18,835

18 LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Loss attributable to owners of the Company (RMB'000)	(308,036)	(9,392)
Weighted average number of ordinary shares in issue (in thousands) (i)	485,238	484,491
Basic losses per share (in RMB)	(0.63)	(0.02)

(i) The Company granted 9,000,000 restricted shares to employees on 25 July 2017 pursuant to the restricted share award scheme. During the six months ended 30 June 2020, 747,000 shares which were vested on 25 July 2019 have been included in the calculation of basic losses per share. As at 30 June 2020, 4,213,000 restricted shares have been vested which have been included in the calculation of basic losses per share. The remaining 4,787,000 shares, including the forfeited shares, have not been included in the calculation of basic losses per share.

(b) Diluted

The Group had potential dilutive shares during the six months ended 30 June 2020 in relation to the shares held for restricted share award scheme. Due to the Group's negative financial results during the six months ended 30 June 2020, shares held for restricted share award 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.

19 DIVIDENDS

The board of directors of the Company does not resolve to declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

A dividend of RMB43,353,000 related to the earnings of Beijing New Century Children's Hospital Co., Ltd. ("BNC Children's Hospital") for the year ended 31 December 2019 was paid to Beijing Children's Hospital, Capital Medical University ("BCH") on 10 June 2020 (30 June 2019: RMB35,894,000).

20 BUSINESS COMBINATION

Business combinations of Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd.

On 20 February 2020, the Group through its subsidiary Beijing New Century Women's and Children's Hospital Co., Ltd. acquired 100% equity interest of Beijing Phoenix UMP Wenyu Clinic Outpatient Service Co., Ltd., a clinic for the provision of pediatric and gynecologic healthcare services in Beijing, with zero consideration. Once upon the acquisition, the entity's name was changed into Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd..

Details of the purchase consideration, the net assets acquired and gain on bargain purchase are as follows:

	RMB'000
The provisional fair value of net identifiable assets acquired	4,674
Total purchase consideration	–
Gain on bargain purchase	4,674

(i) As of the reporting date, the fair value assessment for the identifiable assets and liabilities acquired and the purchase price allocation resulted from the acquisition have not been finalised. The above gain on bargain purchase is on a provisional basis.

(ii) Acquired receivables

The provisional fair value of other receivables is RMB507,000. The gross contractual amount for trade receivables due is nil.

(iii) Revenue and profit contribution

The acquired business contributed net losses of RMB2,228,000 to the Group for the period from 20 February 2020 to 30 June 2020. If the acquisition had occurred on 1 January 2020, consolidated losses after tax for the half-year ended 30 June 2020 would have been RMB3,342,000.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

21 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 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Contracted but not provided for		
– Property, plant and equipment	5,392	865
– Intangible assets	762	2,013
	6,154	2,878

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
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）	Significant influenced by the controlling shareholder of the Company
Beijing Children's Hospital, Capital Medical University （首都醫科大學附屬北京兒童醫院）	Significant influence on the subsidiary of the Company
Beijing MuHe JiaYe Property Management Co., Ltd. （北京睦合嘉業物業管理有限公司）	Controlled by Ms. ZHAO Juan, the spouse of the controlling shareholder of the Company
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
Zhuhai Yunzhong Equity Investment Limited Partnership （珠海雲眾股權投資企業(有限合夥)）	The general partner is a key management 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
Chengdu Yunxi Ge Health Management Co., Ltd. （成都雲禧閣健康管理有限公司）	Significant influenced by the controlling shareholder of the Company
Tianjin Heping New Century Women's and Children's Hospital（天津和平新世紀婦兒醫院有限公司）	Significant influenced by the controlling shareholder of the Company
Foshan Shunde Yihe Clinic Co., Ltd. （佛山市順德怡和門診部有限公司）	Significant influenced by the controlling shareholder of the Company

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

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

(i) Transactions with related parties

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hospital consulting services provided to		
– Beijing Jiahua Likang Health Investment Co., Ltd.	4,061	19,128
– Tianjin Heping New Century Women's and Children's Hospital Co.,Ltd.	67	–
	4,128	19,128
Examination and laboratory test services received from		
– Beijing Children's Hospital, Capital Medical University	378	482
– Chengdu Women's and Children's Central Hospital	38	77
Purchase of goods from		
– Beijing Children's Hospital, Capital Medical University	155	290
Cleaning services received from		
– Beijing MuHe JiaYe Property Management Co., Ltd.	4,295	5,130
Premise Rental Services from		
– Chengdu Women's and Children's Central Hospital	5,850	5,311
	10,716	11,290

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Loans to related parties

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Beginning of the period	20,289	–
Loans to related parties	2,144	42,597
End of the period	22,433	42,597

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

Balances with related parties as at 30 June 2020 and 31 December 2019 are disclosed in Note 10.

(d) Key management compensation

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and bonus	4,003	4,724
Share based payment	421	1,026
Others	389	517
	4,813	6,267

(e) Provision of premises by a related party

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

23 CONTINGENCIES

In April 2018, New Century Healthcare (International) Co., Ltd. ("New Century International", a wholly-owned subsidiary of the Company) entered into a framework agreement with Serenium Inc. ("Serenium", a Delaware corporation) for the proposed development of the pediatric sleep apnea screening and diagnosis business ("Framework Agreement"). Cooperation between New Century International and Serenium have diverged after New Century International paid principal amount of the development cost amounting to US$500,000. In June 2019, New Century International made an arbitration application to Beijing Arbitration Commission against Serenium ("Arbitration"). Pursuant to the Arbitration, New Century International applied for the arbitration awards to be made for the termination of the Framework Agreement, and for Serenium to repay the principal amount of the development cost of US$500,000 that was pre-paid by New Century International together with interest accrued thereon, as well as the legal fees incurred by New Century International for the Arbitration. The Company made full provision for the prepayment US$500,000 by the end of 2019 based on management's assessment of its recoverability. On 14 August 2020, The Beijing Arbitration Commission made a final arbitration and supported above claims applied by New Century International. Allegedly relating to the same joint development project with Serenium, on 2 June 2020, the Company was served with the summons issued by the United States District Court for the Northern District of California for a civil action. The complaint purports to raise claims for (1) breach of written contract, (2) violation of the Defend Trade Secrets Act, and (3) violation of the California Uniform Trade Secrets Act. As of the reporting date, the issue is still in progress and the directors of the Company believe there are no material contingent liabilities need to be accrued by the Group. The directors of the Group will pay close attention and assess its financial impact of the Group.

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.

24 EVENT OCCURRING AFTER REPORTING PERIOD

On 28 August 2020, the board of directors of the Company adopted the new restricted share award scheme in order to recognize the contributions by the selected participants, to provide them with incentives to achieve performance goals, and to attract suitable personnel for further development of the Group. The new restricted share award scheme shall be valid and effective for a period of ten years commencing on its adoption date, under the administration of the administration committee and the trustee. As at the report date, no shares under new restricted share award scheme were granted to any of the employee of the Company.

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 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;

Definitions (Continued)

"BNC Women's and Children's Hospital"	Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on January 4, 2012, which is a non-wholly owned subsidiary of the Company;
"Board"	the board of Directors of the Company;
"Century Star"	Century Star Investment Co., Ltd., a company incorporated in the BVI with limited liability on August 14, 2015 and is wholly-owned by Mr. Jason ZHOU;
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"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;
"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;
"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;

Definitions (Continued)

"Latest Practicable Date"	August 28, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
"New Century Healthcare Technology"	New Century Healthcare Technology (Beijing) Co., Ltd.(新世紀醫療科技(北京)有限公司) (previously named as Jiarun Yunzhong Health Technology Co., Ltd.), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
"New Institutions"	newly acquired and set up institutions, namely, BNC Ao-dong Clinic, BNC Chaowai Clinic, Chengdu New Century, BNC Qingnian Road Clinic, BNC Hong Kong Clinic, New Century Healthcare Technology, Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd. and Chengdu Qingyang New Century Shangjin Xinyi Clinic;
"New RSA Scheme"	the restricted share award scheme approved and adopted by the Company on August 28, 2020;
"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;

Definitions (Continued)

"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.