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新世紀醫療控股有限公司

New Century Healthcare Holding Co. Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

2024 INTERIM RESULTS HIGHLIGHTS

Set forth below are our key performance highlights for the six months ended June 30, 2024:

1. Our revenue amounted to RMB416.0 million for the six months ended June 30, 2024, which was flat compared to our revenue recorded in the same period last year.
2. Profit before income tax for the period increased to RMB72.2 million as compared to profit before income tax of RMB63.8 million for the same period last year, which was mainly attributable to (i) the decrease in administrative expenses by RMB2.7 million; and (ii) the decrease in net impairment losses on financial assets by RMB5.4 million.

KEY OPERATIONAL DATA

	For the six months ended June 30,		Change
	2024	2023	
Revenue from medical services attributable to outpatients (RMB'000)	244,616	251,045	(2.6)%
Outpatient visits	141,128	154,487	(8.6)%
Revenue from medical services attributable to inpatients (RMB'000)	145,285	136,174	6.7%
Inpatient visits	4,429	4,318	2.6%

Our Board is pleased to announce the interim unaudited condensed consolidated financial results of our Group for the six months ended June 30, 2024 together with the comparative figures as set out below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended June 30,	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	415,956	416,133
Cost of revenue	3	(247,237)	(246,336)
Selling expenses		(32,764)	(33,003)
Administrative expenses		(60,843)	(63,452)
Research and development expenses		(2,227)	(3,071)
Net impairment losses on financial assets		(873)	(6,294)
Other income		691	631
Other losses — net		(340)	(57)
		<hr/>	<hr/>
Operating profit		72,363	64,551
Finance income		2,782	3,718
Finance costs		(4,252)	(4,635)
Share of net profits of investments accounted for using the equity method		1,276	123
		<hr/>	<hr/>
Profit before income tax		72,169	63,757
Income tax expense	4	(23,862)	(19,631)
		<hr/>	<hr/>
Profit for the interim period		48,307	44,126
		<hr/>	<hr/>
Profit for the interim period attributable to:			
Owners of the Company		25,193	23,099
Non-controlling interests		23,114	21,027
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		Six months ended June 30,	
	<i>Notes</i>	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
— Exchange differences on translation of foreign operations		<u>2</u>	<u>(309)</u>
Total comprehensive income for the interim period		<u>48,309</u>	<u>43,817</u>
Total comprehensive income for the interim period attributable to:			
Owners of the Company		25,195	22,790
Non-controlling interests		<u>23,114</u>	<u>21,027</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company			
<i>(expressed in RMB per share)</i>			
Basic and diluted earnings per share	5	<u>0.05</u>	<u>0.05</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As of June 30, 2024 <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		89,172	96,457
Right-of-use assets		134,620	143,662
Intangible assets		240,124	243,771
Investments accounted for using the equity method		13,514	12,190
Deferred tax assets		904	862
Long-term deposits and prepayments		7,933	3,963
Total non-current assets		486,267	500,905
Current assets			
Inventories		19,748	22,261
Trade receivables	6	51,645	51,316
Other receivables, deposits and prepayments		17,705	18,478
Amounts due from related parties		26,290	27,123
Restricted cash		—	20,000
Cash and cash equivalents		332,031	304,310
Total current assets		447,419	443,488
Total assets		933,686	944,393
EQUITY			
Share capital		335	335
Shares held for employee share scheme		(2,939)	(2,939)
Share premium		2,589,887	2,606,495
Other reserves		(1,496,443)	(1,496,445)
Accumulated losses		(559,969)	(585,162)
Equity attributable to owners of the Company		530,871	522,284
Non-controlling interests		(47,411)	(70,525)
Total equity		483,460	451,759

	<i>Notes</i>	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		135,298	149,103
Deferred tax liabilities		8,672	7,554
		<hr/>	<hr/>
Total non-current liabilities		143,970	156,657
Current liabilities			
Trade payables	7	33,419	40,891
Accruals, other payables and provisions		174,425	186,758
Lease liabilities		59,204	56,970
Contract liabilities		26,205	27,531
Current tax liabilities		3,412	16,380
Amounts due to related parties		9,591	7,447
		<hr/>	<hr/>
Total current liabilities		306,256	335,977
		<hr/>	<hr/>
Total liabilities		450,226	492,634
		<hr/>	<hr/>
Total equity and liabilities		933,686	944,393
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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, obstetrics and gynecology specialty services in the People’s Republic of China (the “**PRC**”). The Group also provides online healthcare services, hospital consulting services and other related services.

The Company is a limited liability company incorporated in the Cayman Islands on July 31, 2015. The address of its registered office is c/o Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

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

2 BASIS OF PREPARATION OF THE INTERIM REPORT

This interim condensed consolidated financial information for the six-month ended June 30, 2024 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 of the notes normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023.

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 below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable during current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

Certain new accounting standards, amendments to existing accounting standards and interpretations have been published that are not mandatory for current reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

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

In the view of the CODM, the Group is principally engaged in three distinct segments which are subject to different business risks and economic characteristics: (i) pediatric services, (ii) obstetrics and gynecology services, and (iii) others, including hospital consulting services, hospital appointment, online consultation services and online products sales to customers, canteens operation, gift and groceries sells in shops located in its own hospitals. Management group these revenue in others as each of them do not exceed 10% of the total revenue, total profit and total assets of the Group.

The Group’s segment information is shown as follows:

(i) Segment information

	Pediatrics <i>RMB’000</i>	Obstetrics and gynecology <i>RMB’000</i>	Others <i>RMB’000</i>	Intersegment eliminations <i>RMB’000</i>	Unallocated <i>RMB’000</i>	Total <i>RMB’000</i>
(Unaudited)						
Six months ended June 30, 2024						
Revenue from external customers	360,956	51,093	3,907	—	—	415,956
Inter-segment revenue	—	—	15,368	(15,368)	—	—
Total revenue	360,956	51,093	19,275	(15,368)	—	415,956
Cost of revenue	(191,901)	(50,469)	(7,742)	2,875	—	(247,237)
Segment results	95,127	(15,698)	(6,161)	—	—	73,268
Unallocated income					4,780	4,780
Unallocated cost					(5,879)	(5,879)
Profit/(loss) before income tax	95,127	(15,698)	(6,161)	—	(1,099)	72,169
Income tax expense					(23,862)	(23,862)
Profit for the period						<u>48,307</u>
Others						
Depreciation and amortisation	17,635	8,465	392	—	591	27,083
As of June 30, 2024						
Total assets	442,553	108,903	32,027	—	350,203	<u>933,686</u>
Total liabilities	267,881	147,450	8,291	—	26,604	<u>450,226</u>

	Pediatrics <i>RMB'000</i>	Obstetrics and gynecology <i>RMB'000</i>	Others <i>RMB'000</i>	Intersegment eliminations <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)						
Six months ended June 30, 2023						
Revenue from external customers	357,860	53,217	5,056	—	—	416,133
Inter-segment revenue	—	—	15,763	(15,763)	—	—
Total revenue	357,860	53,217	20,819	(15,763)	—	416,133
Cost of revenue	(191,449)	(49,209)	(9,515)	3,837	—	(246,336)
Segment results	90,290	(15,314)	(11,584)	—	—	63,392
Unallocated income					5,868	5,868
Unallocated cost					(5,503)	(5,503)
Profit/(loss) before income tax	90,290	(15,314)	(11,584)	—	365	63,757
Income tax expense					(19,631)	(19,631)
Profit for the period						<u><u>44,126</u></u>
Others						
Depreciation and amortisation	17,106	11,014	2,138	—	—	30,258
As of December 31, 2023						
Total assets	452,552	115,348	34,994	—	341,499	<u><u>944,393</u></u>
Total liabilities	290,632	154,303	8,747	—	38,952	<u><u>492,634</u></u>

(ii) Disaggregation of revenue from contracts with customers

Substantially all of the Group's revenue from external customers is recognised at a point in time.

4 INCOME TAX EXPENSE

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax:		
— PRC corporate income tax	22,786	21,422
Deferred income tax	1,076	(1,791)
	<u><u>23,862</u></u>	<u><u>19,631</u></u>

5 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue and excluding shares held for restricted share award scheme.

	Six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	<u>25,193</u>	<u>23,099</u>
Weighted average number of ordinary shares in issue (in thousands) (i)	<u>483,184</u>	<u>483,184</u>
Basic earnings per share (in RMB)	<u><u>0.05</u></u>	<u><u>0.05</u></u>

- (i) On July 25, 2017, the Company granted 9,000,000 restricted shares to certain employees pursuant to a restricted share award scheme, among which 4,767,000 shares that were forfeited and then held by the trustee of the restricted share award scheme. Those forfeited shares were excluded from the calculation of basic earnings per share.

As of June 30, 2024, the Company held 2,073,500 (2023: 2,073,500) shares of the Company for employee share scheme. All these share were excluded from calculation of basic earnings per share as no shares were granted to employees and outstanding as of June 30, 2024.

(b) Diluted

For the six months ended June 30, 2024 and 2023, diluted earnings per share is equal to the basic earnings per share as there were no potential dilutive shares.

6 TRADE RECEIVABLES

	As of June 30, 2024 <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
Trade receivables from contracts with customers	52,816	52,499
Less: allowance for impairment of trade receivables	<u>(1,171)</u>	<u>(1,183)</u>
Trade receivables — net	<u>51,645</u>	<u>51,316</u>

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 government's insurance schemes.

As of June 30, 2024 and December 31, 2023, the aging analysis of the trade receivables based on demand note date was as follows:

	As of June 30, 2024 <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
Up to 3 months	42,703	45,512
4–6 months	3,845	1,012
7 months–1 year	2,322	2,619
Over 1 year	<u>3,946</u>	<u>3,356</u>
	<u>52,816</u>	<u>52,499</u>

7 TRADE PAYABLES

As of June 30, 2024 and December 31, 2023, the aging analysis of the trade payables based on demand note date was as follows:

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000 (Audited)
Up to 3 months	24,707	30,884
4–6 months	6,300	6,078
7 months–1 year	743	2,667
Over 1 year	1,669	1,262
	<u>33,419</u>	<u>40,891</u>

8 DIVIDENDS

Pursuant to the shareholders resolution of the Company dated on May 22, 2024, a final dividend amounting to HKD18,523,000 (approximate RMB16,844,000) of HKD0.0378 per fully paid ordinary share was declared. The dividends attributable to shares held by the trustee of the restricted share award scheme and shares held for employee share scheme were eliminated in the condensed consolidated statement of financial position of the Group, dividends of HKD18,264,000 (approximate RMB16,608,000) after elimination was recorded in in the condensed consolidated statement of changes in equity of the Group, accordingly. For the six months ended June 30, 2024, HKD16,340,000 (approximate RMB14,852,000) of the final dividend was paid by the Company. The remaining dividend was recognised in accruals, other payables and provisions in the interim condensed consolidated financial information.

For the six months ended June 30, 2024, no dividend (June 30, 2023: RMB8,086,000) was declared or paid to Beijing Children's Hospital, Capital Medical University ("BCH"), a non-controlling shareholder of Beijing New Century Children's Hospital Co., Ltd. ("BNC Children's Hospital"), a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Our Group's business recorded a revenue of RMB416.0 million, which was flat compared to our revenue recorded in the same period last year. Our revenue from medical services was RMB412.1 million, representing a 0.2% YoY increase, among which, the revenue from pediatric services recorded a 0.9% YoY increase to RMB361.0 million, accounting for 87.6% of the total revenue from medical services. Our revenue from pediatric outpatient services recorded a 2.4% YoY decrease to RMB217.5 million. The number of pediatric services outpatient visits was 118,392, representing a 8.4% YoY decrease. Our revenue from pediatric inpatient services recorded a 9.1% YoY increase to RMB121.3 million. The number of pediatric inpatient visits was 3,622, representing a 5.1% YoY increase.

In the first half of 2024, our revenue from obstetric and gynecologic business recorded a 3.9% YoY decrease to RMB51.1 million. Our revenue from obstetric and gynecologic outpatient services recorded a 3.9% YoY decrease to RMB27.1 million; the number of outpatient visits was 22,736, representing a 9.9% YoY decrease, and the average outpatient spending per visit recorded a 6.8% YoY increase to RMB1,193. Our revenue from obstetric and gynecologic inpatient services was RMB24.0 million, representing a 4.0% YoY decrease. The number of inpatient visits reached 807, representing an 7.5% YoY decrease.

Being a leading private pediatric, obstetrics and gynecologic healthcare service provider in Beijing as well as in China, we provide integrated medical services to customers in respect of pediatrics, obstetrics and gynecology, and we are characterized by providing comprehensive and in-depth pediatric medical services. Total revenue in the first half of 2024 was flat compared to the same period in 2023, general pediatrics contributed the most to our revenue growth with the strong demand for outpatient and inpatient services. Among specialties, majors such as otorhinolaryngology, haematology, medical cosmetology, ophthalmology and traditional Chinese medicine all contributed to the varying degrees of revenue growth in 2024. Relatively speaking, due to the popularization of HPV vaccination, the income related thereto and the income from gynecology outpatient services decreased significantly on YoY basis. In terms of membership services, we strengthened the construction of the "New Century Family Doctor" panda membership program to create a better service experience and more valuable exclusive rights, and launched a member loyalty program and exclusive points redemption rights. Meanwhile, the Group continued to explore the high-end commercial insurance market in the first half of the year, and further incorporated the non-direct insurance business into group-level management and statistics. The combined revenue of membership and commercial insurance accounts for nearly 70% of our revenue from pediatric services, reflecting a customer base with consumption power.

The profit attributable to the owners of our Company amounted to RMB25.2 million for the six months ended June 30, 2024, while the profit attributable to the owners of our Company was RMB23.1 million for the same period in 2023. This was mainly attributable to (i) our measures on expenditure control implemented in 2024; and (ii) the decrease in net impairment losses on financial assets for the six months ended June 30, 2024 as compared with the first half of 2023.

Industry Outlook and our Group's Strategies

The comprehensive development of healthcare services in respect of women and children have been highly emphasized by the PRC. In September 2021, the State Council issued the “Outline on the Development of Chinese Women (2021–2030)” and “Outline on the Development of Chinese Children (2021–2030)”, which are of great significance in promoting the high-quality development of China’s women and children’s healthcare business. The “Notice of the National Health Commission on Publishing the Implementation Plan for the 2021–2030 Outlines for the Development of Chinese Women and Children” issued in April 2022 provides further guidance. China’s women and children’s health work still faces many challenges such as insufficient total service resources, uneven distribution, and a shortage of high-quality resources. Especially since the adjustment of the birth policy, the proportion of advanced age and multiparous women has increased, the risk of complications, comorbidities, and birth defects during pregnancy have increased, and the demand for newborn safety and child healthcare services has further increased, triggering (i) a significant increase in the market demand for the provision of whole-cycle, whole-process and all-round medical and healthcare services to women and children; and (ii) more stringent requirements regarding medical service capabilities, service modes and service principle.

In order to further promote the delicacy management of medical insurance and boost the utilization efficiency of medical insurance funds, the National Healthcare Security Administration published a notice on November 26, 2021 regarding the “Three-Year Action Plan for DRG/DIP Payment Reform”, in which it is stated that DRG/DIP Payment will be carried out in all planning areas in the PRC by the end of 2024 and DRG/DIP Payment will cover all qualified medical institutions providing inpatient services by the end of 2025, basically achieving a full coverage on diseases and medical insurance funds. The full implementation of DRG/DIP Payment in designated medical institutions will raise the requirements on the medical technology level of private high-end medical institutions, which further highlights their advantages and attracts people with long-term illness, complicated illness and mid-end to high-end commercial medical insurance to pursue quality medical services.

Adhering to the previously formulated development strategies, our Group intends to grasp the industry opportunities by implementing the following measures in the second half of 2024:

- In view of the changes in the payment policy of fundamental medical insurance in the PRC, continue to strengthen the Group's brand promotion among high-end commercial insurance institutions to expand coverage of high-income target customer group.
- Optimize the Group's strategy in order to enrich its reserve of top-notch medical expert resources.
- Enhance the customer management system upgrade and product experience of membership services to continue to expand the membership base by family units and the service reach rate.
- With the competitive advantage of multi-disciplinary collaboration in pediatrics and obstetrics and gynecology, focus on building sub-specialties and building a product and service chain around our customers' medical and health needs.
- Expand the market-oriented consumption of medical services of pediatric ophthalmology, children's healthcare, endocrinology and stomatology.

FINANCIAL REVIEW

Segment Revenue

We generate revenue primarily from providing medical services, including pediatric services and obstetric and gynecologic services. The following table sets forth a breakdown of the revenue for the periods indicated:

	Six months ended June 30,			
	2024		2023	
	<i>(in thousands of RMB, except percentages)</i>			
Medical services	412,049	99.1%	411,077	98.8%
Others ⁽¹⁾	3,907	0.9%	5,056	1.2%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>415,956</u>	<u>100.0%</u>	<u>416,133</u>	<u>100.0%</u>

⁽¹⁾ Others mainly include revenue from cafeteria and gift shop sales at our medical institutions and online healthcare services after intersegment elimination.

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,	
	2024	2023
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	412,049	411,077
Cost of revenue	242,370	240,658
Gross profit ⁽¹⁾	169,679	170,419
Gross profit margin ⁽²⁾	41.2%	41.5%

Notes:

- (1) Gross profit is calculated by deducting cost of revenue from revenue.
- (2) Gross profit margin is calculated by dividing gross profit by revenue and multiplied by 100%.

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,			
	2024		2023	
	<i>(in thousands of RMB, except percentages)</i>			
Pediatric services	360,956	86.8%	357,860	86.0%
Obstetric and gynecologic services	51,093	12.3%	53,217	12.8%
Total	<u>412,049</u>	<u>99.1%</u>	<u>411,077</u>	<u>98.8%</u>

Our medical services can also be classified by service and sale to inpatients and outpatients and membership card sales. The following table sets forth revenue and certain data relating to such classification for the periods indicated:

	Six months ended June 30,	
	2024	2023
Our Group		
Inpatients services		
Inpatient visits	4,429	4,318
Average inpatient spending per visit <i>(RMB)</i>	32,803	31,536
Outpatients services		
Outpatient visits	141,128	154,487
Average outpatient spending per visit <i>(RMB)</i>	1,733	1,625
Revenue from medical services attributable to inpatients <i>(RMB'000)</i>	145,285	136,174
Revenue from medical services attributable to outpatients <i>(RMB'000)</i>	244,616	251,045
Revenue recognized for membership card sales <i>(RMB'000)</i>	22,148	23,858
Pediatric Services		
Inpatient services		
Inpatient visits	3,622	3,446
Average inpatient spending per visit <i>(RMB)</i>	33,491	32,258
Outpatient services		
Outpatient visits	118,392	129,239
Average outpatient spending per visit <i>(RMB)</i>	1,837	1,724
Revenue from pediatric services attributable to inpatients <i>(RMB'000)</i>	121,306	111,162

	Six months ended June 30,	
	2024	2023
Revenue from pediatric services attributable to outpatients (RMB'000)	217,502	222,840
Revenue recognized for membership card sales (RMB'000)	22,148	23,858
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	807	872
Average inpatient spending per visit (RMB)	29,714	28,683
Outpatient services		
Outpatient visits	22,736	25,248
Average outpatient spending per visit (RMB)	1,193	1,117
Revenue from obstetric and gynecologic services attributable to inpatients (RMB'000)	23,979	25,012
Revenue from obstetric and gynecologic services attributable to outpatients (RMB'000)	27,114	28,205

The revenue generated from the provision of our medical services amounted to RMB412.1 million for the six months ended June 30, 2024, representing a 0.2% YoY increase and accounting for 99.1% of our Group's total revenue. Such increase was primarily due to the increase in revenue from pediatric services attributable to inpatients.

In particular, our medical services were composed of pediatric services and obstetric and gynecologic services, from which we generated a revenue of RMB361.0 million and RMB51.1 million, respectively, for the six months ended June 30, 2024, representing a YoY increase of 0.9% and a YoY decrease of 3.9%, respectively, when compared with the same period in the previous financial year. For the six months ended June 30, 2024, we recorded (i) a total of 3,622 inpatient visits and 118,392 outpatient visits for our pediatric services, representing a YoY increase of 5.1% and a YoY decrease of 8.4%, respectively; and (ii) a total of 807 inpatient visits and 22,736 outpatient visits for our obstetric and gynecologic services, representing a YoY decrease of 7.5% and a YoY decrease of 9.9%, respectively.

The cost of revenue of our medical services consists primarily of employee benefits expenses, cost of inventories and consumables, consultation fees, depreciation and amortisation, 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, 2024 reached RMB242.4 million, representing a YoY increase of 0.7%.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2024 amounted to RMB168.7 million, representing a YoY decrease of 0.6% when compared with our gross profit of RMB169.8 million for the same period in the previous financial year. The revenue and cost of revenue were flat compared to the same period of last year. Our gross profit margin slightly decreased from 40.8% in the six months ended June 30, 2023 to 40.6% in the six months ended June 30, 2024.

Selling Expenses

Our selling expenses for the six months ended June 30, 2024 amounted to RMB32.8 million, representing a YoY decrease of 0.6% when compared with our selling expenses of RMB33.0 million for the same period in the previous financial year. The selling expenses incurred during the six months ended June 30, 2024 were flat compared to that incurred during the same period last year.

Administrative Expenses

Our administrative expenses for the six months ended June 30, 2024 amounted to RMB60.8 million, representing a YoY decrease of 4.3% when compared with our administrative expenses of RMB63.5 million for the same period in the previous financial year. Such decrease was mainly a result of the measures continuously carried out by us to reduce expenses and improve the operation efficiency in 2024.

Research and Development Expenses

Our Company incurred research and development expenses of RMB2.2 million for the six months ended June 30, 2024, representing a YoY decrease of 29.0% when compared with our research and development expenses of RMB3.1 million for the same period in the previous financial year. Such decrease was mainly due to the reduction of research and development activities in the first half of 2024.

Impairment Losses on Financial Assets

During the six months ended June 30, 2024, our Company recorded net impairment losses on financial assets amounting to RMB0.9 million, which was mainly due to the impairment losses on the amounts due from related parties.

Finance Income and Expenses

Our finance income decreased from RMB3.7 million for the six months ended June 30, 2023 to RMB2.8 million for the six months ended June 30, 2024, which was mainly a result of the decrease of foreign exchange gains. Our finance costs for the six months ended June 30, 2024 amounted to RMB4.3 million, mainly consisting of interest expenses related to lease payment.

Income Tax Expense

Our Company incurred an income tax expense of RMB23.9 million for the six months ended June 30, 2024, representing a YoY increase of 21.9% when compared with our income tax expense of RMB19.6 million for the same period in the previous financial year. Such increase was mainly due to the increased profits of our Group in the first half of 2024 and the turnaround effect of deferred tax assets as related entity achieved profit before tax for the six months ended June 30, 2024.

Profit for the six months ended June 30, 2024

We recorded a profit of RMB48.3 million for the six months ended June 30, 2024 as compared to a profit of RMB44.1 million for the six months ended June 30, 2023.

FINANCIAL POSITION

Inventories

Our inventories decreased by 11.7% from RMB22.3 million as of December 31, 2023 to RMB19.7 million as of June 30, 2024, primarily due to (i) the reduction in the usage of pharmaceuticals and medical consumables which led to fewer inventories being purchased near the period ended June 30, 2024; and (ii) the Group's enhanced medicines inventory management.

Trade Receivables

Our trade receivables increased by 0.6% from RMB51.3 million as of December 31, 2023 to RMB51.6 million as of June 30, 2024 with no significant change.

Trade Payables

Our trade payables decreased by 18.3% from RMB40.9 million as of December 31, 2023 to RMB33.4 million as of June 30, 2024, primarily due to the reduction in the usage of pharmaceuticals and medical consumables and decreased purchases near the period ended June 30, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2024, we had cash and cash equivalents of RMB332.0 million, which represented an increase of 9.1% when compared with our cash and cash equivalents of RMB304.3 million as of December 31, 2023.

Significant Investments

Our Group did not hold any significant investments for the six months ended June 30, 2024.

Acquisitions and Disposals

Our Group had no acquisitions or disposals of subsidiaries, associated companies and joint ventures for the six months ended June 30, 2024.

Capital Expenditures

Our capital expenditures primarily include expenditures on (i) property, plant and equipment which are medical equipment, furniture and office equipment; and (ii) intangible assets such as computer software relating to our operations. The amount of our capital expenditures for the six months ended June 30, 2024 was RMB8.1 million, representing a YoY increase of 224.0% when compared with RMB2.5 million for the same period in the previous financial year. Such increase was mainly a result of our purchases of property, plant and equipment for business development.

INDEBTEDNESS

Borrowings

As of June 30, 2024 and December 31, 2023, we did not have any borrowings.

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, 2024, our assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalents denominated in USD or HKD and dividends 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, 2024, 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, 2024, none of our assets had been pledged.

Contractual Obligations

As of June 30, 2024, 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 in a timely and effective manner.

Gearing Ratio

As of June 30, 2024 and December 31, 2023, we did not have any borrowings, and therefore the gearing ratio, which is calculated as total borrowings divided by total equity, is not applicable.

EMPLOYEE AND REMUNERATION POLICY

We had 1,258 and 1,252 employees as of June 30, 2024 and 2023, respectively. Our total staff remuneration expenses including Directors' remuneration for the six months ended June 30, 2024 and 2023 amounted to RMB172.2 million and RMB166.3 million, respectively. 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 our Group, performance-based compensation and discretionary bonus. Our Group also adopted the RSA Scheme and the Employee Share Scheme to attract, retain and monitor our key employees.

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

INTERIM DIVIDEND

Our Board does not recommend the payment of an interim dividend for the six months ended June 30, 2024.

CORPORATE GOVERNANCE PRACTICE

Our Board is committed to maintaining high corporate governance standards. Our Company has applied the principles as set out in the CG Code contained in Appendix C1 to the Listing Rules which are applicable to our Company.

In the opinion of our Directors, our Company has complied with all applicable code provisions as set out in the CG Code during the six months ended June 30, 2024, save and except for code provision C.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jason ZHOU is both our chairman and chief executive officer and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe that he is instrumental to our growth and business expansion since our establishment in 2002. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, our Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable our Company to make and implement decisions more promptly and effectively. Thus, our Company does not segregate the roles of chairman and chief executive officer. Our Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of our Company in due course after taking into account the overall circumstances of our Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Our 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, 2024. Our Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of our Company's securities, without noticing any violation of the guidelines.

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

During the six months ended June 30, 2024, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company’s listed securities.

AUDIT COMMITTEE

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

Our Audit Committee has reviewed the unaudited interim results of our Group for the six months ended June 30, 2024 and was of the opinion that such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event of our Group during the period from June 30, 2024 to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.ncich.com.cn). The interim report for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

“Audit Committee”	the audit committee of the Board;
“Beijing Children’s Hospital” or “BCH”	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 Children’s Hospital”	Beijing New Century Children’s Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability on December 13, 2002, which is a non-wholly-owned subsidiary of the Company;
“Board” or “Board of Directors”	the board of Directors of our Company;
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules;
“China” or “PRC”	the People’s Republic of China; for the purpose of this announcement only, references to “China” or the “PRC” do not include Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong;
“Company”	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	directors of our Company;
“DRG/DIP Payment”	Diagnosis Related Group (DRG) payment refers to the payment by the diagnosis-related grouping of diseases, where, according to the diagnosis of diseases, treatment modalities and individual characteristics of patients, etc., different diagnosis-related groups are established, each of which a uniform payment standard will be determined for; and Diagnosis-Intervention Packet (DIP) payment refers to the payment by disease point value, which is calculated based on the total annual medical insurance payment, the medical insurance payment ratio and the total point of each medical institution’s cases to form the payment standard;
“Employee Share Scheme”	the restricted share award scheme approved and adopted by the Company on August 28, 2020;
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;

“HKFRS”	Hong Kong Financial Reporting Standards;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“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 C3 to the Listing Rules;
“Remuneration Committee”	the remuneration committee of our 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;
“Shares(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of our Company or if there has been a subsequent subdivision, consolidation, reclassification or reconstruction of the share capital of our Company, shares forming part of the ordinary equity share capital of our Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“YoY”	year-on-year; and
“%”	percent.

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

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

Hong Kong, August 27, 2024

As of the date of this announcement, the Board comprises Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han, as executive Directors; Mr. WANG Siye, Ms. LI Suyu, Mr. YANG Yuelin and Mr. XIE Qiang, as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.