



## Concord Medical Announces First Quarter 2010 Financial Results

May 27, 2010

BEIJING, May 27, 2010 /PRNewswire via COMTEX/ --Concord Medical Services Holdings Limited ("Concord Medical" or the "Company") (NYSE: CCM), the operator of the largest network of radiotherapy and diagnostic imaging centers in China, today announced its unaudited financial results for the first quarter ended March 31, 2010(1).

### First Quarter Fiscal 2010 Highlights

- Total net revenues in the first quarter of 2010 were RMB76.2 million (\$11.2 million), a 36.6% increase from the corresponding period in 2009.
- Gross profit in the first quarter of 2010 was RMB49.1 million (\$7.2 million), a 30.4% increase from the corresponding period in 2009.
- Non-GAAP Net income(2) in the first quarter of 2010 was RMB24.2 million (\$3.5 million), a 10.7% increase from the corresponding period in 2009.
- Both Non-GAAP basic and diluted earnings per American Depository Share ("ADS")(3) for the first quarter of 2010 were RMB0.49 (\$0.07).
- Adjusted EBITDA(4) (non-GAAP) in the first quarter of 2010 was RMB57.9 million (\$8.5 million), a 19.8% increase from the corresponding period in 2009.
- Concord Medical opened one center in the first quarter of 2010, bringing the total number of centers in operation to 89 across 37 cities in China, as of March 31, 2010. To date, the Company has entered into agreements to establish 38 new centers.
- The number of treatment patient cases and diagnostic patient cases was 6,868 and 26,562 during the first quarter of 2010, respectively. Treatment patient cases increased by 18.2% from the corresponding period in 2009. Diagnostic patient cases increased by 100.8% from the corresponding period in 2009.

- (1) This announcement contains translations of certain RMB amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to U.S. dollars are made at a rate of RMB6.8258 to US\$1.00, the effective noon buying rate as of March 31, 2010 in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York.
- (2) Non-GAAP net income is defined in this announcement as net income excluding share-based compensation expenses, which amounted to RMB2.6 million (\$0.4 million) for the first quarter of 2010. The Company did not incur share-based compensation expenses for the first quarter of 2009.
- (3) Each ADS represents three ordinary shares of the Company.
- (4) Adjusted EBITDA is defined in this announcement as net income plus interest, taxes, depreciation and amortization, share-based compensation expenses and other adjustments. Other adjustments include change in fair value of convertible notes, foreign exchange loss and other income.

"We are pleased with our solid financial results for the first quarter despite the usual seasonality factor associated with the Chinese New Year holiday," said Dr. Jianyu Yang, director, president and chief executive officer of Concord Medical. "In addition, we made good progress toward our goal of operating at least 200 radiotherapy and diagnostic imaging centers by 2012. We opened one new center in the first quarter, acquired four centers in April, and our first specialty hospital, the Chang'an CMS International Cancer Center, is on track to begin operations in June 2010. Looking forward, we will continue to grow both organically and through acquisitions. On top of the four centers acquired in April, we also expect to open eight to ten centers organically in the second quarter, and will continue to explore additional acquisition targets for 2010."

Dr. Yang added, "We continue to receive encouraging signals from industry regulators. On May 7, 2010, the Chinese State Council issued a new statement reiterating its intention to enhance the scope and quality of healthcare services by attracting more private investments. As the operator of the largest network of radiotherapy and diagnostic imaging centers in China, we are confident that Concord Medical is well positioned to benefit from the favorable market environment supported by medical reform policies and increasing consumer demand for world-class cancer treatment."

Mr. Boxun Zhang, Concord Medical's corporate vice president, commented, "In the first quarter of 2010, we achieved strong top line growth and made good progress toward our full year operational and financial targets. For the rest of the year, we will continue to enhance operational and financial efficiency while supporting our network expansion with our strong financial resources. As a newly listed company, we are also committed to fulfilling the requirements of Sarbanes Oxley Section 404, and we are in the process of reviewing our internal control mechanisms accordingly."

#### First Quarter Fiscal 2010 Results

Concord Medical reported total net revenues of RMB76.2 million (\$11.2 million) for the first quarter of 2010, representing a 36.6% increase from the corresponding period in 2009, primarily due to patient volume growth from established centers as well as from new centers opened in 2009.

Cost of revenues in the first quarter of 2010 was RMB27.0 million (\$4.0 million), a 49.8% increase from the corresponding period in 2009, primarily due to increased depreciation expenses related to new centers opened in 2009.

Gross profit margin in the first quarter of 2010 was 64.5% as compared to 67.6% in the corresponding period in 2009. The marginal decrease was primarily due to new centers opened in the second half of 2009 having lower gross profit margin in their ramp-up periods comparing to established centers.

Operating expenses, consisting of selling expenses and general and administrative expenses, were RMB17.6 million (\$2.6 million) in the first quarter of 2010, compared to RMB13.3 million in the previous quarter and RMB7.1 million in the corresponding period in 2009. The increase in operating expenses was mainly due to additional accrued expenses associated with post- IPO professional service charges, such as legal and auditing fees, and share- based compensation expenses, which are amortized through the year using the straight line method.

Operating Income was RMB31.5 million (\$4.6 million), representing a 2.9% increase from the corresponding period in 2009. Operating profit excluding share-based compensation expenses (non-GAAP) was RMB34.1 million (\$5.0 million), an 11.4% increase from the corresponding period in 2009.

Income tax expense was RMB8.5 million (\$1.2 million), compared to an income tax expense of RMB6.7 million in the corresponding period in 2009. The effective tax rate for the first quarter of 2010 was 28.3% as compared to 22.9% in the previous quarter and 23.5% in the corresponding period in 2009. The increase in the effective tax rate was in relation to share-based compensation expenses and professional service expenses paid by off-shore subsidiaries being not directly tax deductible at on-shore entities.

Net income was RMB21.6 million (\$3.2 million), representing a 1.2% decrease from the corresponding period in 2009. Both basic and diluted earnings per ADS for the first quarter of 2010 amounted to RMB0.44(\$0.06).

Net income excluding share-based compensation expenses (non-GAAP) was RMB24.2 million (\$3.5 million), a 10.7% increase from the corresponding period in 2009. Both Basic and diluted earnings per ADS excluding share-based compensation expenses (non-GAAP) for the first quarter of 2010 amounted to RMB0.49(\$0.07).

Adjusted EBITDA (non-GAAP), was RMB57.9 million (\$8.5 million) for the first quarter of 2010, representing a 19.8% increase from the corresponding period in 2009.

Capital expenditure for the first quarter of 2010 was RMB81.4 million (\$11.9 million). Total depreciation expenses were RMB17.1 million (\$2.5 million). In addition, amortization of acquired intangibles was RMB6.7 million (\$1.0 million). The Company expects amortization of acquired intangibles to be approximately RMB26.8 million (\$3.9 million) in 2010, assuming no additional intangibles are acquired through potential acquisitions.

As of March 31, 2010, the Company had total fixed assets with a net book value of RMB592.3 million (\$86.8 million) and cash of RMB993.6 million (\$145.6 million).

As of March 31, 2010, the Company had bank credit lines totaling RMB2.1 billion (US\$314.2 million).

Accounts receivable was RMB112.5 million (\$16.5 million) as of March 31, 2010, similar to RMB111.3 million as of December 31, 2009.

#### Outlook for Fiscal Year 2010

Taking into consideration the projected contribution from the four recently acquired centers, Concord Medical raises the estimated range of total net revenues for 2010 to RMB367 million to RMB398 million, which would represent a 25.5% to 36.1% increase from 2009.

Also as a result of the recent acquisition, the Company raises its network expansion target to 34 to 39 radiotherapy and diagnostic imaging centers in 2010, and the range of expected total capital expenditures related to these new centers to RMB400 million to RMB450 million.

This forecast reflects Concord Medical's current and preliminary view, which is subject to change.

#### Conference Call Information

Concord Medical's management will hold an earnings conference call at 8 AM on May 27, 2010 U.S. Eastern Time (8 PM on May 27, 2010 Beijing/Hong Kong time).

Dial-in details for the earnings conference call are as follows:

US: +1 866.730.5766

China: + 10.800.152.1490 (North) / 10.800.130.0399 (South)  
Hong Kong: + 800.96.3844  
International: +1 857.350.1590  
  
Passcode: 87425784

A replay of the conference call may be accessed by phone at the following number until June 3, 2010:

US: + 1.888.286.8010  
International: + 1.617.801.6888  
  
Passcode: 58084651

Additionally, a live and archived webcast of this conference call will be available at <http://ir.cmsholdings.com/>.

#### About Concord Medical

Concord Medical operates the largest network of radiotherapy and diagnostic imaging centers in China in terms of revenues and the total number of centers in operation per available statistics. The Company currently operates a network of more than 89 centers spanning 37 cities and 21 provinces and administrative regions in China. Under long-term arrangements with top-tier hospitals in China, the Company provides radiotherapy and diagnostic imaging equipments and manages the daily operations of these centers located on its hospital partners' premises. The Company also provides ongoing training to doctors and other medical personnel in its network of centers to ensure a high level of clinical care for patients.

#### Safe Harbor Statement

This press release contains forward-looking statements. These statements constitute "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "plan," "project," "predict," "should" and "will" and similar expressions. These forward looking statements are based upon management's current views and expectations with respect to future events and are not a guarantee of future performance. Furthermore, these statements are, by their nature, subject to a number of risks and uncertainties that could cause actual performance and results to differ materially from those discussed in the forward-looking statements as a result of a number of factors. Such factors include: the number of new radiotherapy and diagnostic imaging centers opened; the increase in the number of patients in existing centers; the establishment of specialty cancer hospitals; changes in the healthcare industry in China, including changes in the healthcare policies and regulations of the PRC government; and technological or therapeutic changes affecting the field of cancer treatment and diagnostic imaging. Further information regarding these and other risks is included in the Company's filings with the U.S. Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

#### About Non-GAAP Financial Measures

To supplement the consolidated financial statements presented in accordance with United States Generally Accepted Accounting Principles (GAAP), Concord Medical uses certain non-GAAP measures. The Company presents certain of its financial information that is adjusted from results based on GAAP to exclude the impact of share-based compensation expense. The Company believes excluding share-based compensation expense from its non-GAAP financial measures is useful for its management and investors to assess and analyze the Company's core operating results as such expense is not directly attributable to the underlying performance of the Company's business operations and do not impact its cash earnings. Concord Medical also believes these non-GAAP measures excluding share-based compensation expense are important in helping investors to understand the Company's current financial performance and future prospects and to compare business trends among different reporting periods on a consistent basis. In addition, Concord Medical also presents the non-GAAP measure of Adjusted EBITDA, which is defined in this announcement as net (loss) income plus interest, taxes, depreciation and amortization, share-based compensation expenses and other adjustments. Other adjustments include change in fair value of convertible notes, foreign exchange loss and other income. Furthermore, Adjusted EBITDA eliminates the impact of items that the Company does not consider indicative of the performance of its network of centers. The Company believes investors will similarly use Adjusted EBITDA as one of the key metrics to evaluate its financial performance and to compare its current operating results with corresponding historical periods and with other companies in the healthcare services industry. The presentation of these additional measures should not be considered a substitute for or superior to GAAP results or as being comparable to results reported or forecasted by other companies. The non-GAAP measures have been reconciled to GAAP measures in the attached financial statements.

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Concord Medical Services Holdings Co., Ltd.  
 Unaudited Condensed Consolidated Balance Sheets  
 (in thousand)

	December 31, 2009	March 31, 2010	
	RMB	RMB	US\$
<b>ASSETS</b>			
Current assets			
Cash	1,037,239	993,597	145,565
Restricted cash, current portion	293	593	87
Accounts receivable	111,328	112,527	16,486
Prepayment and other current assets	100,484	119,552	17,516
Deferred tax assets, current portion	3,168	2,788	408
Total current assets	1,252,512	1,229,057	180,062
Non-current assets			
Property, plant and equipment, net	584,869	592,265	86,769
Goodwill	300,163	300,163	43,975
Acquired intangible assets, net	155,345	148,641	21,776
Deposits for non-current assets	115,323	144,480	21,167
Deferred tax assets, non-current portion	19,700	20,531	3,008
Net investment in financing lease	--	23,176	3,395
Other non-current assets	11,532	50,149	7,347
Restricted cash, non-current portion	4,421	6,564	962
Total non-current assets	1,191,353	1,285,969	188,399
Total assets	2,443,865	2,515,026	368,461
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Short-term bank borrowing	11,500	27,000	3,956
Long-term bank borrowings, current portion	35,647	31,424	4,604
Accounts payable	9,759	9,822	1,439
Accrual for purchase of property, plant and equipment	12,043	10,120	1,483
Obligations under capital leases, current portion	3,582	3,582	525
Accrued expenses and other liabilities	48,663	47,486	6,957
Income tax payable	14,642	14,996	2,197
Deferred revenue, current portion	10,401	12,012	1,760
Amounts due to related parties	1,546	1,617	237

Total current liabilities	147,783	158,059	23,158
Non-current liabilities			
Long-term bank borrowings, non-current portion	102,755	132,009	19,340
Deferred revenue, non-current portion	5,188	12,964	1,899
Obligations under capitalized leases, non-current portion	8,074	7,412	1,086
Lease deposit	1,000	1,000	147
Deferred tax liabilities, non-current portion	25,317	25,920	3,797
Total non-current liabilities	142,334	179,304	26,269
Total liabilities	290,117	337,363	49,427
Commitments and contingencies			
Shareholders' equity			
Ordinary shares	108	108	16
Additional paid-in capital	2,671,910	2,674,496	391,822
Accumulated other comprehensive loss	(3,987)	(4,237)	(621)
Accumulated deficit	(514,283)	(492,704)	(72,183)
Total shareholders' equity	2,153,748	2,177,663	319,034
Total liabilities and shareholders' equity	2,443,865	2,515,026	368,461

\*Amounts for the year ended December 31, 2009 were derived from the December 31, 2009 unaudited consolidated financial statements.

Concord Medical Services Holdings Co., Ltd.  
Unaudited Condensed Consolidated Statements of Income  
(in thousand, except per ADS data)

	For The Three Months Ended		
	March 31, 2009	March 31, 2010	
	RMB	RMB	US\$
Revenue, net			
Lease and management services	47,349	71,707	10,505
Management services	8,323	2,721	399
Other, net	79	1,753	257
Total net revenues	55,751	76,181	11,161
Cost of revenues			
Lease and management services	(11,171)	(20,336)	(2,979)
Amortisation of acquired intangibles	(6,882)	(6,704)	(982)
Management services	(3)	(1)	(0)
Total cost of revenues	(18,056)	(27,041)	(3,962)
Gross profit	37,695	49,140	7,199
Operating expenses			
Selling expenses	(1,316)	(2,093)	(307)
General and administrative expenses	(5,754)	(15,529)	(2,275)
Operating income	30,625	31,518	4,617

Interest expense	(1,638)	(1,980)	(290)
Foreign exchange loss	(663)	(776)	(114)
Gain from disposal of equipment	--	344	50
Interest income	224	975	143
Income before income taxes	28,548	30,081	4,407
Income tax expense	(6,709)	(8,503)	(1,246)
Net income	21,839	21,578	3,161
Accretion of Series A contingently redeemable convertible preferred shares	(7,951)	--	--
Accretion of Series B contingently redeemable convertible preferred shares	(12,796)	--	--
Net income attributable to ordinary shareholders	1,092	21,578	3,161
Earnings per ADS Basic /Diluted	0.05	0.44	0.06
Weighted average number of ADS outstanding: Basic /Diluted	23,476,033	49,151,833	49,151,833

Reconciliations of non-GAAP results of operations measures to the nearest comparable GAAP measures (\*) (in RMB thousands, unaudited)

	Three months ended March 31, 2009			Three months ended March 31, 2010		
	GAAP Result	Adjust- ment	Non-GAAP Results	GAAP Result	Adjust- ment	Non-GAAP Results
Operating profit	30,625	--	30,625	31,518	2,586	34,104
Net income	21,839	--	21,839	21,578	2,586	24,164
Net income attributable to ordinary shareholders	--	--	--	--	--	--
Basic (Loss) earning per ADS	0.05	--	0.05	0.44	0.05	0.49
Diluted (Loss) earning per ADS	0.05	--	0.05	0.44	0.05	0.49

(\*) The adjustment is only for share-based compensation.

Reconciliation from net income to adjusted EBITDA(\*)  
(in RMB thousands, unaudited)

	Three months ended	
	March 31, 2009	March 31, 2010
Net income	21,839	21,578
Interest expense, net	1,414	1,005
Income taxes expense (benefit)	6,709	8,503
Depreciation and amortization	17,753	23,842
Share-based compensation	--	2,586
Other adjustments	663	432
Adjusted EBITDA	48,378	57,946

(\*) Definition of adjusted EBITDA: Adjusted EBITDA is defined as net

(loss) income plus interest, taxes, depreciation and amortization, share-based compensation expenses and other adjustments. Other adjustments include change in fair value of convertible notes, foreign exchange loss and other income.

SOURCE Concord Medical Services Holdings Limited