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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

2017 ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the year ended December 31, 2017 amounted to RMB536.5 million, representing a YoY increase of 9.3% as compared to RMB490.9 million for the year ended December 31, 2016. Net profit for the year ended December 31, 2017 after adjustment of special items, amounted to RMB134.9 million⁽¹⁾, representing a YoY increase of 12.7%.
- Revenue from hospital consulting services for the year ended December 31, 2017 amounted to RMB39.3 million, representing a YoY increase of 34.6% as compared to RMB29.2 million for the year ended December 31, 2016.
- Patient visits for the year ended December 31, 2017 amounted to 209,071, representing a YoY increase of 10.0% as compared to 189,980 for the year ended December 31, 2016. Among them, pediatric outpatient visits in 2017 amounted to 178,618 (2016: 156,941).
- Revenue recognized for membership card sales for the year ended December 31, 2017 amounted to RMB44.9 million, representing a YoY increase of 20.7% as compared to RMB37.2 million for the year ended December 31, 2016.
- The Board recommended the payment of a final dividend of HK\$0.05 per share for the year ended December 31, 2017 to the Shareholders, subject to the approval by the Shareholders at the forthcoming AGM.

¹ Please refer to note 2 on page 21 of this announcement for details.

The Board of Directors of New Century Healthcare Holding Co. Limited is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2017 together with the comparative figures for the year ended December 31, 2016 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2017	2016
	Notes	RMB'000	RMB'000
Revenue	3	536,460	490,933
Cost of revenue	3	(278,177)	(247,921)
Gross profit		258,283	243,012
Selling expenses		(21,032)	(19,003)
Administrative expenses		(79,480)	(102,318)
Other income		797	612
Other gains– net	4	14,382	52,721
Operating profit		172,950	175,024
Finance income		6,515	658
Finance expenses		(19,547)	(1,584)
Profit before income tax		159,918	174,098
Income tax expense	5	(45,031)	(37,137)
Profit for the year		114,887	136,961
Total comprehensive income		114,887	136,961
Profit and total comprehensive income attributable to:			
Owners of the Company		73,493	98,635
Non-controlling interests		41,394	38,326
		114,887	136,961
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of New Century Healthcare Holding Co. Limited (expressed in RMB per share)			
Basic earnings per share	6(a)	0.16	0.35
Diluted earnings per share	6(b)	0.12	0.11

CONSOLIDATED BALANCE SHEET

		As of December 31,	
		2017	2016
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		98,487	106,510
Intangible assets		244,561	249,984
Deferred income tax assets		20,253	28,844
Total non-current assets		363,301	385,338
Current assets			
Inventories		7,193	6,449
Trade receivables	7	19,974	18,810
Other receivables, deposits and prepayments		48,171	13,120
Amounts due from related parties		64,627	24,069
Financial assets carried at fair value through profit or loss		25,010	—
Structured deposits		150,000	—
Cash and cash equivalents		763,659	188,963
Total current assets		1,078,634	251,411
Total assets		1,441,935	636,749
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	66
Share premium		2,576,092	1,538,280
Reserves		(1,516,823)	(1,519,709)
Retained earnings		134,041	60,548
Subtotal		1,193,645	79,185
Non-controlling interests		44,792	55,336
Total equity		1,238,437	134,521

		As of December 31,	
		2017	2016
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Convertible preferred shares		–	169,695
Deferred income tax liabilities		36,783	38,196
Other non-current liabilities		–	80,122
Total non-current liabilities		36,783	288,013
Current liabilities			
Trade payables	8	17,267	16,844
Accruals, other payables and provisions		104,901	119,815
Deferred revenue		37,339	28,519
Current income tax liabilities		3,905	3,283
Amounts due to related parties		3,303	25,774
Borrowings		–	19,980
Total current liabilities		166,715	214,215
Total liabilities		203,498	502,228
Total equity and liabilities		1,441,935	636,749

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	135,039	146,370
Interest paid	(27)	(1,584)
Interest received	2,221	478
Income taxes paid	(37,231)	(30,166)
Net cash inflow from operating activities	100,002	115,098
Cash flows from investing activities		
Purchases of property, plant and equipment	(6,992)	(11,789)
Purchases of intangible assets	(1,268)	(423)
Proceeds from disposals of property, plant and equipment	–	130
Investing in structured deposits and financial assets	(595,500)	–
Withdraw structured deposits and financial assets	420,500	–
Interest received from structured deposits and financial assets	3,922	–
Loans to third party	(15,000)	–
Prepayments for acquisition of target clinic	(5,000)	–
Net cash outflow from investing activities	(199,338)	(12,082)

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Cash flows from financing activities		
Net Proceeds from global offering and issuance of share capital	803,887	–
Repayment of borrowings	(19,980)	(10,020)
Dividends paid to the then shareholders of Beijing Jiahua Yihe Management Consulting Co., Ltd. (“ Jiahua Yihe ”)	(27,542)	–
Transaction with non-controlling interests	(30,000)	6,900
Dividends paid to the non-controlling interests	(32,813)	(23,018)
Proceeds from issuance of convertible preferred shares	–	215,834
Capital contribution by shareholders	–	66
Deemed distribution to the controlling shareholder	–	(200,000)
Prepayments in relation to listing expenses	–	(1,187)
Repayment from related parties	–	17,924
Dividends paid to the controlling shareholder	–	(1,783)
Net cash inflow from financing activities	693,552	4,716
Net increase in cash and cash equivalents	594,216	107,732
Cash and cash equivalents at the beginning of the year	188,963	81,231
Effects of exchange rate changes on cash and cash equivalents	(19,520)	–
Cash and cash equivalents at the end of the year	763,659	188,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

New Century Healthcare Holding Co. Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in provision of pediatrics and obstetrics and gynecology speciality services in Beijing, the People’s Republic of China (the “**PRC**”). The Group also provides hospital consulting services to Beijing Jiahua Likang Health Investment Co., Ltd. (“**Jiahua Likang**”), a related party of the Group, relating to the for-profit private hospitals owned by Jiahua Likang, all of which are outside Beijing.

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, 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 January 18, 2017.

The consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2017:

- Recognition of deferred tax assets for unrealised losses – Amendments to HKAS 12, and
- Disclosure initiative – Amendments to HKAS 7.

The Group also elected to adopt the following amendments early.

- Classification and measurement of share-based payment transactions – Amendments to HKFRS 2, and
- Annual improvements to HKFRS standards 2014–2016 cycle.

The adoption of these amendments did not have significant impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current periods.

2.2 New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards which have been issued but are effective for the fiscal year beginning on or after January 1, 2018 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	January 1, 2018
HKFRS 15	Revenue from contracts with customers	January 1, 2018
HKFRS 16	Leases	January 1, 2019
Amendment to HKFRS 1	First time adoption of HKFRS	January 1, 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	January 1, 2018 or when the entity first applies HKFRS 9
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendment to HKAS 28	Investments in associates and joint ventures	January 1, 2018
Amendments to HKAS 40	Transfers of investment property	January 1, 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	January 1, 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019

3 Segment information

Mr. Jason ZHOU in his role as the executive director and chairman of the Company upon completion of the Reorganization of the Group, 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.

The CODM considers the business from both the service and product perspectives and reviews the Group’s business performance by service line rather than by legal entity. The Group aggregates businesses that have similar economic characteristics, such as: (i) the nature of the products and services; (ii) the nature of the production processes; (iii) the type or class of customers for their products and services; (iv) the methods used to distribute their products or provide their services; and (v) if applicable, the nature of the regulatory environment.

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

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

(a) Pediatrics

Revenue derived from specialized pediatric services is contributed by Beijing New Century Children’s Hospital Co.,Ltd. (“**BNC Children’s Hospital**”), Beijing New Century Harmony Clinic Co., Ltd. (“**BNC Harmony Clinic**”) and Beijing New Century Women’s and Children’s Hospital Co., Ltd. (“**BNC Women’s and Children’s Hospital**”).

(b) Obstetrics and gynecology

Revenue derived from specialized obstetric and gynecologic services is mainly contributed by BNC Women’s and Children’s Hospital.

(c) *Hospital consulting services*

The Group provides hospital consulting services to Jiahua Likang and its hospital subsidiaries under hospital consulting service agreements. The Group receives hospital consulting fees from Jiahua Likang.

(d) *Others*

The Group provides marketing services and operates canteens, gift and groceries shops in its own hospitals.

The accounting policies of the operating segments are the same as the Group's accounting policies.

For the purposes of monitoring segment performances and allocating resources between segments, segment results represent the profit before tax earned by each segment, without allocation of finance income, finance expense, other income, other losses – net and listing expense that not directly related to the respective segments, which represent the internally generated financial information regularly reviewed by the CODM. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for cash and cash equivalents, deferred income tax assets and other assets that not directly related to the respective segment. Segment liabilities exclude borrowings, tax payable and other liabilities that not directly related to the respective segment.

No geographical information is presented as all of the Group's revenue is derived from activities in the PRC, and the Group's operations and non-current assets are mainly located in the PRC.

	Pediatrics <i>RMB'000</i>	Obstetrics and Gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended						
December 31, 2017						
Revenue	412,958	78,493	39,288	5,721	–	536,460
Cost of revenue	199,938	58,009	14,634	5,596	–	278,177
Segment results	162,275	2,723	9,623	125	–	174,746
Unallocated income					21,811	21,811
Unallocated cost					(36,639)	(36,639)
Profit before income tax	162,275	2,723	9,623	125	(14,828)	159,918
Income tax expense					(45,031)	(45,031)
Profit after income tax						114,887
As of December 31, 2017						
Assets						
Segment assets	219,904	65,788	69,269	–	–	354,961
Goodwill	86,779	10,903	–	–	–	97,682
Unallocated assets					989,292	989,292
Total assets	306,683	76,691	69,269	–	989,292	1,441,935
Total liabilities	104,163	47,457	4,615	–	47,263	203,498
Other segment information						
Addition to non-current assets	3,622	449	269	–	612	4,952
Depreciation and amortization	(12,781)	(5,478)	(22)	–	–	(18,281)
Losses on disposal of property, plant and equipment, net	(83)	(34)	–	–	–	(117)

	Pediatrics <i>RMB'000</i>	Obstetrics and Gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended						
December 31, 2016						
Revenue	366,848	88,569	29,204	6,312	–	490,933
Cost of revenue	178,294	50,582	13,561	5,484	–	247,921
Segment results	134,690	16,553	11,790	827	–	163,860
Unallocated income					54,081	54,081
Unallocated cost					(43,843)	<u>(43,843)</u>
Profit before income						
tax	134,690	16,553	11,790	827	10,238	174,098
Income tax expense					(37,137)	<u>(37,137)</u>
Profit after income						
tax						<u><u>136,961</u></u>
As of December 31,						
2016						
Assets						
Segment assets	226,097	69,219	24,496	–	–	319,812
Goodwill	86,779	10,903	–	–	–	97,682
Unallocated assets					219,255	<u>219,255</u>
Total assets	312,876	80,122	24,496	–	219,255	<u><u>636,749</u></u>
Total liabilities	85,342	47,303	2,027	–	367,556	<u><u>502,228</u></u>
Other segment						
information						
Addition to non-current assets	5,590	2,579	38	–	–	8,207
Depreciation and amortization	(13,978)	(7,241)	–	–	–	(21,219)
Losses on disposal of property, plant and equipment, net	<u>(90)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(90)</u>

4 Other gains – net

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment	(117)	(90)
Fair value changes of convertible preferred shares and other non-current liabilities	14,436	37,534
Gains on liability settlement by equity instrument	–	15,277
Gains on financial assets carried at fair value through profit or loss	63	–
	<u>14,382</u>	<u>52,721</u>

5 Income tax expense

Subsidiaries established and operating in Mainland China are subject to PRC corporate income tax at the standard rate of 25% for the year ended December 31, 2017.

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current income taxation:		
– PRC corporate income tax	37,853	31,169
Deferred income tax	7,178	5,968
	<u>45,031</u>	<u>37,137</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the standard taxation rate of PRC, the principal place of the Group's operations, as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	159,918	174,098
Calculated at a taxation rate of 25%	39,979	43,525
Income not subject to tax	(3,719)	(13,026)
Expenses not tax deductible	10,519	6,035
Tax effect of tax losses not recognized	6	714
Utilisation of previously unrecognised tax loss	(1,639)	(111)
Others	(115)	–
Income tax expense	45,031	37,137

(a) Cayman Islands income tax

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

(b) PRC Corporate Income Tax

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

(c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the years ended December 31, 2017 and 2016. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended December 31, 2017 and 2016.

As of December 31, 2017, deferred income tax liabilities of RMB9,373,000 (2016: RMB3,062,000), have not been recognized for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Management expects to reinvest such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as of December 31, 2017 amounted to RMB93,730,000 (2016: RMB30,615,000).

6 Earnings per share (“EPS”)

(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 during the year ended December 31, 2017.

	Year ended December 31,	
	2017	2016
Profit attributable to owners of the Company <i>(RMB'000)(i)</i>	<u>73,329</u>	<u>92,136</u>
Weighted average number of ordinary shares in issue <i>(in thousands)(ii)</i>	<u>472,516</u>	<u>262,434</u>
Basic earnings per share <i>(in RMB)</i>	<u><u>0.16</u></u>	<u><u>0.35</u></u>

The EPS presented above is calculated by using the weighted average number of ordinary shares during the year ended December 31, 2017. In determining the weighted average number of ordinary shares, the one share issued upon incorporation, the 9,999 sub-divided shares issued on February 18, 2016 and the 83,605,734 ordinary shares issued on February 18, 2016 are treated as if have been in issue since January 1, 2015.

The Company capitalized an amount of USD24,969 standing to the credit of its share premium account in paying up in full at par 249,690,254 shares, which were allotted and issued to the capitalization issue of the Company in accordance with their respective capitalization issue. The EPS as presented above has taken into account of the capitalization issue, which is effective on January 18, 2017, the listing date of the Company. Accordingly, the weighted average number of ordinary shares in issue has been adjusted retrospectively as if it was effective on January 1, 2015.

(b) Diluted

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares before the capitalization issue: 7,542,002 convertible preferred shares (“**Group B Preferred Shares**”) and 3,560,993 ordinary shares redesignated as other non-current liabilities, which were granted the same rights of Group B Preferred Shares. The convertible preferred shares and other non-current liabilities are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the impact of fair value change of convertible preferred shares and other non-current liabilities.

	Year ended December 31,	
	2017	2016
Profit attributable to owners of the Company <i>(RMB'000)(i)</i>	73,329	92,136
Gains on the fair value change of the convertible preferred share and other non-current liabilities <i>(RMB'000)</i>	(14,436)	(58,845)
Profit used to determine diluted EPS <i>(RMB'000)</i>	58,893	33,291
Weighted average number of ordinary shares in issue <i>(in thousands)(ii)</i>	472,516	262,434
Adjusted for:		
– Assumed conversion of convertible preferred shares and other non-current liabilities <i>(in thousands)</i>	1,787	31,384
Weighted average number of ordinary shares for diluted EPS <i>(in thousands)</i>	474,303	293,818
Diluted EPS <i>(in RMB)</i>	0.12	0.11

- (i) The calculation of basic EPS in 2017 has not considered the 6,548,602 ordinary shares, before the capitalization issue, with liquidation preference from February 18, 2016 as these shares are not considered as ordinary shares that are subordinated to all other class of equity instrument. The profit attributable to those shares is also excluded from the calculation from February 18, 2016 to January 18, 2017 when the liquidation preference right has been terminated. These shares are not included in the calculation of diluted EPS during the same period as they do not have dilutive effect.
- (ii) The Company granted 9,000,000 restricted shares to employees on July 25, 2017 pursuant to the restricted share award scheme (“**RSA Scheme**”). As to 40% of the restricted shares could be vested because the employees satisfied the non-market performance by the year ended December 31, 2017, it has been taken into account of the calculation of basic EPS and diluted EPS from the grant date.

7 Trade receivables

	As of December 31,	
	2017	2016
	RMB'000	RMB'000
Trade receivables	20,018	18,832
Less: allowance for impairment of trade receivables	<u>(44)</u>	<u>(22)</u>
Trade receivables – net	<u>19,974</u>	<u>18,810</u>

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

As of December 31, 2017 and 2016, the aging analysis of the trade receivables based on demand note date was as follows:

	As of December 31,	
	2017	2016
	RMB'000	RMB'000
Up to 3 months	16,949	17,175
4 – 6 months	1,553	1,077
7 months – 1 year	855	249
Over 1 year	<u>661</u>	<u>331</u>
	<u>20,018</u>	<u>18,832</u>

As of December 31, 2017, certain trade receivable balances past due but not impaired were RMB3,627,000 (2016: RMB2,196,000). The balances mainly related to amounts to be claimed from insurance companies. The management considers that based on past settlement history, those amounts can be recovered in reasonable time. The aging analysis of these trade receivables is as follows:

	As of December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	1,628	870
4 – 6 months	1,242	1,077
7 months – 1 year	757	249
	<u>3,627</u>	<u>2,196</u>

As of December 31, 2017, trade receivables of RMB1,896,000 (2016: RMB1,252,000) were impaired. These mainly related to amounts due from individual patients and amounts due from insurance company over 1 year. The provision was RMB44,000 as of December 31, 2017 (2016: RMB22,000). The aging analysis of these trade receivables is as follows:

	As of December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	1,235	921
Over 1 year	661	331
	<u>1,896</u>	<u>1,252</u>

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
As of 1 January	22	83
Provision for receivables impairment	22	8
Reversal of provision	—	(69)
As of year ended	<u>44</u>	<u>22</u>

The creation and release of provision for impaired receivables have been included in “administrative expenses” in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk as of December 31, 2017 and 2016, is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

8 Trade payables

The aging analysis, based on demand note date, of the trade payables is as follows:

	As of December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	11,251	12,139
4 – 6 months	4,684	3,953
7 months – 1 year	435	401
Over 1 year	897	351
	<u>17,267</u>	<u>16,844</u>

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate their fair values due to their short-term maturities.

9 Dividends

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared to the then shareholders of Jiahua Yihe (b)	—	27,542

- (a) Dividends disclosed represented dividends declared by the companies now comprising the Group out of their retained earnings to the controlling shareholder of the respective companies, after eliminating intra-group dividends and excluding dividends paid to non-controlling interests.
- (b) Pursuant to a shareholder resolution of the Company on December 12, 2016 and a shareholder resolution of Jiahua Yihe on December 16, 2016, dividends of approximately RMB27,542,000 relating to the profit of BNC Children's Hospital from December 2015 to May 24, 2016 before the completion of the reorganization of the Group, have been agreed and declared to be paid to the then shareholders of Jiahua Yihe immediately before the completion of the reorganization. The dividends have been settled before the listing of the Company.
- (c) Dividends not recognised at the end of the reporting period

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of HKD5 cents per fully paid ordinary share (2016: nil). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at December 31, 2017, but not recognised as a liability at year end, is	19,606	—

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview for 2017

2017 is the Company's first year of listing. We adhered to our established strategies, expanded the coverage and depth of the medical services, and upgraded the management operations capability in order to integrate and strengthen our expertise in pediatric specialty services. In 2017, the Company achieved a stable growth of business, with revenue amounted to RMB536.5 million, representing a 9.3% YoY increase. In particular, revenue from pediatric business and hospital consulting services recorded a 12.6% YoY increase to RMB413.0 million and a 34.6% YoY increase to RMB39.3 million respectively. The net profit of the Company was RMB114.9 million. After adjustment of special items, the net profit of the Company was RMB134.9 million⁽²⁾, representing a YoY increase of 12.7%.

In 2017, there were 200,643 outpatient visits, representing a YoY increase of 10.4%. Among them, pediatric outpatient visits had a 13.8% YoY increase to 178,618 as compared to 156,941 in 2016. There were also 8,428 inpatient visits, representing a YoY increase of 1.5%. Among them, pediatric inpatient visits had a 4.9% YoY increase to 6,740 as compared to 6,428 in 2016. The average outpatient spending per visit had a 1.0% YoY increase to RMB1,140 and the average inpatient spending per visit remained stable at RMB25,853.

The Company actively shapes the development layout of the Beijing pediatric healthcare services market and expands its operations to cities with economic development potential. In 2017, the Company was actively experimenting with various models for expanding its pediatric healthcare network, including self-developed, acquisition and entrusted management models. The Company has completed the VIE Acquisition in relation to the 30% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic, entered into an agreement with Beijing Yide Hospital in connection with the entrusted management of the pediatric outpatient services, entered into agreements to acquire the shares in Beijing Meihua Women and Children Clinic and Beijing Renze Clinic, and obtained approval of establishment of a pediatric clinic in Beijing. As of the date of this announcement, the Company has two specialty hospitals and four clinics in Beijing, which enables us to establish a sound tiered medical network and strengthen our medical services capability in Beijing. Moreover, the Company is optimistic about the strategic position of Chengdu and the development potential of the gynecologic and pediatric specialty business in the southwest region. In order to achieve the strategic layout in the southwest region, the Company has obtained Shareholders' approval at extraordinary general meeting of the acquisition of Chengdu New Century Women's and Children's Hospital Co., Ltd. and is in the process of undergoing the governmental procedure necessary to complete the acquisition.

² The impact of the special items on the net profit of the Company for the year ended December 31, 2017 is as follows: (i) fair value changes of convertible preferred shares and other non-current liabilities increased the net profit for RMB14.4 million; (ii) listing expenses reduced the net profit for RMB2.4 million; (iii) exchange loss of the net proceeds from the global offering reduced the net profit for RMB18.2 million; and (iv) accrued expenses for the RSA Scheme reduced the net profit for RMB13.8 million. After deduction of the above items, the net profit of the Company for the year ended December 31, 2017 was RMB134.9 million. The impact of the special items on the net profit of the Company for the year ended December 31, 2016 is as follows: (i) fair value changes of convertible preferred shares and other non-current liabilities increased the net profit for RMB37.5 million; (ii) gain from liability settlement by equity instrument increased the net profit for RMB15.3 million; (iii) listing expenses reduced the net profit for RMB35.7 million; and (iv) exchange gain increased the net profit for RMB0.2 million. After deduction of the above items, the net profit of the Company for the year ended December 31, 2016 was RMB119.7 million.

The Company considers expanding the membership platform and strives to extend the membership service to the forefront. In 2017, this strategy was implemented in BNC Harmony Clinic which showed a 22.6%, 30.9% and 54.9% YoY increase in revenue, outpatient visits and membership income respectively. The gross profit margin of BNC Harmony clinic for the year ended December 31, 2017 was 43.8%, as compared to 30.5% for the year ended December 31, 2016. This demonstrates the strategic importance of synergies between hospitals and clinics brought by the enlarged membership platform. The three newly added clinics in Beijing will accumulate more members for the Group and further promote the overall business development and regional brand effect. Moreover, the support from the hospitals to the clinics on the specialty services will promote the clinics' competitive advantage in their regions. While the number of members rises, the number of outpatient visits at the hospital level will also continue to grow based on the advantages of the pediatric specialist business, thereby creating synergies with the clinics and laying the foundation for subsequent business development. The synergies generated by hospitals and clinics may assist our rapid development internally and externally. The Company will continue to look for new investment opportunities in Tier 1 Cities and other major cities and explore new markets in order to rapidly expand our medical network.

The Company continued to promote the “New Century Family Doctor Club” panda membership program and had a 20.7% YoY increase in membership revenue. The growth of membership base will substantially assist the Company on the introduction of new projects, new products and various derivative services. Besides, the Company insisted on the effort for hospital consulting services and intensified its hospital consulting projects in Foshan and Qingdao, thereby resulting in a 34.6% YoY increase in the revenue from hospital consulting services.

In 2017, the Company launched the online business on well-known e-commerce platforms in China. With the support of our members and the e-commerce platform, online sales have also achieved encouraging development. In 2018, online business will be one of our important development directions. We will deploy more gynecologic and pediatric healthcare and medical products on the e-commerce platforms in order to enhance the customer stickiness for our members and the middle to high-end customers. In 2017, the Company started to construct its remote medical system, which will connect the offline institutions to the online platforms in the future. The integration of the online and offline businesses will allow the Company to effectively deploy the resources, flexibly arrange the specialty and expert teams in order to provide a high level of pediatric, obstetric and gynecologic services to our customers on our medical platform.

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

Industry Outlook and the Group's Strategies

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

In pediatric healthcare market, we have established competition barriers on branding, technology and management and are able to provide one-stop service for health management and medical treatment. According to the latest survey by the industry consultant, Shanghai Renxi Management Consulting Co., Ltd. (上海仁汐管理諮詢有限公司), based on the revenue in 2017, our Group ranked the first with a market share of 11.3%⁽³⁾ in China's middle to high-end private pediatric medical services industry. Our Group ranked the first with a market share of 50.5% in Beijing's middle to high-end private pediatric medical services industry.

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

³ The market share will be 14.9% if the 2017 revenue from other medical institutions that are not owned by our Group but are operated under our brand name of "New Century Healthcare" is also included.

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

- Market expansion: implement our national layout by establishing medical institutions in Tier 1 Cities and Chengdu through various forms such as self-developed, acquisition and entrusted management models, establish our brand and output the management expertise by cooperating with medical investment platforms such as Jiahua Likang and other mergers and acquisitions funds in other cities.
- Cross-industry cooperation: explore opportunities to establish cross-industry strategic cooperation and set up service outlets in new communities and commercial properties.
- Specialty upgrade: create core specialty in pediatric and obstetric fields, and build a well-known medical team to improve our competitiveness in specialty services.
- Family doctor: set up a sound pediatric family doctor system by recruiting and training pediatric doctors to pediatric family doctors in order to increase our community influence.
- Remote medical service: work with technology companies to connect the remote video and remote image system to the medical institutions in order to create a new medical services network where community medical institutions will provide medical treatment based on our expert's medical advice.
- Medical plan: based on the existing membership program, design and develop pediatric medical plan at difference prices and in areas where conditions permit, include the general healthcare, outpatient services (including remote consultation) and inpatient services in the annual service plan.

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:

	Year ended December 31,			
	2017		2016	
	<i>(in thousands of RMB, except percentages)</i>			
Medical services	491,451	91.6%	455,417	92.8%
Hospital consulting services	39,288	7.3	29,204	5.9
Others ⁽¹⁾	5,721	1.1	6,312	1.3
Total	<u>536,460</u>	<u>100.0%</u>	<u>490,933</u>	<u>100.0%</u>

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

Medical Services

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

	Year ended December 31,	
	2017	2016
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	491,451	455,417
Cost of revenue	257,947	228,876
Gross profit	233,504	226,541
Gross profit margin	47.5%	49.7%

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

	Year ended December 31,			
	2017		2016	
	(in thousands of RMB, except percentages)			
Pediatric services	412,958	77.0%	366,848	74.7%
Obstetric and gynecologic services	78,493	14.6	88,569	18.0
Total	491,451	91.6%	455,417	92.7%

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:

	Year ended December 31,	
	2017	2016
Group⁽¹⁾		
Inpatients		
Inpatient visits	8,428	8,306
Revenue from medical services attributable to inpatients <i>(in thousands of RMB)</i>	217,890	213,121
Average inpatient spending per visit <i>(RMB)</i>	25,853	25,659
Outpatients		
Outpatient visits ⁽²⁾	200,643	181,674
Revenue from medical services attributable to outpatients <i>(in thousands of RMB)</i>	228,659	205,117
Average outpatient spending per visit <i>(RMB)</i>	1,140	1,129
Revenue recognized for membership card sales <i>(in thousands of RMB)</i>	44,902	37,179

Notes:

- (1) In addition to revenue from medical services attributable to inpatients and outpatients, our medical services revenue also included the revenue recognized from the membership card sales.
- (2) Include accident and emergency visits.

Revenue from provision of our medical services amounted to RMB491.5 million in 2017, representing a 7.9% YoY increase and accounting for 91.6% of the Group's total revenue. This increase was primarily due to (i) the YoY increase in business volume of medical services attributable to outpatients and inpatients by 10.4% and 1.5% respectively which results in the increase in revenue by RMB28.3 million; and (ii) the increase in revenue recognized for membership card sales by RMB7.7 million.

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 in 2017 reached RMB257.9 million, representing a YoY increase of 12.7%. This increase was primarily a result of (i) the increase in employee-related cost for medical staff; and (ii) the accrued expenses for the RSA Scheme.

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:

	Year ended December 31,	
	2017	2016
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	39,288	29,204
Cost of revenue	14,634	13,561
Gross profit	24,654	15,643
Gross profit margin	62.8%	53.6%

The YoY increases in the revenue, cost of revenue and gross profit of our hospital consulting services were primarily because of the increase in business volume of the hospital consulting services driven by consulting projects in Foshan and Qingdao. The gross profit margin of our hospital consulting services increased from 53.6% in 2016 to 62.8% in 2017, primarily because of the increase in revenue from providing hospital consulting services and the relatively stable consulting cost.

Gross Profit and Gross Profit Margin

Our gross profit in 2017 amounted to RMB258.3 million, representing a YoY increase of 6.3%. This was mainly due to the increase in revenue from the medical services and the consulting services. Our gross profit margin decreased from 49.5% in 2016 to 48.1% in 2017, primarily because of the accrued expenses for the RSA Scheme which attribute to employee from medical service.

Selling Expenses

Our selling expenses in 2017 amounted to RMB21.0 million, representing a YoY increase of 10.7%, which was mainly a result of (i) the increase in marketing promotion expenses for business development; and (ii) the employee salaries and the accrued expenses for the RSA Scheme which attribute to the employee of sales department.

Administrative Expenses

Our administrative expenses in 2017 amounted to RMB79.5 million, a decrease from RMB102.3 million in 2016. Such decrease was mainly a result of (i) the decrease in listing expenses, and (ii) partially offset by the employee salaries and the accrued expenses for the RSA Scheme which attribute to the management.

Other Income

Our other income in 2017 increased to RMB797,000 from RMB612,000 in 2016. Such increase was mainly a result of the increase in subsidy for personal income tax.

Other Gains/(Losses) – Net

Our other net gains in 2017 amounted to RMB14.4 million, as compared to other net gains of RMB52.7 million in 2016. Our other net gains in 2017 were mainly a result of gains from the fair value changes of preferred shares and other non-current liabilities before their conversion into ordinary shares of the Company at the time of listing.

Finance Income and Expenses

Our finance income in 2017 increased significantly from RMB658,000 in 2016 to RMB6.5 million which was mainly a result of the interest income from the deposit of the net proceeds from the global offering. Our finance expenses in 2017 amounted to RMB19.5 million, a significant increase from RMB1.6 million in 2016, primarily due to (i) the exchange loss of RMB19.5 million arising from the net proceeds from the global offering at the end of the reporting period for the year ended December 31, 2017; and (ii) the advance repayment of bank borrowings in order to reduce the interest expenses of RMB1.6 million.

Income Tax Expense

Our income tax expense in 2017 amounted to RMB45.0 million, representing a YoY increase of 21.3%, which was mainly due to the increase in taxable income of subsidiaries that are subject to the corporate income tax. Our effective tax rate was 28.2% and 21.3% in 2017 and 2016, respectively.

Profit for the Period

Our profit for the period amounted to RMB114.9 million, a decrease from RMB137.0 million in 2016.

FINANCIAL POSITION

Inventories

Our inventories increased by 11.5% from RMB6.4 million as of December 31, 2016 to RMB7.2 million as of December 31, 2017 primarily due to growth of our business.

Trade Receivables

Our trade receivables increased by 6.2% from RMB18.8 million as of December 31, 2016 to RMB20.0 million as of December 31, 2017 primarily driven by the trade receivables generated from revenue of consulting services provided to third party clinics in the fourth quarter of 2017.

Trade Payables

Our trade payables increased slightly by 2.5% from RMB16.8 million as of December 31, 2016 to RMB17.3 million as of December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Net Cash Generated from Operating Activities

In 2017, we had net cash generated from operating activities of RMB100.0 million, primarily attributable to the profit before income tax of RMB159.9 million, adjusted by (i) accrued non-cash expenses for the RSA Scheme of RMB13.8 million, (ii) finance expenses of RMB13.0 million, (iii) depreciation of property, plant and equipment of RMB12.4 million and (iv) the increase of deferred revenue of RMB8.8 million. These adjustments were partially offset by (i) the non-cash other gains of RMB14.4 million, (ii) the increase of the balances with related parties of RMB41.0 million, (iii) the increase of trade and other receivables of RMB14.1 million and (iv) corporate income tax paid of RMB37.2 million.

Net Cash Used in Investing Activities

In 2017, we had net cash used in investing activities of RMB199.3 million, primarily attributable to (i) RMB171.1 million used in investing in structured deposits and the corresponding interest income; (ii) RMB15.0 million loans to a third party; (iii) RMB5.0 million prepayments for acquisition; and (iv) RMB8.3 million used in purchasing equipment and software.

Net Cash Generated from Financing Activities

In 2017, we had net cash generated from financing activities of RMB693.6 million, primarily attributable to the net proceeds of RMB803.9 million from the global offering, which was partially offset by (i) RMB60.4 million dividends paid to the shareholders; (ii) RMB20.0 million early repayment of bank borrowings; and (iii) RMB30.0 million paid for the VIE Acquisition.

Significant Investments, Acquisitions and Disposals

In 2017, the Group did not have any significant investment save for the VIE Acquisition in November 2017. For details, please refer to the announcements dated September 26 and November 28, 2017 and the circular dated November 3, 2017 on the respective websites of the Stock Exchange and the Company.

In 2017, the Group had no material disposals.

Capital Expenditures

Our capital expenditures primarily include expenditures on (i) property, plant and equipment, comprising buildings and construction, leasehold improvements, medical equipment, furniture and office equipment and motor vehicles; (ii) intangible assets such as computer software relating to our operations; and (iii) acquisition of clinics. The amount of our capital expenditures in 2017 was RMB13.3 million, representing a 8.6% YoY increase, which was mainly a result of (i) upgrading the existing medical institutions, (ii) setting up a remote medical treatment center and (iii) prepayment for share transfer in the acquisition of clinics.

INDEBTEDNESS

Borrowings

As of December 31, 2017, we did not have any borrowings as compared to RMB20.0 million as of December 31, 2016. The 100% YoY decrease in our borrowings resulted from the advance repayment of bank borrowings in order to reduce the interest expenses.

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB. As of December 31, 2017, our assets and liabilities are primarily denominated in RMB, except for cash and cash equivalent. Currency exposure arising from the net proceeds from global offering denominated in the relevant foreign currencies. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

Contingent Liabilities

As of December 31, 2017, 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 December 31, 2017, none of our assets had been pledged.

Contractual Obligations

Save for the agreements entered into by the Company in relation to the Acquisition (as defined below) and the acquisitions of shares in Beijing Meihua Women and Children Clinic and Beijing Renze Clinic, as of December 31, 2017, we did not have any contractual obligations that would have a material effect on our financial position or results of operations.

Financial Instruments

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

Gearing Ratio

As of December 31, 2017, our gearing ratio, calculated as total borrowings divided by total equity, was 0% as compared to 14.9% as of December 31, 2016.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2017, the Group had 829 employees (December 31, 2016: 702 employees). Total staff remuneration expenses including Directors' remuneration in 2017 amounted to RMB198.4 million (FY2016: RMB165.1 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other staff benefits include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus.

The Group has adopted the RSA Scheme to attract, retain and monitor our key employees. 9,000,000 restricted shares have been granted to 2 Directors and 265 employees of the Group up to the date of this announcement. Details of the grant of restricted shares are set out in the announcement of the Company dated July 25, 2017.

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.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.05 per Share for the year ended December 31, 2017 (the **"2017 Final Dividend"**) to the Shareholders. The expected payment date of the 2017 Final Dividend is Tuesday, July 3, 2018.

The 2017 Final Dividend is subject to the approval by the Shareholders at the forthcoming AGM. The exact date of the record date for receiving the 2017 Final Dividend, the period of closure of register of members of the Company, the latest time for lodging transfers of the Shares and other relevant information will be further announced by the Company in due course.

OTHER INFORMATION

Annual General Meeting

The 2018 AGM of the Company will be held on Thursday, May 31, 2018. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 28, 2018 to Thursday, May 31, 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 25, 2018.

CORPORATE GOVERNANCE PRACTICE

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

In the opinion of the Directors, the Company has complied with all applicable code provisions as set out in the CG Code during the year ended December 31, 2017, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jason ZHOU is both our chairman and chief executive officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe that he is instrumental to our growth and business expansion since 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, 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.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2017.

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 year ended December 31, 2017. 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.

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

During the year ended December 31, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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 annual results of the Group for the year ended December 31, 2017 and has recommended for the Board's approval thereof.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2017. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUBSEQUENT EVENTS

Reference is made to the Company's announcements dated December 6 and 29, 2017 and January 18, 2018 and the circular dated December 29, 2017 in relation to acquisition of 85.0% equity interest of Chengdu New Century Women's and Children's Hospital Co., Ltd. ("**Chengdu New Century**") for a cash consideration of RMB200.0 million (the "**Acquisition**"). The Acquisition was approved by the independent Shareholders on January 18, 2018 and is pending the completion, upon which the Company will indirectly hold 85.0% equity interest of Chengdu New Century.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the HKEx (www.hkexnews.hk) and the Company (www.ncich.com.cn). The 2017 annual report of the Company 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

"AGM"	annual general meeting of the Company;
"Audit Committee"	the audit committee of the Board;
"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;
"BNC Harmony Clinic"	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is a non-wholly-owned subsidiary of the Company;
"BNC Women's and Children's Hospital"	Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on January 4, 2012, which is a non-wholly-owned subsidiary of the Company;
"Board" or "Board of Directors"	the board of Directors of the Company;

“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“China” or “PRC”	the People’s Republic of China; for the purpose of this announcement 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;
“FY”	financial year;
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries;
“HKEx”	Hong Kong Exchanges and Clearing Limited;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“HKFRS”	Hong Kong Financial Reporting Standards;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Jiahua Kangming”	Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司), a company incorporated in the PRC with limited liability, which is owned by Ms. Zhao as to 99% and by Ms. ZHOU Jie (Mr. Zhou’s sister) as to 1%, and is a connected person of the Company;
“Jiahua Yihe”	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Company;
“Listing Date”	the date on which dealings in the Shares first commenced on the Stock Exchange, i.e. January 18, 2017;

“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;
“Mr. Zhou”	Mr. Jason ZHOU, chairman of the Board, chief executive officer, an executive Director and controlling Shareholders;
“Ms. Zhao”	Ms. ZHAO Juan (趙 娟), the spouse of Mr. Zhou;
“Remuneration Committee”	the remuneration committee of the Board;
“Reorganization”	the reorganization of our Group in preparation for the initial public offering, details of which are set out in “History, Reorganization and Development – Our Reorganization” of the Prospectus;
“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 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;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tier 1 Cities”	Beijing, Shanghai, Guangzhou and Shenzhen or, where the context so requires, any of them;
“VIE”	variable interest entity;

“VIE Acquisition”	The transactions contemplated under a VIE acquisition agreement dated September 26, 2017 entered into between Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie (Mr. Zhou’s sister) and Jiahua Kangming;
“YoY”	year-on-year; and
“%”	percent.

In this announcement, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” 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, March 28, 2018

As of the date of this announcement, the Board of Directors comprises Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han, as executive Directors; Ms. LIANG Yanqing, Mr. GUO Qizhi, Mr. WANG Siye and Ms. ZHANG Lan as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.