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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, 2018 CHANGE IN USE OF IPO PROCEEDS AND ADOPTION OF DIVIDEND POLICY

2018 ANNUAL RESULTS HIGHLIGHTS

	Year ended December 31,		Changes
	2018	2017	
	(RMB'000)	(RMB'000)	
Revenue	615,984	536,460	14.8%
EBITDA ⁽¹⁾	150,655	171,711	-12.3%
Profit before income tax	119,276	159,918	-25.4%
Profit for the period	73,438	114,887	-36.1%
Adjustments excluding New Institutions ⁽²⁾			
EBITDA ⁽¹⁾	195,054	171,711	13.6%
Profit before income tax	183,323	159,918	14.6%
Profit for the period	132,119	114,887	15.0%

⁽¹⁾ EBITDA = profit before income tax + interest expense + depreciation and amortization

⁽²⁾ Profit and loss of newly acquired and set up institutions (“**New Institutions**”) are mainly attributable to BNC Ao-doing Clinic, BNC Yide Consultancy, and newly set up BNC Qingnian Road Clinic and Zhuhai Jiahua Yihe Medical Investment Company Limited which are under construction.

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2018 together with the comparative figures for the year ended December 31, 2017 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2018	2017
	Note	RMB'000	RMB'000
Revenue	4	615,984	536,460
Cost of revenue	4	(378,409)	(278,177)
Gross profit		237,575	258,283
Selling expenses		(30,614)	(21,032)
Administrative expenses		(114,469)	(79,480)
Other income		545	797
Other gains – net	5	3,873	14,382
Operating profit		96,910	172,950
Finance income		22,366	6,515
Finance expenses		–	(19,547)
Profit before income tax		119,276	159,918
Income tax expense	6	(45,838)	(45,031)
Profit for the year		73,438	114,887
Other comprehensive income		–	–
Total comprehensive income		73,438	114,887
Profit and total comprehensive income attributable to:			
Owners of the Company		41,514	73,493
Non-controlling interests		31,924	41,394
		73,438	114,887
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	7(a)	0.09	0.16
Diluted earnings per share	7(b)	0.09	0.12

CONSOLIDATED BALANCE SHEET

		As at December 31,	
		2018	2017
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		250,797	98,487
Intangible assets		670,801	244,561
Investments accounted for using the equity method		13,052	—
Deferred income tax assets		39	20,253
Long-term deposits and prepayments		20,620	—
Total non-current assets		955,309	363,301
Current assets			
Inventories		13,717	7,193
Trade receivables	8	24,777	19,974
Other receivables, deposits and prepayments		26,967	48,171
Amounts due from related parties		106,927	64,627
Financial assets at fair value through profit or loss		50,000	25,010
Structured deposits		—	150,000
Cash and cash equivalents		433,327	763,659
Total current assets		655,715	1,078,634
Total assets		1,611,024	1,441,935
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	335
Share premium		2,600,209	2,576,092
Reserves		(1,507,310)	(1,516,823)
Retained earnings		144,274	134,041
Subtotal		1,237,508	1,193,645
Non-controlling interests		33,836	44,792
Total equity		1,271,344	1,238,437

		As at December 31,	
		2018	2017
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>27,220</u>	<u>36,783</u>
Total non-current liabilities		<u>27,220</u>	<u>36,783</u>
Current liabilities			
Trade payables	9	23,726	17,267
Accruals, other payables and provisions		163,271	104,901
Deferred revenue		–	37,339
Contract liabilities		40,617	–
Current income tax liabilities		4,574	3,905
Amounts due to related parties		<u>80,272</u>	<u>3,303</u>
Total current liabilities		<u>312,460</u>	<u>166,715</u>
Total liabilities		<u>339,680</u>	<u>203,498</u>
Total equity and liabilities		<u><u>1,611,024</u></u>	<u><u>1,441,935</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31,

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	56,547	135,039
Interest paid	–	(27)
Interest received	3,755	2,221
Income taxes paid	(42,304)	(37,231)
Net cash inflow from operating activities	17,998	100,002
Cash flows from investing activities		
Payments for acquisition of subsidiaries, net of cash acquired	(210,699)	–
Payments for property, plant and equipment	(13,847)	(6,992)
Payments for investment in an associate	(13,052)	–
Payments for intangible assets	(5,148)	(1,268)
Proceeds from disposals of property, plant and equipment	748	–
Payments for structured deposits and financial assets	(654,000)	(595,500)
Proceeds from sale of structured deposits and financial assets	779,000	420,500
Interest received on structured deposits and financial assets	7,503	3,922
Loans to third party	–	(15,000)
Prepayments for acquisition of a target clinic	–	(5,000)
Net cash outflow from investing activities	(109,495)	(199,338)

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>

Cash flows from financing activities

Repayment of borrowings from related parties	(213,149)	—
Dividends paid to the non-controlling interests	(38,291)	(32,813)
Dividends paid to the Shareholders	(14,219)	—
Proceeds from shares exercised under RSA Scheme	11,473	—
Net proceeds from global offering and issuance of share capital	—	803,887
Dividends paid to the then shareholders of Beijing Jiahua Yihe Management Consulting Co., Ltd.	—	(27,542)
Transaction with non-controlling interests	—	(30,000)
Repayment of borrowings	—	(19,980)

Net cash (outflow)/inflow from financing activities

(254,186)	693,552
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Net (decrease)/increase in cash and cash equivalents

(345,683)	594,216
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Cash and cash equivalents at the beginning of the year

763,659	188,963
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Effects of exchange rate changes on cash and cash equivalents

15,351	(19,520)
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Cash and cash equivalents at the end of the year

433,327	763,659
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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 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.

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

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

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

2. BASIS OF PREPARATION

2.1 Compliance with HKFRS and HKCO

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

2.2 Historical cost convention

The consolidated financial statements have been prepared under the historical cost basis except for the following:

- Financial assets at fair value through profit or loss – measured at fair value.

2.3 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 1 January 2018:

- HKFRS 9 Financial Instruments;
- HKFRS 15 Revenue from Contracts with Customers;
- Classification and Measurement of Share-based Payments Transactions – Amendments to HKFRS 2; and
- Annual Improvements 2014-2016 cycle.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.4 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods 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.

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB567,835,000. Of these commitments, approximately RMB415,000 relate to short-term leases and RMB66,000 related to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

The Group applied the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group expects to recognise lease liabilities of approximately RMB423,321,000 and right-of-use assets of approximately RMB419,395,000 on 1 January 2019 after adjustments for prepayments and accrued lease payments recognised as at December 31, 2018. Overall prepayments for lease agreements in other receivable deposits and prepayments, accrued rental payable in accruals, other payables and provisions and the total comprehensive income of the Group will decrease in 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements.

3.1 Impact on the consolidated financial statements

As explained in note 3.2 and 3.3 below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications and adjustments arising from the new rules of HKFRS are therefore recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments and reclassification recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Balance sheet (extract)	December 31, 2017 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
Non-current assets				
Deferred tax assets	20,253	41	–	20,294
Current Assets				
Trade receivables	19,974	(163)	–	19,811
Total assets	<u>1,441,935</u>	<u>(122)</u>	<u>–</u>	<u>1,441,813</u>
Current Liabilities				
Contract liabilities	–	–	37,339	37,339
Deferred revenue	37,339	–	(37,339)	–
Total liabilities	<u>203,498</u>	<u>–</u>	<u>–</u>	<u>203,498</u>
Net assets	<u>1,238,437</u>	<u>(122)</u>	<u>–</u>	<u>1,238,315</u>
Retained earnings	134,041	(108)	–	133,933
Non-controlling interests	44,792	(14)	–	44,778
Total equity	<u>1,238,437</u>	<u>(122)</u>	<u>–</u>	<u>1,238,315</u>

3.2 HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018 <i>RMB'000</i>
Closing retained earnings December 31, – HKAS 39/HKAS 18	134,041
Increase in provision for trade receivables	(163)
Increase in deferred tax assets relating to impairment provisions	<u>41</u>
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018	(122)
Attributable to non-controlling interests	14
Opening retained earnings 1 January – HKFRS 9	<u><u>133,933</u></u>

3.2.1 Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. There is no effect resulting from this reclassification.

3.2.2 Impairment of financial assets

The Group has one type of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables from the provision of medical services and hospital consulting services, and for sales of pharmaceutical and related goods.

The Group was required to revise its impairment methodology under HKFRS 9 for the class of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 3.2 above.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB163,000 for trade receivables.

The allowance for impairment of trade receivables decreased by RMB78,000 during the current reporting period.

3.3 HKFRS 15 Revenue from contracts with customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	December 31, 2017 HKAS 18 carrying amount RMB'000	Reclassification RMB'000	1 January 2018 HKFRS 15 carrying amount RMB'000
Contract liabilities	–	37,339	37,339
Deferred revenue	37,339	(37,339)	–
Accruals, other payables and provisions			
– Advance from customer	45,214	(45,214)	–
Accruals, other payables and provisions			
– Refund liabilities	–	45,214	45,214

The adoption of HKFRS 15 has no significant impact on the Group's net assets and retained earnings as at 1 January 2018 and 1 January 2017.

3.3.1 Presentation of liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

Contract liabilities in relation to certain hospital services of the Group were previously presented in deferred revenue (RMB37,339,000 as at 1 January 2018).

3.3.2 Accounting for refunds

When the customer has a right to return the hospital services in package within a given period, the entity is obliged to refund the remaining purchase price which the services have not been provided by the Group. The Group previously recognised the total purchase price as advance from customer for the package fees received from the customer.

Under HKFRS 15, a refund liability for the expected refunds to customers is recognised as adjustment to revenue in other payables.

To reflect this change in policy, the Group has reclassified RMB45,214,000 from advance from customer and recognised refund liabilities in accruals, other payables and provisions of RMB45,214,000 on 1 January 2018.

4. SEGMENT INFORMATION

Mr. 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.

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:

4.1 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**”), Beijing New Century Women’s and Children’s Hospital Co., Ltd. (“**BNC Women’s and Children’s Hospital**”), BNC Ao-dong Clinic, Beijing New Century Yide Consultancy Co., Ltd. (“**BNC Yide Consultancy**”) and Chengdu New Century.

4.2 Obstetrics and gynecology

Revenue derived from specialised obstetric and gynecologic services is mainly contributed by BNC Women’s and Children’s Hospital, BNC Ao-dong Clinic and Chengdu New Century.

4.3 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.

4.4 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 gains – 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 liabilities and other assets that not directly related to the respective segment. Segment liabilities exclude 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.

(i) Segment information

	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, 2018						
Revenue	466,589	102,427	39,905	7,063	–	615,984
Cost of revenue	261,792	94,409	15,167	7,041	–	378,409
Segment results	127,508	(24,496)	6,013	22	–	109,047
Unallocated income					26,784	26,784
Unallocated cost					(16,555)	(16,555)
Profit before income tax	127,508	(24,496)	6,013	22	10,229	119,276
Income tax expense					(45,838)	(45,838)
Profit after income tax						73,438
As at December 31, 2018						
Assets						
Segment assets	371,562	236,376	123,527	–	–	731,465
Goodwill	200,394	177,545	–	–	–	377,939
Unallocated assets					501,620	501,620
Total assets	571,956	413,921	123,527	–	501,620	1,611,024
Total liabilities	148,380	110,263	5,248	–	75,789	339,680
Other segment information						
Addition to non-current assets	11,781	2,382	8,414	–	194	22,771
Depreciation and amortization	(23,668)	(14,010)	(458)	–	(258)	(38,394)
Losses on disposal of property, plant and equipment, net	(69)	(19)	–	–	–	(88)

	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)	<u>(36,639)</u>
Profit before income tax	162,275	2,723	9,623	125	(14,828)	159,918
Income tax expense					(45,031)	<u>(45,031)</u>
Profit after income tax						<u>114,887</u>
As at 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	<u>989,292</u>
Total assets	306,683	76,691	69,269	–	989,292	<u>1,441,935</u>
Total liabilities	104,163	47,457	4,615	–	47,263	<u>203,498</u>
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)	–	–	–	<u>(117)</u>

(ii) Disaggregation of revenue from contracts with customers

For the year ended December 31, 2018	Pediatrics RMB'000	Obstetrics and Gynecology RMB'000	Hospital consulting services RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers					
At a point in time	466,589	102,427	39,485	7,063	615,564
Over time	—	—	420	—	420
	<u>466,589</u>	<u>102,427</u>	<u>39,905</u>	<u>7,063</u>	<u>615,984</u>
For the year ended December 31, 2017	Pediatrics RMB'000	Obstetrics and Gynecology RMB'000	Hospital consulting services RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers					
At a point in time	412,958	78,493	38,928	5,721	536,100
Over time	—	—	360	—	360
	<u>412,958</u>	<u>78,493</u>	<u>39,288</u>	<u>5,721</u>	<u>536,460</u>

5. OTHER GAINS – NET

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	(88)	(117)
Fair value changes of convertible preferred shares and other non-current liabilities	—	14,436
Gains on financial assets at fair value through profit or loss	<u>3,961</u>	<u>63</u>
	<u>3,873</u>	<u>14,382</u>

6. 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, 2018 (2017: 25%).

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current income taxation:		
– PRC corporate income tax	42,974	37,853
Deferred income tax	2,864	7,178
	45,838	45,031

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,	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	119,276	159,918
Calculated at a taxation rate of 25%	29,819	39,979
Income not subject to tax	(2,056)	(3,719)
Expenses not tax deductible	7,179	10,519
Tax effect of tax losses not recognised	9,810	6
Utilisation of previous unrecognised tax loss	(599)	(1,639)
Adjustment of deferred income tax arising in prior years	1,829	–
Others	(144)	(115)
Income tax expense	45,838	45,031

(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 year ended December 31, 2018 and 2017. 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 year ended December 31, 2018 and 2017.

As at December 31, 2018, deferred income tax liabilities of RMB16,397,000 (2017: RMB9,373,000), have not been recognised for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Management expects to be reinvested such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at December 31, 2018 amounted to RMB163,970,000 (2017: RMB93,730,000).

7. 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, 2018.

	Year ended December 31,	
	2018	2017
	<i>RMB’000</i>	<i>RMB’000</i>
Profit attributable to owners of the Company (<i>RMB’000</i>)	<u>41,514</u>	<u>73,329</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)(i)	<u>482,544</u>	<u>472,516</u>
Basic earnings per share (<i>in RMB</i>)	<u><u>0.09</u></u>	<u><u>0.16</u></u>

The EPS presented above is calculated by using the weighted average number of ordinary shares during the year ended December 31, 2018. In determining the weighted average number of ordinary shares, the one share issued upon incorporation, the 9,999 sub-divided shares issued on 18 February 2016 and the 83,605,734 ordinary shares issued on 18 February 2016 are treated as if have been in issue since 1 January 2015.

- (i) The Company granted 9,000,000 restricted shares to employees on 25 July 2017 pursuant to the RSA Scheme. As at December 31, 2018, 3,466,000 restricted shares have been vested which have been included in the calculation of basic EPS. The remaining 5,534,000 shares, including the forfeited shares, have not been included in the calculation of basic EPS.

(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.

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company (<i>RMB'000</i>)	41,514	73,329
Fair value change and exchange gain of the convertible preferred shares (<i>RMB'000</i>)	<u>—</u>	<u>(14,436)</u>
Profit used to determine diluted earnings per share (<i>RMB'000</i>)	<u>41,514</u>	<u>58,893</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	482,544	472,516
Adjusted for:		
– Assumed conversion of convertible preferred shares and other non-current liabilities (<i>in thousands</i>)	—	1,787
– Number of Restricted Shares by adjusting the shares to be issued at fair value (<i>in thousands</i>) (i)	<u>1,555</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>in thousands</i>)	<u>484,099</u>	<u>474,303</u>
Diluted earnings per share (<i>in RMB</i>)	<u>0.09</u>	<u>0.12</u>

- (i) The weighted average number of ordinary shares of diluted EPS considers the potential ordinary shares related with the restricted shares under the RSA Scheme of the Company. As the employees met the non-market performance by the year ended December 31, 2018, 30% of the restricted shares is vested. The relevant shares have been taken into account in the calculation of diluted EPS from the grant date by considering the incremental number of shares issued. Because of insignificant effect on the Group's EPS, diluted EPS is approximately equivalent to the basic EPS.

8. TRADE RECEIVABLES

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	25,044	20,018
Less: allowance for impairment of trade receivables	(267)	(44)
Trade receivables – net	<u>24,777</u>	<u>19,974</u>

As at December 31, 2018 and 2017, the aging analysis of the trade receivables based on demand note date was as follows:

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	21,179	16,949
4 – 6 months	1,936	1,553
7 months – 1 year	992	855
Over 1 year	937	661
	<u>25,044</u>	<u>20,018</u>

(i) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value.

(ii) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the allowance for impairment of trade receivables as at 1 January 2018 by RMB163,000.

The allowance for impairment of trade receivables decreased by RMB78,000 during the current reporting period.

All of the trade receivables are denominated in RMB. As a result, there is no exposure to foreign currency risk.

9. TRADE PAYABLES

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

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	12,819	11,251
4 – 6 months	6,567	4,684
7 months – 1 year	2,984	435
Over 1 year	1,356	897
	<u>23,726</u>	<u>17,267</u>

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

10. DIVIDENDS

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend for the year ended December 31, 2017 of HKD0.05 (2017: Nil) per fully paid share	<u>20,031</u>	<u>—</u>

Dividends of HKD0.05 per share, approximately RMB20,031,000 in total, have been agreed and declared to be paid to the shareholders by the Group out of their profit for the year ended December 31, 2017. A dividend of RMB14,219,000 was paid in June and October 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview for 2018

In 2018, the Company adhered to the development strategies established last year and continued to expand the medical service coverage, so as to provide high quality medical treatment and health management services in the gynecologic and pediatric specialty for more families in Beijing and across the country. By adopting a regional tiered medical treatment model, the Company continued to enhance the operation efficiency of the existing hospitals and the operation capability of the new clinics, thereby further strengthening the leading market position of New Century Healthcare in the pediatric specialty segment. In addition, leveraging on the brand name and medical resources gained through our operation over the years, we have had further breakthroughs in the obstetrics and gynecologic and pediatric specialty.

In 2018, the Company achieved a stable growth of business. The Company recorded a revenue of RMB616.0 million, representing a 14.8% YoY increase, and the revenue from medical services amounted to RMB569.0 million, representing a 15.8% YoY increase. In particular, revenue from pediatric services and obstetric and gynecologic services recorded a 13.0% YoY increase to RMB466.6 million and a 30.5% YoY increase to RMB102.4 million respectively. The net profit of the Company was RMB73.4 million in 2018, representing a 36.1% YoY decrease due to the acquisition of Chengdu New Century and the opening of new clinics in Beijing. The Company recorded an EBITDA of RMB150.7 million, representing a 12.3% YoY decrease. After eliminating the effects of the New Institutions and other adjusted items, the adjusted net profit of the Company was RMB132.1 million, representing a YoY increase of 15.0%, with the adjusted EBITDA increasing by 13.6% on a YoY basis.

In 2018, there were 231,786 outpatient visits, representing a YoY increase of 15.5%. Among them, pediatric outpatient visits had a 10.9% YoY increase to 198,003 as compared to 178,618 in 2017. There were also 9,730 inpatient visits, representing a YoY increase of 15.4%. Among them, pediatric inpatient visits had a 9.8% YoY increase to 7,401 as compared to 6,740 in 2017.

In 2018, embracing the established strategies since our listing, the Company explored the pediatric healthcare services market in Beijing and proactively established the clinic network by opening four new clinics in Beijing, three of which have commenced operations while the other one has completed the decoration and renovation works and is pending for inspection and acceptance by the competent authorities and the issuance of operation license. In 2018, the revenue from medical services in Beijing amounted to RMB530.9 million. In particular, revenue from pediatric services recorded a 9.6% YoY increase to RMB452.5 million, and revenue from obstetric and gynecologic services amounted to RMB78.4 million, which remained basically stable as compared to that of last year. In 2018, there were 210,070 outpatient visits in Beijing, representing a YoY increase of 9,427 visits, of which over 80% of the incremental visits was contributed by the new clinics. During the same period, the outpatient visits of all clinics in Beijing accounted for 11% of the outpatient visits in Beijing. Revenue from the new clinics opened during the year for the second half of the year recorded an increase of approximately 145% over that of the first half of the year.

In 2018, based on the large number of pediatric outpatient visits and the extensive medical resources in pediatric specialty accumulated over the years, the Company further upgraded the refined operation of pediatric sub-specialties, so as to solidify and strengthen our competitive edge in pediatric specialty. In October 2018, the Company established the first pediatric specialty medical center in Beijing, namely New Century Healthcare Otolaryngology Specialty Center. The full-time and part-time experts of the center come from famous Class-A hospitals across the country, with an aim to provide comprehensive pediatric otolaryngology services to customers of our national medical network. In 2018, the pediatric outpatient visits in Beijing recorded a YoY increase of 6,970, and approximately 35% of the incremental outpatient visits was attributable to the increase in outpatient visits of pediatric surgery and pediatric specialty, further boosting the pediatric surgery services.

Moreover, with the management integration and coordinated deployment of the surgery centers in Beijing, efforts have been made to speed up the renovation of the surgery centers of the clinics. In Beijing, pediatric operations recorded a YoY increase of 14.3%. During the same period, there were 7,401 pediatric inpatient visits in Beijing, representing a YoY increase of 5.6%. The clinics and surgery centers have basically accomplished the growth targets set by the Company with increasing influence of the tiered medical network, laying a solid foundation for the development of online remote consultation services, pediatric healthcare services and pediatric insurance business by the Company in the future.

Furthermore, BNC Women's and Children's Hospital officially became a member entity of the hospital consortium of Children's National Medical Center and Beijing Children's Hospital, Capital Medical University. BNC Women's and Children's Hospital will carry out in-depth cooperation with Beijing Children's Hospital, Capital Medical University in specialty establishment, medical services, talent cultivation and resource sharing in the future, which will be beneficial to the establishment of advantageous specialties such as pediatric medicine, pediatric surgery, children rehabilitation and children healthcare by BNC Women's and Children's Hospital.

In August 2018, the Company completed the acquisition of Chengdu New Century, making strategic business presence in the southwest region. The consolidation of Chengdu New Century in the second half of 2018 contributed a revenue of RMB39.3 million, of which revenue from pediatric services and obstetric and gynecologic services amounting to RMB14.1 million and RMB24.1 million respectively. In 2018, Chengdu New Century completed over 1,000 childbirth cares. Its revenue from the pediatric services ranked the second in the private pediatric medical services market in Chengdu, and its revenue from the obstetric and gynecologic services ranked the fifth in the southwest region's private obstetric and gynecologic medical services market. With the consolidation of the annual revenue from Chengdu New Century in 2019, it is expected that revenue from pediatric services and obstetric and gynecologic services of the Company will further increase. Focusing on the pediatric specialty, obstetric and gynecologic specialty and the integrated pediatric, obstetric and gynecologic service sector, the Company built an expert team and healthcare service network to gradually achieve its strategic goal of providing integrated pediatric, obstetric and gynecologic services with competitive strength in pediatric specialty.

In 2018, the Company launched the remote consultation services covering Beijing. By cooperating with professional technology companies, the Company promoted the integration of offline business and online services and provided online automatic reservation services and online consulting services for the medical institutions managed by the Company, further improving the interoperability value and efficiency of New Century Healthcare network.

In 2018, the Company achieved remarkable performance in brand management output and consultation business, with simultaneous expansion of the “New Century Healthcare” brand in a number of cities outside Beijing. As of the date of this announcement, clinics under the “New Century Healthcare” brand in Chengdu, Shanghai and Shenzhen have made substantial progress. Qingdao New Century Women’s and Children’s Hospital commenced operation in September 2018, representing a foothold for the “New Century Healthcare” brand in Shandong Peninsula. As one of the founding and standing council members of Shandong Peninsula Women’s and Children’s Hospital Consortium (山東半島婦兒聯盟), the “New Century Healthcare” brand has further enhanced its influence in the region. Moreover, Foshan New Century Huanhu Women’s and Children’s Hospital and the two local satellite clinics under the “New Century Healthcare” brand have commenced construction.

Industry Outlook and the Group’s Strategies

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

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 2018, the Company continued to rank No. 1 in China's middle to high-end private pediatric medical services market, Beijing's private pediatric medical services market and Beijing's middle to high-end private pediatric medical services market with a dominant market share.

According to the China Public Health and Family Planning Statistical Yearbook (2012 edition and 2017 edition), there were 230 million children at the age of 0-14 in China by the end of 2016, accounting for 18% of the total population of the country. In 2016, there were 450 million pediatric outpatient visits across the country, representing an increase of one time as compared to that of 2007 and accounting for 10% of the total outpatient visits of all the medical institutions across the country. The number of pediatric discharged patients amounted to 21.62 million, accounting for 10% of the total discharged patients of medical institutions. The compound annualized growth rate of pediatric outpatient visits during 2011 to 2016 was the highest rate among all specialties (excluding traditional Chinese medicine). However, there was persistent shortage in pediatric medical resources, with a total of 99 pediatric hospitals across the country, of which 31 were private hospitals. Six hospitals were operated under the "New Century Healthcare brand" and one was under construction. With the penetration of refined parenting concept and increased focus on medical safety for children, more and more families in China paid greater emphasis to the healthcare quality and service quality for children, which further promoted the development of private pediatric medical services market.

According to the statistics of the National Bureau of Statistics of China, in 2018, the newborn population of the country decreased as compared to that of 2017, while the newborn population in some second-tiered cities still recorded an increase over 2017. It is expected that the population of second child accounted for over 50% of the newborn population of the country in 2018. According to the forecast of Boston Consulting Group, the national newborn population will become stable in 2021, and there is further development in the pediatric and obstetric and gynecologic medical services market. With the rapid expansion of overall supply in the obstetric and gynecologic healthcare market over the past years and the change in newborn population, the private obstetric and gynecologic healthcare market has entered into the consolidation stage, which will promote the long-term development of high quality private pediatric and obstetric and gynecologic healthcare service providers. With more post-90s generation giving birth, the emergence of the middle-class population and the upgraded demands for gynecologic consumption from women giving birth to their first or second child, market demand for middle to high-end obstetric and gynecologic healthcare services will continue to increase. According to forecasts made by the industry consultant, the obstetric and gynecologic healthcare market is expected to reach RMB667.1 billion by 2022 in terms of total revenue, with private medical institutions accounting for 12.5%. In particular, the obstetric and gynecologic healthcare market in Beijing is expected to reach RMB43.7 billion, with the proportion of private medical institutions increasing to 14.3%.

We will continue to explore the pediatric healthcare service market, and extend our business to the upstream and downstream sectors by leveraging on our strength in the pediatric specialty. We intend to leverage such favorable industry prospects by pursuing the following strategies:

- Developing the closed-loop mother-and-infant healthcare management business: by integrating the entity network, healthcare services, membership management, insurance coverage and online services of the Company and with a focus on mother-and-infant healthcare demands, we are committed to developing the closed-loop healthcare management business.
- Establishing the pediatric and obstetric and gynecologic specialty center: the Company will make vigorous efforts to push forward the establishment of the specialty center by leveraging on our quality specialty resources and remote consultation network:
 - to establish the maternal and fetal medicine consultation center so as to achieve differentiated operation of the obstetric and gynecologic specialty; to provide one-stop healthcare management covering fetuses, newborns and children so that the pediatric surgery department may cater to its targeted customer base.
 - to learn from and expand the business model of the Otolaryngology Center; to improve the operation efficiency of all specialty departments by consolidating medical resources deployment; to establish more pediatric specialty centers and build a medical team consisting of well-known domestic experts and talents, so as to strengthen our competitiveness in specialty services and generate synergetic effects with cross-specialty and cross-region cooperation.
- Upgrading management and organization structure: a management company will be established in Beijing to implement centralized management of the hospital and clinic network, so as to improve the operation and management efficiency of the organization, constantly optimize cost structure, and strengthen brand, market and sales management. Efforts will be made to explore and maintain customers by the combination of online and offline channels. The Company will also enhance trainings for senior and intermediate management personnel and step up efforts in building management talent reserve, so as to lay a solid foundation for our business expansion.

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,			
	2018		2017	
	(in thousands of RMB, except percentages)			
Medical services	569,016	92.4%	491,451	91.6%
Hospital consulting services	39,905	6.5%	39,288	7.3%
Others ⁽¹⁾	7,063	1.1%	5,721	1.1%
Total	615,984	100.0%	536,460	100.0%

(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,	
	2018	2017
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	569,016	491,451
Cost of revenue	356,201	257,947
Gross profit	212,815	233,504
Gross profit margin	37.4%	47.5%

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,			
	2018		2017	
	(in thousands of RMB, except percentages)			
Pediatric services	466,589	75.8%	412,958	77.0%
Obstetric and gynecologic services	102,427	16.6%	78,493	14.6%
Total	569,016	92.4%	491,451	91.6%

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,	
	2018	2017
The Group		
Inpatient services		
Inpatient visits	9,730	8,428
Average inpatient spending per visit (<i>RMB</i>)	25,305	25,853
Outpatient services		
Outpatient visits	231,786	200,643
Average outpatient spending per visit (<i>RMB</i>)	1,168	1,140
Revenue from medical services attributable to inpatients (<i>in thousands of RMB</i>)	246,220	217,890
Revenue from medical services attributable to outpatients (<i>in thousands of RMB</i>)	270,637	228,659
Revenue recognized for membership card sales (<i>in thousands of RMB</i>)	52,159	44,902
Pediatric Services		
Inpatient services		
Inpatient visits	7,401	6,740
Average inpatient spending per visit (<i>RMB</i>)	24,404	24,238
Outpatient services		
Outpatient visits	198,003	178,618
Average outpatient spending per visit (<i>RMB</i>)	1,181	1,146

	Year ended December 31,	
	2018	2017
Revenue from medical services attributable to inpatients (<i>in thousands of RMB</i>)	180,612	163,366
Revenue from medical services attributable to outpatients (<i>in thousands of RMB</i>)	233,818	204,690
Revenue recognized for membership card sales (<i>in thousands of RMB</i>)	52,159	44,902
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	2,329	1,688
Average inpatient spending per visit (<i>RMB</i>)	28,170	32,301
Outpatient services		
Outpatient visits	33,783	22,025
Average outpatient spending per visit (<i>RMB</i>)	1,090	1,088
Revenue from medical services attributable to inpatients (<i>in thousands of RMB</i>)	65,608	54,524
Revenue from medical services attributable to outpatients (<i>in thousands of RMB</i>)	36,819	23,969

Revenue from provision of our medical services amounted to RMB569.0 million in 2018, representing a 15.8% YoY increase and accounting for 92.4% of the Group's total revenue. This increase was primarily due to (i) a 18.4% and 13.0% YoY increase in revenue from medical services attributable to the outpatients and inpatients respectively; and (ii) a 16.2% YoY increase in revenue recognized for membership card sales. The increase in revenue from medical services provided by the Group's pre-existing medical institutions accounted for 39.3% of the increase. The increase in revenue from medical services provided by the newly acquired Chengdu New Century accounted for 49.2% of the increase.

In 2018, there were 7,401 pediatric services inpatient visits, representing a YoY increase of 9.8%. There were also 198,003 pediatric services outpatient visits, representing a YoY increase of 10.9%. For obstetric and gynecologic services, there were 2,329 inpatient visits, representing a YoY increase of 38.0%, and 33,783 outpatient visits, representing a YoY increase of 53.4%. The increase in provision of pediatric and obstetric and gynecologic medical services contributes to the completion of 5,452 inpatient operations, representing a YoY increase of 24.2%.

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 2018 reached RMB356.2 million, representing a YoY increase of 38.1%. This increase was primarily a result of (i) an increase in total remuneration of medical personnel including those from our newly acquired medical institutions and clinics; (ii) increased costs of medicines and consumables due to increased medical business; and (iii) increased rental, depreciation and amortization costs of the business premises arising from New Institutions.

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,	
	2018	2017
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	39,905	39,288
Cost of revenue	15,167	14,634
Gross profit	24,738	24,654
Gross profit margin	62.0%	62.8%

The revenue and the gross profit margin of our hospital consulting services remained stable at RMB39.9 million and 62.0% respectively.

Gross Profit and Gross Profit Margin

Our gross profit in 2018 amounted to RMB237.6 million, representing a YoY decrease of 8.0%. This was mainly due to our newly acquired institutions being still in their infancy, thus being loss-making. The gross profits of our pre-existing institutions saw an increase over the same period. Our gross profit margin decreased from 48.1% in 2017 to 38.6% in 2018.

Selling Expenses

Our selling expenses in 2018 amounted to RMB30.6 million, representing a YoY increase of 45.6%, which was mainly a result of (i) increased selling expenses arising out of our new acquisitions; and (ii) increased personnel wages and marketing costs.

Administrative Expenses

Our administrative expenses in 2018 amounted to RMB114.5 million, an increase from RMB79.5 million in 2017. Such increase was mainly a result of (i) increased administrative expenses arising out of our new acquisitions, and (ii) increase in employee wages.

Other Gains/(Losses) – Net

Our other net gains in 2018 amounted to RMB3.9 million, as compared to other net gains of RMB14.4 million in 2017. Our other net gains in 2018 were mainly a result of (i) no gains from the conversion of convertible preferred shares and other non-current liabilities into ordinary shares recorded during the period as compared to the corresponding period of last year, with the offsetting from (ii) an increase of RMB4.0 million in the fair value of our wealth management products.

Finance Income and Expenses

Our finance income in 2018 increased from RMB6.5 million in 2017 to RMB22.4 million which was mainly a result of (i) foreign exchange gains of RMB15.4 million; and (ii) an increase in deposit interest income of RMB0.5 million. We did not have any finance expenses in 2018 as compared to RMB19.5 in 2017 because we had a foreign exchange gains in 2018, as compared to a foreign exchange loss of RMB19.5 million in 2017.

Income Tax Expense

Our income tax expense in 2018 amounted to RMB45.8 million, representing a YoY increase of 1.8%, which was mainly due to (i) an increase in profit before income tax of the Group's pre-existing medical institutions; and (ii) the inability to ascertain the deferred income tax arising from the pre-tax loss of the Group's newly acquired clinics, which were at the initial stage of construction. Our effective tax rates were 38.4% and 28.2% in 2018 and 2017, respectively.

Profit for the year ended December 31, 2018

Our profit for the year ended December 31, 2018 amounted to RMB73.4 million, a decrease from RMB114.9 million in 2017.

FINANCIAL POSITION

Inventories

Our inventories increased by 90.7% from RMB7.2 million as of December 31, 2017 to RMB13.7 million as of December 31, 2018 primarily due to (i) an increase of requisite medical inventories of RMB4.3 million arising from our acquisition of medical institutions; and (ii) an increase of requisite medical inventories of RMB2.2 million as a result of the business growth of the Group's pre-existing medical institutions.

Trade Receivables

Our trade receivables increased by 24.0% from RMB20.0 million as of December 31, 2017 to RMB24.8 million as of December 31, 2018 primarily driven by (i) an increase of RMB1.1 million in the insurance account receivable as a result of the increase of medical revenue at the end of the period; and (ii) an increase of RMB3.7 million as a result of the consolidation of New Institutions into the Group.

Trade Payables

Our trade payables increased by 37.4% from RMB17.3 million as of December 31, 2017 to RMB23.7 million as of December 31, 2018 primarily driven by our acquisition of new medical institutions.

LIQUIDITY AND CAPITAL RESOURCES

Net Cash Generated from Operating Activities

In 2018, we had net cash generated from operating activities of RMB18.0 million, primarily attributable to the profit before income tax of RMB119.3 million, adjusted by (i) share-based payments of RMB11.9 million; (ii) amortization expenses of RMB11.1 million; and (iii) depreciation of property, plant and equipment of RMB27.3 million. These adjustments were partially offset by (i) the other gains of RMB3.9 million; (ii) net finance income of RMB22.4 million; and (iii) change in working capital of RMB86.7 million which excluding the effects of acquisition on consolidation.

Net Cash Used in Investing Activities

In 2018, we had net cash used in investing activities of RMB109.5 million, primarily attributable to (i) net cash of RMB132.5 million used in investing in structured deposits and the corresponding interest income; (ii) net cash of RMB18.2 million used in purchasing and disposal of property, plant and equipment and intangible asset; and (iii) net cash of RMB223.8 million in acquiring new medical institutions and investing in Chiron Healthcare Holdings Limited.

Net Cash Generated from Financing Activities

In 2018, we had net cash expenses of RMB254.2 million for financing activities, primarily attributable to (i) RMB52.5 million paid as dividend to the non-controlling interests and to our Shareholders; and (ii) RMB213.1 million paid to related parties, which was partially offset by RMB11.4 million paid by our staff as a result of the exercise of their rights under the RSA Scheme.

Significant Investments, Acquisitions and Disposals

Reference is made to the Company's announcements dated December 6 and 29, 2017, January 18 and August 13, 2018 and the circular dated December 29, 2017 in relation to acquisition of 85.0% equity interest of Chengdu New Century for a cash consideration of RMB200.0 million (the "Acquisition"). The Acquisition completed and Chengdu New Century completed the alteration registration with the relevant administration of industry and commerce and obtained the new business license in early August of 2018 and it has been consolidated into the Group. As of the date of this announcement, the Company indirectly held 85.0% equity interest of Chengdu New Century.

Save as disclosed in this announcement, we did not have any significant investments, material acquisitions or material disposals in the year ended December 31, 2018.

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; and (ii) intangible assets such as computer software relating to our operations. The amount of our capital expenditures in 2018 was RMB242.7 million (the amount of our capital expenditures including the prepayment of an acquisition in 2017 was RMB13.3 million), which was mainly a result of (i) upgrading the existing medical institutions; (ii) setting up a remote medical treatment center; (iii) setting up a clinic in Beijing; and (iv) payments made for the acquisition of medical institutions and investment in the equity of Chiron Healthcare Holdings Limited.

INDEBTEDNESS

Borrowings

As of December 31, 2018, we did not have any borrowings (2017: nil).

Exposure to Fluctuations in Exchange Rates

We mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. As at December 31, 2018, our assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalent denominated in USD or HKD and dividend payable denominated in HKD. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

Contingent Liabilities

As of December 31, 2018, 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, 2018, none of our assets had been pledged.

Contractual Obligations

As of December 31, 2018, 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 asset at fair value through profit or loss, trade receivables, other receivables excluding prepayments, amounts due from related parties, 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, 2018, our gearing ratio, calculated as total borrowings divided by total equity, was 0% as compared to 0% as of December 31, 2017.

USE OF IPO PROCEEDS

The net proceeds received by the Company from the global offering amounted to HK\$857.2 million after deducting underwriting commissions and all related expenses, which have been and will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated December 30, 2016 and the announcement of the Company dated December 6, 2017 regarding the change in use of proceeds.

The use of net proceeds from the global offering (including the proceeds raised from the exercise of the over-allotment option) is set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the global offering (HK\$ million)	Utilized between January 18, 2017 and March 25, 2019 (HK\$ million)	Unutilized as of March 25, 2019 (HK\$ million)
Constructing a remote medical diagnostic center in Beijing	5%	42.86	7.37	35.49
Renovation and upgrade of one surgery center in Beijing	5%	42.86	—	42.86
Opening one new hospital in Beijing to provide specialty pediatric and obstetric and gynecologic services and two clinics in Beijing to mainly provide outpatient services	20%	171.44	13.34	158.10
Opening one new hospital and two clinics in Shanghai, Guangzhou and/or Shenzhen	20%	171.44	4.28	167.16
Acquiring hospital(s) and clinic(s) in Beijing, Shanghai, Guangzhou and/or Shenzhen and other major cities in the PRC	40%	342.88	284.79	58.09
Working capital and other general corporate purposes	10%	85.72	85.72	—

CHANGE IN USE OF IPO PROCEEDS

With the extended coverage of the Company's businesses in multiple cities and the completion of the setting-up of the remote diagnostic system in Beijing, in order to satisfy the capital needs for the establishment, development and information transformation of medical institutions in multiple cities, the Board resolved on March 25, 2019 to consolidate the remaining balance of the proceeds originally raised for (i) constructing a remote medical diagnostic center in Beijing; (ii) renovation and upgrade of one surgery center in Beijing; (iii) opening one new hospital in Beijing to provide specialty pediatric and obstetric and gynecologic services and two clinics in Beijing to mainly provide outpatient services; (iv) opening one new hospital and two clinics in Shanghai, Guangzhou and/or Shenzhen and (v) acquiring hospital(s) and clinic(s) in Beijing, Shanghai, Guangzhou and/or Shenzhen, and other major cities in the PRC and apply the consolidated proceeds for (a) the setting up, renovation and acquisition of new hospitals and clinics and the required working capital for such new hospitals and clinics and (b) the investment in surgery center and online diagnosis.

The Board believes that such change will enable the Group to optimize the use of the Group's financial resources and meet the Group's strategic business planning and operational needs more effectively and efficiently. The Board confirms that there is no material change in the business nature of the Group as set out in the prospectus of the Company dated December 30, 2016 and considers that the above proposed change in the use of proceeds is in the best interests of the Company and its Shareholders as a whole.

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

Item	Unutilized	
	as of	Expected timeline of the intended use of
	March 25,	the unutilized proceeds, subject to the then
	2019	management assessment and market landscape
	<i>(HK\$ million)</i>	
Setting up, renovation and acquisition of new hospitals and clinics and the required working capital for such new hospitals and clinic	383.32	The remaining amount is expected to be fully utilized by the end of 2020.
Investment in surgery center and online diagnosis	78.38	The remaining amount is expected to be fully utilized by the end of 2020.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2018, the Group had 1,278 employees (December 31, 2017: 829 employees). Total staff remuneration expenses including Directors' remuneration in 2018 amounted to RMB246.5 million (FY2017: RMB198.4 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 insurances 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 does not recommend the payment of a final dividend for the year ended December 31, 2018.

OTHER INFORMATION

Annual General Meeting

The AGM of the Company will be held on Friday, May 31, 2019. 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 Tuesday, May 28, 2019 to Friday, May 31, 2019, 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 Monday, May 27, 2019.

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, 2018, 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. Zhou is both our chairman and chief executive officer of the Company, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe that Mr. Zhou 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, 2018.

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, 2018. 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, 2018, 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, 2018 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, 2018 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, 2018. 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

There is no subsequent event after the reporting period which has material impact on the consolidated financial statements of the Group.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ncich.com.cn). The 2018 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.

ADOPTION OF DIVIDEND POLICY

The Board is pleased to announce that it has approved and adopted a dividend policy (the “**Dividend Policy**”) on March 25, 2019. According to the Dividend Policy, in considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of the Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Company’s articles of association. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

DEFINITIONS

“AGM”	annual general meeting of the Company;
“Audit Committee”	the audit committee of the Board;
“BNC Ao-dong Clinic”	Beijing New Century Ao-dong Clinic Outpatient Service Co., Ltd. (北京新世紀奧東門診部有限公司), formerly known as Beijing Meihua Women and Children Clinic Co., Ltd. (北京美華婦兒門診部有限公司), a company incorporated in the PRC with limited liability on May 15, 2014, which is a wholly-owned subsidiary of the Company;
“BNC Chaowai Clinic”	Beijing New Century Yide Chaowai Clinic of Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司新世紀怡德朝外診所). Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司), formerly known as Renze (Beijing) International Corporation Management and Service Co., Ltd. (仁澤 (北京) 國際企業管理服務有限責任公司), is a company incorporated in the PRC with limited liability on October 27, 2014, which is a non-wholly owned subsidiary of the Company;
“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;
“Chengdu New Century”	Chengdu New Century Women’s and Children’s Hospital Co., Ltd. (成都新世紀婦女兒童醫院有限公司), a company incorporated in the PRC with limited liability on September 28, 2010, which is a non-wholly owned subsidiary of the Company;
“China” or “PRC”	the People’s Republic of China; for the purpose of this 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;
“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;
“Remuneration Committee”	the remuneration committee of the Board;
“RMB”	Renminbi, the lawful currency of the PRC;
“RSA Scheme”	the restricted share award scheme approved and adopted by the Company on August 29, 2016;
“Shares(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of the Company or if there has been a subsequent subdivision, 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;
“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 25, 2019

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; Mr. GUO Qizhi, Mr. WANG Siye, Dr. CHENG Chi-Kong, Adrian, Mr. YANG Yuelin and Mr. FENG Xiaoliang, as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.