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, 2019

2019 ANNUAL RESULTS HIGHLIGHTS

	Year ended December 31,		
	2019	2018	Change
	(RMB'000)	*(RMB'000)*	
Revenue	**729,369**	615,984	**18.4%**
EBITDA[(1)]	**174,653**	150,655	**15.9%**
Profit before income tax	**48,065**	119,276	**-59.7%**
Profit for the year	**4,493**	73,438	**-93.9%**
Net (loss)/profit attributable to owners of the Company	**(26,556)**	41,514	**-164.0%**
Adjusted EBITDA[(2)]	**178,160**	147,194	**21.0%**
Adjusted EBITDA Excluding New Institutions[(2)(3)]	**210,978**	191,591	**10.1%**

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

(2) Adjustment includes RSA Scheme and exchange gains and losses.

(3) The institutions (the "**New Institutions**") that were recently acquired or set up were BNC Ao-doing Clinic, BNC Chaowai Clinic, Chengdu New Century, BNC Qingnian Road Clinic, New Century Healthcare (Hong Kong) Co. Limited , Beijing Jiarun Yunzhong Healthcare Technology Co., Ltd., Beijing Jiahua Yunzhong Management Consulting Co., Ltd. and Zhuhai Jiahua Yihe Medical Investment Company Limited.

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2019 together with the comparative figures for the year ended December 31, 2018 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**729,369**	615,984
Cost of revenue	*3*	**(468,067)**	(378,409)
Gross profit		**261,302**	237,575
Selling expenses		**(44,201)**	(30,614)
Administrative expenses		**(146,626)**	(114,469)
Research and development expenses		**(3,831)**	–
Other income		**1,025**	545
Other (losses)/gains – net	*4*	**(5,044)**	3,873
Operating profit		**62,625**	96,910
Finance income		**4,356**	22,366
Finance costs		**(18,849)**	–
Share of net loss of investments accounted for using the equity method		**(67)**	–
Profit before income tax		**48,065**	119,276
Income tax expense	*5*	**(43,572)**	(45,838)
Profit for the year		**4,493**	73,438
Other comprehensive income		**–**	–
Total comprehensive income		**4,493**	73,438
(Loss)/profit and total comprehensive (loss)/ income attributable to:			
Owners of the Company		**(26,556)**	41,514
Non-controlling interests		**31,049**	31,924
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company *(expressed in RMB per share)*			
Basic (loss)/earnings per share	*6(a)*	**(0.05)**	0.09
Diluted (loss)/earnings per share	*6(b)*	**(0.05)**	0.09

CONSOLIDATED BALANCE SHEET

		As at December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**217,552**	250,797
Right-of-use assets		**311,584**	–
Intangible assets		**692,901**	670,801
Investments accounted for using the equity method		**12,985**	13,052
Deferred tax assets		**2,244**	39
Long-term deposits and prepayments		**10,248**	20,620
Total non-current assets		**1,247,514**	955,309
Current assets			
Inventories		**15,687**	13,717
Trade receivables	*7*	**30,829**	24,777
Other receivables, deposits and prepayments		**13,970**	26,967
Amounts due from related parties		**158,421**	106,927
Financial assets at fair value through profit or loss		**61,122**	50,000
Cash and cash equivalents		**349,125**	433,327
Total current assets		**629,154**	655,715
Total assets		**1,876,668**	1,611,024
EQUITY			
Equity attributable to owners of the Company			
Share capital		**335**	335
Share premium		**2,606,262**	2,600,209
Reserves		**(1,507,673)**	(1,507,310)
Retained earnings		**111,881**	144,274
Sub-total		**1,210,805**	1,237,508
Non-controlling interests		**22,723**	33,836
Total equity		**1,233,528**	1,271,344

		As at December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**316,648**	–
Deferred tax liabilities		**32,030**	27,220
Total non-current liabilities		**348,678**	27,220
Current liabilities			
Trade payables	*8*	**26,353**	23,726
Accruals, other payables and provisions		**171,168**	163,271
Lease liabilities		**39,753**	–
Contract liabilities		**45,160**	40,617
Current tax liabilities		**7,536**	4,574
Amounts due to related parties		**4,492**	80,272
Total current liabilities		**294,462**	312,460
Total liabilities		**643,140**	339,680
Total equity and liabilities		**1,876,668**	1,611,024

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, **2019** *RMB'000*	2018 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**178,113**	56,547
Interest paid		**(14,184)**	–
Interest received		**2,221**	3,755
Income taxes paid		**(39,363)**	(42,304)
Net cash inflow from operating activities		**126,787**	17,998
Cash flows from investing activities			
Proceeds from/(payments for) acquisition of subsidiaries, net of cash acquired		**415**	(210,699)
Payments for property, plant and equipment		**(17,854)**	(13,847)
Payments for investment in an associate		**–**	(13,052)
Payments for intangible assets		**(4,752)**	(5,148)
Proceeds from disposals of property, plant and equipment		**3**	748
Payments for structured deposits and financial assets		**(523,900)**	(654,000)
Proceeds from sale of structured deposits and financial assets		**513,000**	779,000
Interest received on structured deposits and financial assets		**2,388**	7,503
Loans to related parties		**(20,289)**	–
Net cash outflow from investing activities		**(50,989)**	(109,495)

	Note	Year ended December 31, **2019** *RMB'000*	2018 *RMB'000*
Cash flows from financing activities			
Repayment of borrowings from related parties		**(73,003)**	(213,149)
Dividends paid to the non-controlling interests		**(35,894)**	(38,291)
Dividends paid to the Company's shareholders		**(3,170)**	(14,219)
Principal elements of lease payments		**(47,067)**	–
Proceeds from shares exercised under share award scheme		**2,473**	11,473
Transaction with non-controlling interests		**(5,733)**	–
Net cash outflow from financing activities		**(162,394)**	(254,186)
Net decrease in cash and cash equivalents		**(86,596)**	(345,683)
Cash and cash equivalents at the beginning of the year		**433,327**	763,659
Effects of exchange rate changes on cash and cash equivalents		**2,394**	15,351
Cash and cash equivalents at the end of the year		**349,125**	433,327

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

New Century Healthcare Holding Co. Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in provision of pediatrics and obstetrics and gynecology specialty services in the People's Republic of China (the "**PRC**"). The Group also provides hospital consulting services to a related party of the Group.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

2.1.1 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.

2.1.2 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 (FVPL) – measured at fair value.

2.1.3 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 January 1, 2019:

- HKFRS 16 Leases,

- Prepayment Features with Negative Compensation – Amendments to HKFRS 9,

- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle, and
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on January 1, 2019. This is disclosed in note 2.2. 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.

2.1.4 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.87%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) ***Measurement of lease liabilities***

	2019
	RMB'000
Operating lease commitments disclosed as at December 31, 2018	567,835
Discounted using the lessee's incremental borrowing rate of at the date of initial application	456,962
(Less): short-term leases not recognised as a liability	402
(Less): low-value leases not recognised as a liability	83
Lease liability recognised as at January 1, 2019	456,477
Of which are:	
Current lease liabilities	66,940
Non-current lease liabilities	389,537
	456,477

(iii) ***Measurement of right-of-use assets***

All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) ***Adjustments recognised in the balance sheet on January 1, 2019***

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increased by RMB415,347,000
- amounts due to related parties – decreased by RMB42,176,000
- prepayments – decreased by RMB7,068,000
- accruals – decreased by RMB6,022,000
- lease liabilities – increased by RMB456,477,000

There is no impact on retained earnings on January 1, 2019.

3 SEGMENT INFORMATION

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:

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2019						
Revenue	**551,863**	**134,104**	**34,269**	**9,133**	**–**	**729,369**
Cost of revenue	**323,022**	**122,139**	**13,824**	**9,082**	**–**	**468,067**
Segment results	**121,420**	**(32,491)**	**3,764**	**(7,630)**	**–**	**85,063**
Unallocated income					**5,381**	**5,381**
Unallocated cost					**(42,379)**	**(42,379)**
Profit before income tax	**121,420**	**(32,491)**	**3,764**	**(7,630)**	**(36,998)**	**48,065**
Income tax expense					**(43,572)**	**(43,572)**
Profit after income tax						**4,493**
As at December 31, 2019						
Assets						
Segment assets	**491,239**	**333,358**	**162,391**	**23,100**	**–**	**1,010,088**
Goodwill	**200,393**	**177,546**	**–**	**14,387**	**–**	**392,326**
Unallocated assets					**474,254**	**474,254**
Total assets	**691,632**	**510,904**	**162,391**	**37,487**	**474,254**	**1,876,668**
Total liabilities	**315,260**	**229,023**	**5,452**	**5,852**	**87,553**	**643,140**

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	200,393	177,546	–	–	–	377,939
Unallocated assets					501,620	501,620
Total assets	571,955	413,922	123,527	–	501,620	1,611,024
Total liabilities	148,380	110,263	5,248	–	75,789	339,680

4 OTHER (LOSSES)/GAINS – NET

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment	**(13,683)**	(88)
Gains on disposal of right-of-use assets	**6,029**	–
Gains on financial assets at fair value though profit or loss	**2,610**	3,961
	(5,044)	3,873

5 INCOME TAX EXPENSE

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current income taxation:		
– PRC corporate income tax	**42,324**	42,974
Deferred income tax	**1,248**	2,864
	43,572	45,838

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

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**48,064**	119,276
Calculated at a taxation rate of 25%	**12,016**	29,819
Income not subject to tax	**(588)**	(2,056)
Expenses not tax deductible	**6,905**	7,179
Tax effect of tax losses not recognised	**16,729**	9,810
Utilisation of previous unrecognised tax loss	**(306)**	(599)
Adjustment of deferred income tax arising in prior years	**10,651**	1,829
Others	**(1,835)**	(144)
Income tax expense	**43,572**	45,838

(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 the PRC corporate income tax at the rate of 25% except for Beijing Jiarun Yunzhong Health Technology Co., Ltd. which has been eligible as High/New Technology Enterprises since December 2019 with preferential tax rate of 15% as set out in the PRC EIT Law.

(c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the years ended December 31, 2019 and 2018. 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, 2019 and 2018.

As at December 31, 2019, deferred tax liabilities of RMB23,010,700 (2018: RMB16,397,000), have not been recognised for the withholding tax that would be payable on the unremitted earnings of the 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, 2019 amounted to RMB230,107,000 (2018: RMB163,970,000).

6 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for RSA scheme.

	Year ended December 31,	
	2019	2018
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(26,557)**	41,514
Weighted average number of ordinary shares in issue *(in thousands)(i)*	**484,818**	482,544
Basic (loss)/earnings per share *(in RMB)*	**(0.05)**	0.09

The (loss)/earnings per share presented above is calculated by using the weighted average number of ordinary shares during the year ended December 31, 2019.

(i) The Company granted 9,000,000 restricted shares to employees on July 25, 2017 pursuant to the RSA Scheme. As at December 31, 2019, 4,213,000 restricted shares have been vested which have been included in the calculation of basic (loss)/earnings per share. The remaining 4,787,000 restricted shares, including the forfeited shares, have not been included in the calculation of basic (loss)/earnings per share.

(b) Diluted

The Group had potential dilutive shares during the year ended December 31, 2019 in relation to the shares held for RSA Scheme. Due to the Group's negative financial results during the year ended December 31, 2019, shares held for RSA Scheme has anti-dilutive effect on the Group's losses per share. Thus, diluted loss per share is equivalent to the basic loss per share.

7 TRADE RECEIVABLES

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**31,202**	25,044
Less: allowance for impairment of trade receivables	**(373)**	(267)
Trade receivables – net	**30,829**	24,777

As at December 31, 2019 and 2018, the aging analysis of the trade receivables based on demand note date was as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Up to 3 months	**25,765**	21,179
4 – 6 months	**2,313**	1,936
7 months – 1 year	**744**	992
Over 1 year	**2,380**	937
	31,202	25,044

(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.

The loss allowance increased by a further RMB106,000 to RMB373,000 for trade receivables 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.

8 TRADE PAYABLES

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

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Up to 3 months	**19,394**	12,819
4 – 6 months	**4,435**	6,567
7 months – 1 year	**1,121**	2,984
Over 1 year	**1,403**	1,356
	26,353	23,726

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

The board of directors of the Company does not resolve to declare a dividend for the year ended December 31, 2019 (Nil for the year ended December 31, 2018).

Dividends of RMB35,894,000 and RMB38,291,000 related to the earnings of Beijing New Century Children's Hospital Co., Ltd. for the years ended December 31, 2018 and 2017 were paid to Beijing Children's Hospital, Capital Medical University in 2019 and 2018, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview for 2019

In 2019, the Group adhered to the development strategies established last year and continued to expand its medical institutions network and services coverage, so as to provide high quality medical treatment and health management services in the gynecologic and pediatric specialties for more families in Beijing and Chengdu and the adjacent regions. By adopting a regional tiered medical treatment model, the Group continued to enhance the operation efficiency of the existing medical institutions and the operation capability of the new medical institutions, thereby further strengthening the leading market position of New Century Healthcare brand in the pediatric specialty segment. In addition, leveraging on the brand name and medical resources gained through our operations over the years, we have had further breakthroughs in the obstetrics and gynecologic and pediatric specialties.

In 2019, there were 285,106 outpatient visits, representing a 23.0% YoY increase. Among them, pediatric outpatient visits had a 18.5% YoY increase to 234,545 as compared to 198,003 in 2018, and obstetric and gynecologic outpatient visits had a 49.7% YoY increase to 50,561 as compared to 33,783 in 2018. There were also 11,234 inpatient visits, representing a 15.5% YoY increase. Among them, pediatric inpatient visits had a 10.6% YoY increase to 8,183 as compared to 7,401 in 2018. The number of obstetric and gynecologic inpatient visits amounted to 3,051, representing a 31.0% YoY increase as compared to 2,329 in 2018.

In 2019, the Group achieved a stable growth of business revenue. The Group recorded a revenue of RMB 729.4 million, representing a 18.4% YoY increase, and the revenue from medical services amounted to RMB686.0 million, representing a 20.6% YoY increase. In particular, revenue from pediatric services and obstetric and gynecologic services recorded a 18.3% YoY increase to RMB551.9 million and a 30.9% YoY increase to RMB134.1 million respectively. The net profit of the Group for the year ended December 31, 2019 amounted to RMB4.5 million, representing a 93.9% YoY decrease. The Group recorded an EBITDA of RMB174.7 million for the year of 2019, representing a 15.9% YoY increase. After eliminating the effects of the New Institutions and other adjusted items, the adjusted EBITDA increased by 21.0% on a YoY basis. Adjusted EBITDA excluded RSA Scheme and exchange gains and losses. The loss attributable to the owners of the Company for the year ended December 31, 2019 amounted to RMB26.6 million, as compared to a net profit attributable to the owners of the Company of RMB41.5 million for the year ended December 31, 2018. This was primarily attributable to (i) the New Institutions are still at the ramp-up stage and have resulted in increased operating costs and expenses of the Group; and (ii) the impact due to early termination of certain leases and the adoption of HKFRS 16 Leases. See note 2.2 of the Notes to the Consolidated Financial Information for details.

In 2019, the Group completed the business area adjustment and consolidation of its certain medical institutions in Beijing, so as to provide community medical services more efficiently. Meanwhile, it also completed the acquisition of Beijing Jiarun Yunzhong Health Technology Co., Ltd. and increased its provision of online healthcare services. In response to the Chinese central and local governments' call for more intelligent healthcare services and digitalization of hospitals, we have accelerate review and optimization of the business processes of our existing different types of medical institutions.

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%.

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

Leveraging on its decade-long experience in healthcare services, the Group intend to grasp the industry opportunities by implementing the following measures:

- Accelerating the application of internet clinic and internet hospital licenses for Group's medical institutions so as to fully promote the provision of internet-based healthcare services.

- Promoting digital healthcare services supported by an integrated online and offline membership system by upgrading the Group's membership system as well as utilizing a combination of internet-based and physical healthcare services.

- Optimizing its management organization structure and personnel structure in accordance with the Group's development strategy.

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,			
	2019		2018	
	(in thousands of RMB, except percentages)			
Medical services	**685,967**	**94.0%**	569,016	92.4%
Hospital consulting services	**34,269**	**4.7%**	39,905	6.5%
Others[1]	**9,133**	**1.3%**	7,063	1.1%
Total	**729,369**	**100.0%**	615,984	100.0%

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

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,	
	2019	2018
	(in thousands of RMB, except percentages)	
Revenue	**685,967**	569,016
Cost of revenue	**445,161**	356,201
Gross profit	**240,806**	212,815
Gross profit margin	**35.1%**	37.4%

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,			
	2019		2018	
	(in thousands of RMB, except percentages)			
Pediatric services	**551,863**	**75.7%**	466,589	75.7%
Obstetric and gynecologic services	**134,104**	**18.4%**	102,427	16.6%
Total	**685,967**	**94.0%**	569,016	92.4%

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,	
	2019	2018
The Group		
Inpatient services		
Inpatient visits	**11,234**	9,730
Average inpatient spending per visit *(RMB)*	**26,544**	25,305
Outpatient services		
Outpatient visits	**285,106**	231,786
Average outpatient spending per visit *(RMB)*	**1,161**	1,168
Revenue from medical services attributable to inpatients *(RMB'000)*	**298,196**	246,220
Revenue from medical services attributable to outpatients *(RMB'000)*	**330,885**	270,637
Revenue recognized for membership card sales *(RMB'000)*	**56,886**	52,159
Pediatric Services		
Inpatient services		
Inpatient visits	**8,183**	7,401
Average inpatient spending per visit *(RMB)*	**25,743**	24,404
Outpatient services		
Outpatient visits	**234,545**	198,003
Average outpatient spending per visit *(RMB)*	**1,212**	1,181
Revenue from medical services attributable to inpatients *(RMB'000)*	**210,654**	180,612
Revenue from medical services attributable to outpatients *(RMB'000)*	**284,323**	233,818
Revenue recognized for membership card sales *(RMB'000)*	**56,886**	52,159
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	**3,051**	2,329
Average inpatient spending per visit *(RMB)*	**28,693**	28,170
Outpatient services		
Outpatient visits	**50,561**	33,783
Average outpatient spending per visit *(RMB)*	**921**	1,090
Revenue from medical services attributable to inpatients *(RMB'000)*	**87,542**	65,608
Revenue from medical services attributable to outpatients *(RMB'000)*	**46,562**	36,819

Revenue from provision of our medical services amounted to RMB686.0 million in 2019, representing a 20.6% YoY increase and accounting for 94.0% of the Group's total revenue. This increase was primarily due to (i) a 22.3% and 21.1% YoY increase in revenue from medical services attributable to the outpatients and inpatients respectively; and (ii) a 9.1% 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 43.7% of the increase. The increase in revenue from medical services provided by the recently acquired Chengdu New Century accounted for 49.2% of the increase.

In 2019, there were 8,183 pediatric services inpatient visits, representing a YoY increase of 10.6%. There were also 234,545 pediatric services outpatient visits, representing a YoY increase of 18.5%. For obstetric and gynecologic services, there were 3,051 inpatient visits, representing a YoY increase of 31.0%, and 50,561 outpatient visits, representing a YoY increase of 49.7%.

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 2019 reached RMB445.2 million, representing a YoY increase of 25.0%. This increase was primarily a result of (i) an increase in total remuneration of medical personnel including those from our New Institutions; (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,	
	2019	2018
	(in thousands of RMB, except percentages)	
Revenue	**34,269**	39,905
Cost of revenue	**13,824**	15,167
Gross profit	**20,445**	24,738
Gross profit margin	**59.7%**	62.0%

The gross profit and the gross profit margin of our hospital consulting services decreased slightly to RMB20.4 million and 59.7% respectively.

Gross Profit and Gross Profit Margin

Our gross profit in 2019 amounted to RMB261.3 million, representing a YoY increase of 10.0%. This was mainly due to the stable increase of revenue from our expanded network. Our gross profit margin decreased slightly from 38.6% in 2018 to 35.8% in 2019 mainly due to the slight increase in cost of revenue.

Selling Expenses

Our selling expenses in 2019 amounted to RMB44.2 million, representing a YoY increase of 44.4%, which was mainly a result of (i) increased selling expenses arising out of our expanded network; and (ii) increased personnel wages and marketing costs.

Administrative Expenses

Our administrative expenses in 2019 amounted to RMB146.6 million, an increase from RMB114.5 million in 2018. Such increase was mainly a result of (i) increased administrative expenses arising out of our expanded network; and (ii) increase in employee wages.

Other Gains/(Losses) – Net

Our other net losses in 2019 amounted to RMB5.0 million, as compared to other net gains of RMB3.9 million in 2018. Our other net losses in 2019 were a net result of (i) losses of RMB7.6 million from disposal of long-term assets due to reduction on clinic operating areas and change in leases; and (ii) an increase of RMB2.6 million in the fair value of our wealth management products.

Finance Income and Expenses

Our finance income in 2019 drcreased from RMB22.4 million in 2018 to RMB4.4 million which was mainly a result of (i) a decrease of foreign exchange gains of RMB13.1 million; (ii) a decrease in deposit interest income of RMB4.9 million; and (iii) interest expenses of RMB18.8 million due to the adoption of HKFRS 16 Leases.

Income Tax Expense

Our income tax expense in 2019 amounted to RMB43.6 million, representing a YoY decrease of 4.9%. This was mainly due to the New Institutions are still at the ramp-up stage and recorded losses which could not be utilised against future taxable profit. Our effective tax rates were 90.7% and 38.4% in 2019 and 2018, respectively.

Loss for the year ended December 31, 2019

Our loss attributable to the owners of the Company for the year ended December 31, 2019 amounted to RMB26.6 million, as compared to a net profit attributable to the owners of the Company of RMB41.5 million for the year ended December 31, 2018. This was primarily attributable to (i) the New Institutions are still at the ramp-up stage and have resulted in increased operating costs and expenses of the Group; and (ii) the impact due to early termination of certain leases and the adoption of HKFRS 16 Leases. See note 2.2 of the Notes to the Consolidated Financial Information for details.

FINANCIAL POSITION

Inventories

Our inventories increased by 14.4% from RMB13.7 million as of December 31, 2018 to RMB15.7 million as of December 31, 2019 primarily due to the increase of requisite medical inventories as a result of the business growth of the Group's medical institutions.

Trade Receivables

Our trade receivables increased by 24.4% from RMB24.8 million as of December 31, 2018 to RMB30.8 million as of December 31, 2019 primarily driven by an increase in the insurance trade receivable as a result of the increase of medical revenue at the end of the year.

Trade Payables

Our trade payables increased by 11.1% from RMB23.7 million as of December 31, 2018 to RMB26.4 million as of December 31, 2019 primarily as a result of the increase of our business.

LIQUIDITY AND CAPITAL RESOURCES

Net Cash Generated from Operating Activities

In 2019, we had net cash generated from operating activities of RMB126.8 million, primarily attributable to the profit before income tax of RMB48.1 million, adjusted by (i) depreciation of property, plant and equipment of RMB39.7 million; (ii) finance costs/income-net of RMB14.4 million; (iii) depreciation of right-of-use assets of RMB52.0 million; (iv) amortisation expenses of RMB16.0 million and (v) other miscellaneous items amounting to RMB5.2 million. These adjustments were partially offset by (i) change in working capital of RMB3.2 million; (ii) payment of corporate income tax of RMB39.4 million; (iii) interest paid of RMB14.1 million due to the adoption of HKFRS 16 Leases; and (iv) interest received of RMB2.2 million.

Net Cash Used in Investing Activities

In 2019, we had net cash used in investing activities of RMB51.0 million, primarily attributable to (i) net cash of RMB8.5 million used in investing in financial assets and the corresponding interest income; (ii) net cash of RMB22.6 million used in purchasing and disposal of property, plant and equipment and intangible asset; (iii) loans of RMB20.3 million to related parties; and (iv) proceeds from acquisition of RMB 0.4 million.

Net Cash Generated from Financing Activities

In 2019, we had net cash used in financing activities amounted to RMB162.4 million, primarily attributable to (i) payment of dividend of RMB39.1 million paid to shareholders; (ii) principal elements of lease payments due to the adoption of HKFRS 16 Leases and compensation for earlier termination of leases of RMB47.1 million; (iii) consideration of RMB5.7 million resulting from acquisition of the 30% equity interest of Beijing New Century Yide Consultancy Co., Ltd; and (iv) repayment of borrowing from related parties of RMB73.0 million. These were partially offset by RMB2.5 million relating to consideration paid by our employees to exercise of the RSA Scheme.

Significant Investments, Acquisitions and Disposals

Save as disclosed in this announcement, we did not have any significant investments, material acquisitions or material disposals in the year ended December 31, 2019.

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 2019 was RMB22.2 million (2018: RMB242.7 million), which was mainly attributable to upgrading the existing medical institutions and acquisition.

INDEBTEDNESS

Borrowings

As of December 31, 2019, we did not have any borrowings (2018: 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, 2019, 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, 2019, 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, 2019, none of our assets had been pledged.

Contractual Obligations

As of December 31, 2019, 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, and amounts due to related parties. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effect manner.

Gearing Ratio

As of December 31, 2019, our gearing ratio, calculated as total borrowings divided by total equity, was 0% as compared to 0% as of December 31, 2018.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2019, the Group had 1,420 employees (December 31, 2018: 1,278 employees). Total staff remuneration expenses including Directors' remuneration in 2019 amounted to RMB310.6 million (FY2018: RMB246.5 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, 2019 (2018: nil).

OTHER INFORMATION

Annual General Meeting

The AGM of the Company will be held on Thursday, May 28, 2020. 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 25, 2020 to Thursday, May 28, 2020, 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 22, 2020.

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, 2019, 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, 2019.

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, 2019. 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, 2019, 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, 2019 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, 2019 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, 2019. 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

After the outbreak of the novel coronavirus disease ("**COVID-19 Outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 Outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 Outbreak.

On February 20, 2020, the Group, through its subsidiary, BNC Women's and Children's Hospital, purchased 100% equity interests of Beijing Phoenix UMP Wenyu Clinic Outpatient Service Co., Ltd. with zero consideration. The carrying amount of net assets of Beijing Phoenix UMP Wenyu Clinic Outpatient Service Co., Ltd. on February 20, 2020 was below 0.5% of the Group's as at December 31, 2019. The directors of the Group have expected it has no material impact on the financial positon 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 2019 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 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;
"BNC Qingnian Road Clinic"	Beijing New Century Qingnian Road Pediatric Clinic Co., Ltd. (北京新世紀青年路兒科診所有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;
"BNC 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;
"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$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 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 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;
"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, 2020

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.