

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



新世紀醫療控股有限公司

New Century Healthcare Holding Co. Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

2021 ANNUAL RESULTS HIGHLIGHTS

1. For the year ended December 31, 2021, the revenue of the Group amounted to RMB632.6 million, representing a remarkable YoY increase of 23.4%. The revenue of pediatric services started to rebound in the third quarter of 2020 and achieved a 37.0% YoY increase for the year ended December 31, 2021.
2. The net loss of the Group decreased by 77.4% to RMB85.3 million, compared with RMB377.5 million for the year ended December 31, 2020. The adjusted net loss⁽¹⁾ of the Group decreased to RMB67.9 million.
3. The adjusted EBITDA⁽¹⁾⁽²⁾ increased by 7.1% to RMB59.1 million, compared with RMB55.2 million for the year ended December 31, 2020. The adjusted EBITDA of the medical institutions that had opened and continued to operate (the “**Operating Medical Institutions**”)⁽³⁾ for the year ended December 31, 2021 amounted to RMB147.6 million, representing an increase of 21.3% compared with RMB121.7 million for the year ended December 31, 2020.

Key Operational Data

	Year ended December 31,		
	2021	2020	Increase
Revenue from medical services attributable to outpatients (RMB'000)	354,979	247,322	107,657
Outpatient visits	253,813	193,039	60,774
Revenue from medical services attributable to inpatients (RMB'000)	226,801	203,656	23,145
Inpatient visits	8,158	7,581	577

- (1) Adjustment includes impairment losses on non-current assets, exchange gains and losses and RSA Scheme.
- (2) EBITDA = profit before income tax + interest expense + depreciation and amortisation.
- (3) The Operating Medical Institutions refer to BNC Children’s Hospital, BNC Women’s and Children’s Hospital, BNC Harmony Clinic, BNC Wenyu Clinic, BNC Ao-dong Clinic and Chengdu New Century Women’s and Children’s Hospital.

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2021 together with the comparative figures for the year ended December 31, 2020 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2021	2020
	Notes	RMB'000	RMB'000
Revenue	3	632,565	512,785
Cost of revenue	3	<u>(433,830)</u>	<u>(377,021)</u>
Gross profit		198,735	135,764
Selling expenses		(60,811)	(44,068)
Administrative expenses		(156,429)	(123,269)
Research and development expenses		(10,574)	(14,467)
Net impairment losses on financial assets		(7,582)	(6,211)
Impairment losses on non-current assets		(15,010)	(264,271)
Other income		3,661	3,782
Other gains — net	4	<u>3,160</u>	<u>3,979</u>
Operating loss		(44,850)	(308,761)
Finance income		3,059	3,287
Finance costs		(16,653)	(23,327)
Share of net (loss)/profit of investments accounted for using the equity method		<u>(703)</u>	<u>54</u>
Loss before income tax		(59,147)	(328,747)
Income tax expense	5	<u>(26,115)</u>	<u>(48,787)</u>
Loss for the year		(85,262)	(377,534)
(Loss)/profit for the year is attributable to:			
Owners of the Company		(101,461)	(371,383)
Non-controlling interests		<u>16,199</u>	<u>(6,151)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		<u>290</u>	<u>406</u>
Total comprehensive loss		(84,972)	(377,128)
Total comprehensive (loss)/income for the year is attributable to:			
Owners of the Company		(101,171)	(370,977)
Non-controlling interests		<u>16,199</u>	<u>(6,151)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company (expressed in RMB per share)			
Basic and diluted loss per share	6	<u>(0.21)</u>	<u>(0.77)</u>

CONSOLIDATED BALANCE SHEET

		As of December 31,	
		2021	2020
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		161,967	198,898
Right-of-use assets		223,969	308,785
Intangible assets		412,989	424,330
Investments accounted for using the equity method		1,809	2,575
Deferred tax assets		598	499
Long-term deposits and prepayments		8,133	10,709
Total non-current assets		809,465	945,796
Current assets			
Inventories		21,142	19,584
Trade receivables	7	39,351	28,577
Other receivables, deposits and prepayments		18,170	16,874
Amounts due from related parties		158,925	161,003
Cash and cash equivalents		223,843	299,211
Total current assets		461,431	525,249
Total assets		1,270,896	1,471,045
EQUITY			
Share capital		335	335
Shares held for employee share scheme		(2,829)	(2,826)
Share premium		2,606,495	2,606,495
Reserves		(1,494,950)	(1,499,996)
Accumulated losses		(371,592)	(265,375)
Equity attributable to owners of the Company		737,459	838,633
Non-controlling interests		(53,221)	(26,781)
Total equity		684,238	811,852

		As of December 31,	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		243,498	321,256
Deferred tax liabilities		51,983	55,790
Deferred income		<u>–</u>	<u>2,641</u>
Total non-current liabilities		<u>295,481</u>	<u>379,687</u>
Current liabilities			
Trade payables	8	27,448	25,618
Accruals, other payables and provisions		185,421	171,183
Contract liabilities		30,399	30,539
Current tax liabilities		5,852	8,113
Lease liabilities		36,743	39,839
Amounts due to related parties		<u>5,314</u>	<u>4,214</u>
Total current liabilities		<u>291,177</u>	<u>279,506</u>
Total liabilities		<u>586,658</u>	<u>659,193</u>
Total equity and liabilities		<u>1,270,896</u>	<u>1,471,045</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 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 and online healthcare services.

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

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

The 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.

2.1.3 New and amended standards and interpretations adopted by the Group

The Group has applied the following for the first time for their annual reporting period commencing January 1, 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above do not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.4 New and amended standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements 2018-2020 cycle	Annual Improvements 2018-2020 cycle	January 1, 2022
HKFRS 17	Insurance Contracts	January 1, 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

There are no new standards, amendments to existing standards or interpretations that are not yet effective and would be expected to have a material impact to the Group.

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 reportable segments are as follows:

	Pediatrics <i>RMB'000</i>	Obstetrics and Gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Intersegment eliminations <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended							
December 31, 2021							
Revenue from external customers	504,081	117,240	4,620	6,624	-	-	632,565
Inter-segment revenue	-	-	-	18,012	(18,012)	-	-
Total revenue	504,081	117,240	4,620	24,636	(18,012)	-	632,565
Cost of revenue	(313,571)	(111,780)	(885)	(22,553)	14,959	-	(433,830)
Segment results	57,490	(37,450)	(35,288)	(19,787)	-	-	(35,035)
Unallocated income						10,855	10,855
Unallocated cost						(34,967)	(34,967)
Profit/(loss) before income tax	57,490	(37,450)	(35,288)	(19,787)	-	(24,112)	(59,147)
Income tax expense						(26,115)	(26,115)
Loss for the year							<u>(85,262)</u>
As of December 31, 2021							
Assets							
Segment assets	433,410	279,842	139,784	5,719	-	-	858,755
Goodwill	123,826	34,014	-	-	-	-	157,840
Unallocated assets						254,301	254,301
Total assets	557,236	313,856	139,784	5,719	-	254,301	<u>1,270,896</u>
Total liabilities	302,864	199,794	4,209	7,577	-	72,214	<u>586,658</u>

	Pediatrics <i>RMB'000</i>	Obstetrics and Gynecology <i>RMB'000</i>	Hospital consulting services <i>RMB'000</i>	Others <i>RMB'000</i>	Intersegment eliminations <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended							
December 31, 2020							
Revenue from external customers	368,015	127,754	8,531	8,485	–	–	512,785
Inter-segment revenue	–	–	–	3,651	(3,651)	–	–
Total revenue	368,015	127,754	8,531	12,136	(3,651)	–	512,785
Cost of revenue	(259,426)	(104,396)	(5,065)	(8,351)	217	–	(377,021)
Segment results	(74,944)	(165,395)	(27,800)	(57,073)	–	–	(325,212)
Unallocated income						11,340	11,340
Unallocated cost						(14,875)	(14,875)
Loss before income tax	(74,944)	(165,395)	(27,800)	(57,073)	–	(3,535)	(328,747)
Income tax expense						(48,787)	(48,787)
Loss for the year							<u>(377,534)</u>
As of December 31, 2020							
Assets							
Segment assets	482,033	313,299	159,651	7,679	–	–	962,662
Goodwill	123,826	34,014	–	–	–	–	157,840
Unallocated assets						350,543	350,543
Total assets	605,859	347,313	159,651	7,679	–	350,543	<u>1,471,045</u>
Total liabilities	303,868	227,131	12,979	9,877	–	105,338	<u>659,193</u>

4 OTHER GAINS — NET

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on disposal of right-of-use assets	3,859	2,444
Gains on financial assets at FVPL	–	1,132
Bargain purchase of a subsidiary	–	744
Losses on disposal of intangible assets	(115)	–
Losses on disposal of property, plant and equipment	(584)	(341)
	<u>3,160</u>	<u>3,979</u>

5 INCOME TAX EXPENSE

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income taxation:		
– PRC corporate income tax	30,021	23,353
Deferred income tax	<u>(3,906)</u>	<u>25,434</u>
	<u><u>26,115</u></u>	<u><u>48,787</u></u>

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

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before income tax	<u>(59,147)</u>	<u>(328,747)</u>
Calculated at a taxation rate of 25%	(14,787)	(82,187)
Effects of different tax rates or income tax exemption applicable to different entities of the Group	5,726	7,046
Tax super deduction for research and development expenses	(1,190)	(2,713)
Income not subject to tax	–	(185)
Expenses not tax deductible	12	59,529
Tax effect of tax losses or temporary differences not recognised	34,080	35,853
Adjustment of deferred income tax arising in prior years	<u>2,274</u>	<u>31,444</u>
Income tax expense	<u><u>26,115</u></u>	<u><u>48,787</u></u>

(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% except for New Century Healthcare Technology (Beijing) Co., Ltd. which has been eligible as a High and New Technology Enterprise since December 2019 with preferential tax rate of 15% as set out in PRC Corporate Income Tax Law.

(c) **Hong Kong profits tax**

Hong Kong profits tax rate is 16.5% for the years ended December 31, 2021 and 2020. 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, 2021 and 2020.

(d) **Withholding tax**

As of December 31, 2021, deferred tax liabilities of RMB26,543,400 (2020: RMB24,365,200) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Management expects to reinvest such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as of December 31, 2021 amounted to RMB265,434,000 (2020: RMB243,652,000).

6 LOSS PER SHARE

(a) **Basic**

Basic loss per share is calculated by dividing the loss 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,	
	2021	2020
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u>(101,461)</u>	<u>(371,383)</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>) (i)	<u>483,334</u>	<u>485,126</u>
Basic loss per share (<i>in RMB</i>)	<u><u>(0.21)</u></u>	<u><u>(0.77)</u></u>

The loss per share presented above is calculated by using the weighted average number of ordinary shares during the year ended December 31, 2021.

- (i) On July 25, 2017, the Company granted 9,000,000 Restricted Shares to certain employees pursuant to a restricted share award scheme. As of December 31, 2021, except for 4,767,000 shares that were forfeited, all the other shares were vested. Those forfeited shares were excluded from the calculation of basic losses per share.

As of December 31, 2021, the Company held 1,923,500 (2020: 1,921,500) shares of the Company to set up an employee stock incentive plan. These shares were not included in the calculation of basic loss per share as they are not outstanding.

(b) **Diluted**

For the years ended December 31, 2021 and 2020, diluted loss per share is equivalent to the basic loss per share due to the Group's negative financial results attributable to owners of the Company.

7 TRADE RECEIVABLES

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets		
Trade receivables from contracts with customers	39,797	29,033
Less: allowance for impairment of trade receivables	<u>(446)</u>	<u>(456)</u>
Trade receivables — net	<u>39,351</u>	<u>28,577</u>

As of December 31, 2021 and 2020, the aging analysis of the trade receivables based on demand note date was as follows:

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	31,738	21,383
4 – 6 months	1,604	2,170
7 months – 1 year	904	1,192
Over 1 year	<u>5,551</u>	<u>4,288</u>
	<u>39,797</u>	<u>29,033</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.

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

8 TRADE PAYABLES

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

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	20,138	17,909
4 – 6 months	5,099	3,941
7 months – 1 year	957	1,473
Over 1 year	<u>1,254</u>	<u>2,295</u>
	<u>27,448</u>	<u>25,618</u>

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

9 DIVIDENDS

The board of directors of the Company does not resolve to declare a dividend for the year ended December 31, 2021 (2020: nil).

For the year ended December 31, 2021, a dividend of RMB42,639,000 (2020: RMB43,353,000) was paid to Beijing Children's Hospital, Capital Medical University, a non-controlling shareholder of BNC Children's Hospital, a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview for 2021

For the year ended December 31, 2021, the Group witnessed a significant increase in business revenue compared with the same period last year. The Group recorded a revenue of RMB632.6 million, representing a 23.4% YoY increase. The revenue from medical services recorded a 25.3% YoY increase to RMB621.3 million, among which, the revenue from pediatric services recorded a 37.0% YoY increase to RMB504.1 million, accounting for 81.1% of the total revenue from medical services. The revenue from pediatric outpatient services recorded a 49.5% YoY increase to RMB302.1 million. The number of pediatric services outpatient visits was 204,535, representing a 36.2% YoY increase. The revenue from pediatric inpatient services recorded a 34.0% YoY increase to RMB162.5 million. The number of pediatric inpatient visits was 5,834, representing a 24.7% YoY increase.

As a leading private medical service provider in Beijing and the PRC, we provide customers with integrated medical services of gynecology, obstetrics and pediatrics, and are characterized by providing comprehensive and in-depth pediatric medical services. The rapid recovery of pediatric business is mainly due to 1) the Group's strengthening of clinical deployment, product and service organization and service promotion of pediatric surgery and pediatric specialties (mainly including ophthalmology, otolaryngology, stomatology, dermatology, etc.); 2) strengthening the buildup of commercial insurance team and actively developing commercial insurance business; and 3) with the help of digital customer operation and management, improving customer reach and enhancing customer visit experience, so as to improve customer stickiness. For the year ended December 31, 2021, the revenue from pediatric surgery services and pediatric specialties services increased by 40.7% compared with the year of 2020, and increased by 25.1% compared with the year of 2019. The combined contribution to the revenue from pediatric outpatient and inpatient services increased from 31.5% to 42.0% compared to the year of 2019. In addition, the revenue from the direct payment of commercial insurance in the pediatric business recorded a 93.9% YoY increase, and the contribution to the revenue from the pediatrics increased from 19.7% to 25.8% compared with the year of 2019. The combined revenue of pediatric membership and commercial insurance direct payment accounts for over 50% of revenue from pediatric services, reflecting a customer base with consumption power. The revenue from obstetrics and gynecology business recorded a 8.2% YoY decrease to RMB117.2 million, which was mainly affected by the decline of obstetrics and gynecology business.

The net loss of the Group amounted to RMB85.3 million, while that was RMB377.5 million for the year ended December 31, 2020. The adjusted net loss of the Group amounted to RMB67.9 million.

As the impact of the pandemic on some of the newly opened clinics prior to COVID-19 pandemic (the “COVID-19”) is significant and persistent, we have made a number of operational adjustments to these continuing loss-marking clinics. For the year ended December 31, 2021, the revenue from the Operating Medical Institutions amounted to RMB626.8 million, representing an increase of 25.4% compared to the year of 2020. The adjusted EBITDA of the Operating Medical Institutions was RMB147.6 million, representing an increase of approximately 21.3% compared with RMB121.7 million in the same period last year. The increase in revenue and adjusted EBITDA was mainly due to the increase in profit in Beijing.

Industry Outlook and the Group’s Strategies

According to the Seventh National Census in 2020, as of November 2020, there were 254 million children aged 0-14 in the PRC, accounting for 18.0% of the total population, representing an increase of 1.5 percentage points as compared with 2015. Among which, the population of children aged 0-4 and 5-14 both recorded an increase. The population and health of children are of strategic importance to the long-term development of the country’s national strength. However, the supply of specialized medical care for children is still scarce. At present, there are around 140,000 pediatricians in the PRC, serving 254 million children. The average number of pediatricians per 1,000 children is 0.56, while the average number of doctors in the PRC per 1,000 people is 2.3. There is still a shortage of over 100,000 pediatricians. With the implementation of the two-child policy in 2015 and the three-child policy in 2021, the state attaches great importance to the training of pediatricians and the development of pediatric medical services. In 2016, the state included the training of pediatricians into the “13th Five-Year Plan” and strengthened the recruitment and training of pediatricians to address the lack of professionals in pediatrics. The first method was the standardized training of pediatric residents, bringing pediatrics into the professional catalogue of standardized training of residents. After the implementation of this policy, the number of pediatric personnel training has increased significantly. The second method was deepening the collaborative reform of medical education with the Ministry of Education, putting forward clear requirements for colleges and universities, and strengthening the training of pediatric professionals. The third method was strengthening the on-the-job training and continuing education of medical personnel. In the “14th five-year plan” issued in 2021, it is even clear to improve the training quality and scale of medical staff and expand the number of doctors in shortage in pediatrics and general practice.

In addition, the state also attaches great importance to children’s health. In 2016, the “Outline of the Healthy China 2030 Plan” was issued, which included the requirements for children’s and adolescents’ myopia prevention and control, mental health, oral health and health management for children aged 0-6. Policy guidance at the national level has greatly contributed to raising public awareness of children’s health management, and has also triggered a significant increase in demand for children preventive care, growth and development management, and pediatric specialties. Pediatric medical services have transformed from demand for pediatric disease treatment in the past to that for diversified, niche, and personalized medical and health management. With the upgrading of children’s families health

consumption after the pandemic and the increasing interests of children’s families in commercial insurance, new opportunities have been brought to the growth of children healthcare market.

Adhering to the previously formulated development strategies, the Group intends to grasp the industry opportunities by implementating the following measures in 2022:

- Building on the competitive advantages of cooperation from multiple disciplines in pediatrics, focus on the construction of pediatric subspecialties, and develop its product and service chain centering around the medical and health needs of customers.
- Strengthen marketing and cooperation with insurance institutions to expand the coverage of the target customer base.
- Empower offline physical medical institutions through technology companies and promote upgrading of operational structure and customer management system, and complete the in-depth integration of professional medical clinical pathway covering pre-treatment, treatment and post-treatment with customer operation to enhance customer experience and stickiness in all aspects.
- Optimize the organizational structure and talent management, strengthen cost control and implement employee incentive plans in due course 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 of the revenue for the periods indicated:

	Year ended December 31,			
	2021		2020	
	<i>(in thousands of RMB, except percentages)</i>			
Medical services	621,321	98.2%	495,769	96.7%
Hospital consulting services	4,620	0.7%	8,531	1.7%
Others ⁽¹⁾	6,624	1.1%	8,485	1.6%
Total	<u>632,565</u>	<u>100%</u>	<u>512,785</u>	<u>100.0%</u>

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

Medical Services

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

	Year ended December 31,	
	2021	2020
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	621,321	495,769
Cost of revenue	425,351	363,605
Gross profit	195,970	132,164
Gross profit margin	31.5%	26.7%

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

	Year ended December 31,			
	2021		2020	
	<i>(in thousands of RMB, except percentages)</i>			
Pediatric services	504,081	79.7%	368,015	71.8%
Obstetric and gynecologic services	117,240	18.5%	127,754	24.9%
Total	<u>621,321</u>	<u>98.2%</u>	<u>495,769</u>	<u>96.7%</u>

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

	Year ended December 31,	
	2021	2020
The Group		
Inpatient services		
Inpatient visits	8,158	7,581
Average inpatient spending per visit <i>(RMB)</i>	27,801	26,864
Outpatient services		
Outpatient visits	253,813	193,039
Average outpatient spending per visit <i>(RMB)</i>	1,399	1,281
Revenue from medical services attributable to inpatients <i>(RMB'000)</i>	226,801	203,656
Revenue from medical services attributable to outpatients <i>(RMB'000)</i>	354,979	247,322
Revenue recognized for membership card sales <i>(RMB'000)</i>	39,541	44,791
Pediatric Services		
Inpatient services		
Inpatient visits	5,834	4,677
Average inpatient spending per visit <i>(RMB)</i>	27,848	25,916
Outpatient services		
Outpatient visits	204,535	150,207
Average outpatient spending per visit <i>(RMB)</i>	1,477	1,345
Revenue from medical services attributable to inpatients <i>(RMB'000)</i>	162,467	121,207
Revenue from medical services attributable to outpatients <i>(RMB'000)</i>	302,073	202,017
Revenue recognized for membership card sales <i>(RMB'000)</i>	39,541	44,791
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	2,324	2,904
Average inpatient spending per visit <i>(RMB)</i>	27,682	28,391
Outpatient services		
Outpatient visits	49,278	42,832
Average outpatient spending per visit <i>(RMB)</i>	1,074	1,058
Revenue from medical services attributable to inpatients <i>(RMB'000)</i>	64,334	82,449
Revenue from medical services attributable to outpatients <i>(RMB'000)</i>	52,906	45,305

Revenue from provision of our medical services amounted to RMB621.3 million in 2021, representing a 25.3% YoY increase and accounting for 98.2% of the Group's total revenue. This increase was primarily due to (i) a 43.5% and 11.4% YoY increase in revenue from medical services attributable to the outpatients and inpatients respectively; and (ii) a 11.7% YoY decrease in revenue recognized for membership card sales.

In 2021, there were 5,834 pediatric services inpatient visits, representing a YoY increase of 24.7%. There were also 204,535 pediatric services outpatient visits, representing a YoY increase of 36.2%. For obstetric and gynecologic services, there were 2,324 inpatient visits, representing a YoY decrease of 20.0%, and 49,278 outpatient visits, representing a YoY increase of 15.0%.

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 2021 reached RMB425.4 million, representing a YoY increase of 17.0%. This increase was primarily because (i) with the increased business, measures including optimizing personnel structure and working hours arrangement which were in place in 2020 in response to the COVID-19 Outbreak and the government relief on social security contribution were canceled in 2021, which led to an increase in personnel wages, and (ii) costs of medicines, consumables and specialists increased due to increase in business volume.

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,	
	2021	2020
	<i>(in thousands of RMB, except percentages)</i>	
Revenue	4,620	8,531
Cost of revenue	885	5,065
Gross profit	3,735	3,466
Gross profit margin	80.8%	40.6%

The gross profit and the gross profit margin of our hospital consulting services for the year ended December 31, 2021 were RMB3.7 million and 80.8% respectively. Consulting services this period is mainly composed of the charge for use of brand, so the gross profit has been greatly improved.

Gross Profit and Gross Profit Margin

Our gross profit in 2021 amounted to RMB 198.7 million, representing a YoY increase of 46.4%. This was primarily because of the increase of pediatric services outpatient visits. Our gross profit margin increased from 26.5% in 2020 to 31.4% in 2021.

Selling Expenses

Our selling expenses in 2021 amounted to RMB60.8 million, representing a YoY increase of 38.0%. This was mainly due to the increase in the costs of staff remuneration.

Administrative Expenses

Our administrative expenses in 2021 amounted to RMB156.4 million, representing an increase from RMB123.3 million in 2020. Such increase was mainly a result of increase in personnel wages due to cancellation of measures including optimization of personnel structure and employees' working hours arrangement, which were in place in 2020 in response to the COVID-19 Outbreak and cancellation of government relief on social security contribution in 2021.

Research and Development Expenses

The expenses for research and development of the Group were RMB10.6 million, compared with RMB14.5 million in the same period last year. This decrease was mainly due to the reduction of research and development activities.

Impairment Loss of Non-current Assets

During the reporting period, the Group recorded an impairment loss of RMB15.0 million in property, plant and equipment. The impairment loss was mainly related to the impairment of assets and was caused by our decision to spin off BNC Qingnian Road Clinic, Chengdu Xinyi Health Management Co., Ltd., BNC Chaowai Clinic and New Century Healthcare (Hong Kong) Co. Limited.

Other Gains – Net

Our other net gains in 2021 amounted to RMB3.2 million as compared to other net gains of RMB4.0 million in 2020. Our other net gains in 2021 were a net result of gains from change in leases and retirement of fixed assets and intangible assets.

Finance Income and Expenses

Our finance income in 2021 decreased from RMB3.3 million in 2020 to RMB3.1 million, which was mainly a result of a decrease in deposit interest. Our finance expenses in 2021 decreased from RMB23.3 million in 2020 to RMB16.7 million, which was mainly a result of (i) a decrease of foreign exchange losses of RMB5.2 million, and (ii) a decrease in interest expenses and finance charges paid/payable for lease liabilities of RMB1.9 million.

Income Tax Expense

Our income tax expense in 2021 amounted to RMB26.1 million, representing a YoY decrease of 46.5%. This was mainly because there was no reversal of deferred tax assets related to accumulated tax losses during the year.

Due to the loss-making result for the years ended December 31, 2021 and 2020, the effective tax rate is not applicable.

Loss for the year ended December 31, 2021

Our loss attributable to the owners of the Company for the year ended December 31, 2021 amounted to RMB101.5 million, as compared to a net loss attributable to the owners of the Company of RMB371.4 for the year ended December 31, 2020.

FINANCIAL POSITION

Inventories

Our inventories increased by 7.7% from RMB19.6 million as of December 31, 2020 to RMB 21.1 million as of December 31, 2021 primarily due to the increase of requisite medical inventories as a result of the growth of business of the Group's medical institutions.

Trade Receivables

Our trade receivables increased by 37.8% from RMB28.6 million as of December 31, 2020 to RMB39.4 million as of December 31, 2021 primarily driven by an increase in revenue from medical services.

Trade Payables

Our trade payables increased by 7.0% from RMB25.6 million as of December 31, 2020 to RMB27.4 million as of December 31, 2021 primarily due to an increase in business volume.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of December 31, 2021, we had cash and cash equivalents of RMB223.8million (December 31, 2020: RMB299.2 million). We did not have any interest-bearing borrowings as of December 31, 2021 (December 31, 2020: nil).

Significant Investments, Acquisitions and Disposals

We did not have any significant investments, material acquisitions or material disposals in the year ended December 31, 2021.

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 2021 was RMB13.2 million (2020: RMB11.2 million), which was mainly attributable to the upgrade of existing medical institutions.

INDEBTEDNESS

Borrowings

As of December 31, 2021, we did not have any borrowings (2020: nil).

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. On December 31, 2021, 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, 2021, 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, 2021, none of our assets had been pledged.

Contractual Obligations

As of December 31, 2021, we did not have any contractual obligations that would have a material effect on our financial position or results of operations.

Financial Instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, amounts due from related parties, cash and cash equivalents, trade payables, other payables excluding non-financial liabilities and amounts due to related parties. Our management manages such exposure to ensure appropriate measures are implemented in a timely and effective manner.

Gearing Ratio

As of December 31, 2021, our gearing ratio, calculated as total borrowings divided by total equity, is not applicable (December 31, 2020: Not applicable).

EMPLOYEE AND REMUNERATION POLICY

On December 31, 2021, the Group had 1,401 employees (December 31, 2020: 1,352 employees). Total staff remuneration expenses including Directors' remuneration in 2021 amounted to RMB322.5 million (FY2020: RMB263.8 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 and the Employee Share Scheme to attract, retain and motivate our key employees.

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, performance at the Company 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, 2021 (2020: nil).

OTHER INFORMATION

Annual General Meeting

The AGM of the Company will be held on Friday, May 20, 2022. 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 17, 2022 to Friday, May 20, 2022, 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 16, 2022.

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, 2021, save and except for code provision C.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. 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, 2021.

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, 2021. 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

As of December 31, 2021, for the purpose of the Employee Share Scheme, 1,923,500 shares have been purchased from the market by the trustee appointed by the Company for the administration of the Employee Share Scheme to hold on trust for the benefit of the selected participants pursuant to the rules governing the Employee Share Scheme and the provisions of the trust deed in relation to the Employee Share Scheme.

Save as disclosed in this announcement, during the year ended December 31, 2021, neither the Company nor any of its subsidiaries had 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, 2021 and has recommended for the Board's approval thereof.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2021 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, 2021. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUBSEQUENT EVENTS

Reference is made to the Company's announcement dated January 30, 2022 in relation to the acquisition of 12.47% equity interest of Beijing Jiahua Yongsheng Medical Investment Management Co., Ltd. for a cash consideration of RMB18.7 million. Save as disclosed above, as of the date of this annual results announcement, the Group had no other significant events after the reporting period that needs to be disclosed.

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 2021 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”	The First Branch of Beijing New Century Yide Consultancy Co. Ltd. (北京新世紀怡德諮詢有限公司第一分公司), formerly known as 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 wholly owned subsidiary of the Company;
“BNC Children's Hospital”	Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability on December 13, 2002, which is a non-wholly-owned subsidiary of the Company;

“BNC Harmony Clinic”	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is a 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 Wenyu Clinic”	Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd. (北京新世紀溫榆門診部有限公司), a company incorporated in the PRC with limited liability on August 22, 2016, 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 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 Women’s and Children’s Hospital”	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;
“Employee Share Scheme”	the restricted share award scheme approved and adopted by the Company on August 28, 2020;
“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, executive Director and controlling Shareholder;
“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 28, 2022

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. XIE Qiang, as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.