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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022
AND
HISTORICAL NOTIFIABLE TRANSACTIONS AND
CONNECTED TRANSACTIONS IN RELATION TO
THE PROVISION OF FINANCIAL ASSISTANCE TO JIAHUA LIKANG**

Reference is made to the annual report of New Century Healthcare Holding Co. Limited (the “**Company**”, with its subsidiaries, collectively, the “**Group**”) for the year ended December 31, 2022 (which was published on the website of the Stock Exchange at www.hkexnews.hk on April 27, 2023 (the “**2022 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meaning as defined in the 2022 Annual Report.

In addition to the information provided in the 2022 Annual Report, the Board wishes to provide further details to Shareholders and potential investors of the Company in relation to (i) the impairment losses on non-current assets for the year ended December 31, 2022; (ii) the impairment losses on financial assets for the year ended December 31, 2022; and (iii) certain historical notifiable and connected transactions in relation to the provision of financial assistance to Jiahua Likang.

IMPAIRMENT LOSSES ON NON-CURRENT ASSETS

As stated in the 2022 Annual Report, the Company recorded respective impairment losses on non-current assets of approximately RMB156 million (the “**Non-current Assets Impairment Losses**”). The Non-current Assets Impairment Losses are in relation to (i) impairment losses on non-current assets of pediatric business of Chengdu New Century cash generation units (“**CGU**”) and obstetrics and gynecology business of Chengdu New Century CGU; and (ii) impairment losses on non-current assets with regards to BNC Ao-dong Clinic, the entire equity interests of which were disposed by the Company in August 2022.

Year ended December 31, 2022

(RMB'000)

	Chengdu New Century Obstetrics and Pediatric in Chengdu New Century CGU		Gynecology in Chengdu New Century CGU	BNC Ao-dong Clinic	Total
Impairment losses on non-current assets	50,780	93,006		11,913	155,699

Reasons for and circumstances leading to the Impairment Losses on Non-current Assets

(i) *Impairment losses on non-current assets of pediatric in Chengdu New Century CGU and obstetrics and gynecology in Chengdu New Century CGU*

In 2018, the Company acquired 85% equity interests of Chengdu New Century at a consideration of RMB200 million (for details, please refer to the Company’s circular dated December 2017 and the announcement dated August 2018). Pursuant to the purchase price allocation, a goodwill of approximately RMB254 million and medical license (intangible asset subject to amortisation) of approximately RMB126 million were recognized. In 2020, due to outbreak of COVID-19 and the resulting change in patients’ behaviors, the operating performance of Chengdu New Century was negatively affected. As a result, impairment losses of approximately RMB220 million on goodwill were provided for as of June 30, 2020.

In 2021, the business of Chengdu New Century operated smoothly. Considering the facts that normal work and production had been resumed in Chengdu and the economic growth of Chengdu (from GDP growth rate of 4.0% in 2020 to 8.6% in 2021), the Company and the directors of the Company (“**Directors**”) then still had faith in the future operation and further growth of Chengdu New Century. There were no additional impairment losses on goodwill of Chengdu New Century provided for the year ended December 31, 2021.

However, throughout the year of 2022, the Company became aware that (a) the incremental but profound adverse impact resulted from the three-year COVID-19 prevention and the knock-on effect in general including the decreasing consumer confidence; (b) the pessimistic expectation of future economic growth due to the significant decrease of GDP in Chengdu (2.8% in 2022 while 8.6% in 2021); (c) the childbearing willingness of childbearing age population further decreased after the widespread of COVID-19 and the pessimistic mood of future uncertainty; (d) the first-time negative population growth in the PRC since 1962; and (e) certain public hospitals in Chengdu entered into upscale pediatric and obstetrics services market by setting up single room ward and establishing new branches. Even though the regional control measures were relieved by the end of 2022, the Company still estimated that concerns over future uncertainties would have heavier impact to the number of new-borns and the fertility rate of women of childbearing age which would in turn further impact the Company's operation in Chengdu. Such concerns were substantiated by the poor operating performance of Chengdu New Century in 2022 and the slow recovery in the first quarter of 2023. Therefore, the Company reassessed the financial forecasts for the two CGUs as of December 31, 2022.

To facilitate the financial forecasts, the Company engaged a third-party industry expert consultant, Shanghai Renxi Health Management Consulting Co., Ltd. (上海仁汐健康管理諮詢有限公司, “**Shanghai Renxi**”), to conduct an analysis and forecast on the industry outlook of pediatric services and obstetrics and gynecologic services in Chengdu, for the years from 2023 to 2030 (the “**Industry Report**”). The Industry Report has been solely prepared by Shanghai Renxi independently.

Pursuant to the Industry Report, revenue of several well-known private pediatric and obstetrics and gynecological hospitals in Chengdu did not achieve growth in 2022. In addition, the number of new-borns and the fertility rate of women of childbearing age is forecasted to keep decreasing between the period from 2023 to 2030. Even though, taking into consideration of the higher demand for sophisticated services provided by private hospitals and the inflation of per capita disposable income during the forecast period, the market size for the private pediatric and obstetrics and gynecology hospitals in Chengdu will keep increasing while the growth rate will remain relatively slow for a long period time (with an average compound growth rate of 10–14% between the years 2023 to 2030) and, as a result, the market competition is expected to be much more intense.

Due to the above indicators as disclosed in the Industry Report and the reasons detailed above, with the assistance of an external independent valuer, the Company reduced its financial forecasts and performed impairment tests on non-current assets in accordance with Hong Kong Accounting Standard 36 (“**HKAS 36**”) for Pediatric of Chengdu New Century CGU and Obstetrics and Gynecology of Chengdu New Century CGU. The Company applied value-in-use as the recoverable amount for calculation of the impairment, as it is slightly higher than fair value less cost of disposal based on the report issued by the external independent valuer. The carrying amounts of the CGUs of Pediatric in Chengdu New Century and Obstetrics and Gynecology in Chengdu New Century exceeded their recoverable amounts by approximately RMB51 million and approximately RMB93 million, respectively, which resulted in impairment losses on goodwill, medical license and property, plant and equipment set out as below.

	Year ended December 31, 2022		
	<i>(RMB'000)</i>		
	Pediatric in Chengdu New Century CGU	Obstetrics and Gynecology in Chengdu New Century CGU	Total
Impairment losses on goodwill	12,128	21,470	33,598
Impairment losses on intangible assets other than goodwill	36,544	68,831	105,375
Impairment losses on property, plant and equipment	2,108	2,705	4,813
	<u>50,780</u>	<u>93,006</u>	<u>143,786</u>
Total	<u>50,780</u>	<u>93,006</u>	<u>143,786</u>

By the end of December 31, 2022, the goodwill and the medical license attributable to Pediatric in Chengdu New Century CGU and Obstetrics and Gynecology in Chengdu New Century CGU were fully impaired.

(ii) *impairment losses on non-current assets with regards to BNC Ao-dong Clinic*

BNC Ao-dong Clinic provided pediatric and gynecology services in Beijing, the PRC. Its business development was on schedule until the first quarter of 2022. Due to more stringent and frequent control measures implemented in Beijing in response to the spreading of Omicron variant since the second quarter of 2022, the business of BNC Ao-dong Clinic was adversely affected. On June 29, 2022, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests of BNC Ao-dong Clinic held by the Group at a total consideration of approximately RMB5.3 million. The related assets of BNC Ao-Dong Clinic were therefore classified as held for sale and the difference between the fair value less cost to disposal (which is determined by reference to the consideration) and the carrying value of those assets resulted in impairment losses on the non-current assets amounting to approximately RMB12 million. As of December 31, 2022, the disposal transaction had been completed.

Underlying valuation methodology and key value of inputs used and assumptions adopted in the valuation

The underlying valuation methodology and key value of inputs used and assumptions adopted in the valuation to determine the recoverable amount of Pediatrics of Chengdu New Century CGU and Obstetrics and Gynecology of Chengdu New Century CGU were disclosed in the note 8(a) to the notes to the consolidated financial statements of the Group for the year ended December 31, 2022.

The Company's assessment on the fairness and reasonableness of the Impairment Losses on Non-current Assets

The Directors of the Company performed following procedures to assess on the fairness and reasonableness of the impairment on non-current assets of Pediatric in Chengdu New Century CGU and Obstetrics and Gynecology in Chengdu New Century CGU during the preparation of consolidated financial statements for the year ended December 31, 2022:

- (i) evaluated management's internal control and process of the impairment assessment;
- (ii) identified the indicators leading to the impairment and the time once they were aware of the indicators; and then evaluated their reasonableness by reference to variance between the actual and budget of the financial performance of Chengdu New Century; and evaluated the market condition and the prospects with assistance of the industry consultant, Shanghai Renxi;
- (iii) evaluated the model applied by management for assessing the impairment and then evaluated the appropriateness of application of such model;
- (iv) checked the data sources of key inputs and assumptions in the model and then evaluated their appropriateness by reference to industry information and historical financial performance;
- (v) evaluated the competency, capability and objectivity of the Valuer;
- (vi) reviewed the calculation of the impairment; and
- (vii) reviewed the disclosure of the impairment in the consolidated financial statements for the year ended December 31, 2022.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

As stated in the 2022 Annual Report, the Company recorded net impairment losses on financial assets of approximately RMB127 million (the “**Net Impairment Losses on Financial Assets**”). Please refer to the details in note 3.1.2 to the notes to the consolidated financial statements of the Group for the year ended December 31, 2022 in relation to the accounting policy of credit risk, the method, basis and calculation used in determining Net Impairment Losses on Financial Assets.

The primary reasons of, and the method, basis and calculation used in determining the amount of the Net Impairment Losses on Financial Assets

The Net Impairment Losses on Financial Assets as of December 31, 2022 primarily arose from amounts due from related parties, including (i) expected credit losses on amounts due from Jiahua Likang in the amount of approximately RMB105 million; and (ii) expected credit losses on amounts due from Bairui Kangchen in the amount of approximately RMB22 million.

(i) expected credit losses on amounts due from Jiahua Likang

Jiahua Likang is a connected person of the Company and an investment holding company which operates certain hospitals and clinics in Tianjin, Suzhou, Foshan and Qingdao that provide pediatric and obstetrics and gynecology services.

Amounts due from Jiahua Likang represent the receivables with regards to management consulting services provided by the Company to the hospitals operated by Jiahua Likang. As of December 31, 2022, the gross amounts due from Jiahua Likang amounted to approximately RMB140.5 million. The expected credit losses for the year ended December 31, 2022 on amounts due from Jiahua Likang of approximately RMB104.5 million were primarily due to the incremental but profound adverse changes on the operation of Jiahua Likang in 2022. Please refer to the details in note 15(i) to the notes to the consolidated financial statements of the Group for the year ended December 31, 2022 for the amounts due from Jiahua Likang and its expected credit losses.

As of December 31, 2021, the Company did not consider the risk of not recovering the receivables increased significantly, considering that (i) its underlying hospitals and clinics were still under business development stage, as the investment cycle in healthcare industry is relatively longer; (ii) Jiahua Likang has track records of several rounds of successful equity funding; and (iii) both the Company and other market participants (i.e., those reputable private equity funds, venture capital funds and other potential investors who were actively negotiating funding plan with Jiahua Likang) still had good faith in its business. However, the situation changed due to the combined adverse impact resulted from (i) the potential financing was suspended since the second

half of 2022 as the investing and financing environment deteriorated; (ii) no further progress in funding negotiation even after the relief of the COVID-19 prevention and control measures due to pessimistic mood in capital market primarily resulted from the prolonged stringent domestic COVID-19 prevention policies and measures in majority of 2022; and (iii) the operating performance of the hospitals operated by Jiahua Likang had been adversely affected by the spreading of Omicron variant and management of Jiahua Likang closed certain business units and clinics after the second quarter of 2022. As a result, Jiahua Likang defaulted the agreed repayment schedule in 2022.

The Company was of the opinion that the solvency of Jiahua Likang might take years to recover and its expected credit losses significantly increased correspondingly. For the year ended December 31, 2022, expected credit losses on amounts due from Jiahua Likang of approximately RMB104.5 million were provided for by the Company.

When determining the expected credit loss of amounts due from Jiahua Likang, the Company applied the simplified approach prescribed under HKFRS 9 as the amounts were trade in nature. Thus, the life-time expected credit losses were estimated by assessing the possibility of default (“**PD**”), loss given default (“**LGD**”) and exposure at default (“**EAD**”) of Jiahua Likang under different scenarios. For the year ended December 31, 2021, taking into consideration of the factors as explained as above, the Company did not consider the risk of not recovering the receivables of Jiahua Likang increased significantly. While for the year ended December 31, 2022, there was adverse changes on the operation of Jiahua Likang which resulted Jiahua Likang had defaulted the agreed repayment schedule with the Company. After taking into consideration of the forward looking adjustment when determining PD and LGD, the expected credit loss rate of amounts due from Jiahua Likang as of December 31, 2022 was 79.59% (5.18% as of December 31, 2021).

The management consulting services fall under the definition of “continued connected transaction” in Chapter 14A of the Listing Rules, which had been fully disclosed in the prospectus and annual reports of the Company. Annual caps for the management consulting services were approved by the shareholders of the Company. For further details, please refer to the paragraph headed “The Provision of Financial Assistance and Past Notifiable and Connected Transactions” in this announcement below.

(ii) expected credit losses on amounts due from Bairui Kangchen

Amounts due from Bairui Kangchen, a related party of the Company, represent loans granted to Bairui Kangchen in 2019 with an annual interest rate at 4.75% and a two-year term. The related party transactions with Bairui Kangchen have been fully disclosed in prior years’ annual reports of the Company. Pursuant to the loan agreement, Bairui Kangchen pledged its share interest in Shenzhen Yihe Qiaoxiang Clinic, a subsidiary of Bairui Kangchen principally engaged in pediatric and gynecology services, to the Company as collateral for the loans. For the year ended December 31, 2021, Shenzhen Yihe Qiaoxiang Clinic, the subsidiary of Bairui

Kangchen achieved revenue growth and loss rate reduction and it was applying for cosmetic license to further expand its business. Management of Bairui Kangchen then still expected a further growth in 2022. In the second half year 2021, the Company entered into a supplementary agreement to extend the maturity date of loans to Bairui Kangchen to September 2022. As of December 31, 2022, Bairui Kangchen didn't repay the loans based on the agreed repayment schedule. The gross amounts due from Bairui Kangchen amounted to approximately RMB27.2 million, including the principal and corresponding interests. The impairment losses for the year ended December 31, 2022 on amounts due from Bairui Kangchen of approximately RMB22 million were provided for as of December 31, 2022. Please refer to the details in note 15(ii) to the notes to the consolidated financial statements of the Group for the year ended December 31, 2022 for the amounts due from Bairui Kangchen and its expected credit losses.

The Company applied the three-stage model prescribed under HKFRS 9 as the amounts due from Bairui Kangchen were loans in nature. For the year ended December 31, 2021, considering the above factors, the Company was of the opinion that the credit risk of Bairui Kangchen was manageable. Since the second quarter of 2022, more stringent and frequent regional control measures were implemented in response to the spread of the Omicron variant, which adversely affected the operation of Shenzhen Yihe Qiaoxiang Clinic and new cosmetic business did not bring remarkable revenue growth to this entity as expected. Bairui Kangchen defaulted the agreed repayment schedule in September 2022. As of December 31, 2022, the Company understood that Bairui Kangchen was considering the option to close the clinic. Due to the above changes in 2022 and the default of the agreed repayment schedule, the Company was of the opinion that the solvency of Bairui Kangchen had been significantly deteriorated and its expected credit losses increased as a result. Therefore, the amounts due from Bairui Kangchen was credit-impaired and move to stage 3 as of December 31, 2022. The Company applied the life-time expected credit losses prescribed under HKFRS 9 by assessing the PD, LGD and EAD of Bairui Kangchen under different scenarios. After taking into consideration of the forward looking adjustment when determining PD and LGD, the expected credit loss rate of amounts due from Bairui Kangchen as of December 31, 2022 was 96.73% (16.35% as of December 31, 2021).

As all the applicable ratios at the relevant time are below 5% and therefore the transactions are not subject to any announcement or shareholder's approval requirements under Chapter 14 of the Listing Rules.

The Company's assessment on the fairness and reasonableness of the Net Impairment Losses on Financial Assets

For the net impairment losses on the amounts due from Jiahua Likang and Bairui Kangchen, the Directors:

- (i) evaluated management's internal control and assessment process of the expected credit losses;

- (ii) evaluated the model applied by management for assessing the impairment and then evaluated the appropriateness of application of such model;
- (iii) analysed and evaluated the credit risk of each counterparty by reference to its financial information, the agreed payment schedule and the historical payment records made by counterparties;
- (iv) evaluated the reasonableness of selecting relevant macroeconomic parameters in calculation of forward-looking adjustment factors;
- (v) reviewed the calculation of the impairment; and
- (vi) reviewed the disclosure of the impairment in the consolidated financial statements for the year ended December 31, 2022.

HISTORICAL NOTIFIABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE TO JIAHUA LIKANG

Introduction

Reference is made to the past continuing connected transactions in relation to the management consulting service agreement entered into between the Company and Jiahua Likang on June 1, 2016 (as disclosed in the section headed “Connected Transactions” in the prospectus of the Company dated December 29, 2016)(“**2016 Agreement**”), the renewed framework management consulting services agreement entered into between the Company and Jiahua Likang on April 12, 2019 (details of which were disclosed in the circular of the Company published on May 15, 2019)(“**2019 Agreement**”) and the renewed framework management consulting services agreement entered into between the Company and Jiahua Likang on December 31, 2021 (“**2021 Agreement**”), being a fully exempt continuing connected transaction, the terms of which were disclosed in the 2021 and 2022 annual reports of the Company (collectively, the “**Framework Agreements**”). Jiahua Likang is a connected person of the Group by virtue of it being an associate of Mr. Jason ZHOU, an executive Director and a substantial shareholder of the Company pursuant to Rule 14A.12(1) of the Listing Rules. As a result of the long settlement status of trade receivables due from Jiahua Likang to the Company because of the lack of an expressly stipulated payment time under the Framework Agreements as well as the subsequent Repayment Plans (as defined below) entered into between the Company and Jiahua Likang, the Repayment Plans constituted the provision of financial assistance by the Company to a connected person under Chapter 14A of the Listing Rules and in turn also constituted notifiable transactions under Chapter 14 of the Listing Rules. For details, please refer to the paragraph headed “Listing Rules Implications” in this announcement below. As at the date of this announcement, the aggregate amount due from Jiahua Likang amounted to approximately RMB140.5 million. Details of these past transactions are set out in this announcement below.

Background and reasons for the past provision of financial assistance and past notifiable and connected transactions

Reasons for lack of an expressly stipulated payment time and long settlement time under the Framework Agreements

At the relevant times of entering into the Framework Agreements between the Company and Jiahua Likang, the lack of an expressly stipulated payment time in the agreed terms under the Framework Agreements was primarily due to the following considerations: (i) Jiahua Likang's business operations and overall financing conditions at the relevant time; (ii) the mutual understanding between the Group and Jiahua Likang on the business development and potential commercial benefits that the Group may attain through its long established business relationships with Jiahua Likang; and (iii) the potential collaboration opportunities between the Group and Jiahua Likang in the future given that Jiahua Likang owns certain medical institutions which have the potential of being the acquisition targets of the Group.

In relation to (i) above, in the years when the Company provided services to Jiahua Likang, Jiahua Likang was in overall good financial condition as it succeeded in several rounds of equity funding from certain famous private equity funds and venture capitals approximately in aggregate of RMB600 million from 2016 to 2019. The last round of RMB200 million was completed in December 2019. In 2021, Jiahua Likang initiated a new round of equity funding. Till the end of March 2022, Jiahua Likang had been actively negotiating equity financing plan with several reputable private equity funds, venture capital funds and other potential investors to support its future business operation. A letter of intent was signed with an independent third-party private equity fund in February 2022.

In relation to (ii) and (iii) above, as disclosed in the prospectus of the Company, the provision of management consulting services to Jiahua Likang for its hospitals, which are all for-profit private medical institutions outside of Beijing, is part of the Group's long term business plan. In this regard: (a) as at the date of the prospectus, all of the Group's then operating medical institutions were located in Beijing and it was beneficial and of long-term strategic importance to the Group to enhance its brand awareness in other cities in the PRC outside of Beijing. Under the Framework Agreements, new medical institutions of Jiahua Likang must only use the management consulting services provided by the Company to the exclusion of other service providers. Thereby, through licensing the medical institutions owned by Jiahua Likang the right to use the "New Century Healthcare (新世紀醫療)" brand in medical certification, brand name and promotional materials under the agreements, the Group could benefit from building the recognition of the "New Century Healthcare (新世紀醫療)" brand in a number of major cities in the PRC outside of Beijing, and the Company may leverage on the brand value and develop its management consulting business in return. As such, the Company was of the view that a good long-established business relationship with Jiahua Likang is of long-term importance to the Group; (b) as the Group only started to provide management consulting services to medical institutions, as a new player to the market, securing good medical institution clients was of much importance to the Group. The

cooperation with Jiahua Likang under the agreements offered the Company the opportunity to provide management consulting services to a handful of medical institutions in one go and accumulate its management consulting services capabilities. Such arrangement was also expected to enhance the Group's New Century brand in the PRC; and (c) as disclosed in the prospectus of the Company, the Group had a right of first refusal over the sale of the medical institutions owned by Jiahua Likang. As part of the Group's long-term development and expansion plans, the Group would consider acquiring suitable medical institutions available for sale in the market, including those of Jiahua Likang located in other cities outside of Beijing once they mature in the future.

In view of the above special circumstances and the considerations, when formulating the payment terms, while the Company took into account the standard payment terms of services of comparable nature and scale in the normal market, it also took into account such special circumstances and the considerations, especially the commercial benefits the Group was expected to attain under the cooperation under the agreements as detailed above. As the terms offered by Jiahua Likang under the agreements as a whole were beneficial to the Group, the Company considered that the lack of an expressly stipulated payment time, which allowed a certain degree of flexibility to Jiahua Likang in terms of specific payment time, was fair and reasonable taken as a whole, and are not less favorable to the Company than that available from independent third parties and are in the interest of the Group and the Shareholders as a whole.

Subsequent repayment plans between Jiahua Likang and the Company which constituted the provision of financial assistance by the Company under the Listing Rules

As part of the Group's trade receivables collection and management measures, the Company took active steps to collect outstanding amount to be paid by Jiahua Likang during the periods concerned. Based on the ongoing assessment of the situation and to minimize the credit loss risks, the Company agreed with Jiahua Likang on the plans for receivables collection (the "**Repayment Plans**"), which included (i) the first repayment schedule agreed on March 1, 2019 ("**March 2019 Repayment Plan**"); (ii) the revised repayment schedule agreed on March 10, 2020 ("**March 2020 Repayment Plan**"); (iii) the repayment schedule further revised on March 12, 2021 ("**March 2021 Repayment Plan**"); and (iv) the repayment schedule further revised on July 30, 2021 ("**July 2021 Repayment Plan**"). Subject to certain conditions under the Repayment Plans, details of the repayment schedules are as follows:

- (i) Under the March 2019 Repayment Plan, Jiahua Likang undertook to repay RMB106,926,918.89 (being the total sum of outstanding amount due to the Company at the time the agreement) to the Company in full under the following installment schedule:
 - a. the first installment of RMB50,000,000 shall be paid on or before December 31, 2019; and

- b. the second installment of RMB56,926,918.89 shall be paid on or before December 31, 2020.
- (ii) Under the March 2020 Repayment Plan, Jiahua Likang undertook to repay RMB138,124,723.05 (being the total sum of outstanding principal amount due to the Company at the time of the agreement) to the Company in full under the following installment schedule. The March 2020 Repayment Plan superseded the March 2019 Repayment Plan.
- a. the first installment of RMB50,000,000 shall be paid on or before December 31, 2020; and
 - b. the second installment of RMB88,124,723.05 shall be paid on or before December 31, 2021.
- (iii) Under the March 2021 Repayment Plan, Jiahua Likang undertook to repay RMB141,606,431.35 (being the total sum of the outstanding principal amount due to the Company at the time of the agreement) to the Company in full under the following installment schedule. The March 2021 Repayment Plan superseded the March 2020 Repayment Plan.
- a. the first installment of RMB5,000,000 shall be paid on or before March 31, 2021;
 - b. the second installment of RMB20,000,000 shall be paid on or before July 31, 2021;
 - c. the third installment of RMB20,000,000 shall be paid on or before August 31, 2021;
 - d. the fourth installment of RMB20,000,000 shall be paid on or before September 30, 2021;
 - e. the fifth installment of RMB20,000,000 shall be paid on or before October 31, 2021;
 - f. the sixth installment of RMB20,000,000 shall be paid on or before November 30, 2021; and
 - g. the seventh installment of RMB36,606,431.35 shall be paid on or before December 31, 2021.

- (iv) Under the July 2021 Repayment Plan, Jiahua Likang undertook to repay RMB141,606,431.35 (being the total sum of outstanding principal amount due to the Company at the time of the agreement) to the Company in full under the following installment schedule. The July 2021 Repayment Plan superseded the March 2021 Repayment Plan.
- a. the first installment of RMB5,000,000 shall be paid on or before March 31, 2021;
 - b. the second installment of RMB40,000,000 shall be paid on or before April 30, 2022;
 - c. the third installment of RMB40,000,000 shall be paid on or before May 31, 2022; and
 - d. the fourth installment of RMB56,606,431.35 shall be paid on or before June 30, 2022.

LISTING RULES IMPLICATIONS

The Repayment Plans occurred between the period from March 2019 to July 2021. At the material time when the Repayment Plans were entered into, (i) given that the applicable percentage ratio for each of the March 2019 Repayment Plan, March 2020 Repayment Plan and March 2021 Repayment Plan contemplated thereunder were more than 5% but less than 25%, each of them constituted a disclosable transaction on the part of the Company and is thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; (ii) given that the applicable percentage ratio for the July 2021 Repayment Plan were more than 25% but less than 75%, it constituted a major transaction under Chapter 14 of the Listing Rules and should have been subject to reporting, announcement, circular and independent shareholders' approval requirements as set out in Chapter 14 of the Listing Rules; and (iii) each of the Repayment Plan constituted a connected transaction under Chapter 14A of the Listing Rules and should have been subject to reporting, announcement, circular and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

Due to an unintentional and inadvertent oversight by the Company, the Repayment Plans did not comply with the requirements of the relevant provisions of Chapters 14 and 14A of the Listing Rules. These requirements included requiring the publication of an announcement as soon as the terms of a notifiable transaction, connected transaction have been finalized; sending a circular to Shareholders and the Stock Exchange to provide details of a connected transaction of the Company which should be subject to the approval of Shareholders, conducting such transaction only upon the approval of Shareholders and entering into written agreement for any connected transaction. As at the date of this announcement, as the Repayment Plans were past transactions that had already taken place, the Board will not submit them for approval by the independent shareholders.

COVID-19 WHICH ADVERSELY AFFECTED JIAHUA LIKANG’S BUSINESS OPERATION AND ITS SHORT-TERM REPAYMENT ABILITY

Despite the Group’s numerous efforts made to actively follow up with Jiahua Likang on the Repayment Plans on every half year basis since entering into the first Repayment Plan, Jiahua Likang only managed to repay RMB5 million in each of the year 2019, 2020 and 2021, respectively. Further reference is made to note (15)(ii) to the notes to consolidated financial statements of the Company’s 2022 Annual Report for the year ended December 31, 2022, the amount due from Jiahua Likang were eventually defaulted as a result of (i) the prolonged impact of COVID-19 during 2022, especially in view of the higher transmissibility of the Omicron variant leading to the on-going stringent epidemic control policies implemented by the PRC government for majority of 2022, which had a significant adverse impact on the outpatient and surgical services provided by medical institutions operated by Jiahua Likang, in particular, the common diseases in the specialties which contribute a significant part of the income of such medical institutions mostly overlap with the diseases strictly regulated under the national epidemic controls, which significantly affected Jiahua Likang’s ability to fulfill the agreed repayment schedule; and (ii) the impact of the spread of the Omicron variant coupled with the uncertainty of the macroeconomic domestic economic environment for the majority of 2022, which adversely affected the financing and funding ability of Jiahua Likang during the period. This led to the expected credit losses of approximately RMB105 million as disclosed in the paragraph headed “Impairment Losses on Financial Assets” in this announcement above. The Company will continue to explore all possible measures and options to recollect the amount due as soon as possible in order to safeguard the Company’s assets as well as to protect the shareholders’ interests. For details, please see the paragraph headed “Remedial Actions and Internal Control Review” in this announcement below.

REMEDIAL ACTIONS AND INTERNAL CONTROL REVIEW

The Company deeply regret its oversight of the relevant requirements under Chapter 14 and 14A of the Listing Rules and confirms that such incidents were inadvertent. The Company and the Board are committed to taking following remedial actions to rectify these past transactions and measures to be taken to ensure compliance with the Listing Rules in the future:

- (i) to cease providing any further consulting services to Jiahua Likang;
- (ii) to terminate the existing framework management consulting services agreement with Jiahua Likang as soon as possible in order to alleviate any concerns that may arise from the shareholders and potential investors of the Company;

- (iii) to continue to negotiate with Jiahua Likang on the repayment of the outstanding amount and further explore any repayment proposal and/or restructuring proposal of Jiahua Likang to increase its repayment ability subject to the directors' and shareholders' approval of both the Company and Jiahua Likang with Mr. Zhou and his associates (if any) abstaining from voting at such meeting;
- (iv) to take further appropriate legal actions against Jiahua Likang for the non-repayment depending on the negotiation with Jiahua Likang;
- (v) to continue to enhance its risks management internal control systems and strictly enforce the compliance with the internal control manual and risk control matters of its business operations, thereby avoiding the re-occurrence of similar incidents:
- The Company shall conduct a comprehensive internal review of its risks management and internal control systems mainly on connected transactions aspects. The Board and the Audit Committee will review the internal review outcomes and consider any remedial actions and improvement measures to be taken;
 - The Company shall further enhance its internal control systems and strictly enforce the compliance with its internal control manual and risks control measures of its business operations, in particular more specific internal control procedures to cover the origination, payment and settlement arrangements as well as the approval process and legal compliance in respect of the Company's connected transactions;
 - To implement more systematic and frequent communications with debtors, including related party customers and counterparties, to better monitor and manage the credit risks of trade receivables especially trade receivables from related parties;
 - Depending on the outcome of the Company's internal review, if necessary, the Company will consider appoint an independent internal control consultant to further assess the effectiveness of the risks management systems on connected transactions aspects of the Group and implement the enhancement of the risks management systems;
 - The Board and the Audit Committee will pay close attention to all historical terms of the transactions as well as the approval process to ensure that the renewal of any connected transactions are properly assessed and approved and ensure all applicable disclosure and approval requirements under the Listing Rules are complied with; and

- The Directors will volunteer to attend not less than 20 hours of training on the Listing Rules compliance, director's duties, to be provided by institutions such as the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors or other course providers approved by the Listing Department.

By order of the Board
New Century Healthcare Holding Co. Limited
Mr. Jason ZHOU
Chairman, Executive Director and Chief Executive Officer

Beijing, PRC, 10 July 2023

As at the date of this announcement, the Board comprises Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han, as executive Directors; Mr. GUO Qizhi, Mr. WANG Siye, Ms. LI Suyu, 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.