Jinxin Fertility Group Limited
錦欣生殖醫療集團有限公司*

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 01951

Annual Report 2019

* For identification purposes only

CONTENTS

Company Profile

The Group is a leading ARS provider in China and the United States. The assisted reproductive medical facilities in the Group's network in China ranked third in China's ARS market in 2018 with 20,958 in IVF treatment cycles performed, representing approximately 3.1% of total China market share, according to the market research report on China and the United States ARS markets prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., (the "**F&S Report**"). These facilities also ranked first among China's non-state owned ARS providers in 2018 based on the same metric. HRC Fertility (including HRC Medical, which is managed by HRC Management pursuant to the MSA) ranked first in the Western United States in 2018. Leveraging the Group's existing market leadership in China and the United States, the Group is uniquely positioned to capture unmet demand of ARS patients in China and the United States as well as growth opportunities in both markets. The Group endeavors to provide patients with personalized solutions to fulfill their dreams of becoming parents.

Through the Group's recent acquisition of HRC Management, which manages HRC Medical pursuant to the MSA, it has enhanced its capabilities to provide high-value ARS to international patients, in particular, those from China. HRC Fertility is a leading full-service ARS provider in the United States with more than 30 years of experience, providing preimplantation genetic screening (PGS) services in addition to similar IVF services it provides in China, and preimplantation genetic diagnosis (PGD) services through third-party clinics or agencies. It ranked first among all ARS providers in the United States, in terms of IVF treatment cycles provided to ARS patients traveling from China to the United States for treatment in 2017, according to the F&S Report. By acquiring HRC Management, the Group has gained access to the United States ARS market – the most sophisticated and high-end ARS market in the world. By leveraging its access to the United States market, it is able to synergize the technically excellent and sophisticated services in the United States with its existing leading national platform in China, allowing it to capture fast-evolving demand for personalized and sophisticated ARS in China and the United States.

The Group is one of the pioneers in the ARS industry in both China and the United States. It has consistently delivered ARS with superior success rates, which is an important benchmark in the ARS industry. The assisted reproductive medical facilities in our network in China and the United States have attained success rates higher than the national average in China and the United States, respectively, according to the F&S Report. In addition, HRC Fertility had higher success rates in every age group as defined by the United States Centers for Disease Control and Prevention than the United States national average and California state average for non-donor embryo transfers in 2016, according to the F&S Report. The Group has established a strong reputation, based on superior success rates, which we have achieved through accumulating decades of experience and know-how and through recruiting and retaining of a group of renowned physicians.

BOARD OF DIRECTORS

Executive Directors

Ms. Yan Xiaoqing
Mr. Zhong Ying *(Chief Executive Officer)*
Dr. John G. Wilcox

Non-executive Directors

Mr. Wang Bin *(Chairman)*
Mr. Fang Min
Ms. Hu Zhe
Mr. Dong Yang

Independent Non-executive Directors

Dr. Chong Yat Keung
Mr. Lim Haw Kuang
Mr. Wang Xiaobo
Mr. Ye Changqing

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Ye Changqing *(Chairman)*
Dr. Chong Yat Keung
Mr. Dong Yang
Mr. Fang Min
Mr. Wang Xiaobo

REMUNERATION COMMITTEE

Dr. Chong Yat Keung *(Chairman)*
Mr. Fang Min
Mr. Wang Xiaobo
Ms. Yan Xiaoqing
Mr. Ye Changqing

NOMINATION COMMITTEE

Mr. Wang Bin *(Chairman)*
Dr. Chong Yat Keung
Dr. John G. Wilcox
Mr. Wang Xiaobo
Mr. Ye Changqing

STRATEGIC DECISIONS COMMITTEE

Mr. Zhong Ying *(Chairman)*
Mr. Dong Yang
Mr. Fang Min
Dr. John G. Wilcox
Mr. Wang Bin

MEDICAL QUALITY CONTROL AND R&D COMMITTEE

Dr. Chi Ling *(Chairman)*
Mr. Zhong Ying
Dr. Chong Yat Keung
Dr. John G. Wilcox
Mr. Zeng Yong

JOINT COMPANY SECRETARIES

Ms. Liu Hongkun
Ms. Leung Suet Wing

AUTHORIZED REPRESENTATIVES

Ms. Yan Xiaoqing
Ms. Leung Suet Wing

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

Corporate Information

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 301, North Jingsha Road
Jinjiang District, Chengdu
Sichuan, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
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Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG LEGAL ADVISOR

Fangda Partners
26/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
35/F One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

TUS Corporate Finance Limited
15/F Shanghai Commercial Bank Tower
12 Queen's Road Central
Central
Hong Kong

STOCK CODE

1951

COMPANY'S WEBSITE

www.jxr-fertility.com

Financial Summary

	For the year ended December 31,			
	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating results				
Revenue	346,408	662,774	921,994	**1,648,496**
Gross profit	132,719	302,136	413,119	**816,795**
Profit before tax	109,345	241,582	276,588	**547,900**
Net profit	103,651	198,551	212,124	**420,677**
Adjusted net profit	103,651	198,551	264,210	**530,347**
Profitability				
Gross margin	38.3%	45.6%	44.8%	**49.5%**
Net profit margin	29.9%	30.0%	23.0%	**25.5%**
Adjusted net profit margin	29.9%	30.0%	28.7%	**32.2%**

	As at December 31,			
	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Financial position				
Total assets	755,407	1,738,008	6,558,308	**8,941,145**
Total equity	100,569	1,361,626	4,499,798	**7,642,395**
Total liabilities	654,838	376,382	2,058,510	**1,298,750**
Bank balances and cash	190,703	449,495	1,184,190	**579,637**

Chairman's Statement

Physicians are charitable and benevolent. Partners are united by integrity and mutual understanding. Entrepreneurs gather gravel and build high towers. After decades of turbulent years and through the efforts of several generations of doctors, Jinxin Fertility has developed from a small group of doctors and shareholders to a group comprising of several hundred doctors and shareholders to become a leading enterprise in the markets of China, the United States and Southeast Asia. Going forward, in order to achieve our common vision, Jinxin Fertility will continue to expand and accumulate resources, and nurture talents in the medical, science, research and management fields.

In June 2019, Jinxin Fertility was officially listed on the Main Board of the Stock Exchange, becoming a leading Chinese healthcare service company in Hong Kong capital markets. Additionally, we were honored as the "Best Chinese IPO" in the Hong Kong market for 2019 by "The Asset" magazine. However, Jinxin Fertility's entrance into capital markets is just a starting point. We will continue to develop through our passionate enthusiasm and entrepreneurial spirit to provide a better place in the world.

RESULTS OF OPERATION AND DIVIDEND DISTRIBUTION

As of the end of the Reporting Period, revenue of Jinxin Fertility amounted to RMB1,648.5 million, representing an increase of 78.8%, and adjusted net profit was RMB530.3 million, representing an increase of 100.7%. Given the increase in scale brought by network expansion, after deducting the one-off expenses, our adjusted net profit margin for 2019 reached a high level of 32.2%, compared to 28.7% in 2018. Meanwhile, our cash flow remained stable, with our cash reserves at the end of 2019 amounted to RMB3,296.1 million. I am pleased to announce that the Board has recommended a dividend payment of HK$166.65 million (i.e. HK$0.068 per share) for 2019 with a payout ratio of 50% after listing. We share the fruits of our business growth with our shareholders and thank you for your continued support of our fast growth and expansion.

BUSINESS DEVELOPMENT AND BUSINESS PLANNING

In 2019, we continued to see a steady growth in our existing businesses, and concurrently strove to develop new businesses. In terms of the number of IVF treatment cycles, we ranked first in the regions of Sichuan province, Shenzhen, and the Western United States, with an increased market share in Sichuan province and Shenzhen. Meanwhile, we maintained a remarkable success rate, which is higher than the national rates of China and the United States. Additionally, more effort was put into our VIP business and creating new businesses, such as the launch of pre-pregnancy and pre-natal care services. We also strengthened cooperation with our partners. For example, we entered into an agreement with "Angel Baby" in Japan for provision of acupuncture treatment and aromatherapy services, and cooperated with Jinxin Women and Children Hospital to provide pregnancy education and other services.

In the future, we will further push business development on the "whole cycle" of reproductive and health services, including education on reproduction, infertility prevention, assisted reproductive treatment, and anti-aging management for adolescents, people of childbearing age, the middle-aged and elderly. Such targeted full-process service will be provided to users both online and offline.

PATIENT OUTREACH AND NETWORK DEVELOPMENT

In 2019, Chengdu Xinan Hospital significantly expanded its operations and capacity by relocating to a modern high-rise building that is seven times larger than its previous location. In 2020, we intend to double existing capacity at our clinic in Pasadena through relocation. Meanwhile, we acquired an IVF license for a center in Laos and is expected to be open for business in the third quarter of 2020. It is designed with a capacity of 3,000 IVF treatment cycles per year. We have gradually penetrated into the southwest market of China (including Yunnan, Guizhou and Sichuan) and the south china market of China (including Hong Kong) by investing into our digital and offline networks. We invested into the brand and flow of the cross-border medical service market (such as through new media platforms), and systematically integrated HRC Medical into the Chinese market and established a professional team, in order to raise our global footprint.

Going forward, we will acquire and cooperate with the assisted reproductive related medical institutions locally and abroad through a more open-minded pattern, including but not limited to acquisition, management output and joint establishment, and in the form of, among other things, assisted reproductive hospitals, upstream and downstream industrial chain service institutions, satellite clinics, etc., in which the main criteria are to achieve its own high growth and coverage of larger groups. We will further strengthen our high quality talents, medical capacity output, management, service and branding, in order to expand our patient outreach. Meanwhile, we will develop an internal "cloud" system to support the whole medical process, and strategically cooperate with our partners and digital platforms externally to have more contact and interaction with our patients, thus providing our patients with a more convenient, in-depth and long-term medical service relationship.

STRENGTHENING OF STANDARDIZED ESTABLISHMENT AND OUTPUT CAPABILITY

In 2019, we continuously optimized the standardized operating procedures and stabilized our quality control system, which strengthened quality control in our IVF laboratories. We also set up a risk management system. Additionally, we improved our embryo culture and selection systems based on the most updated international consensus. Concurrently, we will improve the laboratory standards in Laos by setting up a laboratory with our same level of high standards in Jinxin Fertility. We continuously delivered high quality service and care to enhance our patient experience, raise our reputation, and increase loyalty from our patients.

In the future, we will strengthen our output capability from aspects such as talent, management and branding. Through our partnership network, economic incentives, accumulated experience from numerous cases studies, enhancement in our research and development platform and academic exchange opportunities, we can attract and nurture more extraordinary talents to meet increased demand. We will optimize the standardized control and operating procedures of treatment in our laboratories, in order to secure success rates higher than the industry average at our new fertility center. We will carry forward the excellent service spirit and capability of Jinxin Fertility in order to allow patients in the new fertility center to receive an outstanding service experience.

FURTHER EMPHASIS ON AND INVESTMENT IN RESEARCH AND DEVELOPMENT

In 2010, in a leading position, we were the first to carry out clinical diagnosis and treatment in reproductive immunology in China. In 2020, we will establish an innovative research center which mainly conducts research on: endometrial receptivity testing, endometrial pathology testing, IVF-AI (artificial intelligence) clinical diagnostic system, microfluidics, and ovary and endometrial stem-cell repair. These clinical transformation studies have different purposes compared to basic scientific research. They are conducted with shorter time frames and are for the purpose of increasing success rate, finding new methods of applications, and developing new businesses. In the future, we will further solidify our fundamentals and promote the transformation and innovation of scientific research through internal dedication, external cooperation and investment exploration.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

Ethical risk management: The hospitals under our Group have established a medical ethics committee and a reproductive medical ethics committee to regularly supervise ethical issues, conduct ethical code reviews, staff ethics education and training, etc.

Customer privacy protection: We complied with the "Cybersecurity Law of the People's Republic of China", the "Health Insurance Portability and Accountability Act" of the United States and other laws and regulations, and established a comprehensive information security management system. Meanwhile, we required all internal and external personnel accessing our patients' information to sign the Confidentiality Commitment Agreement. In 2019, we did not receive any complaints about any data leakage of customer personal information.

Medical quality management: We complied with the domestic and foreign laws and regulations to establish a medical quality management system. In 2019, we did not receive any penalty for breach of related laws and regulations in the health and safety aspects of medical service.

Launch of public welfare activities: We are committed to caring for the society and facilitating the improvement of public health, such as providing remote consultation and teaching, providing business support for basic-level hospitals, providing free egg retrieval and transplantation for low-income families; providing general scientific knowledge in relation to pre-pregnancy and assisted reproductive medicine as well as disease prevention to the public, and encouraging our staff to participate in voluntary services and fundraising, etc.

MEASURES IN RESPONSE TO NOVEL CORONAVIRUS

The recent outbreak of COVID-19 has had a huge impact on society, the economy and well-being of individuals all over the world. Our Group donated RMB10 million for the prevention and control of the COVID-19 epidemic in Hubei, which was used as a subsidy for medical teams going to Hubei to help fight the epidemic. We have launched an online consultation service in a timely manner, so that the needs of patients can be immediately addressed. Additionally, during this outbreak, HRC Fertility continues to expand its patient outreach through online channels. We are also working on various campaigns to attract our patients to return to our hospitals and receive treatments post-outbreak of COVID-19. Meanwhile, we have also put in place the most stringent safety measures to protect our staff and patients arriving at our hospitals.

CONCLUSION

The global ARS market has experienced tremendous growth over the years and is expected to continue, particularly due to an increased prevalence of infertility and improved public awareness on birth defects and prevention. However, market penetration of the ARS market in China remains relatively low. With improved awareness and larger disposable incomes, patients in China will continue to seek more sophisticated IVF treatment both locally and abroad. We will strive to continuously build a reproductive health service platform, strengthen our leading market position, and promote and share industry growth through the implementation of our strategies, from talents to management, from online to offline, from institutional network expansion to scientific research innovation transformation. With the motto "Exploring the mysteries of life for a happy family", we strive to make more couples happy fathers and mothers. On behalf of the Board, I would like to thank our esteemed shareholders and everyone who has assisted our Company. I also appreciate the contribution made by our senior management as well as the wholehearted efforts of our directors, management, professional teams and employees. We look ahead to our future with full confidence.

Wang Bin

Chairman

March 30, 2020

Management Discussion and Analysis

BUSINESS UPDATES

During the Reporting Period, we continued to adhere to our strategy of establishing a leading global ARS platform with integrated abilities, aiming to address increasing unmet demand, in particular from Chinese patients. We have built a strong market reputation stemming from superior success rates, experienced medical staff and high quality patient care that have greatly contributed to our role as a leading ARS provider in China and the United States. With this strategy and reputation in mind, we continued to expand our network operations, enhanced patient experience and loyalty, improved brand awareness through marketing and cooperation initiatives, recruited talents to our experienced network of physicians and expanded service offerings across our network of operations. The Reporting Period was also highlighted by the listing of our shares on the Stock Exchange on June 25, 2019.

Expansion of operations

In February 2019, Chengdu Xinan Hospital relocated its operations to the New Hospital Building, which is a modern high-rise building well-equipped with an extensive IVF lab, gym facilities, increased parking spaces, and additional amenities and services and seven times larger than its previous location with a total gross floor area of 42,659.64 sq.m. This relocation significantly expanded operations, optimized and better integrated the patient treatment process, which provides Chengdu Xinan Hospital with the ability to serve more patients with the increased capacity and offer more comprehensive services to its patients.

Towards the end of 2019, in order to further improve the patient treatment experience, renovations were completed to significantly enlarge the outpatient area of Jinjiang IVF Center from approximately 1,292 sq.m. to 2,576 sq.m. The renovations also expanded the patient waiting area and consultation rooms.

In March 2020, for the purpose of business expansion in Southeast Asia, we acquired the relevant licenses to provide ARS and operate an IVF clinic in Laos. We have planned to set up a new IVF-licensed clinic within the Boten Special Economic Zone in Laos and such clinic with a floor area of approximately 5,000 sq.m is expected to be open for business by the third quarter of 2020 and have the projected capacity to conduct over 3,000 IVF treatment cycles per year. The new clinic is expected to offer a myriad of services, including IVF-ET (in vitro fertilization and embryo transfer), ICSI (intracytoplasmic sperm injection), PGS (preimplantation genetic screening)/PGD (preimplantation genetic diagnosis), third party IVF, other various IVF technology and treatment options, and egg and sperm cryopreservation. Located near the border of the Boten Special Economic Zone, the clinic is in close proximity to China and will be accessible from Kunming, Yunnan province in approximately four hours via the high-speed railway due to be completed in 2021 as part of the Belt and Road Initiative. The business expansion in Laos will allow us to further expand its global reach by tapping into the Southeast Asian market and providing Chinese patients with an overseas option with a wider range of services at a lower price point, which is in line with our internationalization strategy to expand out of China as well as catering for the surging patient flow from the Chinese market.

Enhance patient experience

Chengdu Xinan Hospital continued to provide an array of services to VIP patients to meet the increasing demand for highly personalized and private services. Each VIP patient is assigned an experienced medical assistant and butler to provide timely and personalized concierge services throughout the entire treatment process. VIP patients are given access to exclusive privileges, such as increased consultation time with our physicians, advanced equipment, private consultation area, flexible appointment schedule, complementary nutrition guidance, Chinese medicine treatment, psychological counseling, and fitness courses. To enhance our VIP patients' experience, Chengdu Xinan Hospital initiated renovation of the VIP area in the New Hospital Building immediately after the relocation. We believe the new VIP area will help us offer more sophisticated services to our VIP patients. Through the provision of our VIP services, the revenue generated from our network has increased.

We also extended our services to include pre-pregnancy (備孕) and pre-natal (保胎) care to provide patients with comprehensive guidance and treatment throughout the whole process. Through these services, we offer one-on-one consultations with experienced medical professionals, diagnosis and testing to identify possible risks, recommendations on lifestyle changes and treatment to reduce pregnancy complications, and general guidance and monitoring.

To continuously optimize and improve the patient experience, we conducted one-on-one interviews with patients before discharge from our network of medical institutions to collect feedback on their experience. Furthermore, in conjunction with the OB-GYN (obstetrics and gynecology) department of the Sister Group, we continued to provide patients with educational courses on pregnancy, online medical consulting and other support services, which have increased patient loyalty and the number of new patients from former patient referrals.

Marketing and cooperation initiatives

We continued to develop our brand and expertise through various marketing and cooperation initiatives. As of December 31, 2019, we cooperated with 69 medical institutions, which involve two-way referrals or specialty alliance cooperation agreements. In October 2019, we signed a licensing agreement to strategically cooperate with a well-known professional salon in Japan named "Angel Baby," in order to obtain authorization for the use of the brands "Angel's Egg" (天使のたまご) and "Fujiwara Angel Baby" (藤原式天使寶貝) to provide pre-natal and post-natal acupuncture treatment and aromatherapy services at Chengdu Xinan Hospital. In addition to leveraging our official Wechat account, website and hotline services, we continued to strengthen and expand our outreach to patients outside our network in China through collaborations with digital platforms that target families looking to have children, including Bozhong.com (播種網) and Dayima (大姨媽). These collaborations will allow us to directly market our services to users on these platforms nationwide and explore new market opportunities. Users will also be able to easily access our official website easily and learn more about the services we provide, thereby further promoting the reputation of our brand.

In addition, HRC Fertility continued to utilize its extensive experience of serving Chinese patients to actively enhance its brand awareness. HRC Fertility is well-equipped with Chinese-speaking personnel (including nurses, facilitators and translators) who are familiar with the health conditions and culture of Chinese patients. Moreover, 2019 closed with a few major developments in HRC Fertility's marketing approach. The organization made a conscious shift to build its own in-house marketing team to move away from using outside sources, such as advertising and digital agencies, to reorganize and rebrand HRC Fertility's marketing efforts. This catered for a centralization of all creative, media, events, social media, digital and production initiatives resulting in a much more cost efficient and strategic approach. The new in-house team has been focusing on three key areas, namely lead nurturing, digital presence and creative development. A new customer-relationship management (CRM) system has been implemented to provide insight into marketing efforts and conversions pre-NPV through lead nurturing activities that are built via marketing funnels. The brand's digital presence is also being revamped through the development of a new website that represents the current market and delivers the HRC brand in a manner that is consistent with the way our potential patients live in 2020. Webinars have been rebranded into Facebook Live sessions to provide seminars with more consistent lead flow, and an official WeChat account was launched and a customer service team was established to target Chinese patients not served by the agencies in the area.

Quality control and research and development (R&D)

Quality control is a critical aspect to the success of our business. Our superior success rates are supported by up-to-date standardized operating procedures and a robust quality control system that has been implemented throughout the medical facilities in our network, all of which have allowed us to enhance the efficacy of the treatment process. We continued to strengthen quality control in our IVF laboratories based on the accreditation requirements of the College of American Pathologists by setting up a quality assurance system to monitor daily procedures, lab equipment, embryo culture media and consumables for embryo culture, and setting up a risk management system for risk prevention and minimization. Additionally, we also improved embryo culture and selection systems based on the most updated international consensus.

Our R&D team continues to conduct important research in the ARS field to explore new methods to improve our clinical pregnancy rate. In 2010, we were the first to carry out clinical diagnosis and treatment in reproductive immunology in China. In collaboration with Chengdu Jinxin Investment, an innovative research center will be established in 2020 for the purpose of, among other things, carrying out endometrial receptivity testing, developing an IVF-AI (artificial intelligence) diagnostic system and developing a stem-cell culture system. We also have the exclusive rights for the application of the technology.

On the other hand, the assisted reproductive medical facilities in our network have gained widespread recognition for their research and publications. During the Reporting Period, the medical facilities in our network in China published 28 research papers, of which 18 were published in the China Core Journals and ten were included in the Science Citation Index. Our R&D team also shared lab observations and studies in four oral presentations at the 2019 Asian-Pacific Reproductive Medicine Annual Conference.

Talents recruitment

During the Reporting Period, we continued to bolster our network's strong medical team with strategic hires of experienced medical professionals, including Dr. Lisa Becht and Dr. Lihong Geng, who are both well-regarded assisted reproductive physicians with extensive experience in ARS. Dr. Becht's addition to our medical team at HRC Fertility will further increase its capacity and capability to serve more patients and provide better services. Starting in 2020, Dr. Geng will serve as our director of ARS quality control to ensure the Group continues to maintain its high quality services. We will continue to identify and recruit experienced medical professionals in both China and the United States to our medical team.

Key operating data

The following table sets forth the key operating data generated from our network of assisted reproductive medical facilities for the year ended December 31, 2018 and 2019.

	Year ended December 31,	
	2019	2018
Number of IVF treatment cycles	**27,854**	20,958[1]
Overall success rate		
Xinan Hospital Group and Jinjiang IVF Center	**55.2%**	55.3%
Shenzhen operations	**54.1%**	52.0%
United States operations	**55.2%**	54.5%[1]

During the Reporting Period, success rate in all three segments of our operations remained relatively stable compared to 2018. The slight decrease in the success rate for Xinan Hospital Group was mainly attributable to the increasing number of complicated cases and increasing age of the patients we treated. Operations in Xinan Hospital Group, Shenzhen and Jinjiang IVF Center recorded an increase in the number of patients and scale of ARS provided. The consolidation of United States operations also contributed to the growth of the Group's business in 2019.

[1] As the Group acquired the United States operations in December 2018, the key operating data of the United States operations before the acquisition did not belong to the Group.

OUTLOOK AND FUTURE

The global ARS market has increased over the years and such growth is expected to continue over the next few years, particularly due to an increased prevalence of infertility, caused by lifestyle changes, increase in the average age of the first birth, and increased public awareness on birth defects and prevention. Compared with Japan, Europe and the United States, the market penetration of ARS in China is still low. With improved awareness and increasing disposable income, patients in China will continue to seek more sophisticated IVF treatment, including receiving IVF treatment abroad.

As a leading ARS provider in China and the United States, we have established a competitive advantage on branding, technology, medical staff and management in a market with significant entry barriers. According to the market research report on China and the United States ARS markets prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., in terms of IVF treatment cycles and revenue generated from ARS institutions in 2018, our network in China ranked third among all ARS institutions in China. Due to an increase in the number of people seeking more ARS options, 18,000 patients in China went overseas for ARS, of which 30% (5,400 patients) went to the United States. The number of patients from China going to the United States for ARS is expected to grow to 13,500 by 2023. Our network in the United States is well-positioned to benefit from this future growth. In 2017, HRC Fertility ranked first among all ARS providers in the United States, in terms of IVF treatment cycles provided to ARS patients traveling from China to the United States for treatment. In 2018, HRC Fertility also ranked first in the Western United States in terms of both revenue generated from ARS clinics and IVF treatment cycles performed. In terms of success rates of IVF treatment cycles, a metric that ARS providers primarily compete on, we have a competitive advantage with success rates well above the national average in both China and the United States ARS markets. In 2018, the average success rate of an IVF treatment cycle in China was approximately 45% compared to our network in China of 54%. Similarly, in the United States ARS market, the average success rate in 2016 was 52.5% compared to our network in the United States of 62%.

In view of the aforesaid, we intend to leverage our position as a leading ARS provider and favorable industry prospects by continuing to pursue the following core strategies that have contributed to our success so far:

Increased market share, productivity and capacity

In both China and the United States, we continue to promote market education activities that improve public awareness of our high quality services and increase our market share. Furthermore, leveraging on our existing marketing leadership in Sichuan and Guangdong, we plan to penetrate the Southwest China (such as Guizhou and Yunnan) market and use our competitive pricing in Shenzhen to expand our services to treat patients from Hong Kong. In the United States, we plan to double our existing capacity in Pasadena by relocating to a new location in mid-2020. In addition to our VIP service, we are also offering and expanding our services to pre-pregnancy and pre-natal care to provide patients with comprehensive guidance and treatment throughout the whole process. We will continue to expand our services and provide more treatment options to patients with infertility problems.

Continue to improve our brand awareness

We intend to reinforce our brand building efforts, allowing us to maintain and enhance our reputation and attract new patients. Leveraging our existing market leadership, long-standing experience and strong reputation in the ARS market, we intend to adopt effective strategies to improve our brand awareness and educate intended parents of the ARS we provide. In particular, we intend to use social media tools and utilize our online platform to increase publicity and improve patient care. We also seek to further strengthen and expand our cooperation with local hospitals, companies and institutions to expand our patient reach.

We will integrate our vendors' resources in the United States to save costs. We will deeply cooperate with certain leading vendors to eliminate intensified price competition in the industry. At the same time, we are committed to continuously improving our branding, services and clinical outcomes for our patients, so as to create competitive strength in the industry.

Continue to invest in research and development to enhance overall performance

Leveraging our position as one of the pioneers in the ARS industry in both China and the United States, we intend to continue to invest in research and development initiatives to maintain our leading position in the application of assisted reproductive technologies and improve clinical outcomes in our patients. We will continue to invest in research and development at both Chengdu and Shenzhen research facilities, which have been focusing on fundamental research relating to heredity and reproductive immunology, respectively. We also focus on research to identify the physiological appearance of embryos which is associated with higher success rates. We will continue to collaborate with Chengdu Jinxin Investment to conduct R&D initiatives including endometrial receptivity testing, IVF-AI diagnostic system and stem-cell culture system. We believe the application of these technologies is likely to expand our service offering as well as improve our clinical outcome. In the United States, we will continue working with top tier pharmaceutical companies, such as Ferring Pharmaceuticals, to maintain our leading position in the application of assisted reproductive technologies, which in turn maintains our high success rate. Furthermore, we seek to actively deploy the technology that we possess to expand the services we provide.

We will continue to adhere to high quality standards and explore new methods to improve quality control in our IVF laboratories, which are a critical part to the overall IVF success rate. We have organized educational seminars, information sessions and other forms of collaboration on topics such as embryology laboratory managements to increase communication and exchanges between the medical teams of the China and United States operations.

Expand our platform reach through acquisitions

We have been expanding our network in China, the United States and Southeast Asia to address ongoing demands from patients, particularly Chinese patients. In China, we are expanding our national network by acquiring ARS providers and/or entering into cooperation arrangements with other ARS providers with an established business in populous and affluent urban centers. In the United States, we also intend to extend our services along the ARS value chain as well as acquire fertility clinics in California. In Southeast Asia, in line with our mergers and acquisitions (M&A) strategy and following surging patient demand from our China market, we acquired an IVF license and established a new full-service IVF clinic in the Boten Special Economic Zone in Laos, which is currently under renovations and due to be open for business in the third quarter of 2020.

We intend to acquire established surrogacy and egg donor agencies, particularly those which are located in the Greater Los Angeles area, and establish egg banks, all of which would complement and strengthen HRC Fertility's core IVF services by offering one-stop-shop services to attract more potential patients. We also plan to set up and/or acquire embryology laboratories that provide standardized services, have a replicable business model and have achieved high profit margins. These laboratories can provide laboratory space to HRC Medical's physicians as well as physicians outside our network. We would also continue stick to our M&A strategy by selectively entering into other countries and markets with a relatively high demand for ARS and are of particular significance for providing ARS to international patients, such as Russia's fast-growing market and other Southeast Asia countries that are both increasingly becoming medical tourism destinations for Chinese patients.

Minimize the impact of the outbreak of Novel Coronavirus

In light of the recent outbreak of the novel coronavirus (COVID-19), China and a number of countries around the world have taken various emergency public health measures and actions to contain the spread. In order to minimize the impact the outbreak has on patients, we have instituted alternative arrangements through digital channels to stay in close contact with patients to timely address their needs. In China, patients have access to an online Q&A platform for consultations with our service representatives, receive follow-ups and can schedule online appointments with medical professionals to ensure that once the outbreak is controlled, patients' needs can be immediately addressed. We will also continue to foster closer cooperation with different online platforms, such as through minority shareholding investment and long-term cooperation. Similarly, in the United States, HRC Fertility has kept in close contact with its patients through their agents and digital channels. Additionally, during this outbreak, we and HRC Fertility continue to increase our marketing and patient outreach through various online channels. We are also working on various marketing campaigns to incentivize our patients to return to our hospitals and receive treatments post-outbreak of COVID-19.

The Company will continue to assess the impact of the outbreak on the operation and financial performance of the Group, while closely monitoring the development of the outbreak and the risks and uncertainties faced by the Group as a result of the outbreak. The Company will take appropriate measures as necessary.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 78.8% from approximately RMB922.0 million for the year ended December 31, 2018 to approximately RMB1,648.5 million for the year ended December 31, 2019. The overall increase was primarily due to (i) an increase in the number of patients and scale of ARS provided at the Group's Chengdu and Shenzhen operations; (ii) inclusion of the results of the United States operations into the Group starting from January 1, 2019; and (iii) completion of renovation of Shenzhen Zhongshan Hospital in 2018.

During the Reporting Period, the Group generated revenue from the following services: (i) ARS; (ii) management services; and (iii) ancillary medical services. The following table sets forth a breakdown of the Group's revenue for each service category:

	Year ended December 31,			
	2019		2018	
	Revenue	**%**	Revenue	%
	(RMB in thousands, except percentages)			
Revenue				
ARS				
Xinan Hospital Group	628,400	38.1%	539,097	58.5%
Shenzhen Zhongshan Hospital	303,478	18.4%	262,155	28.4%
Sub-total	931,878	56.5%	801,252	86.9%
Management service fee				
Jinjiang IVF Center and Jinxin Fertility Center	104,103	6.3%	89,741	9.7%
HRC Medical(1)	544,386	33.0%	–(2)	–(2)
Sub-total	648,489	39.3%	89,741	9.7%
Ancillary medical services(3)				
Shenzhen Zhongshan Hospital	32,644	2.0%	31,001	3.4%
HRC Management(1)	35,485	2.2%	–(2)	–(2)
Sub-total	68,129	4.2%	31,001	3.4%
Total	1,648,496	100.0%	921,994	100.0%

Notes:

(1) HRC Medical is managed by HRC Management pursuant to the MSA since July 2017, which the Group indirectly acquired in December 2018. As such, the revenue generated from the United States operations for the year ended December 31, 2018 does not belong to the Group.

(2) As the Group acquired the United States operations in December 2018, this did not belong to the Group.

(3) Ancillary medical services provided by HRC Medical include ambulatory surgery centre facility services and PGS testing services.

Chengdu operations

The revenue contributed by the medical facilities in the Group's network in Chengdu increased by 16.5% from approximately RMB628.8 million for the year ended December 31, 2018 to approximately RMB732.5 million for the year ended December 31, 2019, primarily due to an increase in the revenue from ARS provided at Xinan Hospital Group and management service fees charged to Jinjiang IVF Center resulting from the increase in the scale of ARS provided at Xinan Hospital Group and Jinjiang IVF Center.

The revenue from ARS provided at Xinan Hospital Group increased by 16.6% from approximately RMB539.1 million for the year ended December 31, 2018 to approximately RMB628.4 million for the year ended December 31, 2019, primary due to the increase in the scale of ARS provided at Xinan Hospital Group.

Revenue from management services provided in Chengdu increased by 16.0% from approximately RMB89.7 million for the year ended December 31, 2018 to approximately RMB104.1 million for the year ended December 31, 2019, primarily due to (i) the increase in management service fees charged to Jinjiang IVF Center due to the increase in patients at Jinjiang IVF Center during the relocation of Chengdu Xinan Hospital, which was partially offset by the decrease in management service fees charged to Jinxin Fertility Center; and (ii) the closure of Jinxin Fertility Center in March 2018 to optimize the Group's business structure and resources and therefore no management service fee was charged to Jinxin Fertility Center for the year ended December 31, 2019.

Shenzhen operations

The revenue contributed by the Group's Shenzhen operations increased by 14.7% from approximately RMB293.2 million for the year ended December 31, 2018 to approximately RMB336.1 million for the year ended December 31, 2019, primarily due to the increase in the scale of ARS provided at Shenzhen Zhongshan Hospital resulting from the completion of renovation of Shenzhen Zhongshan Hospital in the first half of 2018.

United States operations

Revenue from management services provided by the Group under the MSA with HRC Medical in California, the United States amounts to approximately RMB544.4 million for the year ended December 31, 2019[2].

Ancillary medical and facilities services provided by HRC Management include ambulatory surgery centre facility services and PGS testing services. Ambulatory surgery centre facilities services revenue relates to provision of ambulatory surgery centre facilities at RSA Centers to doctors in exchange for a fee, which amounts to approximately RMB30.9[3] million for the year ended December 31, 2019. PGS testing services revenue relates to provision of preimplantation genetic screening service at its in-house clinical laboratory called NexGenomics, which amounts to approximately RMB4.6 million for the year ended December 31, 2019[3].

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2 As the Group acquired the United States operations in December 2018, no financial result of the United States operations is presented for the year ended December 31, 2018, as it does not belong to the Group.

3 As the Group acquired the United States operations in December 2018, no financial result of the United States operations is for the year ended December 31,2018 as it does not belong to the Group.

Cost of Revenue

Cost of revenue of the Group increased by 63.4% from approximately RMB508.9 million for the year ended December 31, 2018 to approximately RMB831.7 million for the year ended December 31, 2019. The increase in the cost of revenue was mainly attributed to (i) the inclusion of the results of the United States operations starting from January 1, 2019; and (ii) business growth resulting in increases in pharmaceutical products and consumables, staff costs and depreciation, which were all largely in line with the increase in revenue.

Cost of revenue of the Group primarily consists of the cost of pharmaceutical products and consumables, staff costs, and depreciation of property, plant and equipment, and others. Cost of pharmaceutical products and consumables consists of the cost of pharmaceutical products and consumables that the Group uses in the course of providing its services. Staff costs are primarily incurred in connection with salaries, benefits, social insurance payments and bonus for the Group's medical staff. Depreciation primarily consists of depreciation of property, plant and equipment.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by 97.7% from approximately RMB413.1 million for the year ended December 31, 2018 to approximately RMB816.8 million for the year ended December 31, 2019. The increase in the gross profit was mainly attributed to (i) continued growth of the Group's business; (ii) the inclusion of the results of the United States operations starting from January 1, 2019; and (iii) the larger scale of the Group's operations in Chengdu and Shenzhen. The Group's gross profit margin increased from 44.8% for the year ended December 31, 2018 to 49.5% for the year ended December 31, 2019. The increase in the gross profit margin was attributed to improvements in economies of scale, a change in revenue mix and higher gross profit margin generated from the United States operations.

Other Income

Other income of the Group increased by 190.8% from approximately RMB21.8 million for the year ended December 31, 2018 to approximately RMB63.4 million for the year ended December 31, 2019, primarily due to an increase in interest income from the bank deposits.

Other income primarily consists of interest income from structured bank deposits, interest income from banks, consulting service income, government grants for research and development projects at Shenzhen Zhongshan Hospital, imputed interest income from related parties and others.

Other Gains and Losses

Other gains and losses primarily represent net exchange gain or loss. The Group recorded net exchange gain of approximately RMB30.0 million for the year ended December 31, 2019, resulting from the conversion of the U.S. dollar denominated balances at the Group's offshore entities using Renminbi as functional currencies to Renminbi and the conversion of HK dollar denominated balances at the Group's offshore entities using U.S. dollar as functional currencies to U.S. dollar.

Research and Development Expenses

Research and development expenses of the Group increased by 11.0% from approximately RMB12.0 million for the year ended December 31, 2018 to approximately RMB13.3 million for the year ended December 31, 2019, primarily due to an increase in the staff costs of the Group's research and development team and the cost of materials used by them.

Research and development expenses primarily consist of staff costs of the Group's research and development team at Shenzhen Zhongshan Hospital, which conducts projects in assisted reproductive technology, in particular, reproductive immunology, and cost of materials used by its research and development team.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of marketing and promotional expenses associated with organizing educational activities and cooperating with third parties agencies and partners. Those expenses are primarily associated with our United States business and were included in the financial statements of the Group starting from January 1, 2019. The Group's selling and distribution expenses amounted to approximately RMB62.2 million for the year ended December 31, 2019. The Group did not record any selling and distribution expenses for the year ended December 31, 2018.

Administrative Expenses

Administrative expenses primarily consist of staff costs, depreciation and amortization, business development expenses, repairment and maintenance, property-related expenses, ESOP expenses and others. Administrative expenses of the Group increased by 104.3% from approximately RMB103.4 million for the year ended December 31, 2018 to approximately RMB211.3 million for the year ended December 31, 2019, primarily due to increase in staff costs and other administrative expenses as a result of the inclusion of the results of the United States operations starting from January 1, 2019 and the increase in the volume of the Group's business, as well as the growth in business scale and revenue of the Group.

Finance Costs

Finance costs of the Group primarily arise from application of IFRS 16 for the first time in the Reporting Period. The Group did not record any finance costs for the year ended December 31, 2018.

Income Tax Expenses

Income tax expenses of the Group primarily consist of PRC enterprise income tax and United States income tax. Income tax expenses of the Group increased by 97.4% from approximately RMB64.5 million for the year ended December 31, 2018 to approximately RMB127.2 million for the year ended December 31, 2019, primarily due to (i) the increase in the Group's profit before taxation which is in line with its business growth; and (ii) the inclusion of the results of the United States operations starting from January 1, 2019. It was partially offset by the decrease in the PRC withholding taxes associated with the dividend distribution in 2018.

The effective tax rate of the Group remained relatively stable compared to 2018 at 23.2%.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided adjusted net profit, adjusted net profit margin, adjusted EBITDA, adjusted EBITDA margin and adjusted basic earnings per share as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. The Company believes that the adjusted financial measures provide useful information to investors in understanding and evaluating the Group's consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial and operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS, or as being comparable to results reported or forecasted by other companies as they do not have a standardized meaning. Additionally, these non-IFRS financial measures have limitations as an analytical tool and may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the year ended December 31, 2019 and 2018 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**420,677**	212,124
Add:		
Listing expenses	**62,635**	38,138
ESOP expenses	**27,246**	–
Amortization and depreciation of medical practice license and property, plant and equipment arising from Shenzhen Zhongshan Hospital and HRC management acquisition	**17,553**	15,296
Imputed interest income from related parties	**(2,321)**	(7,186)
Loss associated with the disposal of Shenzhen Zhongshan Hospital's two community health service centers	**4,557**	–
Depreciation of property, plant and equipment in connection with relocation of Gaoxin Xinan Hospital	**–**	5,838
Adjusted Net Profit	**530,347**	264,210
EBITDA	**583,354**	316,430
Add:		
Listing expenses	**62,635**	38,138
ESOP expenses	**27,246**	–
Imputed interest income from related parties	**(2,321)**	(7,186)
Loss associated with the disposal of Shenzhen Zhongshan Hospital's two community health service centers	**4,557**	–
Depreciation of property, plant and equipment in connection with relocation of Gaoxin Xinan Hospital	**–**	5,838
Adjusted EBITDA	**675,471**	353,220

Net Profit and Net Profit Margin

As a result of the foregoings, net profit of the Group increased by 98.3% from approximately RMB212.1 million for the year ended December 31, 2018[4] to approximately RMB420.7 million for the year ended December 31, 2019. Net profit margin of the Group for the year ended December 31, 2019 was 25.5%, compared to 23.0% for the year ended December 31, 2018. The increase in the net profit margin was attributed to improvements in economies of scale.

Net profit for the year ended December 31, 2019 attributable to the owners of the Company was approximately RMB409.6 million, representing an increase of 145.9% when compared with that of approximately RMB166.6 million for the year ended December 31, 2018.

Adjusted net profit[5] of the Group increased by 100.7% from approximately RMB264.2 million for the year ended December 31, 2018 to approximately RMB530.3 million for the year ended December 31, 2019. The adjusted net profit margin of the Group for the year ended December 31, 2019 was 32.2%, compared to 28.7% for the year ended December 31, 2018. The higher adjusted net profit margin of the Group for the year ended December 31, 2019 was primarily due to improvements in economies of scale.

Adjusted net profit[5] attributable to the owners of the Company for the year ended December 31, 2019 was approximately RMB519.3 million, representing an increase of 137.5% when compared with that of approximately RMB218.7 million for the year ended December 31, 2018.

EBITDA

EBITDA[6] of the Group increased by 84.4% from approximately RMB316.4 million for the year ended December 31, 2018[7] to approximately RMB583.4 million for the year ended December 31, 2019. The EBITDA margin of the Group for the year ended December 31, 2019 was 35.4%, compared to 34.3% for the year ended December 31, 2018. The higher EBITDA margin of the Group for the year ended December 31, 2019 was primarily due to improvements in economies of scale.

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4 As the Group acquired the United States operations in December 2018, no financial result of the United States operations are presented for the year ended December 31, 2018, as it did not belong to the Group.

5 Adjusted net profit is calculated as net profit for the Reporting Period, excluding (i) Listing expenses; (ii) ESOP expenses; (iii) amortization and depreciation of medical practice license and property, plant and equipment arising from Shenzhen Zhongshan Hospital and HRC Management Acquisition; (iv) imputed interest income from related parties; (v) the loss associated with the disposal of Shenzhen Zhongshan Hospital's two community health service centers; and (vi) depreciation of property, plant and equipment in connection with relocation of Gaoxin Xinan Hospital, to better reflect the Company's current business and operations.

6 EBITDA is calculated as the earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets, which is defined as profit before taxation plus finance costs (excluding interest on lease liabilities), depreciation of property, plant and equipment, and amortization of medical practice license, less interest income.

7 EBITDA of the Group for the year ended December 31, 2018 did not include the EBITDA of the United States operations for the year ended December 31, 2018. As the Group acquired the United States operations in December 2018, this did not belong to the Group.

Adjusted EBITDA[8] of the Group increased by 91.2% from approximately RMB353.2 million for the year ended December 31, 2018[9] to approximately RMB675.5 million for the year ended December 31, 2019. The adjusted EBITDA margin of the Group for the year ended December 31, 2019 was 41.0%, compared to 38.3% for the year ended December 31, 2018. The increase in the adjusted EBITDA margin was attributed to improvements in economies of scale.

Basic Earnings per Share

The basic earnings per share of the Group for the year ended December 31, 2019 amounted to RMB0.19, as compared to RMB0.15 for the year ended December 31, 2018. Please refer to note 15 to the consolidated financial statements in this report.

Inventories

Inventories of the Group increased by 57.6% from approximately RMB16.5 million as at December 31, 2018 to approximately RMB26.1 million as at December 31, 2019, primarily because of the increased scale of the Group's business.

Accounts and Other Receivables

Accounts and other receivables of the Group decreased by 40.1% from approximately RMB76.9 million as at December 31, 2018 to approximately RMB46.1 million as at December 31, 2019, primarily due to the decrease in the prepayment amount for the lease of the New Hospital Building as a result of the acquisition of the New Hospital Building instead of rental.

Accounts and Other Payables

Accounts and other payables of the Group decreased by 18.2% from approximately RMB391.1 million as at December 31, 2018 to approximately RMB319.8 million as at December 31, 2019, primarily due to the decrease in account payables, dividend payables and accrued listing expenses.

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8 Adjusted EBITDA is calculated as EBITDA for the Reporting Period, excluding (i) Listing expenses; (ii) ESOP expenses; (iii) imputed interest income from related parties, to better reflect the Company's current business and operations; (iv) the loss associated with the disposal of Shenzhen Zhongshan Hospital's two community health service centers; and (v) depreciation of property, plant and equipment in connection with relocation of Gaoxin Xinan Hospital, to better reflect the Company's current business and operations.

9 Adjusted EBITDA of the Group for the year ended December 31, 2018 did not included the adjusted EBITDA of the United States operations for the year ended December 31, 2018. As the Group acquired the United States operations in December 2018, this did not belong to the Group.

Liquidity and Capital Resources

The business operations and expansion plans of the Group require a significant amount of capital, including upgrading the Group's existing medical facilities and establishing and acquiring new medical institutions and other working capital requirements. In June 2019, the Group received total proceeds of approximately HK$2,808.1 million from the Listing, after deducting the underwriting fees, commissions and related Listing expenses. The net proceeds would be used to fund the capital requirements of the Group.

Cash Flows

The following table sets forth selected cash flow data of the Group's consolidated statements of cash flows for the years indicated and analysis of balances of cash and cash equivalents for the years indicated:

	For the year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Net cash generated from operating activities	**452,568**	356,437
Net cash used in investing activities	**(2,705,963)**	(388,004)
Net cash generated from financing activities	**1,647,149**	767,104
Cash and cash equivalents at the beginning of the year	**1,184,190**	449,495
Cash and cash equivalents at the end of the year	**579,637**	1,184,190

Capital Expenditures

The principal capital expenditures of the Group relate primarily to purchases of property, plant and equipment. The following table sets forth a breakdown of the Group's capital expenditures contracted for but not provided for the years indicated:

	For the year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided	**4,606**	22,968
Total	**4,606**	22,968

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2019, there were no significant investment held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Borrowings

As of December 31, 2019, we did not have any borrowings (December 31, 2018: Nil).

Contingent Liabilities and Guarantees

As at December 31, 2019, the Group did not have any material contingent liabilities or guarantees.

Charge of Assets

As at December 31, 2019, there was no charge on the material assets of the Group.

Contractual Obligations

As at December 31, 2019, the Group did not have any contractual obligations that would have a material effect on its financial position or results of operations.

Gearing Ratio

Gearing ratio is calculated using total borrowings divided by total equity as of the end of such year and multiplied by 100%. As at December 31, 2019, the Group was in net cash position and thus, gearing ratio is not applicable (December 31, 2018: not applicable).

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2019, the Group and the medical facilities in its network had a total of 1,240 employees, of whom 988 were located in China and 252 were located in the United States. The staff costs, including Directors' emoluments but excluding any contributions to retirement benefit scheme contributions and share-based payment expenses, were approximately RMB361.0 million for the year ended December 31, 2019, as compared to approximately RMB161.9 million for the year ended December 31, 2018.

The medical facilities in the Group's network generally enter into individual employment contracts with their employees to cover matters such as wages, benefits and grounds for termination. At each of the assisted reproductive medical facilities, the medical professionals are provided with competitive compensation packages, attractive promotion opportunities, diverse training courses and a professional working environment. Remuneration packages for the employees primarily comprise of: base salary, performance-based compensation and/or discretionary bonus. As required by PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury insurance and unemployment insurance.

The Group also offers its employees the option to participate in its RSU Scheme. Additionally, the Group has adopted the Share Option Scheme to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to the Group. As at December 31, 2019, no option has been granted pursuant to the Share Option Scheme.

FINAL DIVIDEND

The Board recommended the payment of final dividend of HK$6.8 cents for the year ended December 31, 2019 (for the year ended December 31, 2018: nil) which is subject to the approval by the Shareholders at the AGM. The final dividend is expected to be payable to the Shareholders on or before Wednesday, July 29, 2020. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, July 9, 2020.

EVENTS AFTER REPORTING PERIOD

The Group has the following events taken place subsequent to December 31, 2019:

- In line with the Company's M&A strategy and following surging patient demand from our Chinese market, it acquired the relevant licenses to provide ARS from Rhea International Medical Centre, an independent third party, and will establish a new IVF clinic in Boten Special Economic Zone in Laos, which is currently under renovations and due to be open for business by the third quarter of 2020. For further details, please refer to the Company's announcement dated March 3, 2020.
- In collaboration with Chengdu Jinxin Investment, an innovative research center will be established in 2020 that will allow more in-depth research in this field to be carried out. The goals of the research center are to, among other things, carry out endometrial receptivity testing, develop an IVF-AI diagnostic system and develop a stem-cell culture system.

DIRECTORS

Executive Directors

Ms. Yan Xiaoqing (嚴曉晴), aged 50, has been an executive Director and senior vice president of the Company since May 3, 2018 and September 12, 2018, respectively. Her main responsibilities include the overall management of our Group and overseeing operations and internal audit matters. She joined our Group in March 2010. From March 2010 to October 2015, she served as the finance director of Prior Chengdu Xinan Hospital and continued to be the finance director of Chengdu Xinan Hospital until October 2018. Between November 2006 and January 2010, Ms. Yan acted as the head of finance at Jinjiang District Maternity and Child Health Hospital and from February 2000 to January 2006, she was employed as an accountant. Prior to joining our Group, from January 1992 to January 2000, she worked at Luzhou Baoguang Pharmaceutical Company (瀘州寶光醫藥公司).

Ms. Yan obtained a college graduation certificate in law by way of distance learning from the correspondence college of Sichuan Province Party School of the Communist Party of China (中共四川省委黨校) in the PRC in June 2001 and a master's degree (correspondence course) in business administration from Open University of Hong Kong (香港公開大學) in November 2015.

Ms. Yan has not held directorship in any listed company in the three years immediately preceding the date of this report.

Mr. Zhong Ying (鍾影), aged 62, has been an executive Director and chief executive officer of the Company since August 17, 2018 and July 4, 2017, respectively. He joined our Group in March 2010 and has been managing our medical institutions for over nine years. Mr. Zhong is primarily responsible for the overall management of the business of our Group and the development of our medical business. He has been working as the general manager of Chengdu Xinan Hospital since July 2017 and served as the president of Prior Chengdu Xinan Hospital and Chengdu Xinan Hospital from March 2010 to July 2017.

Mr. Zhong has been a vice chairman of committee of first session of China Sexology Association Women and Children Healthcare Andrology Branch (中國性學會婦幼保健男科分會) since June 2017, vice chairman of China Healthy Birth Science Association Reproductive Medicine and Reproductive Ethics Branch (中國優生科學協會生殖醫學與生殖倫理學分會) since June 2018, standing committee member of China Medical Education Association Reproductive Endocrinology Special Committee (中國醫藥教育協會生殖內分泌專業) since September 2017, standing committee member of the fifth committee of the China Medical Association Reproductive Medicine Branch (中華醫學會生殖醫學分會) since August 2018, vice chairman of the first committee of the China Non-Government Medical Institutions Association Reproductive Medicine Special Committee (中國非公立醫療機構協會生殖醫學專業委員會) since November 2017, and vice chairman of the second session of Sichuan Medical Association Reproductive Medicine Special Committee (四川省醫學會生殖醫學專業委員會) since July 2016. He was also a visiting professor of College of Life Sciences of Sichuan University (四川大學) since January 2019.

Mr. Zhong graduated from Chengdu Health School (成都衛生學校) in the PRC in 1980 to become a medical assistant, obtained a college degree from Sichuan Continuing Education College of Medical Sciences (四川省衛生管理幹部學院) in the PRC majoring in clinical medicine in July 1994 and graduated from Southwest Normal University (西南師範大學) majoring in foundational psychology in the PRC in July 1999. He graduated from Southwestern University of Finance and Economics (西南財經大學) in the PRC majoring in business administration in September 2012. He obtained an executive master's degree in business administration from City University of Hong Kong in October 2019.

Mr. Zhong has not held directorship in any listed company in the three years immediately preceding the date of this report.

Dr. John G. Wilcox, M.D., FACOG, aged 57, has been an executive Director of the Company since December 25, 2018. He is primarily responsible for the management of clinical operations and business development in North America. Dr. Wilcox has been working as a physician at HRC Medical since July 1996. From 2002 to 2008, he served successively as a voluntary faculty member of Keck School of Medicine at the University of Southern California, an assistant clinical professor at the department of obstetrics and gynecology of University of Southern California School of Medicine, and a member of the medical staff of Healthcare Network at the University of Southern California.

Dr. Wilcox graduated with a bachelor's degree in bioengineering from University of California, San Diego in the United States in December 1986 and a doctoral degree in medicine from University of Southern California, Los Angeles in the United States in May 1990. He was licensed to practice medicine and surgery by the Medical Board of California in 1991 and has been board certified by American Board of Obstetrics and Gynecology in obstetrics and gynecology since November 12, 1999. Dr. Wilcox's research interests include various aspects of reproductive health.

Dr. Wilcox has not held directorship in any listed company in the three years immediately preceding the date of this report.

Non-executive Directors

Mr. Wang Bin (王彬), aged 55, has been the chairman of the Board and a non-executive Director of the Company since December 25, 2018. His main responsibilities include developing corporate strategies and development planning for our Group. He joined our Group in June 2017. Outside of our Group, Mr. Wang has been the chairman and executive director of Greatime International Holdings Limited (廣泰國際控股有限公司) (formerly known as Grand Concord International Holdings Limited (廣豪國際控股有限公司)) (HKEx stock code: 844) and the chairman of Willsun AM since October 2016 and June 2016, respectively. He also served as the vice chairman of Hainan Haide Industry Co., Ltd. (海南海德實業股份有限公司) (SZSE stock code: 000567) from October 2015 to October 2018, where he concurrently served as the general manager from October 2015 to September 2016. Before joining our Group, Mr. Wang assumed various positions in government authorities and state-owned enterprises including deputy director of the State-owned Assets Supervision and Administration Commission of the state Council of the PRC in Sichuan province (四川省人民政府國有資產監督管理委員會) and chairman of Sichuan Development Holdings Co., Ltd. (四川發展(控股)有限責任公司).

Mr. Wang obtained a bachelor's degree and a PhD degree in economics from Southwestern University of Finance and Economics (西南財經大學), formerly known as Sichuan Institute of Finance and Economics (四川財經學院), in the PRC in July 1982 and June 2003, respectively.

Except as disclosed above, Mr. Wang has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Mr. Fang Min (方敏), aged 41, has been a non-executive Director of the Company since December 25, 2018. He is primarily responsible for providing guidance on financial management and business development to our Group. He has been a managing director at Warburg Pincus Asia LLC since July 2016 and is primarily responsible for investment and management consulting. Prior to joining Warburg Pincus Investment Consulting Company Limited (Shanghai Branch) in July 2011 as investment manager, he worked at Boston Consulting (Shanghai) Company Ltd. as a consultant between September 2001 and November 2006.

From March 2015 to August 2016, he was a director of China Biologic Products Holdings, Inc. (NASDAQ stock code: CBPO).

Mr. Fang obtained a bachelor's degree in economics with a major in international finance from Fudan University (復旦大學) in the PRC in July 2001 and a master's degree in business administration from Stanford University in the United States in June 2007.

Except as disclosed above, Mr. Fang has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Ms. Hu Zhe (胡喆), aged 46, has been a non-executive Director of the Company since December 25, 2018. She is primarily responsible for providing guidance on corporate strategies and governance to our Group.

Ms. Hu has over 20 years of experience in the financial services industry, including commercial banking, equity investments, corporate finance and fund management. She has served in China Investment and Finance Limited (subsequently renamed CNCB (Hong Kong) Investment Limited) since November 2004 and has been its deputy general manager since August 2011. From August 1996 to November 2004, she served in various positions in the credit department and corporate business department of China CITIC Bank (中信銀行股份有限公司) (SSE stock code: 0998) with her last positions being client manager and deputy director.

Ms. Hu obtained a bachelor's degree in investment economics from China Institute of Finance and Banking (中國金融學院) (subsequently merged with the University of International Business and Economics (對外經濟貿易大學)) in the PRC in July 1996 and a master's degree in economics from Central University of Finance and Economics (中央財經大學) in the PRC in September 2003.

Ms. Hu has not held directorship in any listed company in the three years immediately preceding the date of this report.

Mr. Dong Yang (董陽), aged 34, has been a non-executive Director of the Company since May 3, 2018. He is primarily responsible for providing guidance on financial management and business development to our Group. Since October 2017, he has been the chief financial officer of Jinxin Medical Investment Co., Ltd. (錦欣醫療投資有限公司). Since December 2018, he has been the director of Jinxin Hospital Management Group Limited. Since September 2018, he has been the chief financial officer of Jinxin Investment Limited and Jinxin Hospital Management Group Limited. Prior to joining our group, between July 2017 and November 2017, he was a director of the asset management department at Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券(香港)金融控股有限公司). Before that, from October 2015 to June 2017, Mr. Dong served as a manager of capital markets and accounting advisory services at PricewaterhouseCoopers. Mr. Dong was a manager of the assurance practice of Chongqing branch of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所(特殊普通合夥)) from October 2009 to September 2015.

Mr. Dong graduated with a bachelor's degree in international economic and trade from Sichuan University (四川大學) in the PRC in June 2009. He has been a member of the Chongqing Institute of Certified Public Accountants (重慶註冊會計師協會) since March 2014. Mr. Dong obtained a master's degree in business administration at the Hong Kong University of Science and Technology in Hong Kong in March 2020.

Mr. Dong has not held directorship in any listed company in the three years immediately preceding the date of this report.

Independent Non-executive Directors

Dr. Chong Yat Keung (莊一強), aged 56, has been an independent non-executive Director of the Company since June 3, 2019. He is primarily responsible for supervising and providing independent judgment to the Board.

Dr. Chong has over 23 years of experience in the medical industry. He has been an independent non-executive director of Wenzhou Kangning Hospital Co., Ltd. (HKEx stock code: 2120) since April 2015. From February 2012 to February 2015, Dr. Chong served as the deputy secretary-general of the Chinese Hospital Association (中國醫院協會). From January 2004 to January 2012 and since February 2015, he was the president of Guangzhou Ailibi Management Consulting Co., Ltd (廣州艾力比管理顧問有限公司), a company engaged in the provision of hospital consultation services. From November 1994 to May 2000, he held various positions at a number of pharmaceutical companies including AstraZeneca Pharmaceutical Co., Ltd (阿斯利康制藥有限公司) and Beijing Novartis Pharmaceuticals Co., Ltd (北京諾華製藥有限公司), where he was primarily responsible for the sales and marketing of pharmaceutical drugs.

Dr. Chong graduated with a bachelor's degree in medical science from Zhongshan Medical University (中山醫科大學), subsequently merged into Sun Yat-Sen University (中山大學) in Guangzhou in July 1986. He also obtained a master's degree in business administration from Northwestern University and Hong Kong University of Science and Technology in May 2004. He also graduated with a doctoral degree in management from ISCTE – University Institute of Lisbon in November 2013.

Except as disclosed above, Dr. Chong has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Mr. Lim Haw Kuang (林浩光), aged 66, has been an independent non-executive Director of the Company since June 3, 2019. He is primarily responsible for supervising and providing independent judgment to the Board.

Mr. Lim is currently serving as a director of Bank Negara Malaysia (Central Bank of Malaysia) since March 2015 and an executive director of Ranhill Holdings Berhad (MYX stock code: 5272) since September 2014. Prior to that, from March 2013 to April 2016, he successively acted as an independent non-executive director and a non-executive director of ENN Energy Holdings Limited (HKEx stock code: 2688) and from March 2013 to February 2016, he was a non-executive director of BG Group Plc (then LSE stock code: BG.L). He was a senior independent non-executive director of Sime Darby Berhad (MYX stock code: 4197) from December 2017 to November 2019.

Mr. Lim worked at Royal Dutch Shell Plc ("**Shell**") prior to joining our group. During his tenure, Mr. Lim held various director and senior management positions in the company including executive chairman of Shell (China) Ltd. from July 2005 to February 2013, vice president of corporate strategy and planning for Shell, president of oil products in Asia Pacific and Middle East regions, chairman of Shell Malaysia Limited, as well as general manager of exploration and production in Shell Malaysia. From 2012 to 2016, Mr. Lim was an international council member of China Council for International Cooperation on Environment and Development. Since June 2019, Mr. Lim has been a non-executive director of Wison Group, a company based in Shanghai with international operations under three main business units: oil and gas engineering services, offshore and marine services, and new materials.

Mr. Lim graduated with a bachelor's degree in computer science from Imperial College of Science and Technology of University of London in August 1978. He also obtained a master's degree in business administration from International Management Institute in Geneva in 1986.

Except as disclosed above, Mr. Lim has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Directors and Senior Management

Mr. Wang Xiaobo (王嘯波), aged 44, has been an independent non-executive Director of the Company since June 3, 2019. He is primarily responsible for supervising and providing independent judgment to the Board.

Mr. Wang has over 18 years of experience in the legal service industry with a focus on corporate law. In April 2000, Mr. Wang joined Duan & Duan Law Firm (段和段律師事務所) and is currently acting as the executive chairman, chief executive officer and partner. He has been an independent non-executive director of Shanghai Tunnel Engineering Co., Ltd. (上海隧道工程股份有限公司) (SSE stock code: 600820) since December 2018 and Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (SSE stock code: 603885) since July 2017.

Mr. Wang received a bachelor's degree in literature from Shanghai International Studies University (上海外國語大學) in the PRC in January 1997 and another bachelor's degree in law from Shanghai University (上海大學) in the PRC in July 1999. Mr. Wang also graduated from the University of Oxford with a master's degree in law in the United Kingdom in October 2005. Mr. Wang received his PRC lawyer's practicing license issued by the Shanghai Bureau of Justice (上海市司法局) in January 2001.

Except as disclosed above, Mr. Wang has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Mr. Ye Changqing (葉長青), aged 49, has been an independent non-executive Director of the Company since June 3, 2019. He is primarily responsible for supervising and providing independent judgment to the Board.

Mr. Ye has over 25 years of experience in professional accounting, financial advisory and investment services. He has been an independent non-executive director of Ascentage Pharma Group International (HKEx stock code: 6855) since June 2019, Luzhou Bank Co., Ltd. (HKEx stock code: 1983) since December 2018, Niu Technologies (NASDAQ stock code: NIU) since October 2018, and Baozun Inc. (NASDAQ stock code: BZUN) since May 2016. From February 2011 to December 2015, Mr. Ye worked at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司), and his last positions there were managing director, chief financial officer and member of the investment committee. Prior to that, between April 1993 and January 2011, Mr. Ye worked at the China office of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所（特殊普通合夥）), with his last positions being service line leader of advisory services and leader of transaction services of Shanghai office.

Mr. Ye graduated with a bachelor's degree in journalism from Huazhong University of Science and Technology (華中理工大學, now renamed as 華中科技大學) in the PRC in July 1992 and a master's degree in business administration from University of Warwick in the United Kingdom in November 1999. Mr. Ye is currently a member of the Shanghai Institute of Certified Public Accountants.

Except as disclosed above, Mr. Ye has not held directorship in any other listed company in the three years immediately preceding the date of this report.

SENIOR MANAGEMENT

Mr. Zhong Ying, is an executive Director and chief executive officer of the Company. See "– Executive Directors" for details of his biography.

Ms. Yan Xiaoqing, is an executive Director and senior vice president of the Company. See "– Executive Directors" for details of her biography.

Mr. Zhong Yong (鍾勇), aged 48, is a co-chief executive officer of the Company. He joined our Group in June 2017 and was appointed as a co-chief executive officer on September 12, 2018. He is mainly responsible for the overall management of the Company's daily operations and implementing mergers and acquisitions strategies. Furthermore, Mr. Zhong has over 20 years of experience in investment.

From October 2016 to January 2019, Mr. Zhong was the general manager of Willsun AM and from October 2016 to December 2018, he was the chairman of Tibet Taisheng Venture Capital Co., Ltd. (西藏泰昇創業投資管理有限公司). From October 2015 to September 2016, he was employed as the deputy general manager of Hainan Haide Industry Co., Ltd. (海南海德實業股份有限公司) (SZSE stock code: 000567), and from April 2013 to October 2015, he was the leader of the trust team of Sichuan Development Holding Co., Ltd. Furthermore, between March 2009 and April 2013, he served as the chairman of Sichuan Shuxiang Venture Capital Co., Ltd. (四川蜀祥創業投資有限公司).

From May 2004 to October 2005, he served as a member of preparatory team at Sichuan International Trust Investment Co., Ltd. (四川省國際信託投資公司). Previously, he was employed as a deputy general manager, then later served as the general manager of Chengdu Guoxin New Industry Investment Co., Ltd. (成都國信新產業投資公司) from May 1998 to May 2004. Earlier, Mr. Zhong worked as a manager of the investment banking department at Sichuan International Trust Investment Co., Ltd. between October 1996 and May 1998.

Mr. Zhong obtained a bachelor's degree in economics from Southwestern University of Finance and Economics in the PRC in 1993 and a master's degree in law from Sichuan University in the PRC in 2005. Mr. Zhong has been a member of the Sichuan Institute of Certified Public Accountants since August 2012 and was licensed by the Ministry of Justice of PRC to practice law in the PRC in February 2005.

Mr. Zhong has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Directors and Senior Management

Ms. You Fei (由飛), aged 41, is the chief financial officer of the Company and is mainly responsible for the financial management of our Group, financing activities and investor relations management. She joined our Group and was appointed as our chief financial officer on October 8, 2018. Ms. You has more than 15 years of experience in financial management, auditing and investment management. Before joining our Group, she has held several roles, including director of the finance department and senior director of the strategic investment department at 3SBio Inc. (HKEx stock code: 1530) from February 2011 to September 2018. During her tenure at 3SBio Inc., she was responsible for overseeing the accounting, financial reporting, financial analysis and capital market matters of the group.

Ms. You obtained a bachelor's degree and a master's degree in economics from Renmin University of China (中國人民大學) in the PRC in July 2000 and July 2003, respectively. Ms. You has been a member of the Beijing Institute of Certified Public Accountants since 2010.

Ms. You has not held directorship in any listed company in the three years immediately preceding the date of this report.

Dr. Chi Ling (池玲), aged 65, has been chief scientific officer of the Group since September 12, 2018, primarily overseeing the overall coordination, standardization, quality control/quality assurance, and technical improvement of the Group's IVF clinical laboratories, and the development of the Group's clinical embryologist training center.

Dr. Chi has been working at the Department of Obstetrics and Gynecology at the Chinese University of Hong Kong since May 2015. During her tenure, she first worked as the Scientific Officer of the Department of Obstetrics and Gynecology and Laboratory Director of the Assisted Reproductive Technology Unit, and is currently Deputy Program Director and Course Advisory Committee Chairperson for the Master of Science programme in Reproductive Medicine and Clinical Embryology.

From October 2009 to 2015, she was concurrently a offsite laboratory director for the Dominion Fertility and Endocrinology IVF Center in the United States and an independent IVF laboratory technical consultant. From February 2002 to 2003, she was the IVF laboratory director of Clinical Embryology, Clinical Andrology and Clinical Endocrinology, as well as the Chief Embryologist for the Dominion Fertility and Endocrinology IVF Center in the U.S. From September 1991 to October 1995, she was a research associate and later a lecturer at Mount Sinai Medical School, New York, U.S.

Dr. Chi is certified by the American Board of Bioanalysis as a High Complexity Clinical Laboratory Director (HCLD) in the United States. Dr. Chi is also currently Chairperson of PGT and SIG Embryology for Asia Pacific Initiative on Reproduction (ASPIRE) and a professional journal reviewer for professional journals including "Andrologia" and "Fertility & Sterility". She was a CAP (College of American Pathologist, U.S.) inspector in the U.S.

Dr. Chi is a member of several professional and academic organizations of reproductive medicine, including American Association of Bioanalysts, American Society of Reproduction Medicine, European Society of Human Reproduction and Embryology and the Society of Reproductive Biologists and Technologists of the United States.

Dr. Chi graduated with a bachelor's degree in medicine from Wuhan University Medical School (武漢醫學院) (now known as Tongji Medical University (同濟醫科大學)) in the PRC in December 1982, and obtained a doctorate degree in medicine from the Family Planning Institute of Tongji Medical University in the PRC in December 1987.

Dr. Chi has not held directorship in any listed company in the three years immediately preceding the date of this report.

Mr. Zeng Yong (曾勇), aged 54, has been a senior vice president of our Group since September 12, 2018 and is primarily responsible for medical research and development of our Group and management of Shenzhen Zhongshan Hospital. Also, he has been the technical director of Chengdu Xinan Hospital since May 2017 and the president of Shenzhen Zhongshan Hospital since August 2017. From October 2006 to July 2017, he was the vice president of Shenzhen Zhongshan Hospital and from April 1999 to August 2003, he served as the subject leader at the medical school of Zhongshan Medical University at Shenzhen Zhongshan Hospital (中山醫科大學深圳泌尿醫院醫學中心).

Mr. Zeng has nine utility model patents and four invention patents. He is currently a standing committee member of China Medical Association Reproductive Medicine Branch (中華醫學會生殖醫學分會), and he was also a member of several other committees and councils, including Guangdong Medical Association Reproductive Medicine Branch (廣東醫學會生殖醫學分會), and Shenzhen Medical Association (深圳市醫學會). He was a member of the China Genetic Society Genetic Consulting Branch (中國遺傳學會遺傳諮詢分會) from 2015 to 2018 and the Health Exchange and Cooperation Across the Taiwan Straits Society Genetics and Reproduction Special Committee (海峽兩岸醫藥衛生交流協會遺傳與生殖專業委員會) from 2015 to 2018. He has been a member of the Guangdong Immunology Society (廣東省免疫學會), China Healthcare International Exchange Promotion Association (中國醫療保健國際交流促進會生殖醫學分會) and China Eugenics Science Association Reproductive Medicine and Ethics Branch (中國優生科學協會生殖醫學與倫理學分會) since August 2016, August 2016 and June 2018, respectively.

Mr. Zeng graduated with a bachelor's degree in medicine from Chongqing Medical University (重慶醫科大學) in the PRC in July 1989. Mr. Zeng has been certified as a deputy chief physician in reproductive medicine by Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in 2011.

Mr. Zeng has not held directorship in any listed company in the three years immediately preceding the date of this report.

Ms. Zhang Jing (張婧), aged 38, joined our Group in September 2018 and has been our vice president since September 12, 2018. She is responsible for implementing our international development strategies and international mergers and acquisitions, and the management of HRC Management. Ms. Zhang has served as the chairman and manager of HRC Management since July 2017. Also, she has been the vice general manager of Willsun AM since August 2016, where she is responsible for overseas mergers and acquisitions. From November 2009 to November 2015, she was the legal director at CCB International Wealth Management (Tian Jin) Ltd. (建銀國際財富管理(天津)有限公司) and from June 2009 to October 2009, she was a legal specialist of CCB International (China) Limited (建銀國際(中國)有限公司). Between May 2007 and May 2009, she served as an associate of Jingtian & Gongcheng (競天公誠律師事務所) and between February 2006 and May 2007, she was an associate of Tian Yuan Law Firm (天元律師事務所). From September 2003 to September 2005, she worked as a legal assistant of JT&N Law Firm (金誠同達律師事務所) where she later became an associate.

Ms. Zhang obtained a bachelor's degree in law from Southwestern University of Finance and Economics in the PRC in June 2004 and a master's degree in economic law from Beijing University (北京大學) in the PRC in July 2008. Ms. Zhang passed the National Judicial Examination of China and was licensed by the Ministry of Justice of PRC to practice law in the PRC in 2005.

Ms. Zhang has not held directorship in any listed company in the three years immediately preceding the date of this report.

Directors and Senior Management

Ms. Liu Jing (劉敬), aged 51, has been our vice president since September 12, 2018 and is responsible for the medical quality control of our Group and management of Chengdu Xinan Hospital. She joined our Group in March 2010 and has been a vice president and director of IVF clinical medicine at Chengdu Xinan Hospital since November 2018. From December 2013 to November 2018, she was seconded from Chengdu Xinan Hospital to be a director at Jinxin Fertility Center, Jinjiang IVF Center and Gaoxin Xinan Hospital. Previously, she served as a director of the IVF Center at Prior Chengdu Xinan Hospital from March 2010 to December 2013. From November 2005 to February 2010, she worked as a physician at the Jinjiang IVF Center. From July 2004 to October 2005, she was a physician at the IVF Center in Chengdu Jinjiang Gynecological Hospital (成都市錦江區婦產科醫院).

Ms. Liu obtained a bachelor's degree in medicine and a master's degree in medicine from Chongqing Medical University (重慶醫科大學) in the PRC in July 1991 and July 2004, respectively.

Ms. Liu has not held directorship in any listed company in the three years immediately preceding the date of this report.

Ms. Zhu Yujuan (朱玉鵑), aged 40, has been our vice president since September 12, 2018 and is responsible for coordinating and managing the daily affairs of medical business of the Company. She joined our Group in March 2010 and has served in various positions in Chengdu Xinan Hospital, including as vice president since November 2018, president of Chengdu Xinan Hospital from July 2017 to November 2018 and director of the medical department from March 2010 to July 2017. From August 2005 to February 2010, Ms. Zhu was the chief nurse of Jinjiang IVF Center.

Ms. Zhu graduated from Southwestern University of Finance and Economics in the PRC majoring in business administration in December 2013 and graduated from the Open University of China (國家開放大學) majoring in nursing in the PRC in January 2017. She has also obtained a postgraduate diploma in integrated and practicing management from the University of Hong Kong in April 2018.

Ms. Zhu has not held directorship in any listed company in the three years immediately preceding the date of this report.

Ms. Deng Meixi (鄧梅希), aged 48, has been the chief compliance officer of the Company since January 1, 2019 and is responsible for overseeing all compliance matters within the Company and ensuring our business is in compliance with the relevant rules and regulations. From July 2015 to December 2017, Ms. Deng served as a director at Warburg Pincus Investment Consulting Company Limited (Shanghai Branch).

Ms. Deng was the chief financial officer of Huibo Parking Management (Shanghai) Co., Ltd. (滙泊停車管理(上海)有限公司) and Huang Long Parking Development (Shanghai) Co., Ltd. (皇龍停車發展(上海)有限公司) successively (due to the group's restructuring) from February 2014 to March 2015. Prior to that, she was also the chief financial officer of C&A (China) Co., Ltd (西雅衣家(中國) 商業有限公司) between June 2010 and May 2013 and worked in Best Buy Shanghai Ltd. (百思買商業(上海)有限責任公司) between October 2006 and May 2010, with her last position there being the chief financial officer. From March 1999 to October 2006, she successively served as the finance manager and supplier development director of Wal Mart (China) Investment Co., Ltd. (沃爾瑪(中國)投資有限公司).

Ms. Deng obtained her bachelor's degree in industrial foreign trade in July 1993 from Zhejiang Silk Institute of Technology (浙江絲綢工學院), subsequently renamed as Zhejiang Sci-Tech University (浙江理工大學), and obtained a master's degree in business administration in November 2005 from the Hong Kong University of Science and Technology. She has been a member of The Association of Chartered Certified Accountants since October 1999 and Shenzhen Institute of Certified Public Accountants since December 2009.

Ms. Deng has not held directorship in any listed company in the three years immediately preceding the date of this report.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on May 3, 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange on June 25, 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in providing IVF services in both China and the United States. Analysis of the principal activities of the Group during the year ended December 31, 2019 is set out in the note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Events after the Reporting Period" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" under "Continuing Connected Transactions" in this annual report, the following list is a summary of certain principal risks and uncertainties faced by the Group.

- The assisted reproductive medical facilities in our network conduct business in a strictly regulated industry. Any failure to comply with relevant laws and regulations may adversely affect the business and results of operations of the medical facilities in our network and, therefore, the Group.
- Any adverse change in the regulatory regime relating to the PRC healthcare industry may limit the ability to provide ARS by the medical facilities in our network and may have a material adverse effect on the business, results of operations and financial conditions of the assisted reproductive medical facilities in our network, and therefore, the Group.
- If the assisted reproductive medical facilities in our network are unable to attract and retain a sufficient number of qualified physicians, administrators and other medical personnel, the business, results of operations and financial results of such medical facilities and the Group could be materially and adversely affected.

- We derived and expect to derive a majority of our revenue from Sichuan and Guangdong in the PRC and California in the United States, and may be particularly sensitive to adverse developments with respect to local conditions and changes in these regions, such as with respect to their economy, laws and regulations, and any force majeure events, natural disasters or outbreaks of contagious diseases in these regions.
- Any failure to obtain or maintain any license may subject the assisted reproductive medical facilities in our network to penalties and may affect the business of the assisted reproductive medical facilities in our network, and therefore, the Group.

Since the above is not an exhaustive list, investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

For more details of other risks and uncertainties faced by the Group, please refer to the Prospectus.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

For more details, please refer to the Environmental, Social and Governance Report to be published by the Company in due course.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, save as disclosed in the Prospectus, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 84 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of final dividend of HK$6.8 cents for the year ended December 31, 2019 (for the year ended December 31, 2018: nil) which is subject to the approval by the Shareholders at the AGM. The final dividend is expected to be payable to the Shareholders on or before Wednesday, July 29, 2020. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, July 9, 2020.

No Shareholder has waived or agreed to waive any dividends.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years are set out on page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM LISTING

The net proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK$2,808.1 million. Such net proceeds were kept at the bank accounts of the Group as at December 31, 2019.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2019:

Use of proceeds	**Planned applications** (HK$ million)	**Percentage of total net proceed**	**Actual usage up to December 31, 2019** (HK$ million)	**Net proceeds brought forward for the Reporting Period** (HK$ million)	**Unutilized net proceeds as at December 31, 2019** (HK$ million)	**Expected timeframe for utilizing the remaining unutilized net proceeds[2]**
To expand and upgrade existing assisted reproductive medical facilities in the Group's network in China and recruit medical professionals, including physicians and embryologists, in order to increase capacity, expand its service offering and market share	702.0[1]	25.0%[1]	–	–	702.0	By June 2024
For the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in	561.6	20.0%	–	–	561.6	By June 2022

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceed	Actual usage up to December 31, 2019 (HK$ million)	Net proceeds brought forward for the Reporting Period (HK$ million)	Unutilized net proceeds as at December 31, 2019 (HK$ million)	Expected timeframe for utilizing the remaining unutilized net proceeds(2)
For investment in research and development to enhance overall performance and maintain the Group's position at the forefront of assisted reproductive technology	280.8	10.0%	–	–	280.8	By June 2024
For the potential acquisitions of ARS service providers and businesses along the ARS service chain	561.6	20.0%	–	–	561.6	By June 2022
To improve brand awareness and general ARS awareness in both China and the United States	421.2	15.0%	–	–	421.2	By June 2024
For the Group's working capital and general corporate purposes	280.8	10.0%	–	–	280.8	
Total	2,808.1	100.0%	–	–	2,808.1	

Notes:

(1) The Group intends to use (i) 20.0% or HK$561.6 million to (a) expand and upgrade the medical facilities, (b) acquire additional medical equipment and (c) acquire and/or construct patient care facilities, and (ii) 5.0%, or HK$140.4 million to recruit and expand medical professional teams and relevant supporting staff, including introducing professional staff specializing in prenatal services.

(2) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

Since the Listing Date and as of December 31, 2019, the Group has not utilized any net proceeds from the Listing. The Group will gradually utilize the proceeds from the Listing in accordance with the intended purposes as set out in the Prospectus.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Major Customers

For the year ended December 31, 2019, the Group's sales to its five largest customers accounted for 39.9% (2018: 9.8%) of the Group's total revenue and our single largest customer accounted for 33.5% (2018: 9.7%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2019, the Group's five largest suppliers accounted for 49.4% (2018: 53.1%) of the Group's total purchases and our single largest supplier accounted for 14.4% (2018: 16.1%) of the Group's total purchases.

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2019 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2019 are set out in note 34 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2019 are set out on pages 87 to 89 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at December 31, 2019, the Company's reserves available for distribution, amounted to approximately RMB6,914.5 million (as at December 31, 2018: RMB4,278.3 million).

TAXATION

Tax position of the Company from the Listing Date to December 31, 2019 is set out in note 12 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2019, the Group had no bank loans and other borrowings.

DIRECTORS

The Directors during the period from the Listing Date to December 31, 2019 and up to the date of this annual report are:

Executive Directors

Ms. Yan Xiaoqing
Mr. Zhong Ying *(Chief Executive Officer)*
Dr. John G. Wilcox

Non-executive Directors

Mr. Wang Bin *(Chairman)*
Mr. Fang Min
Ms. Hu Zhe
Mr. Dong Yang

Independent Non-executive Directors

Dr. Chong Yat Keung
Mr. Lim Haw Kuang
Mr. Wang Xiaobo
Mr. Ye Changqing

In accordance with article 84(1) of the Articles of Association, Mr. Wang Bin, Ms. Yan Xiaoqing, Mr. Wang Xiaobo and Mr. Ye Changqing shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Details of the Directors to be re-elected at the AGM will be set out in the circular to the Shareholders to be despatched in due course.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 27 to 36 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent from the Listing Date to December 31, 2019.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company, under which they agreed to act as executive Directors for an initial term of three years commencing from their respective date of appointment, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of one year with effect from their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive directors are not entitled to any remuneration.

The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

None of the Directors has entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Continuing Connected Transactions" below, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party from the Listing Date to December 31, 2019.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance, including for the provision of services, has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended December 31, 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed from the Listing Date to December 31, 2019.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

Details of the emoluments of the Directors and five highest paid individuals during the Reporting Period are set out in note 13 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 40 to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

1. Mr. Lim Haw Kuang, an independent non-executive director of the Company, has resigned as a senior independent non-executive director of Sime Darby Berhad (MYX stock code: 4197) in November 2019.

2. Mr. Ye Changqing, an independent non-executive director of the Company, has been an independent non-executive director of Ascentage Pharma Group International (HKEx stock code: 6855) since June 2019.

Save as disclosed in this annual report, there was no change to information which is required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the Reporting Period.

RISK MANAGEMENT

Currency Risk

The business of the Group operates in both the PRC and the United States with its transactions settled in Renminbi and U.S. dollar, respectively. Renminbi is not a freely convertible currency and is subject to changes in central government policies and to international economic and political developments. Despite the fact that the Company currently has not adopted any hedging measure, the cost of the U.S. dollar is covered by the revenue generated in U.S. dollars, which serves a natural hedging purpose. As a result, the Company does not believe that it currently has any significant direct foreign exchange risk and has not used any derivative financial instruments to hedge our exposure to such risk.

Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. Its cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Directors consider that the overall interest rate risk is not significant and no sensitivity analysis is presented. The Company considers the interest rate risk associated with the financial assets at fair value through profit or loss and fixed rate structured bank deposit to be limited because the tenor of such instruments are short, ranging from 35 to 90 days.

Liquidity Risk

The Group aims to manage liquidity risk by maintaining adequate reserves, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Capacity/nature of interest	Number of shares/ underlying shares	Approximate Percentage of Shareholding in the Company	Long position/ Short position/ Lending pool
Dr. John G. Wilcox[1]	Interests of controlled corporations	360,725,005	14.82%	Long position

Notes:

(1) Dr. John G. Wilcox controlled John G. Wilcox, M.D., A Medical Corporation, which is a 23.65% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, John G. Wilcox, M.D., A Medical Corporation holds 100% in HRC Investment Cayman, LLC, which holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. John G. Wilcox is deemed to be interested in the Shares held by HRC Investment.

(2) The calculation is based on the total number of 2,434,383,802 Shares in issue as at December 31, 2019.

(ii) Interest in the Company's associated corporations

Name of Director	Capacity/Nature of interest	Name of associated corporation	Approximate percentage of shareholding interest
Ms. Yan Xiaoqing	Beneficial owner	Jinrun Fude	51%[1]

Note:

(1) Ms. Yan Xiaoqing, one of the Registered Shareholders, holds 51% of the equity interest in Jinrun Fude. Jinrun Fude is a subsidiary of the Company by virtue of the Contractual Arrangements.

Save as disclosed above, as at December 31, 2019, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares/ underlying Shares	Approximate Percentage of Shareholding in the Company	Long position/ Short position/ Lending pool
Jinxin Fertility BVI	Beneficial owner	502,400,853	20.64%	Long position
Jinxin Global BVI	Beneficial owner	130,980,306	5.38%	Long position
Jinxin Fund[(1)]	Interests of controlled corporations	130,980,306	5.38%	Long position
Amethyst Gem[(2) (3)]	Beneficial owner	446,839,991	18.36%	Long position
Amethyst Gem Investments Ltd[(2)]	Interests of controlled corporations	446,839,991	18.36%	Long position
Ametrine Gem Investments Ltd[(2)]	Interests of controlled corporations	446,839,991	18.36%	Long position
Warburg Pincus (Bermuda) Private Equity GP Ltd.[(2)]	Interests of controlled corporations	446,839,991	18.36%	Long position
Warburg Pincus (Cayman) China GP LLC[(2)]	Interests of controlled corporations	446,839,991	18.36%	Long position

Name of Shareholder	Capacity/Nature of interest	Number of Shares/ underlying Shares	Approximate Percentage of Shareholding in the Company	Long position/ Short position/ Lending pool
Warburg Pincus (Cayman) China GP, L.P.[2]	Interests of controlled corporations	446,839,991	18.36%	Long position
Warburg Pincus (Cayman) XII, L.P.[2]	Interests of controlled corporations	446,839,991	18.36%	Long position
Warburg Pincus China (Cayman), L.P.[2]	Interests of controlled corporations	446,839,991	18.36%	Long position
Warburg Pincus Partners II (Cayman), L.P.[2]	Interests of controlled corporations	446,839,991	18.36%	Long position
Warburg Pincus XII GP LLC[2]	Interests of controlled corporations	446,839,991	18.36%	Long position
HRC Investment	Beneficial owner	360,725,005	14.82%	Long position
HRC Investment Cayman, LLC	Interests of controlled corporations	360,725,005	14.82%	Long position
Dr. Michael A. Feinman[4]	Interests of controlled corporations	360,725,005	14.82%	Long position
Dr. Daniel A. Potter[5]	Interests of controlled corporations	360,725,005	14.82%	Long position
Dr. Jane L. Frederick[6]	Interests of controlled corporations	360,725,005	14.82%	Long position
Dr. Bradford A. Kolb[7]	Interests of controlled corporations	360,725,005	14.82%	Long position
Dr. David Tourgeman[8]	Interests of controlled corporations	360,725,005	14.82%	Long position
Dr. John G. Wilcox[9]	Interests of controlled corporations	360,725,005	14.82%	Long position
Dr. Jeffrey Nelson[10]	Interests of controlled corporations	360,725,005	14.82%	Long position
Dr. Robert Boostanfar[11]	Interests of controlled corporations	360,725,005	14.82%	Long position
CMB International Finance Limited	Person having a security interest in shares	216,064,000	8.88%	Long position
China Merchants Bank Co., Ltd.[12]	Interests of controlled corporations	216,064,000	8.88%	Long position

Notes:

(1) Jinxin Global BVI is wholly owned by Jinxin Fund, which is managed by its sole general partner, Jinxin Fertility BVI. Each of Jinxin Global BVI, Jinxin Fertility BVI and Jinxin Fund is ultimately controlled by the individual Shareholders, and none of the individual Shareholders are interested in 10% or more of the Company's issued share capital upon Listing and remain as one of our substantial shareholders upon Listing.

(2) Amethyst Gem is our substantial shareholder, the entire interest of which is wholly owned by Amethyst Gem Investments Ltd, which is 83.45% owned by Ametrine Gem Investments Ltd and 16.55% owned by Amethyst Gem Investors, L.P., the general partner of which is Amethyst Gem GP Ltd. Ametrine Gem Investments Ltd and Amethyst Gem GP Ltd. are owned 50% by Warburg Pincus China and 50% by Warburg Pincus XII. The general partner of Warburg Pincus China is Warburg Pincus (Cayman) China GP, LP, the general partner of which is Warburg Pincus (Cayman) China GP LLC; while the general partner of Warburg Pincus XII is Warburg Pincus (Cayman) XII, L.P., the general partner of which is Warburg Pincus (Cayman) XII GP LLC. The managing member of Warburg Pincus (Cayman) China GP LLC and the sole member of Warburg Pincus (Cayman) XII GP LLC is Warburg Pincus Partners II (Cayman), L.P., the general partner of which is Warburg Pincus (Bermuda) Private Equity GP Ltd.

(3) As at December 31, 2019, 446,839,991 Shares, being all of the Shares held by Amethyst Gem, were subject to a share charge in favour of Ping An Bank Co., Ltd., Tianjin Branch.

(4) Dr. Michael A. Feinman controlled Michael A. Feinman, Medical Corporation, which is a 2.43% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, Michael A. Feinman, Medical Corporation holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. Michael A. Feinman is deemed to be interested in the Shares held by HRC Investment.

(5) Dr. Daniel A. Potter controlled Daniel A. Potter, M.D., Inc., which is a 13.26% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, Daniel A. Potter, M.D., Inc. holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. Daniel A. Potter is deemed to be interested in the Shares held by HRC Investment.

(6) Dr. Jane L. Frederick controlled Jane L. Frederick, M.D., A Medical Corporation, which is a 9.76% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, Jane L. Frederick, M.D., A Medical Corporation holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. Jane L. Frederick is deemed to be interested in the Shares held by HRC Investment.

(7) Dr. Bradford A. Kolb controlled Bradford A. Kolb, M.D., A Medical Corporation, which is a 20.18% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, Bradford A. Kolb, M.D., A Medical Corporation holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. Bradford A. Kolb is deemed to be interested in the Shares held by HRC Investment.

(8) Dr. David Tourgeman controlled David Tourgeman, M.D., Inc., which is an 8.49% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, David Tourgeman, M.D., Inc. holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. David Tourgeman is deemed to be interested in the Shares held by HRC Investment.

(9) Dr. John G. Wilcox controlled John G. Wilcox, M.D., A Medical Corporation, which is a 23.65% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, John G. Wilcox, M.D., A Medical Corporation holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. John G. Wilcox is deemed to be interested in the Shares held by HRC Investment.

(10) Dr. Jeffrey Nelson controlled Jeffrey Nelson, D.O., Inc., which is a 4.90% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, Jeffrey Nelson, D.O., Inc. holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. Jeffrey Nelson is deemed to be interested in the Shares held by HRC Investment.

(11) Dr. Robert Boostanfar controlled Robert Boostanfar, M.D. Inc., which is a 17.33% shareholder of HRC Investment Cayman, LLC. Together with other Physician Shareholders, Robert Boostanfar, M.D. Inc. holds 100% in HRC Investment, which in turn holds 360,725,005 Shares. Under the SFO, Dr. Robert Boostanfar is deemed to be interested in the Shares held by HRC Investment.

(12) China Merchants Bank Co., Ltd. directly controlled CMB International Finance Limited and therefore is deemed to be interested in the security interest over the Shares held by CMB International Finance Limited.

(13) The calculation is based on the total number of 2,434,383,802 Shares in issue as at December 31, 2019.

Save as disclosed above, as at December 31, 2019, the Directors were not aware of any persons (who were not Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Share Option Scheme is conditionally adopted by a resolution in writing passed by the Shareholders on June 3, 2019, which has become effective upon Listing.

The purpose of the Share Option Scheme is to enable the Group to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to the Group. The Board has not specified any performance target that must be achieved before options can be exercised. Given that the Board is entitled to determine any performance targets to be achieved and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Board, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increase of market price of the Shares in order to capitalize on the benefits of the options granted. For more details of the Share Option Scheme, please refer to "Statutory and General Information – E. Share Option Scheme" of Appendix V to the Prospectus.

Under the Share Option Scheme, the Company is authorised to issue up to 238,081,580 ordinary shares (subject to possible adjustments), which represents approximately 9.78% of the issued shares of the Company as at December 31, 2019. The Share Option Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately nine years as at the date of this annual report.

From the Listing Date to December 31, 2019, no option under the Share Option Scheme has been granted, exercised, cancelled and lapsed.

RSU SCHEME

The Company has also adopted the RSU Scheme on February 15, 2019 to (i) provide the selected participants of the RSU Scheme (the "**Selected Participants**") with the opportunity to acquire proprietary interests in the Company; (ii) encourage the grantees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and Shareholders as a whole; and (iii) provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Selected Participants. The RSU Scheme became effective on February 15, 2019. Subject to earlier termination by the Board, the RSU Scheme shall be valid and effective for a period of 10 years from the adoption date. The maximum number of shares which can be awarded under the RSU Scheme and to a Selected Participant are limited to 1.66% (i.e. 32,981,388 Shares) of the issued share capital of the Company as at the adoption date and has been issued and allotted to the trustee of the RSU Scheme on the same date.

Pursuant to the RSU Scheme, the Board shall select the Eligible Participant and determine the number of shares to be awarded. The restricted shares and the related income derived therefrom are subject to a vesting scale to be determined by the Board at the date of the grant of the award. Vesting of the restricted shares will be conditional on the Selected Participants satisfying all vesting conditions specified by the Board at the time of making the award and, for the majority of the Selected Participants, the relevant restricted shares will be transferred to the Selected Participants on or about the relevant vesting dates. For more details of the RSU Scheme, please refer to "Statutory and General Information – D. RSU Scheme" of Appendix V to the Prospectus.

The Company shall comply with the relevant Listing Rules when granting the RSUs. If awards are made to the Directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

During the Reporting Period, a total of 13,676,180 RSUs were granted under the RSU Scheme. Details of the movements of the RSUs granted under the RSU Scheme during the Reporting Period are set out in the note 38 to the consolidated financial statements.

The table below shows details of the RSUs granted under the RSU Scheme during the Reporting Period:

				Number of RSUs			
Name of grantee	Date of grant	Outstanding as at January 1, 2019	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at December 31, 2019	Vesting period
Employees in aggregate							
3 Selected Participants	February 15, 2019	–	13,676,180	–	–	13,676,180	Ranging from 3 to 5 years
Total		–	13,676,180	–	–	13,676,180	

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2019, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

CONTINUING CONNECTED TRANSACTIONS

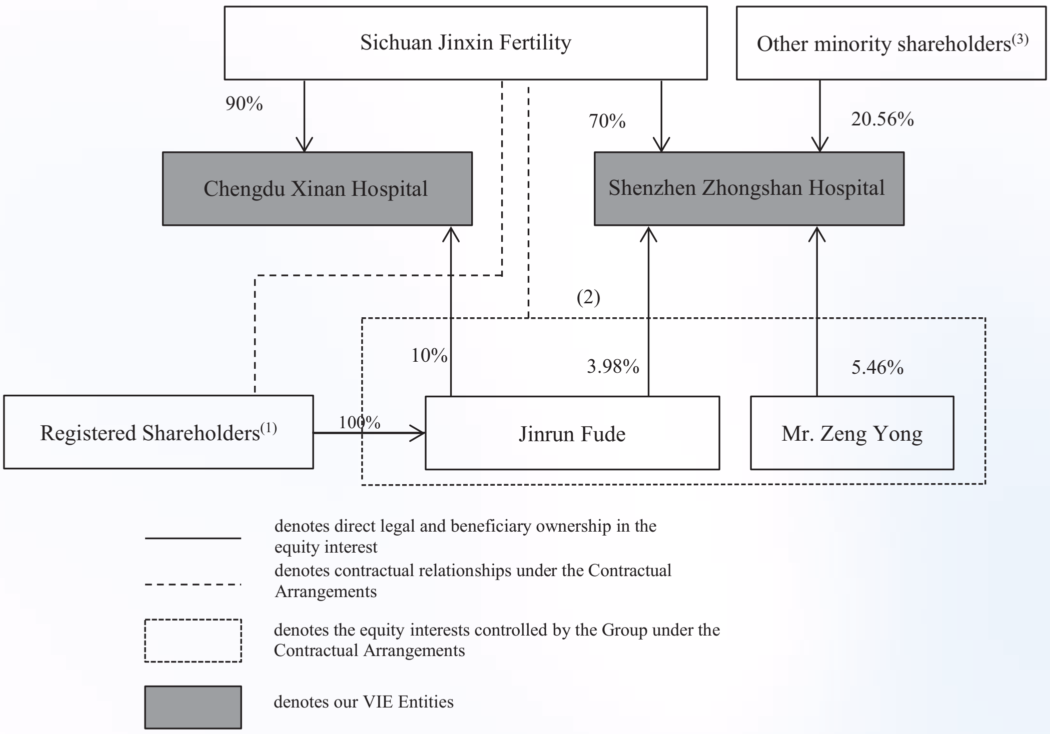
For the year ended December 31, 2019, the Group had entered into certain non-exempt continuing connected transactions as set out below. For detailed terms of such non-exempt continuing connected transactions, please refer to the section headed "Connected Transactions" of the Prospectus.

Non-exempt Continuing Connected Transactions

1. Contractual Arrangements

As foreign investment in certain areas of the industry in which the Group currently operates in is subject to restrictions under current PRC laws and regulations as outlined above, the Company does not own 100% equity interests in the VIE Entities. The Company has entered a series of Contractual Arrangements which apply to the 10.00% and 9.44% equity interests in Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, respectively.

The following simplified diagram illustrates the flow of economic benefits from the VIE Entities to the Group as stipulated under the Contractual Arrangements:



Notes:

(1) The Registered Shareholders are Ms. Yan Xiaoqing and Ms. Zhu Yujuan, who holds 51% and 49% of the equity interests in Jinrun Fude, respectively.

(2) The Exclusive Operation Services Agreements, Exclusive Option Agreements, Powers of Attorney, Equity Pledge Agreements and Spouse Undertakings together form the legal relationship under the Contractual Arrangements.

(3) Other minority shareholders of Shenzhen Zhongshan Hospital are Mr. Zeng Yong (5.46%), Mr. Mei Hua (15%) and Ms. Qian Minhui (0.1%). Mr. Zeng Yong holds in total 10.92% equity interests but have entered into Contractual Arrangements in relation to the 5.46% equity interests.

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" of the Prospectus.

(1) Exclusive Operation Services Agreements

The Registered Shareholders, Mr. Zeng Yong, Jinrun Fude and the VIE Entities have entered into the Exclusive Operation Services Agreements with Sichuan Jinxin Fertility on December 23, 2018 and February 2, 2019, pursuant to which, the VIE Entities, Jinrun Fude and Mr. Zeng Yong agreed to engage Sichuan Jinxin Fertility as their exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Under the Exclusive Operation Services Agreements, the services to be provided include but are not limited to (i) business, financing and investment, (ii) medical technology related consultation, medical resources sharing and medical professionals training, (iii) human resources management, (iv) market research, (v) strategies for marketing and business expansion, (vi) supplier and inventory management, (vii) operation and marketing strategy formulation and monitoring, (viii) medical service quality control, (ix) internal management and (x) other services relating to management and operation of medical institutions and shareholder's rights. Sichuan Jinxin Fertility has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Services Agreements, Sichuan Jinxin Fertility may use the intellectual property rights owned by Jinrun Fude and the VIE Entities free of charge and without any conditions. Jinrun Fude and the VIE Entities may also use the intellectual property work created by Sichuan Jinxin Fertility from the services performed by Sichuan Jinxin Fertility in accordance with the Exclusive Operation Services Agreements.

Under the Exclusive Operations Services Agreements, the service fee shall be an amount equal to 10% of the distributable net profit of Chengdu Xinan Hospital and 9.44% of the distributable net profit of Shenzhen Zhongshan Hospital of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable). Apart from the service fees, Mr. Zeng Yong, Jinrun Fude and the VIE Entities shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Sichuan Jinxin Fertility in connection with the performance of the Exclusive Operation Services Agreements and provision of services. For the year ended December 31, 2019, the service fee in relation to 10% of the distributable net profit of Chengdu Xinan Hospital and 9.44% of the distributable net profit of Shenzhen Zhongshan Hospital is RMB23,403,000 and RMB5,675,000, respectively.

(2) Exclusive Option Agreements

On December 23, 2018 and February 2, 2019, Sichuan Jinxin Fertility, the Registered Shareholders, Jinrun Fude, Mr. Zeng Yong and the VIE Entities entered the Exclusive Option Agreements.

Pursuant to the Exclusive Option Agreements, (i) each of the Registered Shareholders irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Jinrun Fude itself or through its designated person(s), (ii) Jinrun Fude irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Jinrun Fude itself or through its designated person(s), (iii) Jinrun Fude irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in the VIE Entities from Jinrun Fude itself or through its designated person(s), (iv) Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital irrevocably and unconditionally grant an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the VIE Entities attributable to Jinrun Fude from the VIE Entities themselves or through their designated person(s), (v) Mr. Zeng Yong irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of his 5.46% equity interests in Shenzhen Zhongshan Hospital itself or through its designated person(s), and (vi) Shenzhen Zhongshan Hospital irrevocably and unconditionally grant an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, 50% of all or part of the assets of Shenzhen Zhongshan Hospital attributable to Mr. Zeng Yong from Shenzhen Zhongshan Hospital itself or through its designated person(s), Sichuan Jinxin Fertility may appoint designated person(s) in its sole discretion when exercising its option. The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law, and each of the Registered Shareholders, Jinrun Fude, the VIE Entities and Mr. Zeng Yong will undertake that he/she/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Sichuan Jinxin Fertility.

(3) Shareholders' Rights Entrustment Agreements and Powers of Attorney

On December 23, 2018 and February 2, 2019, Sichuan Jinxin Fertility, Mr. Zeng Yong, Jinrun Fude and the Registered Shareholders and the VIE Entities entered into the Shareholders' Rights Entrustment Agreement and the Powers of Attorney executed by the Registered Shareholders, Jinrun Fude and Mr. Zeng Yong in favor of Sichuan Jinxin Fertility (and its successors or liquidators) or a natural person designated by Sichuan Jinxin Fertility (the "**Attorney**").

Pursuant to the Shareholders' Rights Entrustment Agreements and the Powers of Attorney, (i) the Registered Shareholders irrevocably agree to authorize the Attorney to exercise all of its rights and powers as a shareholder of Jinrun Fude (as applicable), (ii) Jinrun Fude irrevocably agrees to authorize the Attorney to exercise all of its rights and powers of a shareholder of Chengdu Xinan Hospital with 10% equity interests and Shenzhen Zhongshan Hospital with 3.98% equity interests, and (iii) Mr. Zeng Yong irrevocably agrees to authorize the Attorney to exercise all of its rights and powers as a shareholder of Shenzhen Zhongshan Hospital (as applicable) with 5.46% equity interests, including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. As Sichuan Jinxin Fertility is a subsidiary of the Company, the terms of the Shareholders' Rights Entrustment Agreements and the Powers of Attorney will give the Company control over all corporate decisions of the VIE Entities, 100% equity interests of Jinrun Fude and Chengdu Xinan Hospital, and 79.44% equity interests of Shenzhen Zhongshan Hospital.

(4) Equity Pledge Agreements

On December 23, 2018 and February 2, 2019, Mr. Zeng Yong, Jinrun Fude, Sichuan Jinxin Fertility, the Registered Shareholders and the VIE Entities entered into the Equity Pledge Agreements. Pursuant to the Equity Pledge Agreements, (i) the Registered Shareholders agree to pledge all of their respective equity interests in Jinrun Fude, (ii) Jinrun Fude agrees to pledge all of its equity interests in the VIE Entities and (iii) Mr. Zeng Yong agrees to pledge 50% of his equity interests in Shenzhen Zhongshan Hospital (i.e. 5.46%) to Sichuan Jinxin Fertility to secure performance of all their obligations and the obligations of the VIE Entities under the Exclusive Option Agreements, the Powers of Attorney and the Equity Pledge Agreements underlying the Contractual Arrangements.

(5) Spouse Undertakings

The spouses of Mr. Zeng Yong and each of the Registered Shareholders has signed the Spouse Undertakings to the effect that (i) the respective interests of Mr. Zeng Yong in Shenzhen Zhongshan Hospital (together with any other interests therein) do not fall within the scope of joint possession; (ii) the respective interests of the Registered Shareholders in Jinrun Fude (together with any other interests therein) do not fall within the scope of joint possession, and (iii) each of the spouses has no right to or control over such interests of the respective persons and will not have any claim on such interests.

The Foreign Investment Law

The Foreign Investment Law of the PRC《中華人民共和國外商投資法》(the "**FIL**"), which was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force as of January 1, 2020, which has replaced the law on Sino-Foreign Equity Joint Ventures《中外合資經營企業法》, the law on Sino-Foreign Contractual Joint Ventures《中外合作經營企業法》and the law on Foreign-Capital Enterprises《外資企業法》to become the legal foundation for foreign Investment in the PRC. The FIL stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our VIE Entities, through which we operate our business in the PRC. As advised by the PRC Legal Advisors, since the definition of "actual control" and "variable interest entities" are not explicitly provided in the FIL, nor does it explicitly stipulate that obtaining control over or holding interests in domestic enterprises through contractual arrangements is a form of foreign investment, if after the current FIL comes into effect, none of the laws, regulations, rules, normative documents or regulatory practice considers or interprets contractual arrangements as a form of foreign investment, then the possibility that the legal effectiveness of the Contractual Arrangements become materially adversely affected due to violation of the entry requirements under the FIL is relatively low.

Notwithstanding the above, the FIL stipulates that foreign investment includes "Foreign Investors invest in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council". There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the VIE Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against the Company which may have a material adverse effect on the trading of the Shares.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and Jinrun Fude and/or the VIE Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2019, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its VIE Entities under the Contractual Arrangements.

Reasons for Adopting the Contractual Arrangements

The Company is primarily engaged in the provision of ARS at its two medical institutions in China. According to the applicable Catalogue and relevant treaties between China and Hong Kong, medical institutions fall within the "restricted" investment category, and therefore may not be held 100% by foreign investments. Foreign investments are also restricted to the form of sino-foreign equity joint venture or cooperative joint venture, except for investments by qualified service providers as defined under Notice of Expanding the Territorial Scope for Hong Kong and Macao Service Suppliers to Establish Wholly-Owned Hospitals in the Mainland (關於擴大香港和澳門服務提供者在內地設立獨資醫院地域範圍的通知), the Mainland and Hong Kong Closer Economic Partnership Arrangement and its supplemental Agreements (內地與香港關於建立更緊密經貿關係的安排及其補充協議), Interim Measures for the Administration of Hong Kong and Macao Service Providers' Establishment of Sole Proprietorship Hospitals in the Mainland (香港和澳門服務提供者在內地設立獨資醫院管理暫行辦法), and Notice Concerning Establishment of Medical Institutions in the Mainland by Hong Kong and Macao Service Providers (關於香港和澳門服務提供者在內地設立醫療機構有關問題的通知). Furthermore, as advised by the PRC Legal Advisors, the Company, as a foreign entity, shall not hold more than 90.0% and 70.0% of the equity interest in any medical institution in Chengdu and Shenzhen, respectively (the "**Foreign Ownership Restriction**"). As such, the Company, through Sichuan Jinxin Fertility, currently holds 90.0% and 70.0% equity interests in Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, respectively. Jinrun Fude holds 10.0% equity interests in Chengdu Xinan Hospital and 3.98% in Shenzhen Zhongshan Hospital. Mr. Zeng Yong, Mr. Mei Hua and Ms. Qian Minhui hold 10.92%, 15% and 0.1% equity interest, respectively, in Shenzhen Zhongshan Hospital. For details, please refer to the section headed "Regulatory Overview – Relevant Regulations on Foreign Investment in China" of the Prospectus.

Risks relating to the Contractual Arrangements

There are the certain risks that are associated with the Contractual Arrangements, including:

- If the PRC government deems that the contractual arrangements in relation to the Company's variable interest entities and their subsidiaries do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, the Company could be subject to severe penalties or be forced to relinquish its interests in those operations.

- The Contractual Arrangements with the Company's VIEs may result in adverse tax consequences to it.

- The shareholders of the Company's VIEs may have potential conflicts of interest with it, which may materially and adversely affect its business and financial condition.

- The PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent the Company from using the proceeds of this offering to make loans to its PRC subsidiaries, or to make additional capital contributions to its PRC subsidiaries.

For details, please refer to the section headed "Rick Factors – Risks Relating to Our Corporate Structure" of the Prospectus.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation and compliance of the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(b) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors; and

(d) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Sichuan Jinxin Fertility, Jinrun Fude and the VIE Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange under the Contractual Arrangements

Ms. Yan Xiaoqing, an executive Director, and Mr. Zeng Yong, a director of Shenzhen Zhongshan Hospital, a subsidiary of the Company, are connected persons of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

In respect of the Contractual Arrangements, the Stock Exchange has granted a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

(a) There shall be no change without independent non-executive Directors' approval;

(b) There shall be no change without independent Shareholders' approval;

(c) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived from the VIE Entities;

(d) The Contractual Arrangements may be renewed and/or reproduced (i) upon expiry or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including a branch company), engaging in the same business as that of the Group, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) The Group shall disclose details relating to the Contractual Arrangements on an ongoing basis.

As long as the Contractual Arrangements subsist, Jinrun Fude will be treated as our subsidiary and the directors, chief executive or substantial shareholders of Jinrun Fude and its respective associates will be treated as connected persons of our Company (excluding for this purpose, Jinrun Fude), and transactions between these connected persons and the Group (including for this purpose, Jinrun Fude), other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

Annual Review by the Independent Non-executive Directors and the Auditors

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

(a) The transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(b) No dividends or other distributions have been made by the VIE Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

(c) no dividends or other distributions have been made by Jinrun Fude to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(d) Any new contracts entered into, renewed or reproduced between the Group and the VIE Entities during the Reporting Period are fair and reasonable, or advantageous to the Shareholders, so far the Group is concerned and in the interests of the Shareholders as a whole.

Further, Jinrun Fude has undertaken that, for so long as the Shares are listed on the Stock Exchange, Jinrun Fude will provide the Group's management and the Company's auditor full access to its relevant records for the purpose of their review of the continuing connected transactions under Chapter 14A of the Listing Rules.

2. HRC Clinic Lease Agreement

On October 25, 2018, HRC Management, the Company's subsidiary, as lessee, entered into a lease agreement (the "**HRC Clinic Lease Agreement**") with (i) HRC Properties LLC, (ii) 333 Arroyo Parkway LLC, (iii) JGWilcox Capital Building LLC, (iv) Koa Ridge Capital LLC, (v) Emerald Bay Capital Partners III LLC and (vi) Michael Feinman Real Estate LLC (the "**Lessors**") collectively as lessors, pursuant to which the Lessors agreed to lease certain premises of approximately 22,163 sq. ft. located at 333 South Arroyo Parkway, Pasadena, California, Unites States, to HRC Management. Under the HRC Clinic Lease Agreement, the Lessors will also provide management services such as office maintenance services to HRC Management. The initial term of the HRC Clinic Lease Agreement is 12 years commencing from January 1, 2019 and ending on December 31, 2030.

The rent (including base rent and other fees payable) to be paid by the Group to the Lessors under the HRC Clinic Lease Agreement for the 12 years ending December 31, 2030 shall not exceed the proposed annual caps as set out in the table below:

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rent (including base rent and other fees payable) to be paid by the Group to the Lessors (US$'000)	1,050	1,082	1,114	1,148	1,182	1,217	1,254	1,291	1,330	1,370	1,411	1,453

During the year ended December 31, 2019, the rent (including base rent and other fees payable to be paid by the Group to the Lessors) actually paid by the Group to the Lessors under the HRC Clinic Lease Agreement amounted to US$1,048,755, which falls within the proposed annual cap as set out above.

Listing Rules Implications and Waivers from the Stock Exchange under the HRC Clinic Lease Agreement

HRC Properties LLC is wholly-owned by Dr. Robert Boostanfar. 333 Arroyo Parkway LLC is wholly-owned by Dr. Bradford A. Kolb. JGWilcox Capital Building LLC is wholly-owned by Dr. John G. Wilcox. Koa Ridge Capital LLC is wholly-owned by Dr. Jane L. Frederick. Emerald Bay Capital Partners III LLC is wholly-owned by Dr. Daniel A. Potter. Michael Feinman Real Estate LLC is wholly-owned by Dr. Michael A. Feinman. Pursuant to Rule 14A.07 of the Listing Rules, each of the Lessor is an associate of the Physician Shareholders, which are the Company's substantial shareholders and therefore a connected person of the Company. As such, the HRC Clinic Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

In respect of the HRC Clinic Lease Agreement, the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules. The independent non-executive Directors reviewed and confirmed that the transactions of the HRC Clinic Lease Agreement were entered into in accordance with the principal terms and pricing policies under the HRC Clinic Lease Agreement, and carried on in the ordinary course of business of the Group, on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

3. MSA and Ancillary Arrangements

On January 22, 2019, HRC Management, entered into the MSA together with the Ancillary Agreements (as defined below) with HRC Medical, pursuant to which HRC Medical engages HRC Management as its provider of certain management services, including but without limitation, office space, equipment, personnel, book-keeping, accounting services, information technology and network services, records maintenance, billing and collection activities and other non-medical services necessary to operate the medical practice of HRC Medical. The MSA has been effective from January 1, 2019 for an initial term of 20 years, and such term shall be automatically extended for one additional year upon each anniversary, until and unless the MSA is terminated in accordance with its terms.

Apart from the MSA, HRC Management and HRC Medical entered into a consulting agreement on January 22, 2019 with three Physician Shareholders (the "**Consulting Agreement**") pursuant to which HRC Management will appoint such Physician Shareholders to assist HRC Management with physician management activities for an initial term of two years and will be automatically renewed upon its expiry subject to negotiation among the parties, and that such Physician Shareholders will each provide to HRC Management strategic advice regarding the operations, staffing, budget and capital improvement planning for HRC Management. For the year ended December 31, 2019, the service fee payable by HRC Medical under the MSA and the consulting fee payable to the Physician Shareholders under the Consulting Agreement is US$88,220,720 and US$1,000 per Physician Shareholders, respectively.

HRC Management also entered into an amended and restated succession and indemnification agreements with each Physician Shareholder dated January 22, 2019 (the "**Succession and Indemnification Agreement**", together with the MSA and Consulting Agreement, the "**MSA and Ancillary Agreements**"). Under each Succession and Indemnification Agreement, the Physician Shareholder may be required to transfer his or her share of common stock of HRC Medical upon the occurrence of a succession event stated below to maintain an orderly transition of ownership and management. For details, please refer to the section headed "Business – Our Management Agreements – Management Services Agreement" of the Prospectus.

Listing Rules Implications and Waivers from the Stock Exchange under the MSA and Ancillary Agreements

HRC Medical is jointly-owned by Dr. Michael A. Feinman (33.3%), Dr. Bradford A. Kolb (33.3%) and Dr. Jane L. Frederick (33.3%). Pursuant to Rule 14A.07 of the Listing Rules, HRC Medical is an associate of the Physician Shareholders, which are the substantial shareholders of the Company and thereby a connected person of the Company. Therefore, the transactions contemplated under the MSA and Ancillary Agreements constitutes continuing connected transactions of the Company under the Listing Rules.

In consideration of the importance of the MSA and Ancillary Agreements to the Company's business and operations and the significant revenue contribution to the Group, the Directors (including the independent non-executive Directors) are of the view that the MSA and Ancillary Agreements and the transactions contemplated thereunder (including the term thereof) are fundamental to the legal structure and business of the Group which allow us to enjoy the economic benefits derived from HRC Medical, while preventing possible leakages of assets and values of HRC Medical on an uninterrupted basis, and that such transactions have been, and will be, entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

In respect of the MSA and Ancillary Agreements, the Stock Exchange has granted a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the MSA and Ancillary Agreements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the MSA and Ancillary Agreements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the MSA and Ancillary Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

(a) There shall be no change or waiver of management service fee without the independent non-executive Directors' approval;

(b) There shall be no change to the MSA and Ancillary Agreements without the independent Shareholders' approval;

(c) The Company shall comply with the requirements under Chapter 14 and Chapter 14A of the Listing Rules if it makes any principal advances to HRC Medical pursuant to the MSA and Ancillary Agreements;

(d) The MSA and Ancillary Agreements shall continue to enable the Group to receive a substantial portion of the economic benefits derived by HRC Medical through the business structure under which a fixed percentage of the gross revenue of HRC Medical will be paid to the Group as management service fees, subject to review by the Company and HRC Medical on an annual basis to ensure that the total compensation paid to HRC Management shall be commensurate with the fair market value for the services rendered;

(e) The MSA and Ancillary Agreements shall automatically be extended one additional year upon each anniversary in accordance with the terms thereof until and unless the MSA is terminated in accordance with its terms, subject to compliance with California law and federal law of the United States; and

(f) The Group shall disclose details relating to the MSA and Ancillary Agreements on an ongoing basis.

Annual Review by the Independent Non-executive Directors

The independent non-executive Directors, upon review of the MSA and Ancillary Agreements, confirmed that:

(a) The transactions carried out during the year ended December 31, 2019 have been entered into in accordance with the relevant provisions of the MSA and Ancillary Agreements, and have been operated in a manner so that a fixed percentage of the gross revenue of HRC Medical will be payable to HRC Management as management service fee, subject to review by the Company and HRC Medical and approval by the independent non-executive Directors on an annual basis, plus a discretionary bonus incentive;

(b) The MSA and Ancillary Agreements during the year ended December 31, 2019 were carried on in the ordinary course of business of the Group, on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and

(c) the management fee received by the Company for the year ended December 31, 2019 had been duly reviewed and approved by the Board (including the independent non-executive Directors).

Annual Review and Confirmation by the Auditor of the Company

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the above continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for the year ended December 31, 2019 in accordance with Rule 14A.56 of the Listing Rules, notwithstanding that no annual cap is applicable to the relevant continuing connected transactions in connection with (i) the Exclusive Operation Services Agreements and the Equity Pledge Agreements; and (ii) the MSA and the Consulting Agreement. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Other material related party transactions entered into by the Group during the year ended December 31, 2019, which do not constitute connected transactions under the Listing Rules, are disclosed in note 41 to the consolidated financial statements. Save as disclosed in this annual report, during the year ended December 31, 2019, the Company had not entered into any connected transactions or continuing connected transactions which were required to be disclosed under Chapter 14A of the Listing Rules.

DONATIONS

During the Reporting Period, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2019, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 50 to the consolidated financial statements.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company had, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2019.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 65 to 78 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the period from the Listing Date to December 31, 2019 and as of the date of this annual report.

AUDITOR

Deloitte Touche Tohmatsu was appointed as the auditor of the Company for the year ended December 31, 2019. The accompanying financial statements prepared in accordance with IFRSs have been audited by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor will be proposed at the AGM.

On behalf of the Board

Wang Bin
Chairman and Non-executive Director

Hong Kong, March 30, 2020

The Board is pleased to present the corporate governance report of the Company for the period from the Listing Date to December 31, 2019.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code for the period from the Listing Date to December 31, 2019 except as disclosed below.

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company only listed on the Stock Exchange on June 25, 2019, one Board meeting was held for the period from the Listing Date to December 31, 2019.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established five Board committees including the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee, the Strategic Decisions Committee and Medical Quality Control and R&D Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As of the date of this annual report, the Board comprises 3 executive Directors, 4 non-executive Directors and 4 independent non-executive Directors as follows:

Executive Directors

Ms. Yan Xiaoqing
Mr. Zhong Ying *(Chief Executive Officer)*
Dr. John G. Wilcox

Non-executive Directors

Mr. Wang Bin *(Chairman)*
Mr. Fang Min
Ms. Hu Zhe
Mr. Dong Yang

Independent Non-executive Directors

Dr. Chong Yat Keung
Mr. Lim Haw Kuang
Mr. Wang Xiaobo
Mr. Ye Changqing

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

For the period from the Listing Date to December 31, 2019, the Board has at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the period from the Listing Date to December 31, 2019, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a number of factors when selecting candidates to the Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

The Directors have a balanced mix of knowledge and skills, including in management, strategic development, business development, sales, research and development, medical research, investment management, finance, risk management, science, medical and the ARS industry. They obtained degrees in various areas including economics, business administration, medicine, law, bioengineering, international finance, management, computer science, literature and journalism. The age of the Directors range from 34 years old to 66 years old.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee.

Nomination Policy

The Board has adopted a nomination policy which sets out an approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors and ensures that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business. The nomination policy sets out the criteria for the selection of a candidate, including but not limited to skills, qualifications and experiences, independence from the Company and its subsidiaries, reputation and integrity.

The nomination policy also sets out criteria for the evaluation and recommendation to the Board on the re-appointment of retiring Director(s), the position(s) of the independent non-executive Directors, and the process and procedures for the nomination of Directors. After receiving recommendations regarding the appointment of new directors or re-appointment of retiring directors, the chairman of the Nomination Committee will convene a Nomination Committee meeting to perform sufficient due diligence. Upon review by and approval from the Nomination Committee, the Company will convene a Board meeting where recommendations will be made to the Board for consideration and approval. As considered and approved by the Board, the proposed retiring directors will be subject to re-election at a general meeting.

The Nomination Committee will review the nomination policy, as appropriate, to ensure its effectiveness.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

According to the information provided by the Directors, a summary of training received by the Directors for the period from the Listing Date to December 31, 2019 is as follows:

Name of Directors	Nature of Continuous Professional Development Programme
Executive Directors	
Ms. Yan Xiaoqing	A&B
Mr. Zhong Ying *(Chief Executive Officer)*	A&B
Dr. John G. Wilcox	A&B
Non-executive Directors	
Mr. Wang Bin *(Chairman)*	A&B
Mr. Fang Min	A&B
Ms. Hu Zhe	A&B
Mr. Dong Yang	A&B
Independent Non-executive Directors	
Dr. Chong Yat Keung	A&B
Mr. Lim Haw Kuang	A&B
Mr. Wang Xiaobo	A&B
Mr. Ye Changqing	A&B

Notes:

A: Attending training relevant to the Company's business conducted by lawyers

B: Reading materials relevant to corporate governance, director's duties and responsibilities, Listing Rules and other relevant ordinances

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The Chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Wang Bin and Mr. Zhong Ying, respectively, with clear distinction in responsibilities. The Chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company, under which they agreed to act as executive Directors for an initial term of three years commencing from their respective date of appointment, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of one year with effect from their respective date of appointment. The appointments of non-executive Directors and independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the period from the Listing Date to December 31, 2019, one Board meeting was held and no general meeting was convened. The attendance of each Director at the Board meetings is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)	Attended/Eligible to attend the general meeting(s)
Executive Directors		
Ms. Yan Xiaoqing	1/1	N/A
Mr. Zhong Ying *(Chief Executive Officer)*	1/1	N/A
Dr. John G. Wilcox	1/1	N/A
Non-executive Directors		
Mr. Wang Bin *(Chairman)*	1/1	N/A
Mr. Fang Min	1/1	N/A
Ms. Hu Zhe	1/1	N/A
Mr. Dong Yang	1/1	N/A
Independent Non-executive Directors		
Dr. Chong Yat Keung	1/1	N/A
Mr. Lim Haw Kuang	1/1	N/A
Mr. Wang Xiaobo	1/1	N/A
Mr. Ye Changqing	1/1	N/A

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code for the period from the Listing Date to December 31, 2019.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes but not limited to the following:

1. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
4. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
6. to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises five members and is chaired by an independent non-executive Director, Mr. Ye Changqing, and consists of another two independent non-executive Directors, Dr. Chong Yat Keung and Mr. Wang Xiaobo, and two non-executive Directors, Mr. Dong Yang and Mr. Fang Min.

The principal duties of the Audit and Risk Management Committee include the following:

1. reviewing the relationship with the Company's auditor by reference to the work performed by them, their remuneration and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Company's auditor;

2. reviewing the financial statements and reports and considering any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the Company's auditor before submission to the Board; and

3. reviewing the adequacy and effectiveness of the Company's financial controls, risk management and internal control systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit and Risk Management Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date to December 31, 2019, two meetings of the Audit and Risk Management Committee were held to discuss and consider the following matters:

- reviewed interim results of the Company and its subsidiaries for the period ended June 30, 2019; and

- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Company's auditor, with respect to which the Board had not deviated from any recommendation given by the Audit and Risk Management Committee on the selection, appointment, resignation or dismissal of the Company's auditor.

Attendance of each Audit and Risk Management Committee member is set out in the table below:

Directors	**Attended/Eligible to attend**
Mr. Ye Changqing *(Chairman)*	2/2
Dr. Chong Yat Keung	2/2
Mr. Dong Yang	2/2
Mr. Fang Min	2/2
Mr. Wang Xiaobo	2/2

Nomination Committee

The Nomination Committee comprises five members and is chaired by a non-executive Director, Mr. Wang Bin, and consists of three independent non-executive Directors, Dr. Chong Yat Keung, Mr. Wang Xiaobo and Mr. Ye Changqing, and one executive Director, Dr. John G. Wilcox.

The principal duties of the Nomination Committee include the following:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. identifying individuals suitably qualified to become Directors and senior management and selecting or making recommendations to the Board on the selection of individuals nominated for directorships or senior management positions;

3. assessing the independence of the independent non-executive Directors;

4. making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer;

5. developing criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited the balance of skills, knowledge and board experience, and in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment; and

6. performing other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date to December 31, 2019, one meeting of the Nomination Committee was held to discuss and consider the following matter:

- considered the globalized recruitment and training mechanism of the Group

Attendance of each Nomination Committee member is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Wang Bin *(Chairman)*	1/1
Dr. Chong Yat Keung	1/1
Dr. John G. Wilcox	1/1
Mr. Wang Xiaobo	1/1
Mr. Ye Changqing	1/1

Remuneration Committee

The Remuneration Committee comprises five members and is chaired by an independent non-executive Director, Dr. Chong Yat Keung, and consists of another two independent non-executive Directors, Mr. Wang Xiaobo and Mr. Ye Changqing, one executive Director, Ms. Yan Xiaoqing and one non-executive Director, Mr. Fang Min.

The principal duties of the Remuneration Committee include the following:

1. making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration;
2. reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
3. either (i) determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
4. making recommendations to the Board on the remuneration of non-executive Directors;
5. considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; and
6. performing other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date to December 31, 2019, two meetings of the Remuneration Committee were held to discuss and consider the following matter:

- reviewed and considered the remuneration of the Directors and senior management of the Company for the year 2019

Attendance of each Remuneration Committee member is set out in the table below:

Directors	Attended/Eligible to attend
Dr. Chong Yat Keung *(Chairman)*	2/2
Mr. Fang Min	2/2
Mr. Wang Xiaobo	2/2
Ms. Yan Xiaoqing	2/2
Mr. Ye Changqing	2/2

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the senior management of the Company (other than Directors) for the year ended December 31, 2019, are set out below:

Remuneration bands (RMB)	Number of persons
10,000,001-15,000,000	2
5,000,001-10,000,000	0
1,000,001-5,000,000	3
0-1,000,000	3
Total	**8**

For additional information on the Directors' remuneration for the year ended December 31, 2019, please refer to note 13 to the consolidated financial statements in this report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2019 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Company's auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 81 to 83 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard shareholder investments and the Company's assets and reviewing the effectiveness of such system on an annual basis. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatements or loss.

The key elements of the Group's risk management and internal control structure are as follows:

– Well-defined organizational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimize risk of errors and abuse;

– Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;

– Important business functions or activities are managed by experienced, qualified and suitably trained staff;

– Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, and taking immediate corrective actions where necessary; and

– Internal audit function to perform independent appraisal of major operations on an ongoing basis.

The Group's internal audit department plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the financial condition and internal control of the Company and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The review covers all material controls including financial, operational, compliance controls and risk management. Apart from regular reporting, any urgent matters in relation to the relevant areas of internal control will be reported in a timely manner. Review results and recommendations in the form of written reports are submitted to the Audit and Risk Management Committee for discussion and review. Follow up actions will be taken up by the internal audit department to ensure that material weaknesses previously identified have been properly resolved.

During the year ended December 31, 2019, the Board has conducted a review of the effectiveness of the internal control system of the Group and considered the internal control system to be effective and adequate.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Company's auditor to the Group during the year ended December 31, 2019 was approximately as follows:

Type of Services	Amount (RMB)
Audit services	3,150,000
Non-audit services	
Initial Public Offering	16,000,000
Others	2,100,000
Total	**21,250,000**

JOINT COMPANY SECRETARIES

Ms. Liu Hongkun, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Leung Suet Wing, a manager of TMF Hong Kong Limited (a company secretarial service provider), as the other joint company secretary to assist Ms. Liu to discharge her duties as company secretary of the Company. The primary corporate contact person at the Company is Ms. Liu, the joint company secretary of the Company.

For the year ended December 31, 2019, each of Ms. Liu and Ms. Leung has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers effective communication with the Shareholders to be essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The Company's auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website of the Company at www.jxr-fertility.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

DIVIDEND POLICY

The Company adopted a dividend policy that sets out the principles and guidelines that the Company intends to apply in relation to the declaration and payment of dividends pursuant to code provision E.1.5 of the CG Code that became effective starting from June 25, 2019.

Subject to the Cayman Islands Companies Law and the Articles of Association, the Board has absolute discretion on whether to distribute dividends in any form but no dividend shall exceed the amount recommended by the Board. The dividend policy reflects the Board's current views on the Company's financial and cash flow position. It will continue to be reviewed by the Board from time to time and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or any one of the joint company secretaries of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at No. 301, North Jingsha Road, Jinjiang District, Chengdu, Sichuan, China (email address: pr@jxr-fertility.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted amended and restated memorandum and articles of association adopted on June 3, 2019, which has been effective from the Listing Date. From the Listing Date to December 31, 2019, the said amended and restated memorandum and articles of association did not have any change.

Deloitte.

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TO THE SHAREHOLDERS OF JINXIN FERTILITY GROUP LIMITED
錦欣生殖醫療集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jinxin Fertility Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 84 to 192, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets with indefinite useful life	
We identified the impairment of goodwill and intangible assets with indefinite useful life, representing contractual right to provide management services and trademarks, arising from the acquisitions of Shenzhen Zhongshan Urological Hospital Co., Ltd. and its subsidiaries and HRC Fertility Management, LLC and its subsidiary in January 2017 and December 2018, respectively, as a key audit matter due to the significant management judgements involved in the impairment assessment and their significance to the consolidated financial statements as a whole. Determining whether goodwill and these intangible assets with indefinite useful life are impaired required management's estimation of the value in use of the two groups of cash generating units ("CGUs") to which they have been allocated. The Group's management worked closely with an independent valuer to establish the impairment assessment model and prepare a value in use calculation to estimate the future cash flows which are discounted in their present value taking into account key assumptions, including growth rates, gross revenue and cost of revenue based on past performance and the management's view of future business prospects of the relevant CGU and a suitable discount rate. The carrying amount of goodwill, contractual right to provide management services and trademarks were approximately RMB809,312,000, RMB1,962,926,000 and RMB1,305,306,000, respectively, as at December 31, 2019 and no impairment loss was recognised for the year. Details of their impairment testing are disclosed in note 22 to the consolidated financial statements.	Our procedures in relation to the impairment of goodwill and intangible assets with indefinite useful life included: • Discussing with management to understand how they worked with the independent valuer to establish the impairment assessment model and the major assumptions adopted in preparing the cash flow projection for the two groups of CGUs; • Engaging our valuation expert to assess the appropriateness of the impairment assessment model and the discount rate adopted by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable entities; • Assessing the reasonableness of the key assumptions, on a sample basis, by comparing the growth rates with market data and economic growth trends and checking the gross revenue and cost of revenue of the two groups of CGUs to the Group's business expansion plans and external industry report; and • Evaluating the reliability of historical cash flow forecasts prepared by the management, on a sample basis, by comparing them with the actual performance in the current year.

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 30, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	6	**1,648,496**	921,994
Cost of revenue		**(831,701)**	(508,875)
Gross profit		**816,795**	413,119
Other income	7	**63,381**	21,795
Other expenses	8	**(1,828)**	(4,181)
Other gains and losses	9	**28,322**	(590)
Research and development expenses		**(13,298)**	(11,982)
Selling and distribution expenses		**(62,219)**	–
Administrative expenses		**(211,295)**	(103,435)
Listing expenses		**(62,635)**	(38,138)
Finance costs	10	**(9,323)**	–
Profit before taxation	11	**547,900**	276,588
Income tax expenses	12	**(127,223)**	(64,464)
Profit for the year		**420,677**	212,124
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**84,172**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(18,648)**	–
Other comprehensive income for the year		**65,524**	–
Total comprehensive income for the year		**486,201**	212,124
Profit for the year attributable to:			
– Owners of the Company		**409,623**	166,600
– Non-controlling interests		**11,054**	45,524
		420,677	212,124
Total comprehensive income for the year attributable to:			
– Owners of the Company		**476,887**	166,600
– Non-controlling interests		**9,314**	45,524
		486,201	212,124
Earnings per share:	15		
– Basic (RMB)		**0.19**	0.15
– Diluted (RMB)		**0.19**	N/A

Consolidated Statement of Financial Position

As at December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	16	**856,691**	137,737
Right-of-use assets	17	**170,331**	–
Goodwill	18	**809,312**	802,051
License	19	**388,130**	401,285
Contractual right to provide management services	20	**1,962,926**	1,939,049
Trademarks	21	**1,305,306**	1,292,432
Equity instrument at fair value through other comprehensive income ("FVTOCI")	23	**10,017**	9,990
Refundable deposits	25	**4,996**	2,082
Prepayments	25	**7,343**	100,000
Amounts due from related parties	26	**–**	438,165
		5,515,052	5,122,791
Current assets			
Inventories	24	**26,083**	16,548
Accounts and other receivables	25	**46,060**	76,920
Amounts due from related parties	26	**49,653**	70,894
Tax recoverable		**8,180**	934
Structured bank deposits	27	**2,663,980**	20,000
Financial assets at fair value through profit or loss ("FVTPL")	28	**52,500**	65,010
Bank balances and cash	29	**579,637**	1,184,190
		3,426,093	1,434,496
Assets classified as held for sale	30	**–**	1,021
		3,426,093	1,435,517
Current liabilities			
Accounts and other payables	31	**319,757**	391,050
Amounts due to related parties	26	**40,729**	916,985
Lease liabilities	32	**29,244**	–
Tax payables		**46,465**	68,765
		436,195	1,376,800
Net current assets		**2,989,898**	58,717
Total assets less current liabilities		**8,504,950**	5,181,508

Consolidated Statement of Financial Position

As at December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Lease liabilities	32	**153,264**	–
Deferred rent		**–**	4,769
Deferred tax liabilities	33	**709,291**	676,941
		862,555	681,710
Net assets		**7,642,395**	4,499,798
Capital and reserves			
Share capital	34	**160**	129
Reserves		**7,526,724**	4,363,042
Equity attributable to owners of the Company		**7,526,884**	4,363,171
Non-controlling interests		**115,511**	136,627
Total equity		**7,642,395**	4,499,798

The consolidated financial statements on pages 84 to 192 were approved and authorised for issue by the board of directors on March 30, 2020 and are signed on its behalf by:

Yan Xiaoqing	Dong Yang
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to owners of the Company										
	Share/ paid-up capital RMB'000	Share premium RMB'000	Shares held for restricted share award scheme RMB'000 (Note 38(b))	Capital reserve RMB'000 (Note f)	Translation reserve RMB'000	Statutory reserve RMB'000 (Note d)	Equity-settled share based payment reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2018	688,267	–	–	147,293	–	11,111	–	81,198	927,869	433,757	1,361,626
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	166,600	166,600	45,524	212,124
Deemed distribution to shareholders (Note a)	–	–	–	(1,484)	–	–	–	–	(1,484)	–	(1,484)
Effect of On-shore Restructuring and Group Reorganisation (Note b)	(688,267)	–	–	915,956	–	–	–	–	227,689	(227,689)	–
Deemed distribution to shareholders as part of the Group Reorganisation (Note c)	–	–	–	(1,125,518)	–	–	–	–	(1,125,518)	–	(1,125,518)
Issuance of shares (Note c)	76	1,201,694	–	–	–	–	–	–	1,201,770	–	1,201,770
Issuance of shares for HRC Management Acquisition (as defined and detailed in Notes 1 and 36)	53	3,110,982	–	–	–	–	–	–	3,111,035	–	3,111,035
Transfer to reserve (Note d)	–	–	–	–	–	31	–	(31)	–	–	–
Dividend recognised as distribution (Note 14)	–	–	–	–	–	–	–	(144,790)	(144,790)	–	(144,790)
Dividends to non-controlling shareholders (Note 14)	–	–	–	–	–	–	–	–	–	(114,965)	(114,965)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to owners of the Company										
	Share/ paid-up capital RMB'000	Share premium RMB'000	Shares held for restricted share award scheme RMB'000 (Note 38(b))	Capital reserve RMB'000 (Note f)	Translation reserve RMB'000	Statutory reserve RMB'000 (Note d)	Equity-settled share based payment reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At December 31, 2018	129	4,312,676	–	(63,753)	–	11,142	–	102,977	4,363,171	136,627	4,499,798
Profit for the year	–	–	–	–	–	–	–	409,623	409,623	11,054	420,677
Other comprehensive income (expense) for the year	–	–	–	–	67,264	–	–	–	67,264	(1,740)	65,524
Total comprehensive income for the year	–	–	–	–	67,264	–	–	409,623	476,887	9,314	486,201
Issue of new shares by the Company for acquisition of non-controlling interests (Note e)	1	51,924	–	(21,495)	–	–	–	–	30,430	(30,430)	–
Issue of new shares pursuant to the Restricted Share Award Scheme (as defined and detailed in Note 38(b))	2	–	(2)	–	–	–	–	–	–	–	–
Recognition of equity settled share-based payment (Note 38)	–	–	–	–	–	–	27,247	–	27,247	–	27,247
Deemed distribution to shareholders (Note a)	–	–	–	(2,321)	–	–	–	–	(2,321)	–	(2,321)
Dividend recognised as distribution (Note 14)	–	(303,961)	–	–	–	–	–	–	(303,961)	–	(303,961)
Issue of new shares by the Company upon share offer in the Listing (as defined in Note 1 and detailed in Note 34)	25	2,674,198	–	–	–	–	–	–	2,674,223	–	2,674,223
Shares issued upon over-allotment options exercised (Note 34)	3	402,554	–	–	–	–	–	–	402,557	–	402,557
Transaction costs attributable to issue of new shares	–	(145,743)	–	–	–	–	–	–	(145,743)	–	(145,743)
Disposal of a subsidiary (Note 37)	–	–	–	4,394	–	–	–	–	4,394	–	4,394
At December 31, 2019	160	6,991,648	(2)	(83,175)	67,264	11,142	27,247	512,600	7,526,884	115,511	7,642,395

Notes:

(a) The deemed distribution to shareholders represented the fair value adjustment at initial recognition of the non-interest bearing advances to entities controlled by Chengdu Jinxin Investment (as defined in Note 5), which is the controlling shareholder of Sichuan Jinxin Fertility before the Group Reorganisation and a substantial shareholder of the Group.

(b) As part of the on-shore restructuring ("On-shore Restructuring") to put 四川錦欣生殖醫療管理有限公司 (Sichuan Jinxin Fertility Medical Management Co., Ltd., "Sichuan Jinxin Fertility") as the on-shore investment holding platform of the Company and its subsidiaries (collectively referred to as the "Group"), the non-controlling shareholders of 成都西囡婦科醫院有限公司 (Chengdu Xinan Gynecological Hospital Co. Ltd., "Chengdu Xinan Hospital") injected their entire equity interest in Chengdu Xinan Hospital into Sichuan Jinxin Fertility as capital contribution into the Group in April 2018. Upon completion, Chengdu Xinan Hospital becomes a wholly-owned subsidiary of Sichuan Jinxin Fertility. The Group then underwent part of the Group Reorganisation (as defined and detailed in Note 2) during the year ended December 31, 2018 pursuant to which the Company became the holding company of the companies comprising the Group.

(c) As part of the Group Reorganisation, LionRock New Hope (HK) Company Limited ("Jinxin Fertility HK") acquired the entire equity interests in Sichuan Jinxin Fertility during the year ended December 31, 2018, at a cash consideration of RMB1,125,518,000 from the then shareholders who have become shareholders of the Company upon completion of the Group Reorganisation. This arrangement is regarded as deemed distribution to shareholders of the Company and RMB342,968,000 has been settled as at December 31, 2018, while the remaining RMB782,550,000 was recognised as amounts due to related parties. Further details are set out in Note 26(b)(vi).

Further, the Company issued 1,212,098,059 shares to certain shareholders of Sichuan Jinxin Fertility as part of the Group Reorganisation for an aggregate consideration of US$175,212,000 (equivalent to approximately RMB1,201,770,000); out of which, US$165,211,000 (equivalent to approximately RMB1,132,216,000) has been received during the year ended December 31, 2018 while the remaining US$10,001,000 (equivalent to approximately RMB69,554,000) was outstanding as at December 31, 2018 and recognised as an amount due from a related party.

(d) Amount represented statutory reserve of the entities in the People's Republic of China ("the PRC"). According to the relevant laws in the PRC, companies established in the PRC with limited liability are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(e) On February 2, 2019, YU PENG XIANG Company Limited, a British Virgin Islands ("BVI") incorporated limited liability company wholly-owned by Mr. Zeng Yong, one of the Group's key management personnel, subscribed for 10,882,013 shares of the Company of US$0.00001 each at par value. On the same day, Mr. Zeng Yong entered into a series of contractual arrangements with the Group in respect of his 5.46% equity interest in 深圳市中山泌尿外科醫院有限公司 (Shenzhen Zhongshan Urological Hospital Co., Ltd., "Shenzhen Zhongshan Hospital"), a non-wholly owned subsidiary of the Group. The Group, therefore, obtained control over Mr. Zeng Yong's 5.46% equity interest in Shenzhen Zhongshan Hospital via the series of contractual arrangements entered into between Mr. Zeng Yong and the Group. The differences between the consideration paid, representing fair value of the share capital issued by the Company, and the carrying amount of the 5.46% equity interest in Shenzhen Zhongshan Hospital are recognised in capital reserve.

(f) The capital reserve is mainly comprised of:

(i) the deemed distribution to shareholders on the fair value adjustment at initial recognition of the non-interest bearing advances to entities controlled by Chengdu Jinxin Investment;

(ii) the deemed gain to the then owners of the Company as a result of the deemed disposal of partial interest in subsidiaries upon contributions from the non-controlling shareholders; and

(iii) the deemed contribution or distribution to the shareholders of the Company as a result of the Group Reorganisation prior to Listing of the Company on June 25, 2019.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Operating activities			
Profit before taxation		547,900	276,588
Adjustments for:			
Depreciation of property, plant and equipment		66,156	29,114
Depreciation of right-of-use assets		33,239	–
Amortisation of license		13,155	13,156
Imputed interest income from related parties		(2,321)	(7,186)
Interest income from banks		(12,321)	(2,428)
Interest income from structured bank deposits		(31,537)	–
Interest expenses		9,323	–
Loss on disposal of property, plant and equipment		2,948	276
Loss on disposal of a subsidiary		21	–
Share-based compensation benefits		27,247	–
Gains on fair value change of financial assets at FVTPL		(1,789)	–
Operating cash flows before movements in working capital		652,021	309,520
(Increase)/Decrease in inventories		(11,152)	2,140
(Increase)/Decrease in accounts and other receivables		(21,733)	2,658
Increase in amounts due from related parties		(30,680)	(90,718)
(Decrease)/Increase in accounts and other payables		(27,876)	163,928
Increase in amounts due to related parties		17,760	4,286
Cash generated from operations		578,340	391,814
Income tax paid		(125,772)	(35,377)
Net cash generated from operating activities		452,568	356,437
Investing activities			
Interest received from banks		12,321	2,428
Acquisition of a building through acquisition of a subsidiary	25(b)	(216,814)	–
Purchase of property, plant and equipment		(53,126)	(20,981)
Prepayments for purchase of property, plant and equipment		(7,343)	–
Purchase of financial assets at FVTPL		(477,000)	(65,010)
Proceeds from disposal of financial assets at FVTPL		491,299	–
Proceeds from disposal of property, plant and equipment		141	21
Net cash outflow on disposal of subsidiaries	37	(16,340)	–
Repayment from related parties		195,018	–
Advance to related parties		(46,561)	(325,114)
Placement of structured bank deposits		(19,278,333)	(20,000)
Withdrawal of structured bank deposits		16,690,775	–
Net cash inflow on acquisition of subsidiaries	36	–	40,652
Net cash used in investing activities		(2,705,963)	(388,004)

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019 RMB'000	2018 RMB'000
Financing activities		
Proceeds from issue of shares	3,076,780	1,132,216
Share issue costs paid	(142,599)	(3,144)
Advance from shareholders	5,288	–
Repayment to shareholders	(903,207)	–
Advance from other related parties	30,085	104,033
Repayment to other related parties	(43,182)	–
Dividend paid	(327,688)	(123,924)
Repayment of lease liabilities	(26,763)	–
Interest paid for lease liabilities	(9,323)	–
Temporary receipts received on behalf of a not-for-profit organization	1,604	3,803
Temporary receipts paid to a not-for-profit organization	(13,846)	(2,912)
Deemed distribution to shareholders for acquisition of Sichuan Jinxin Fertility	–	(342,968)
Net cash generated from financing activities	1,647,149	767,104
Net (decrease)/increase in cash and cash equivalents	(606,246)	735,537
Cash and cash equivalents at beginning of the year	1,184,190	449,495
Effect of foreign exchange rate changes	1,693	–
Cash and cash equivalents at end of the year	579,637	1,185,032
Represented by:		
– Bank balances and cash	579,637	1,184,190
– Bank balances and cash classified as held for sale	–	842
	579,637	1,185,032

1. GENERAL

Jinxin Fertility Group Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") was incorporated and registered as an exempted company in the Cayman Islands with limited liability under Companies Law (2018 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961) as amended or supplemented or otherwise modified from time to time on May 3, 2018 and the shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since June 25, 2019 (the "Listing"). The addresses of the registered office of the Company and the principal place of business of the Company are disclosed in the section "Corporate Information" in the annual report.

The Company is an investment holding company. The major subsidiaries of the Company are principally engaged in the provision of (i) assisted reproductive services; (ii) management services; (iii) ambulatory surgery centre facilities services; and (iv) ancillary medical services.

The consolidated financial statements are presented in Renminbi ("RMB") as it best suits the needs of the shareholders and investors. Prior to January 1, 2019, RMB was regarded as the functional currency of the Company since all the Group's business are conducted in the People's Republic of China (the "PRC"). The Group completed the acquisition in late December 2018 of HRC Fertility Management, LLC ("HRC Management") through acquisition of Willsun Fertility (BVI) Company Limited ("Willsun BVI"), which holds 51% equity interests in HRC Management, and its remaining 49% equity interests through HRC Investment Holding LLC ("HRC Investment"), the 49% shareholder of HRC Management (these two acquisitions are hereinafter collectively referred to as "HRC Management Acquisition"). HRC Management together with its subsidiary (collectively referred to as "HRC Management Group"), principally provides (i) non-medical management and administrative services required for the operation of physician medical practices carried out by Huntington Reproductive Centre Medical Group ("HRC Medical") which is a medical corporation established in the State of California, the United States of America ("U.S.A.") pursuant to a management service agreement (the "MSA") entered into with HRC Management; (ii) ambulatory surgery centre facilities; and (iii) pre-implantation genetic screening testing ("PGS Testing"). HRC Medical is a medical corporation engaged in the provision of (i) in vitro fertilization ("IVF") services; (ii) cryopreservation services; and (iii) gynaecologic surgery, and other related services. The directors of the Company (the "Directors") consider that upon the HRC Management Acquisition the primary economic environment in which the Company operates has changed and together with the expected expansion of the Group primarily through future overseas acquisitions, it is more appropriate to use United States dollars ("US$") as the functional currency of the Company effective from January 1, 2019.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group underwent a series of group reorganisation (the "Group Reorganisation") from May 2018 through December 2018 in preparing for the Listing and details of which have been set out in the accountants' report of the Company as set out in Appendix IA to the prospectus of the Company dated June 13, 2019. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2018 are prepared as if the Group structure upon completion of the Group Reorganisation had been in existence throughout the year ended December 31, 2018, or since their respective date of incorporation/establishment or acquisition of the relevant entities, where there is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and Amendments to IFRSs that are mandatorily effective for the current year (Continued)

3.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019.

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rates for certain leases of clinics in the U.S.A. was determined on a portfolio basis;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and Amendments to IFRSs that are mandatorily effective for the current year (Continued)

3.1 IFRS 16 Leases (Continued)

As a lessee *(Continued)*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.85%.

	Note	As at January 1, 2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018		1,346,164
Lease liabilities discounted at relevant incremental borrowing rates		834,866
Add: Extension options reasonably certain to be exercised		20,627
		855,493
Less: Recognition exemption – short-term leases		(5,295)
Recognition exemption – low value assets		(339)
Lease period commenced after January 1, 2019 and was subsequently cancelled	(a)	(662,661)
Lease liabilities as at January 1, 2019		187,198
Analysed as:		
– Current		61,923
– Non-current		125,275
		187,198

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

3.1 IFRS 16 Leases (Continued)

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Notes	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		187,198
Adjustments on rental deposits at January 1, 2019	(b)	137
Less: Accrued lease liabilities relating to rent free period and progressive rents	(c)	(6,150)
		181,185
Represented by:		
– Right-of-use assets – Properties		174,823
– Right-of-use assets – Equipment		6,362
		181,185

(a) Amount represented a lease agreement entered into with 成都錦昇醫院管理有限公司 (Chengdu Jinsheng Hospital Management Company Limited, "Jinsheng Hospital Management"), a related party controlled by Chengdu Jinxin Investment, in December 2017 for a hospital building ("Hospital Building") provided by the related party for a lease period of 20 years effective from January 1, 2018. The annual rental is RMB50,000,000 for the first three years and an annual 3% escalation thereafter. On January 31, 2018, a supplemental agreement ("Supplemental Agreement") was entered into with Jinsheng Hospital Management to defer the lease commencement to a date on or after January 31, 2019, due to the delay of the construction and renovation of the Hospital Building. The Supplemental Agreement was cancelled in May 2019 upon signing the share purchase agreement as described in Note 25.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB137,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(c) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at January 1, 2019 was adjusted to right-of-use assets at transition.

Lease payments increase progressively over lease terms

These relate to accrued lease liabilities of several operating leases for leases of hospital/clinics/offices in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at January 1, 2019 was adjusted to right-of-use assets at transition.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and Amendments to IFRSs that are mandatorily effective for the current year (Continued)

3.1 IFRS 16 Leases (Continued)

As a lessee *(Continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at December 31, 2018 RMB'000	Adjustments RMB'000	**Carrying amounts under IFRS 16 at January 1, 2019 RMB'000**
Non-current Assets				
Right-of-use assets		–	181,185	**181,185**
Other receivables				
– Refundable deposits	(b)	2,082	(137)	**1,945**
Current Liabilities				
Accounts and other payables				
– Deferred rent	(c)	1,381	(1,381)	**–**
Lease liabilities		–	61,923	**61,923**
Non-current Liabilities				
Deferred rent	(c)	4,769	(4,769)	**–**
Lease liabilities		–	125,275	**125,275**

Note: For the purpose of reporting cash flows for the year ended December 31, 2019, movements in working capital have been computed from operating activities under indirect method based on opening statement of financial position as at January 1, 2019 as disclose above.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after January 1, 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after January 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

Except for the new and amendments to IFRSs mentioned below, the Directors anticipate that the application of all the other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs in issue but not yet effective *(Continued)*

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on January 1, 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statement have been prepared in accordance with IFRSs issued by the IASB as well as with the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements are determined on such a basis, except for share-based payment transactions that are under the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since January 1, 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss on each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date;
- assets that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Merger accounting for business combination involving business under common control

The consolidated financial statement incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to properties which are subsequently measured under cost model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit ("CGU") (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

The Group recognises revenue from the following major services:

- Assisted reproductive services;
- Management services; and
- Ancillary medical services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Assisted reproductive services

For assisted reproductive services, the customers normally receive the services which contains various treatment components. It includes (i) consultation, (ii) revenue from sale of pharmaceutical products, and (iii) IVF treatment cycle revenue, which are considered as separate performance obligation for out-patient services as described below.

Consultation includes initial consultation, pre-IVF cycle testing, services after pregnancy and other related services – these out-patient assisted reproductive medical services, are transferred at a point of time. Revenue is recognised when the customer obtains the control of the completed services and the Group has present right to payment and the collection of the consideration is probable.

Sale of pharmaceutical products – revenue is recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

IVF treatment cycle revenue – the usual period of an IVF treatment cycle typically lasts for 12-20 days. Relevant revenue of an IVF treatment cycle involves the performance of a series of medical treatment and procedures that are not separately distinct and does not create benefits to the patient with an alternative use after the IVF treatment cycle starts, and is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of individual services or product transferred by the Group to the customer. Once the patient enters into a cycle, the Group has an enforceable right to payment for the contracted price.

Management services

For IVF and fertility centers management services which the control of the service is transferred when the Group has provided the related services over the service period, the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from provision of IVF and fertility centers management services is recognised over the period in which the services are rendered.

The progress towards complete satisfaction of a performance obligation in respect of the IVF and fertility centers management services contracts is measured based on output method, which is to recognise revenue based on time elapsed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Management services (Continued)

Variable consideration

For the management services arrangements that contain variable consideration, service fee is calculated based on pre-set formulas set out in the arrangements and subject to limitations primarily relating to the customer's net income before tax, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Ancillary medical services

Revenue from ancillary medical services is recognised when the related services have been rendered and includes out-patient service and in-patient services.

Out-patient services

For out-patient services, the patient normally receives out-patient treatment which contains various treatment components. Out-patient services contain more than one performance obligations, including (i) provision of consultation services and (ii) sale of pharmaceutical products. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. Both (i) provision of consultation services and (ii) sale of pharmaceutical products for which the control of services or pharmaceutical products is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed services or pharmaceutical products and the Group has present right to payment and the collection of the consideration is probable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Ancillary medical services (Continued)

In-patient services

For in-patient services, the customers normally receive in-patient treatment which contains various treatment components. In-patient services contain more than one performance obligations, including (i) provision of consultation services, (ii) provision of in-patient healthcare services and (iii) sale of pharmaceutical products. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

For revenue from (i) provision of consultation services and (iii) sale of pharmaceutical products for which control of pharmaceutical products is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed services or pharmaceutical products and the Group has present right to payment and the collection of the consideration is probable.

For revenue from (ii) in-patient healthcare services, the corresponding revenue is recognised over the service period when customers simultaneously received the services and consumes the benefits provided by the Group's performance as the Group performs.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 3) (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 3) (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

The Group as a lessee (prior to January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Property, plant and equipment

Property, plant and equipment that are held for use in the provision of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for provision of services or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination (including license, trademarks and contractual right to provide management services) are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGU, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in US$ to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into US$ at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial assets that are required to be measured at amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend earned on the financial asset and is included in the "other gains and losses" line item.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including bank balances, structured bank deposits, accounts and other receivables and amounts due from related parties) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets *(Continued)*

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including accounts and other payables and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including government-managed retirement benefit schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based payment reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Equity-settled share-based payment transactions (Continued)

Shares/Share options granted to employees *(Continued)*

When share options are exercised, the amount previously recognised in equity-settled share-based payment reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity-settled share-based payment reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income as directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over the IVF fertility centers and clinics under IVF specialty collaboration agreements and management services agreement

The Group entered into a series of IVF specialty collaboration agreements and management services agreement with certain IVF and fertility centers and clinics that were controlled by 成都錦欣醫療投資管理集團有限公司 (Chengdu Jinxin Medical Investment Management Group Co., Ltd., "Chengdu Jinxin Investment") and HRC Medical which the Group agrees to manage and operate the centers and clinics and receive performance-based fees in which the terms will automatically be renewed indefinitely unless terminated. The management assessed whether or not the Group has control over these centers and clinics through the IVF specialty collaboration agreements and management services agreement based on whether the Group has the practical ability to direct the relevant activities of the center and clinics unilaterally. In making their judgement, the Directors considered the composition of the internal governance bodies and controlling parties which oversee the operations of the centers and clinics. After assessment, the Directors concluded that the Group does not obtain the decision making power over these bodies and committees to direct the relevant activities of the centers. Accordingly, the Group does not control and thus does not consolidate those centers and clinics. Instead, these agreements are considered as management contracts to generate management service income. Details of the revenue generated from these management contracts are set out in Note 6.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgement in applying accounting policies *(Continued)*

Useful life of trademarks and contractual right to provide management services

The Group determines the useful life of the trademarks for Shenzhen Zhongshan Hospital and its subsidiaries (collectively refer to as "Shenzhen Zhongshan Group" and the trademarks for HRC Medical held by HRC Management to be indefinite considering the nature of the renewal process and additional economic sacrifices, if any, required when renewing the trademarks.

The Directors are of the opinion that the Group will renew the trademarks continuously and has the ability to do so. As a result, the trademarks are considered by the Directors to have an indefinite useful life and will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that it may be impaired. As at December 31, 2019, the carrying amount of the trademarks are RMB1,305,306,000 (December 31, 2018: RMB1,292,432,000), with details set out in Note 21.

The Directors determine the useful life of the contractual right to provide management services to be indefinite based on an analysis of the period of control over the use of the rights (including the renewal of the service contracts upon their maturity automatically for additional five-year terms indefinitely unless terminated). Based on this analysis, the Directors consider the useful life of such contractual right to be indefinite because the right is expected to generate net cash inflows for the Group indefinitely and will not be amortised until its useful life is determined to be finite. As at December 31, 2019, the carrying amount of the contractual right to provide management services is RMB1,962,926,000 (December 31, 2018: RMB1,939,049,000), with details set out in Note 20.

Determination on lease term of contracts with extension options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include extension option, specifically, the leases relating to the clinics in the U.S.A..

The assessment of whether the Group is reasonably certain to exercise extension options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgement in applying accounting policies *(Continued)*

Determination on lease term of contracts with extension options (Continued)

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

The Directors consider the Group has significant economic incentive in those clinics and therefore is reasonably certain for the Group to exercise such options in order to operate the clinics until the end of the useful lives of the related property, plant and equipment.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets comprising contractual right to provide management services and trademarks with indefinite useful life is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill and intangible assets with indefinite useful life has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or group of CGU), taking into account key assumptions including growth rates and forecasted performance on gross revenue and cost of revenue based on management's view of future business prospects and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As at December 31, 2019, the carrying amount of goodwill is RMB809,312,000 (December 31, 2018: RMB802,051,000) and that of intangible assets comprising (i) contractual right to provide management services is RMB1,962,926,000 (December 31, 2018: RMB1,939,049,000), and (ii) trademarks of RMB1,305,306,000 (December 31, 2018: RMB1,292,432,000). Details are set out in Note 22.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty (Continued)

Useful lives, amortisation and depreciation of property, plant and equipment and license

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and license. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and management's expectation on the useful lives of the license based on industry practice and regulatory landscapes. Management will increase the depreciation/amortisation charge where useful lives are expected to be shorter than previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisation lives and therefore depreciation/amortisation expense in future periods.

As at December 31, 2019, the carrying amount of property, plant and equipment is RMB856,691,000 (December 31, 2018: RMB137,737,000), net of accumulated depreciation of RMB115,022,000 (December 31, 2018: RMB97,693,000). Details are set out in Note 16.

As at December 31, 2019, the carrying amount of license was RMB388,130,000 (December 31, 2018: RMB401,285,000), net of accumulated amortisation of RMB38,370,000 (December 31, 2018: RMB25,215,000). Details are set out in Note 19.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for assisted reproductive services, management services, ambulatory surgery centre facilities and ancillary medical services, net of discounts.

During the year ended December 31, 2019, the Group's revenue is contributed from its operation in Chengdu, Shenzhen and the U.S.A. (December 31, 2018: Chengdu and Shenzhen).

Although the Group had completed the HRC Management Acquisition on December 24, 2018, the Directors considered that its post-acquisition revenue and results have been insignificant for the rest of the financial year of 2018 and accordingly, these had not been reflected in the Group's consolidated financial statements for the year ended December 31, 2018. Therefore, the Group had single operating segment in the PRC for the year ended December 31, 2018, in which information reported to the Directors, being the chief operating decision makers ("CODM") of the Group, review the consolidated revenue analysis of provision of assisted reproductive services, management services and ancillary medical services of the Group and the financial results of the Group as a whole for performance assessment.

In the current year, upon the HRC Management Acquisition, a new segment in the U.S.A. is added as another new operating and reportable segment. The operating and reportable segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the CODM, for the purpose of allocating resources to segments and assessing their performance. Accordingly, segment revenue, segment results for the year ended December 31, 2018 and segment assets and liabilities information as at December 31, 2018 that is presented for comparative purposes has been represented to conform with current year's presentation. The change in segment reporting does not have an impact on the Group's financial position, financial performance or cash flows.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group's operating and reportable segments under IFRS 8 Operating Segment are operations located in the PRC and the U.S.A. during the year ended December 31, 2019. The revenue generated by each of the operating segments is mainly derived from revenue from provision of assisted reproductive services and related services, and management services. The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended December 31, 2019:

	PRC RMB'000	U.S.A. RMB'000	Consolidated RMB'000
Revenue			
Segment revenue from external customers	**1,068,625**	**579,871**	**1,648,496**
Segment profit	**364,203**	**225,987**	**590,190**
Unallocated administrative expenses			**(50,528)**
Exchange gain, net			**30,036**
Certain interest income from banks			**9,300**
Interest income from structured bank deposits			**31,537**
Listing expenses			**(62,635)**
Profit before taxation			**547,900**

For the year ended December 31, 2018:

	PRC RMB'000 (restated)	U.S.A. RMB'000 (restated)	Consolidated RMB'000 (restated)
Revenue			
Segment revenue from external customers	921,994	–	921,994
Segment profit	317,908	–	317,908
Unallocated administrative expenses			(2,868)
Exchange loss, net			(314)
Listing expenses			(38,138)
Profit before taxation			276,588

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit before taxation for each respective segment excluding unallocated administrative expenses (including the corporate expenses), certain net exchange gain or loss and interest income resulted from the corporate bank balances (including structured bank deposits) and other financial assets and liabilities and listing expenses.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's asset and liabilities by reportable and operating segments:

	2019 RMB'000	2018 RMB'000 (restated)
Segment assets		
PRC	2,130,085	1,497,105
U.S.A.	3,948,625	3,670,689
Total segment assets	6,078,710	5,167,794
Equity instrument at FVTOCI	10,017	9,990
Corporate structured bank deposits	2,643,980	–
Corporate bank balances and cash	176,061	866,634
Amounts due from shareholders	–	507,721
Unallocated (other assets)	32,377	6,169
Total	8,941,145	6,558,308

	2019 RMB'000	2018 RMB'000 (restated)
Segment liabilities		
PRC	574,757	608,610
U.S.A.	695,973	570,227
Total segment liabilities	1,270,730	1,178,837
Dividend payables	–	15,919
Unallocated (corporate liabilities)	28,020	81,204
Amounts due to shareholders	–	782,550
Total	1,298,750	2,058,510

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments, other than equity instrument at FVTOCI, corporate bank balances and cash, corporate structured bank deposits and amounts due from shareholders and other unallocated corporate assets; and
- All liabilities are allocated to operating segments, other than dividend payable, amounts due to shareholders arising from the Group Reorganisation as detailed in Note 26 (b) (vi) and other unallocated corporate liabilities.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities (Continued)

For the year ended December 31, 2019

	PRC RMB'000	U.S.A. RMB'000	Others RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (Note)	**830,331**	**154,928**	**16,608**	**1,001,867**
Depreciation and amortisation	**74,811**	**33,671**	**4,068**	**112,550**
Loss on disposal of property, plant and equipment	**2,948**	**–**	**–**	**2,948**

Note: Non-current assets excluded goodwill, financial instruments and amounts due from related parties.

For the year ended December 31, 2018

	PRC RMB'000 (restated)	U.S.A. RMB'000 (restated)	Others RMB'000 (restated)	Total RMB'000 (restated)
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (Note)	23,156	3,009,817	–	3,032,973
Depreciation and amortisation	42,270	–	–	42,270
Loss on disposal of property, plant and equipment	276	–	–	276

Note: Non-current assets excluded goodwill, financial instruments and amounts due from related parties.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Disaggregation of revenue from contracts with customers

	NOTE	2019 RMB'000	2018 RMB'000
Types of services			
Assisted reproductive services – PRC			
A point in time recognition	(i)	573,272	500,493
Over time recognition	(i)	358,606	300,759
		931,878	801,252
Management services – Over time recognition			
– U.S.A.	(ii), (iii)	544,386	–
– PRC	(i)	104,103	89,741
		648,489	89,741
Ambulatory surgery centre facilities services – U.S.A.			
– A point in time recognition	(ii)	30,867	–
Ancillary medical services			
A point in time recognition			
– U.S.A.	(ii)	4,618	–
– PRC	(i)	18,082	14,182
		22,700	14,182
Ancillary medical services – PRC			
Over time recognition	(i)	14,562	16,819
		37,262	31,001
Total		1,648,496	921,994

Notes:

(i) Revenue generated in the PRC which amounted RMB1,068,625,000 (December 31, 2018: RMB921,994,000).

(ii) Revenue generated in the U.S.A. which amounted to RMB579,871,000 (December 31, 2018: Nil).

(iii) Upon the HRC Management Acquisition, gross management services fee for services provided under the MSA for the year ended December 31, 2019, including cost reimbursed of RMB66,176,000 as purchasing agent for pharmaceuticals procurement pursuant to HRC Medical's medication supply program, amounted to RMB610,562,000.

All services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities (Continued)

Geographical information

At December 31, 2019, the non-current assets located in the PRC, the U.S.A. and Hong Kong amounted to RMB1,717,126,000, RMB3,772,809,000 and RMB15,100,000, respectively (December 31, 2018: RMB1,058,166,000, RMB3,616,470,000 and nil, respectively). Non-current assets as at December 31, 2019 and December 31, 2018 excluded equity instrument at FVTOCI and amounts due from related parties.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2019	2018
	RMB'000	RMB'000
HRC medical	**552,981**	N/A[1]

[1] New customer upon completion of the HRC Management Acquisition in late December 2018.

7. OTHER INCOME

	2019	2018
	RMB'000	RMB'000
Imputed interest income from related parties	**2,321**	7,186
Interest income from banks	**12,321**	2,428
Interest income from structured bank deposits	**31,537**	–
Government grants (Note)	**3,506**	5,110
Consulting service income	**9,171**	3,914
Sponsorship income	**1,258**	–
Medicine donation income	**–**	995
Others	**3,267**	2,162
	63,381	21,795

Note: The government grants mainly represented the grant on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions. Government grants received for research and development projects but with conditions not yet fulfilled are included in deferred income (Note 31).

8. OTHER EXPENSES

	2019 RMB'000	2018 RMB'000
Late fees relating to unpaid PRC Enterprise Income Tax ("EIT") and value-added tax (Note)	1,778	4,164
Other expenses	50	17
	1,828	4,181

Note: Amount for the years ended December 31, 2019 and 2018 primarily represents late fees relating to unpaid PRC EIT and value-added tax arising from the revenue generated from the provision of management services.

9. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Loss on disposal of a subsidiary	(21)	–
Loss on disposal of property, plant and equipment	(2,948)	(276)
Exchange gain (loss), net	29,980	(314)
Gains on fair value change of financial assets at FVTPL	1,789	–
Others	(478)	–
	28,322	(590)

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	9,323	–

11. PROFIT BEFORE TAXATION

	2019 RMB'000	2018 RMB'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**3,150**	392
Directors' remuneration (Note 13)	**5,436**	10,562
Other staff costs		
– salaries, allowances and other benefits	**355,557**	151,360
– retirement benefit schemes contributions for other staff	**22,919**	24,250
– share-based compensation benefits	**20,498**	–
Total staff costs	**404,410**	186,172
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	**379,309**	310,700
Amortisation of license (included in administrative expenses)	**13,155**	13,156
Depreciation of property, plant and equipment	**66,156**	29,114
Depreciation of right-of-use assets	**33,239**	–

12. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Current tax:		
PRC EIT	**58,349**	61,213
PRC withholding tax on distributed profits of the PRC subsidiaries	**–**	7,075
U.S.A. Federal Income Tax	**27,769**	–
U.S.A. State Income Tax	**12,762**	–
	98,880	68,288
Deferred tax:		
Current year (Note 33)	**28,343**	(3,824)
	127,223	64,464

The Company is tax exempted under the laws of the Cayman Islands and its subsidiaries incorporated in the British Virgin Islands ("BVI") are also tax exempted under the laws of the BVI from a BVI tax perspective.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during both years.

12. INCOME TAX EXPENSES *(Continued)*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the statutory EIT rate of subsidiaries of the Company operating in the PRC is 25%, except for certain subsidiaries that are engaged in "the Encouraged Industries in the Western Region" and eligible for the preferential EIT rate at 15%. The Company's subsidiaries that are tax residents in the PRC are subject to the PRC dividend withholding tax of 10% for the non-PRC tax resident immediate holding company established in Hong Kong, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after January 1, 2008.

After the HRC Management Acquisition, certain subsidiaries of the Group are subject to U.S.A. corporate tax representing 21% of the applicable U.S.A. Federal Income Tax rate and an average of 8.84% for California State Income Tax rate for the year ended December 31, 2019 for their operations in the U.S.A.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the retained profits of the PRC subsidiaries amounting to approximately RMB437,222,000 as at December 31, 2019 (December 31, 2018: RMB133,689,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**547,900**	276,588
Tax at PRC EIT rate of 25%	**136,975**	69,147
Tax effect of expenses not deductible for tax purposes	**31,348**	18,002
Tax effect of income not taxable for tax purpose	**(15,990)**	–
Withholding tax on dividend income from subsidiaries	**–**	7,075
Effect of tax exemption and concessions granted to certain PRC hospitals	**(30,151)**	(29,672)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,343**	–
Others	**698**	(88)
Income tax expenses	**127,223**	64,464

At the end of the reporting period, the Group has no material unused tax losses that is not recognised.

13. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS

(a) *Directors and the chief executive*

The executives and non-executive directors of the Company were appointed on or after May 3, 2018. Details of the Directors appointed during the years ended December 31, 2018 and 2019 are as follows:

Name	Position	Date of appointment as the directors of the Company
Mr. Wang Bin (王彬)	Chairman and non-executive director	December 25, 2018
Mr. Zhong Ying (鍾影)	Executive director and chief executive officer	August 17, 2018
Ms. Yan Xiaoqing (嚴曉晴)	Executive director	May 3, 2018
Dr. John G. Wilcox	Executive director	January 18, 2019
Mr. Fang Min (方敏)	Non-executive director	December 25, 2018
Ms. Hu Zhe (胡喆)	Non-executive director	December 25, 2018
Mr. Dong Yang (董陽)	Non-executive director	May 3, 2018
Mr. Ye Changqing (葉長青)	Independent non-executive director	June 3, 2019
Mr. Wang Xiaobo (王嘯波)	Independent non-executive director	June 3, 2019
Dr. Chong Yat Keung (莊一強)	Independent non-executive director	June 3, 2019
Mr. Lim Haw Kuang (林浩光)	Independent non-executive director	June 3, 2019

13. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors and the chief executive *(Continued)*

Details of the emoluments paid or payable (including emoluments for the services rendered to the group entities prior to becoming a director of the Company) to executive directors and chief executive of the Company for the year for his services rendered to the entities comprising the Group are as follows:

For the year ended December 31, 2019

	Fees RMB'000	Salaries and allowances RMB'000	Performance-related incentive payments* RMB'000	Retirement benefit schemes contributions RMB'000	Total RMB'000
Chairman and non-executive director:					
Mr. Wang Bin (王彬)	667	200	–	–	867
Executive directors:					
Mr. Zhong Ying (鍾影)	667	2,074	800	–	3,541
Ms. Yan Xiaoqing (嚴曉晴)	500	–	–	–	500
Dr. John G. Wilcox	–	–	–	–	–
Non-executive directors:					
Mr. Fang Min (方敏)	–	–	–	–	–
Ms. Hu Zhe (胡喆)	–	–	–	–	–
Mr. Dong Yang (董陽)	–	–	–	–	–
Independent non-executive directors:					
Mr. Ye Changqing (葉長青)	132	–	–	–	132
Mr. Wang Xiaobo (王嘯波)	132	–	–	–	132
Dr. Chong Yat Keung (莊一強)	132	–	–	–	132
Mr. Lim Haw Kuang (林浩光)	132	–	–	–	132
	2,362	2,274	800	–	5,436

13. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors and the chief executive (Continued)

For the year ended December 31, 2018

	Fees RMB'000	Salaries and allowances RMB'000	Performance-related incentive payments* RMB'000	Retirement benefit schemes contributions RMB'000	Total RMB'000
Chairman and non-executive director:					
Mr. Wang Bin (王彬)	676	–	–	–	676
Executive directors:					
Mr. Zhong Ying (鍾影)	–	136	9,738	12	9,886
Ms. Yan Xiaoqing (嚴曉晴)	–	–	–	–	–
Non-executive directors:					
Mr. Fang Min (方敏)	–	–	–	–	–
Ms. Hu Zhe (胡喆)	–	–	–	–	–
Mr. Dong Yang (董陽)	–	–	–	–	–
	676	136	9,738	12	10,562

* Performance-related incentive payments is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

13. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees

The five highest paid individuals of the Group during the year included one director for the year ended December 31, 2019 (2018: one director). Details of the remuneration for the year of the remaining four (2018: four) who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries and allowances	**6,096**	1,586
Performance-related incentive payments	**3,042**	3,646
Retirement benefit schemes contributions	**53**	39
Share-based compensation benefits	**20,498**	–
	29,689	5,271

The number of the highest paid employees (including a director) whose remuneration fell within the following bands is as follows:

	2019	2018
	RMB'000	RMB'000
Hong Kong dollars ("HK$") 1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	3
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$11,500,001 to HK$12,000,000	**–**	1
HK$13,000,001 to HK$13,500,000	**1**	–
HK$13,500,001 to HK$14,000,000	**1**	–
	5	5

During the year, certain non-director and non-chief executive highest paid employees were granted restricted share unit awards, in respect of their services to the Group under the Restricted Share Award Scheme of the Company. Details of the Restricted Share Award are set out in note 38 to the Group's consolidated financial statements.

During the year, no emoluments were paid by the Group to the directors, or the five highest paid individuals (including the directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the director of the Group nor the five highest paid individual waived any emoluments during the year.

14. DIVIDENDS

During the year ended December 31, 2018, Sichuan Jinxin Fertility, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB153,000,000, RMB256,687,000 and RMB80,000,000, respectively, to its then shareholders, of which approximately RMB159,184,000, RMB70,748,000, RMB144,790,000 and RMB114,965,000 were distributed to Sichuan Jinxin Fertility, Jinxin Fertility HK, the owners of the Company and the non-controlling shareholders, respectively. In addition, among the dividend declared by Chengdu Xinan Hospital, RMB43,451,000 of which was offset against the amount due from a related party and RMB71,915,000 was transferred to Chengdu Jinxin Investment pursuant to agreement entered into between Sichuan Jinxin Fertility and Chengdu Jinxin Investment.

The rate of dividends and number of shares ranking for the dividends during the year ended December 31, 2018 are not presented as such information is not considered meaningful having regard to the purpose of these consolidated financial statements.

On May 27, 2019, a dividend in the amounts of approximately RMB272,913,000 and US$4,590,000 (equivalent to RMB31,048,000) was declared by the Company, being approximately RMB0.15 per ordinary share based on the number of shares in issue at dates of declaration of the dividends.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2019 of HK$0.068 (equivalent to RMB0.06) (2018: nil) per ordinary share, in an aggregate amount of RMB151,500,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2019 RMB'000	2018 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	409,623	166,600

	2019 '000	2018 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	2,199,011	1,125,870
Effect of dilutive potential ordinary shares:		
Restricted Shares Units issued by the Company	7,176	–
Over-allotment option issued by the Company	152	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,206,339	1,125,870

For the year ended December 31, 2019, the weighted average number of ordinary shares for the purpose of calculation of basic and diluted earnings per share has been adjusted for the effect of the 32,981,388 ordinary shares held by the nominee under the Restricted Share Award Scheme ("RSU Scheme") as described in Note 38.

For the year ended December 31, 2019, the restricted shares and the over-allotment option granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption of the conversion of all potential dilutive ordinary shares arising from restricted shares and over-allotment granted by the Company. No adjustment is made to earnings.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that the Group Reorganisation of the Company had been effective on January 1, 2018.

No diluted earnings per share is presented as the Group had no potential ordinary shares in issue during the year ended December 31, 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Leasehold improvements RMB'000	Medical equipment RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2018	40,228	21,833	94,918	11,211	1,048	21,754	190,992
Upon HRC Management Acquisition (Note 36)	–	8,663	13,480	3,193	–	–	25,336
Additions	–	9,394	4,457	5,314	–	3,991	23,156
Disposals	–	–	(1,864)	(396)	–	–	(2,260)
Reclassification	–	21,754	–	–	–	(21,754)	–
Reclassified as held for sale (Note 30)	–	–	(1,788)	(6)	–	–	(1,794)
At December 31, 2018	40,228	61,644	109,203	19,316	1,048	3,991	235,430
Additions	733,000	9,293	36,804	12,326	–	1,092	792,515
Disposals	–	–	(21,432)	(1,964)	–	–	(23,396)
Reclassification	–	–	2,984	1,006	–	(3,990)	–
Disposals of subsidiary	–	(12,980)	(15,486)	(3,315)	(455)	–	(32,236)
Exchange realignment	–	(245)	(178)	(177)	–	–	(600)
At December 31, 2019	773,228	57,712	111,895	27,192	593	1,093	971,713
DEPRECIATION							
At January 1, 2018	1,663	10,016	53,711	6,303	464	–	72,157
Provided for the year	1,815	9,287	15,288	2,582	142	–	29,114
Eliminated on disposals	–	–	(1,752)	(211)	–	–	(1,963)
Reclassified as held for sale (Note 30)	–	–	(1,609)	(6)	–	–	(1,615)
At December 31, 2018	3,478	19,303	65,638	8,668	606	–	97,693
Provided for the year	33,397	9,905	18,099	4,698	57	–	66,156
Eliminated on disposals	–	–	(18,611)	(1,696)	–	–	(20,307)
Disposals of subsidiary	–	(12,624)	(13,537)	(1,856)	(130)	–	(28,147)
Exchange realignment	–	(215)	(79)	(79)	–	–	(373)
At December 31, 2019	36,875	16,369	51,510	9,735	533	–	115,022
CARRYING VALUES							
At December 31, 2018	36,750	42,341	43,565	10,648	442	3,991	137,737
At December 31, 2019	736,353	41,343	60,385	17,457	60	1,093	856,691

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight-line method and at the following rates per annum:

Building	5%
Leasehold improvements	10% to 20% or lease term, whichever is shorter
Medical equipment	20%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

17. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Equipment RMB'000	Total RMB'000
As at January 1, 2019			
Carrying amount	174,823	6,362	181,185
As at December 31, 2019			
Carrying amount	164,834	5,497	170,331
For the year ended December 31, 2019			
Depreciation charge	29,746	3,493	33,239
Expense relating to short-term leases			5,295
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			339
Total cash outflow for leases			41,720
Additions to right-of-use assets			20,824

For both years, the Group leases various clinics, offices, hospital and equipment for its operations. Lease contracts are entered into for fixed term of 2 years to 20 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. RIGHT-OF-USE ASSETS *(Continued)*

Extension options

The Group has extension options in a number of leases for leased properties in the U.S.A.. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarised below:

	Lease liabilities recognised as at December 31, 2019	**Potential future lease payments not included in lease liabilities (undiscounted)**
	RMB'000	RMB'000
Clinics – U.S.A.	88,397	130,542
Office – U.S.A.	8,777	17,452

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2019, there is no such triggering event.

Leases committed

As at December 31, 2019, the Group entered into a new lease for a clinic in the U.S.A. that is not yet commenced, with non-cancellable period of 10 years and 7 months with extension options, the total future undiscounted cash flows under which amounted to approximately US$15,385,000 (equivalent to approximately RMB107,126,000) over the non-cancellable period.

The lease agreements do not impose any covenants and the relevant leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in Note 43.

18. GOODWILL

	RMB'000
COST	
At January 1, 2018	197,123
Arising on HRC Management Acquisition (Note 36)	604,928
At December 31, 2018	802,051
Exchange realignment	7,261
At December 31, 2019	**809,312**

Particulars regarding impairment testing on goodwill are disclosed in Note 22.

19. LICENSE

	RMB'000
COST	
At January 1, 2018, December 31, 2018 and December 31, 2019	426,500
AMORTISATION	
At January 1, 2018	12,059
Amortisation provided for the year	13,156
At December 31, 2018	25,215
Amortisation provided for the year	13,155
At December 31, 2019	**38,370**
CARRYING VALUES	
At December 31, 2018	401,285
At December 31, 2019	**388,130**

The amount is determined based on the acquisition-date fair value of the medical practice license ("Medical Practice License") upon the acquisition of Shenzhen Zhongshan Group on January 31, 2017. The acquisition-date fair value is determined by the Directors, and comprises the aggregate value of the Medical Practice License as determined using the Multiple Period Excess Earnings Method under the Income Approach, which is, among others, based on the projected cash flows generated from the assisted reproductive service and ancillary medical service business of Shenzhen Zhongshan Group for a period of 32.4 years, being the estimated useful life of the Medical Practice License and the certificate for human assisted reproduction.

19. LICENSE *(Continued)*

Based on the capabilities and successful history without incurring significant expenses on the renewals of the Medical Practice License and the passing of the inspection on the assisted reproduction technology practice in Shenzhen Zhongshan Group to maintain certification, the Directors believe that Shenzhen Zhongshan Group will be able to renew the Medical Practice License and pass the relevant inspection process continuously and has the ability to do so. The Directors also take into account the estimated useful lives of the medical licenses in the PRC acquired in business combinations as determined by healthcare industry players and believe that it is appropriate and in line with industry practice to estimate continuous renewals of the Medical Practice License, which has a legal life of 2.4 years at date of acquisition and is renewable every 5 years, and hence an estimated useful life of 32.4 years at its acquisition in January 2017.

20. CONTRACTUAL RIGHT TO PROVIDE MANAGEMENT SERVICES

	RMB'000
COST	
At January 1, 2018	–
Arising on HRC Management Acquisition (Note 36)	1,939,049
At December 31, 2018	1,939,049
Exchange realignment	23,877
At December 31, 2019	1,962,926

Contractual right to provide management services was acquired through the HRC Management Acquisition on December 24, 2018 (Note 36).

Contractual right to provide management services represents the MSA with HRC Medical for a period of 20 years which will automatically be renewed for additional five-year terms indefinitely unless terminated.

On January 22, 2019, the overall management service arrangement was reviewed by the Group and, among others, the MSA was replaced with the new MSA ("New MSA") to optimise the overall business arrangement. The scope of service under the MSA and the New MSA generally remains the same. Under the MSA, HRC Management received a management fee from HRC Medical that equals to the sum of the reimbursements of all office expenses paid or accrued by HRC Management and a base fee per month, subject to certain adjustments specified in the agreement. Under the New MSA, the management fee is equal to 90% of all gross revenue of HRC Medical accrued during the preceding month, subject to adjustment stated in the New MSA. The New MSA has a term of 20 years commencing from January 1, 2019, and shall automatically extend for one additional year on each anniversary date unless terminated.

Contractual right to provide management services is considered by the management of the Group to have an indefinite useful life because it is expected to contribute to net cash inflows indefinitely and will not be amortised until its useful life is determined to be finite. Instead, it is tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing are disclosed in Note 22.

21. TRADEMARKS

	RMB'000
COST	
At December 31, 2017	246,900
Arising on HRC Management Acquisition (Note 36)	1,045,532
At December 31, 2018	1,292,432
Exchange realignment	12,874
At December 31, 2019	**1,305,306**

The Group's trademarks were acquired through the acquisition of Shenzhen Zhongshan Group and HRC Management Acquisition on January 31, 2017 and December 24, 2018 (Note 36), respectively. Trademark acquired from Shenzhen Zhongshan Group has a legal life of 10 years but is renewable every 10 years at minimal cost while the trademarks of HRC Medical from HRC Management Acquisition have legal lives of 10 years and are renewable for same consecutive period six months before expiry at minimal cost. The Directors are of the opinion that the Group would renew both trademarks continuously and has the ability to do so. The trademarks are considered by the management of the Group to have an indefinite useful life because they are expected to contribute to net cash inflows indefinitely and will not be amortised until their useful lives are determined to be finite. Instead they are tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing of both trademarks acquired from Shenzhen Zhongshan Group and HRC Management are disclosed in Note 22.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill, contractual right to provide management services and trademarks with indefinite useful life acquired at the business combinations set out in Notes 18, 20 and 21 have been allocated to two individual CGUs. The carrying amounts of goodwill, contractual right to provide management services and trademarks as at December 31, 2018 and 2019 allocated to these CGUs are as follows:

	Goodwill as at December 31,		Contractual right to provide management services as at December 31,		Trademarks as at December 31,	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shenzhen Zhongshan Group	**197,123**	197,123	**–**	–	**246,900**	246,900
HRC Management Group	**612,189**	604,928	**1,962,926**	1,939,049	**1,058,406**	1,045,532
	809,312	802,051	**1,962,926**	1,939,049	**1,305,306**	1,292,432

The impairment assessment is based on a valuation by an independent valuer engaged by the Group.

The basis of the recoverable amount of the above CGUs and its major underlying assumptions are summarised below.

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, and a pre-tax discount rate of 20.0% for Shenzhen Zhongshan Group at December 31, 2019 (2018: 20.7%), and 15.3% for HRC Management Group at December 31, 2019 (2018: 16.0%). The remaining forecast cash flows beyond that five-year period are extrapolated for a two-year period using declining growth rates from 7.4% to 7% for Shenzhen Zhongshan Group at December 31, 2019 (2018: 7.6% to 6%) and for a three-year period from 9.4% to 8.5% for HRC Management Group at December 31, 2019 (2018: 8% to 4%) and then a steady 3% growth rate for both units thereafter (2018: 3%). Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross revenue and cost of revenue and such estimation is based on the relevant unit's past performance and management's expectations for the market development.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES *(Continued)*

As at December 31, 2019, the Directors determined that there is no impairment of these CGUs containing goodwill, contractual right to provide management services and trademarks (2018: Nil).

The recoverable amount of the CGU of Shenzhen Zhongshan Group and HRC management Group exceeds its carrying amount by RMB172,914,000 and RMB1,295,705,000 as at December 31, 2019 (2018: RMB167,789,000 and N/A).

As HRC Management Group was acquired on December 24, 2018, its carrying amount approximates to its recoverable amount at December 31, 2018. Any change in the key assumptions would cause its carrying amount to exceed its recoverable amount.

The table below sets forth (i) each key assumption that is used in goodwill, trademarks and contractual right to provide management services impairment testing at December 31, 2019 and 2018; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of value in use of the CGUs of Shenzhen Zhongshan Group and HRC Management Group:

Shenzhen Zhongshan Group

At December 31, 2019

Key assumption	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amounts RMB'000
Annual growth rate of revenue	15% to 7%	Decrease by 1%	226,208
		Decrease by 2%	180,919
Gross margin rate	39.8%	Decrease by 1%	240,048
		Decrease by 2%	206,394
Pre-tax discount rate	20%	Increase by 0.5%	244,782
		Increase by 1%	217,614
Long-term growth rate	3%	Decrease by 0.5%	251,960
		Decrease by 1%	231,890

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES *(Continued)*

Shenzhen Zhongshan Group *(Continued)*

At December 31, 2018

Key assumption	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amounts
			RMB'000
Annual growth rate of revenue	15% to 6%	Decrease by 1%	124,789
		Decrease by 2%	84,789
Gross margin rate	36% to 39%	Decrease by 1%	137,789
		Decrease by 2%	107,789
Pre-tax discount rate	20.7%	Increase by 0.5%	142,789
		Increase by 1%	118,789
Long-term growth rate	3%	Decrease by 0.5%	148,789
		Decrease by 1%	131,789

HRC Management Group

At December 31, 2019

Key assumption	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amounts
			RMB'000
Annual growth rate of revenue	10% to 8.5%	Decrease by 1%	620,641
		Decrease by 2%	400,493
Gross margin rate	50.3% to 50.9%	Decrease by 1%	769,153
		Decrease by 2%	684,236
Pre-tax discount rate	15.3%	Increase by 0.5%	672,065
		Increase by 1%	505,554
Long-term growth rate	3%	Decrease by 0.5%	703,239
		Decrease by 1%	569,169

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES *(Continued)*

HRC Management Group *(Continued)*

At December 31, 2018

Key assumption	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amounts
			RMB'000
Annual growth rate of revenue	10% to 4%	Decrease by 1%	(179,888)
		Decrease by 2%	(349,619)
Gross margin rate	47.9% to 49.5%	Decrease by 1%	(75,606)
		Decrease by 2%	(151,227)
Pre-tax discount rate	16%	Increase by 0.5%	(128,088)
		Increase by 1%	(245,970)
Long-term growth rate	3%	Decrease by 0.5%	(104,522)
		Decrease by 1%	(198,055)

23. EQUITY INSTRUMENT AT FVTOCI

The balance represents the 1,402,500 units in HRC-Hainan Holding Company, LLC ("Hainan Project") held by HRC Management, representing a 24.95% interests in Hainan Project which invests an IVF center in Hainan, the PRC. The Directors have elected to designate this unlisted investment in equity instrument as at FVTOCI as they believe that recognising short-term fluctuations in this unlisted investment's fair value on profit or loss would not be consistent with the Group's strategy of holding this unlisted investment for long-term purposes and realising its performance potential in the long run. The Group does not have the power to direct the relevant activities of Hainan Project as such power is designated to another shareholder who is also the sole manager (equivalent to a director in a corporation) nor have joint control over or the right to participate in the financial and operating policy decisions over Hainan Project under the shareholders' agreement.

There is no significant change in the fair values of the investment during the year ended December 31, 2019.

24. INVENTORIES

	2019 RMB'000	2018 RMB'000
Pharmaceutical products	**13,936**	13,833
Consumables and others	**12,147**	2,715
	26,083	16,548

25. ACCOUNTS AND OTHER RECEIVABLES

	31.12.2019 RMB'000	31.12.2018 RMB'000
Accounts receivables (note a)	**12,247**	9,385
Other receivables and prepayment:		
Prepayments to suppliers	**28,282**	8,571
Rental and other deposits	**4,996**	2,321
Interest receivables	**9,296**	–
Prepaid rental to a related party (note b)	**–**	150,000
Deferred listing expenses	**–**	6,664
Others	**3,578**	2,061
	46,152	169,617
Total accounts and other receivables	**58,399**	179,002
Analysed as:		
Current	**46,060**	76,920
Non-current	**12,339**	102,082
Total	**58,399**	179,002

Notes:

(a) As at January 1, 2018, accounts receivables from contracts with customers amounted to RMB4,583,000.

(b) Prepayments represent the prepaid rentals for three years pursuant to a lease agreement entered into with Jinsheng Hospital Management in December 2017 for a Hospital Building provided by the related party for a lease period of 20 years effective January 1, 2018. The annual rental is RMB50,000,000 for the first three years and an annual 3% escalation thereafter.

On January 31, 2018, the Supplemental Agreement was entered into with Jinsheng Hospital Management to defer the lease commencement to a date on or after January 31, 2019, due to the delay of the construction and renovation of the Hospital Building. The Supplemental Agreement was subsequently cancelled upon signing the share purchase agreement below.

25. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

On February 11, 2019, the Group entered into a share purchase agreement and property transfer agreement, which were supplemented on May 7, 2019 and May 23, 2019, with 成都優他製藥有限責任公司 (Chengdu Youta Pharmaceutical Company Limited, "Youta Pharmaceutical"), to acquire the entire equity interest in 成都錦奕企業管理有限公司 (Chengdu Jinyi Corporate Management Limited "Chengdu Jinyi") (the "Share Transfer") which will own the Hospital Building and the related carpark facilities upon its transfer from Youta Pharmaceutical before completion of the Share Transfer. The total consideration for the Share Transfer is approximately RMB738,153,000 (inclusive of reimbursement of renovation and other expenses) and comprised three instalments: (i) an amount of RMB260,000,000, being reimbursement of renovation and other expenses, is payable within five days of the agreement; (ii) an amount of RMB244,300,000 is payable within twenty days of the agreement; and (iii) the remaining amount of RMB233,853,000 is payable by September 30, 2019. The Share Transfer was completed on May 10, 2019.

The Group settled the consideration for the above acquisition by way of a set-off against the prepaid rentals amounting to RMB150,000,000, outstanding amounts due from related parties amounting to RMB354,339,000, paid RMB216,814,000 in cash and transfer the remaining amount of RMB17,000,000 to an amount due to a related party.

The individual customer of Chengdu Xinan Hospital and its subsidiaries ("Chengdu Hospital Group") and Shenzhen Zhongshan Group would usually settle payments by cash, credit cards, debit cards or governments' social insurance schemes. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau and similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes from 30 to 90 days from the transaction date.

The individual customer of ambulatory surgery centre facilities services of HRC Management Group would usually settle by cash or payments through insurance schemes. Payments by insurance schemes will normally be settled by commercial insurance companies from 60 to 365 days from the transaction date.

The Directors are in the view that there have been no significant increase in credit risk of default because the amounts are from local social insurance bureau, similar government departments or insurance companies with good credit rating and continuous repayment.

The accounts receivables are assessed individually for impairment allowance based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Directors considered that the ECL for accounts receivables is insignificant as at December 31, 2019 and 2018.

In determining the recoverability of accounts receivables, the management of the Group considers any change in the credit quality of the accounts receivables from the date credit was initially granted up to the end of the reporting period.

25. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of accounts receivables, presented based on the invoice date at the end of each reporting period.

	2019 RMB'000	2018 RMB'000
Within 90 days	**5,582**	6,126
91 to 180 days	**2,880**	2,923
Over 180 days	**3,785**	336
	12,247	9,385

Details of impairment assessment of accounts and other receivables for the year ended December 31, 2019 are set out in Note 43.

26. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARIES AND CAPITAL CONTRIBUTION DEPOSITS FROM A SHAREHOLDER AND INVESTORS

(a) Amounts due from related parties

	2019 RMB'000	2018 RMB'000
Trade in nature		
四川錦欣婦女兒童醫院有限公司 (Sichuan Jinxin Women and Children Hospital Co., Ltd, Jinxin Women and Children Hospital") (notes ii & viii)	**469**	519
成都錦欣婦產科醫院有限公司 (Chengdu Jinxin Obstetrics and Gynaecology Hospital Limited, "Jinxin Ob-Gyn Hospital") (notes ii & viii)	**9**	56
Jinjiang District Maternity and Child Health Hospital (notes ii & viii)	**2,911**	402
Chengdu Jinxin Investment (note ii & viii)	**5,372**	–
HRC Medical (note vii)	**22,896**	–
	31,657	977

26. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARIES AND CAPITAL CONTRIBUTION DEPOSITS FROM A SHAREHOLDER AND INVESTORS *(Continued)*

(a) *Amounts due from related parties* *(Continued)*

	2019 RMB'000	2018 RMB'000
Non-trade in nature		
Other receivables:		
Chengdu Jinxin Investment (note i)	–	438,167
Hainan Project (note v)	176	175
135 South Rosemead LLC (note vi)	1	1
Jinjiang District Maternity and Child Health Hospital (note ii)	10,326	–
成都錦欣生殖醫學與遺傳研究所 (note ii)	7,493	–
Amethyst Gem Holdings Limited (note iii)	–	1
Max Innovation Limited (note iii)	–	2
HRC Investment (note iv)	–	182
JINXIN Fertility Investment Group Limited ("Jinxin Fertility BVI") (note ix)	–	69,554
	17,996	508,082
Total	49,653	509,059
Analysed as:		
Current	49,653	70,894
Non-current	–	438,165
	49,653	509,059

26. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARIES AND CAPITAL CONTRIBUTION DEPOSITS FROM A SHAREHOLDER AND INVESTORS *(Continued)*

(a) Amounts due from related parties *(Continued)*

Notes:

(i) The amount is unsecured, interest-free and the prior year amount had been applied to offset the first and partial second instalments of the consideration for the Share Transfer subsequent to December 31, 2018 with details set out in Note 25.

(ii) These related parties and Chengdu Jinxin Investment have the same beneficial shareholders. The amounts are unsecured, interest-free and repayable on demand.

(iii) They are shareholders of the Company. The amounts are unsecured, interest-free and have been fully repaid during the current year.

(iv) HRC Investment becomes a shareholder of the Company upon selling its 49% interests in HRC Management to the Group in exchange for new shares issued by the Company in December 2018. The amount represents expenses paid on its behalf and was unsecured, interest-free and fully settled in the current year.

(v) The balance represents rental income from the related party and certain expenses paid on its behalf. The amount is unsecured, interest-free and repayable on demand.

(vi) The entity is owned by certain shareholders of HRC Investment. The amount is unsecured, interest-free and fully settled after the end of the reporting period.

(vii) The amount represents the accounts receivable from HRC Medical in relation to management services provided in accordance with the New MSA. The amount is unsecured, interest-free and is subsequently settled. The trade balance at December 31, 2019 based on invoice date is aged within 30 days and not past due nor impaired.

(viii) The balances are all aged within 90 days based on the invoice date at the end of the reporting period.

(ix) The amount represents outstanding receivable from Jinxin Fertility BVI for subscription in the Company's shares. The amount was unsecured, interest-free and repayable on demand and was fully settled during the year. Details are set out in note (c) to the consolidated statement of changes in equity.

Details of impairment assessment of amount due from related parties for the year ended December 31, 2019 are set out in Note 43.

26. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARIES AND CAPITAL CONTRIBUTION DEPOSITS FROM A SHAREHOLDER AND INVESTORS *(Continued)*

(b) Amounts due to related parties

	2019 RMB'000	2018 RMB'000
Trade in nature		
Jinxin Women and Children Hospital (note i)	**10,254**	6,563
成都錦欣精神病醫院有限公司 (Chengdu Jinxin Psychiatric Hospital Company Limited "Jinxin Psychiatric") (note i)	**1,935**	1,111
四川程欣物業管理有限公司 (Sichuan Chengxin Property Management Company Limited "Sichuan Chengxin") (note i)	**12**	–
成都和雋科技有限公司 (Chengdu Hejun Technology Company Limited, "Hejun Technology") (note i)	**13,775**	542
	25,976	8,216
Non-trade in nature		
HRC Medical (note ii)	**–**	10,852
HRC Investment (note iii)	**–**	2,916
Jinxin Global Fertility Company Limited (note i)	**2,070**	–
Daniel A. Potter, MD, Inc. (note iv)	**117**	271
John Wilcox, MD, Inc. (note iv)	**266**	207
David Tourgeman, MD, Inc. (note iv)	**9**	188
Michael Feinman, MD, Inc. (note iv)	**–**	113
Jeffrey Nelson, MD, Inc. (note iv)	**8**	9
John Norian, MD. (note iv)	**23**	–
CAPEXMD (note iv)	**29**	–
Chengdu Jinxin Investment (note vi)	**9,093**	206,404
Jinxin Medical Investment Group Limited (notes i & v)	**3,138**	4,201
Tibet Jinxin Enterprise Management Co., Ltd. (note vi)	**–**	296,396
Tibet Juyi Venture Capital Partnership (Limited Partnership) (note vi)	**–**	66,147
Tibet Xingsheng Venture Capital Partnership (Limited Partnership) (note vi)	**–**	165,417
Qingdao Jinshi Haorui Investment Co., Ltd. (note vi)	**–**	66,147
Ningbo Meishan Bonded Port Area Zesen Huilin Equity Investment Partnership (Limited Partnership) (note vi)	**–**	24,649
Sichuan Province Healthy Pension Industry Equity Investment Fund Partnership (Limited Partnership) (note vi)	**–**	33,225
Zhuhai Mingrui Corporate Consulting Co., Ltd. (note vi)	**–**	31,627
	14,753	908,769
	40,729	916,985

26. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARIES AND CAPITAL CONTRIBUTION DEPOSITS FROM A SHAREHOLDER AND INVESTORS *(Continued)*

(b) *Amounts due to related parties* *(Continued)*

Notes:

(i) These related parties are controlled by Chengdu Jinxin Investment. The amounts are unsecured, interest-free and repayable on demand.

(ii) The amount represents the payable to HRC Medical as the bank balances and cash maintained by HRC Management on behalf of HRC Medical pursuant to the management services under the MSA exceeded the respective amount of management services fee receivable. The amount was unsecured, interest-free and repayable on demand and was fully repaid during the year.

(iii) The amount represents the distribution payable by HRC Management to HRC Investment and was fully repaid during the year.

(iv) They are shareholders of HRC Medical and/or HRC Investment. The amounts are unsecured, interest-free and repayable on demand. They are mainly incurred for expenses paid by the related parties on behalf of the Group.

(v) This related party and Chengdu Jinxin Investment have the same beneficial shareholders. The amount represented expenses paid by the related party on behalf of the Group and is unsecured, interest-free and repayable on demand.

(vi) These companies were shareholders of Sichuan Jinxin Fertility before their interests were acquired by the Group as part of the Group Reorganisation. Upon completion of the Group Reorganisation, their offshore investment vehicles have become shareholders of the Company. The balances outstanding as at December 31, 2018 included an amount of RMB782,550,000 in total representing the outstanding payables for the acquisition of shares of Sichuan Jinxin Fertility as part of the Group Reorganisation. Details are set out in note (c) to the consolidated statement of changes in equity. The amount as at December 31, 2018 was unsecured, interest-free and repayable on demand.

The following is an aged analysis of amounts due to related parties which are trade in nature presented based on the invoice date at the end of the reporting period.

	2019	2018
	RMB'000	RMB'000
Within 90 days	**9,871**	1,890
91 to 180 days	**3,714**	1,367
Over 180 days	**12,391**	4,959
	25,976	8,216

27. STRUCTURED BANK DEPOSITS

During the year ended December 31, 2019, the Group entered into several deposit placements with banks in the PRC, Hong Kong and Macau. The banks guaranteed 100% of the invested principal amount and a fixed interest rate of 0.69% to 3.15% per annum. The contracts are with maturity on or before March 6, 2020.

In addition, on December 7, 2018, the Group entered into a deposit placement of RMB20,000,000 with a bank in the PRC. The bank guaranteed 100% of the invested principal amount and a fixed interest rate of 2.8% per annum with maturity of 90 days as specified in the agreement.

Details of impairment assessment of structured bank deposits for the year ended December 31, 2019 are set out in Note 43.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balances represent wealth management products issued by financial institutions subscribed by the Group with no guaranteed principal and return, while the total expected return is up to 3.65% per annum for the year ended December 31, 2019 (2018:up to 4.7% per annum) depending on the performance of the underlying financial investments or the change in the interest rate as specified in the relevant deposits placement. The wealth management products are with a maturity period of 35 days to 65 days, or can be redeemable on demand (2018: a maturity period of 35 days). The Directors consider the fair values of the wealth management products approximate to their carrying values at the end of the reporting period.

The wealth management products are classified as financial assets at FVTPL on initial recognition as they contain embedded derivatives. The Directors consider the fair values of the wealth management products approximate to their carrying values at the end of the reporting period.

29. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.01% to 0.35% per annum as at December 31, 2019 (2018: from 0.01% to 0.35% per annum).

Details of impairment assessment of bank balances for the year ended December 31, 2019 are set out in Note 43.

30. ASSETS CLASSIFIED AS HELD FOR SALE

On December 25, 2018, to streamline its organisation structure, Shenzhen Zhongshan Hospital entered into an agreement on the transfer of organiser's interests and change of organiser of 深圳中山生殖與遺傳研究所 (Shenzhen Zhongshan Reproductive Institute, "Zhongshan Research Institute") with Shenzhen Shengkeqiang Medical Technology Co., Ltd., an independent third party, pursuant to which Shenzhen Zhongshan Hospital transferred the entire organiser's interests and obligations it held in Zhongshan Research Institute to Shenzhen Shengkeqiang Medical Technology Co., Ltd. for a consideration of approximately RMB1,000,000. The transaction was completed on January 24, 2019, and resulted in a loss on disposal of approximately RMB21,000. The disposal did not have any material impact on the Group.

The major classes of assets and liabilities of Zhongshan Research Institute classified as held for sale are as follows:

	As at December 31, 2018 RMB'000
Property, plant and equipment	179
Bank balances and cash	842
Total assets classified as held for sale	1,021

31. ACCOUNTS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Accounts payables	**114,916**	143,010
Other payables:		
Dividend payables	**–**	23,727
Construction payables	**3,695**	2,459
Refundable customers' deposits	**54,347**	43,932
Accrued employee expenses (including social insurance and housing fund contributions)	**102,555**	98,866
Accrued listing expenses/share issue costs	**–**	22,500
Accrued rental expenses	**–**	44
Payables to a third party (note i)	**–**	7,685
Consultancy fee payable	**–**	633
Value-added tax and other tax payables	**22,302**	22,663
Deferred income (note ii)	**5,753**	5,601
Accrued late fees for unpaid PRC EIT and value-added tax	**–**	7,440
Others	**16,189**	12,490
	204,841	248,040
Total accounts and other payables	**319,757**	391,050

Notes:

(i) Amount represents temporary receipts on behalf of a not-for-profit organisation.

(ii) The amount mainly represents government grants received for research and development projects but with conditions not yet fulfilled.

The credit period of accounts payables is from 30 to 90 days from the invoice date.

The following is an aged analysis of accounts payables presented based on the invoice date at the end of the reporting period.

	2019 RMB'000	2018 RMB'000
Within 90 days	**93,497**	82,718
91 to 180 days	**20,595**	55,710
181 to 365 days	**106**	3,794
Over 365 days	**718**	788
	114,916	143,010

32. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	**29,244**
Within a period of more than one year but not more than two years	**29,023**
Within a period of more than two years but not more than five years	**47,610**
Within a period of more than five years	**76,631**
	182,508
Less: Amount due for settlement with 12 months shown under current liabilities	**(29,244)**
Amount due for settlement after 12 months shown under non-current liabilities	**153,264**

33. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Total RMB'000
At December 31, 2017 and January 1, 2018	–	172,212	172,212
Arising on HRC Management Acquisition (Note 36)	–	508,553	508,553
Credited to profit or loss (Note 12)	–	(3,824)	(3,824)
At December 31, 2018	–	676,941	676,941
Charged to profit or loss (Note 12)	3,916	24,427	28,343
Exchange realignment	–	4,007	4,007
At December 31, 2019	**3,916**	**705,375**	**709,291**

34. SHARE CAPITAL

The share capital as at January 1, 2018 represented the aggregate paid-up capital of Sichuan Jinxin Fertility and Chengdu Xinan Hospital attributable to Chengdu Jinxin Investment.

The share capital as at December 31, 2018, January 1, 2019 and December 31, 2019 represented the issued share capital of the Company.

The movements in the Company's issued ordinary share capital during the period are as follows:

	Number of shares	Share capital
		US$
Ordinary shares of US$0.00001 each		
Authorised:		
On date of incorporation on May 3, 2018, December 31, 2018 and December 31, 2019	5,000,000,000	50,000
Issued:		
1 share allotted and issued upon incorporation	1	–
Issue of shares during the year	1,979,828,400	19,798
On December 31, 2018	1,979,828,401	19,798
Show in the financial statements as		RMB129,000
On January 1, 2019	**1,979,828,401**	**19,798**
Issue of shares during the year	**454,555,401**	**4,546**
On December 31, 2019	**2,434,383,802**	**24,344**
Shown in the financial statements as		**RMB160,000**

The Company was incorporated in the Cayman Islands on May 3, 2018 with an authorised share capital of US$50,000 divided into 5,000,000,000 ordinary shares with a par value of US$0.00001 per share. On the date of incorporation, one share was allotted and issued by the Company.

On May 3, 2018 and July 20, 2018, the Company issued a further 19,999 and 78,780 of its shares at par value of US$0.00001 each for consideration of approximately US$0.2 (equivalent to RMB1.3) and US$0.8 (equivalent to RMB5.4), respectively, to Jinxin Fertility BVI.

On July 20, 2018, the Company acquired one share, being the entire issued share capital of LionRock New Hope BVI Company Limited ("BVI Holdco"), from the pre-initial public offering ("pre-IPO") investor in exchange for allotment and issue of 1,220 of the Company's shares to the pre-IPO investor.

34. SHARE CAPITAL *(Continued)*

On November 20, 2018 and December 19, 2018, the Company issued 915,538,334 and 296,459,725 of its shares at US$0.00001 each for consideration of approximately US$132,467,000 (equivalent to RMB908,584,000) and US$42,745,000 (equivalent to RMB293,186,000) as part of the Group Reorganisation to settle the consideration payable for the acquisition of the entire equity interest of Sichuan Jinxin Fertility.

On December 24, 2018, the Group acquired the entire interest in Willsun BVI which holds 51% equity interest in HRC Management and the remaining 49% interest in HRC Management by issuing 407,005,337 shares and 360,725,005 shares of US$0.00001 each in the Company to the shareholders of Willsun BVI and the 49% shareholders of HRC Management, respectively. Upon completion, HRC Management becomes a wholly-owned subsidiary of the Group.

On February 2, 2019, YU PENG XIANG Company Limited, a BVI incorporated limited liability company wholly-owned by Mr. Zeng Yong, one of the Group's key management personnel, subscribed for 10,882,013 shares of the Company of US$0.00001 each at par value (equivalent to approximately RMB2,000). On the same day, Mr. Zeng Yong entered into a series of contractual arrangements with the Group in respect of his 5.46% equity interest in Shenzhen Zhongshan Hospital.

On February 15, 2019, 32,981,388 shares were issued to the nominee of the Restricted Share Award, namely Jinxin Employee Holdings Company Limited, for and on behalf of the Company. On the same day, restricted share unit awards representing 13,676,180 shares of the Company were transferred from Jinxin Employee Holdings Company Limited and granted to certain key management personnel of the Group and a physician of HRC Medical under the Restricted Share Award Scheme which are subject to certain vesting conditions as stipulated in the respective award letters.

On June 25, 2019, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 357,124,000 new shares of US$0.00001 each issued at a price of HK$8.54 per share. Proceeds of US$3,571 (equivalent to approximately RMB25,000), representing the par value of the shares issued, were credited to the share capital of the Company. The remaining proceeds of RMB2,544,529,000 net of share issue expense were credited to the share premium account.

On July 18, 2019, the over-allotment option was fully exercised and an aggregate of 53,568,000 shares were allotted and issued by the Company at HK$8.54 per share. Proceeds of US$536 (equivalent to approximately RMB3,000), representing the par value of the shares issued, were credited to the share capital of the Company. The remaining proceeds of RMB386,480,000 net of share issue expense were credited to the share premium account.

35. OPERATING LEASES

The Group as lessee

	2018 RMB'000
Minimum lease payments paid under operating leases during the year	14,094

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	34,580
In the second to fifth-year inclusive	208,133
Over five years	1,103,451
	1,346,164

Operating lease payments represent rentals payable by Shenzhen Zhongshan Group, Chengdu Xinan Group and HRC Management Group for their rented premises for office and hospital services as well as for medical equipment. These leases are negotiated for terms ranging from over one to twenty years with fixed monthly rental and/or annual rental escalation clause. None of the leases include any contingent rental.

Certain clinics under management by HRC Management have laboratory and other medical facilities built into the rented premises. According to the lease agreements, the lessor may request HRC Management to remove all modifications made to the premises at the termination of the lease. For a lease contract without the lessor's confirmation that such removal of the modification would not be required, the Directors believe that no penalty or reinstatement costs would be imposed on HRC Management as it appeared that, with the "as-is-basis" condition, the lessor would be beneficial in a potentially higher rental income from other tenants. Should the landlord request to reinstate its leased property to its original state, the cost is approximately RMB4,428,000 at December 31, 2018.

The Directors consider such liability is not probable due to the likelihood of being asked to remove the laboratory and other medical facilities built into the rented premises is low.

The above commitments as of December 31, 2018 included future minimum lease payments of (i) RMB1,120,721,000 arising from a lease agreement entered into between the Group and a related party with lease commencement date on or after January 31, 2019 and further details are set out in Note 25(b); and (ii) RMB113,872,000 arising from lease agreements entered into between HRC Management and entities controlled by certain shareholders of HRC Investment in relation to certain rented premises of HRC Management.

36. ACQUISITION OF HRC MANAGEMENT GROUP

On December 24, 2018, the Company completed HRC Management Acquisition through the allotment and issuance of a total of 767,730,342 new shares of the Company to their then shareholders. HRC Management Group is engaged in the provision of (i) non-medical management and administrative services such as financial and risk management as well as information systems, human resource and administrative support required for the operation of physician medical practices carried out by HRC Medical pursuant to the MSA entered into with HRC Management effective from July 13, 2017 for a period of 20 years which will automatically be renewed for additional five-year term indefinitely unless terminated; (ii) ambulatory surgery centre facilities; and (iii) PGS Testing. The acquisition was made to expand the Group's management services of assisted reproductive services and ancillary medical services business to the U.S.A..

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	25,336
Contractual right to provide management services	1,939,049
Trademark	1,045,532
Equity instrument at FVTOCI	9,990
Other assets	1,625
Accounts and other receivables	12,858
Amounts due from related parties	358
Tax recoverable	934
Bank balances and cash	40,652
Accounts and other payables	(47,118)
Amounts due to related parties	(14,556)
Deferred tax liabilities	(508,553)
	2,506,107

The gross contractual amounts of those accounts and other receivables and amounts due from related parties acquired amounting to RMB13,216,000 at the date of acquisition represent their fair values. No amount at acquisition date of the contractual cash flows is not expected to be collected. The amount of acquisition cost is insignificant.

Goodwill arising on acquisition

	RMB'000
Consideration transferred (note i)	3,111,035
Less: fair value of identifiable net assets acquired (100%)	(2,506,107)
Goodwill arising from acquisition (note ii)	604,928

Certain portion of the goodwill and intangible assets comprising contractual right to provide management services and trademarks with indefinite useful life arising on the acquisition is expected to be deductible for tax purposes over 15 years.

36. ACQUISITION OF HRC MANAGEMENT GROUP *(Continued)*

Goodwill arising on acquisition *(Continued)*

Notes:

i The shares consideration for HRC Management Acquisition represents the fair value of the 767,730,342 new shares of the Company (which represented 38.78% of the then enlarged share capital of the Company immediately upon completion of the acquisition), amounting to approximately RMB3,111,035,000 based on valuation by the Directors on each of the business of the Group before the acquisition and that of HRC Management Group with reference to valuation reports carried out by an independent qualified professional valuer, which has appropriate qualifications and experiences in valuation of similar transactions.

ii Goodwill arose in HRC Management Acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of HRC Management Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Certain portion of the goodwill arising on the acquisition is expected to be deductible for tax purposes over 15 years.

Net cash inflow on acquisition of Willsun BVI Group

	RMB'000
Cash and cash equivalents balances acquired	40,652

Impact of acquisition on the results of the Group

As the Directors considered the impact on the profit attributable to the additional business generated by HRC Management Acquisition for the period from December 24, 2018 (date of acquisition) to December 31, 2018 was insignificant to the Group's financial performance for the year ended December 31, 2018, their financial performance has not been reflected in the Group for the year ended December 31, 2018.

Had HRC Management Acquisition been completed on January 1, 2018, total revenue of the Group for the year ended December 31, 2018 would have been RMB1,482,147,000, and the amount of the profit and total comprehensive income for the year would have been RMB509,351,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had HRC Management Acquisition been completed at the beginning of the period, the Directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

37. DISPOSAL OF SUBSIDIARIES

On December 25, 2018, the disposal of Zhongshan Research Institute was completed and resulted in a loss on disposal of approximately RMB21,000. Details of the disposal are disclosed in Note 30.

	RMB'000
Property, plant and equipment	179
Bank balances and cash	842
Net assets disposed of	1,021
Loss on disposal	(21)
Total consideration	1,000
Satisfied by:	
Cash	1,000
Net cash inflow arising on disposal:	
Total cash consideration received	1,000
Bank balances and cash disposal of	(842)
	158

In January 2019, Chengdu Xinan Hospital entered into an equity transfer agreement with Chengdu Jinxin Investment and sold its entire equity interests in Gaoxin Xinan Hospital to Chengdu Jinxin Investment for RMB3,894,000. The transaction was completed on January 31, 2019, and resulted in a gain on disposal of approximately RMB4,394,000 recognised in capital reserve as a deemed contribution from shareholders. The disposal did not have any material financial impact on the Group.

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

	RMB'000
Property, plant and equipment	4,089
Inventories	1,617
Accounts and other receivables	740
Bank balances and cash	20,392
Accounts and other payables	(11,975)
Amounts due to related parties	(12,709)
Tax payables	(2,654)
Net liabilities disposed of	(500)
Gain on disposal	4,394
Total consideration	3,894
Satisfied by:	
Cash	3,894
Net cash outflow arising on disposal:	
Total cash consideration received	3,894
Bank balances and cash disposal of	(20,392)
	(16,498)

38. SHARE-BASED PAYMENTS

(a) Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on June 3, 2019 for the primary purpose of providing incentives to directors and eligible employees. The Share Option Scheme will be valid and effective for a period of ten years, commencing from June 3, 2019. No share option was in issue pursuant to the Share Option Scheme at the end of the reporting period.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 238,081,580 Shares, being 10% ("Scheme Mandate Limit") of the Shares in issue immediately after the Listing (assuming the over-allotment option is not exercised and no exercise of any option which may be granted under the Share Option Scheme) unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the Shares in issue from time to time.

No option may be granted under the Share Option Scheme and any other share option schemes of the Company if such Scheme Mandate Limited is exceeded.

38. SHARE-BASED PAYMENTS *(Continued)*

(b) Restricted Share Award Scheme ("RSU Scheme")

On February 15, 2019 (the "Adoption Date"), the Company approved the RSU Scheme. The purposes of the RSU Scheme are to (i) provide the selected participants of the RSU Scheme (the "Selected Participants") with the opportunity to acquire proprietary interests in the Company; (ii) encourage the grantees to work towards enhancing the value of the Company and our Shares for the benefit of the Company and the shareholders of the Company as a whole; and (iii) provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the Selected Participants. The RSU Scheme commences on the Adoption Date and remains valid and effective unless and until being terminated upon the expiry of the period of ten years from such date, unless terminated earlier by a resolution of the board of directors of the Company.

The total number of the restricted share units (the "RSUs") underlying all grants made pursuant to the RSU Scheme shall not exceed in total 1.66% (i.e. 32,981,388 shares) of the Company's issued share capital as at the Adoption Date (the "RSU Scheme Limit"), provided that no account shall be taken into the calculation of the RSU Scheme Limit of any Shares where the right to acquire such Shares has been released, lapsed or vested in accordance with the RSU Scheme.

A deed of adherence dated February 14, 2019 was entered into between the Company and Jinxin Employee Holdings Company Limited ("RSU Scheme's Nominee"). On February 15, 2019, 32,981,388 shares were issued to RSU Scheme's Nominee for and on behalf of the Company. The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity as shown in the condensed consolidated statement of changes in equity under "Shares held for Restricted Share Award Scheme". As at December 31, 2019, the restricted shares granted to key management personnel and a consultant of the Group are as follows:

RSU granted to	Number of options granted	Grant date	Expiry date	Fair value at Grant date (RMB)	Vesting period
Consultant	3,921,700	February 15, 2019	February 14, 2029	17,733,000	5 years
Key management personnel	9,754,480	February 15, 2019	February 14, 2029	44,107,000	3 – 4 years

38. SHARE-BASED PAYMENTS *(Continued)*

(b) Restricted Share Award Scheme ("RSU Scheme") *(Continued)*

The grantees of the RSU are not required to pay for the grant of any RSU under the RSU Scheme or for the exercise of the RSU. The RSU shall be exercisable over a period of ten years commencing from the date on which the RSUs are granted.

The Directors used the discounted cash flow method to estimate the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the RSUs granted on February 15, 2019. Key assumptions and inputs include the cash flow projections based on financial forecasts approved by management covering a five-year period with growth rates from 9% to 20% which are extrapolated for a two to three-year period using declining growth rates from 16% to 4.3% and pre-tax discount rates from 13.5% to 16% applied for the different business segments. The fair value of the RSUs granted on February 15, 2019 was assessed to be RMB61,840,000.

The table below discloses movement of the Company's RSU granted held by the Selected Participants at the end of the reporting period:

	Number of Awarded and Shares		
	Outstanding at January 1, 2019	Granted during the year	Outstanding at December 31, 2019
RSU granted to:			
Key management personnel	–	9,754,480	9,754,480
Other consultant	–	3,921,700	3,921,700
	–	13,676,180	13,676,180

The Group recognised the total expense of RMB27,247,000 for the year ended December 31, 2019 (2018: Nil) in relation to RSU granted by the Company in the current year.

At the end of each reporting period, the Group revises its estimates of the number of RSU that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the equity-settled share-based payment reserve.

39. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**4,606**	22,968

40. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme. The total costs charged to profit and loss, amounted to RMB22,919,000 for the years ended December 31, 2019 (2018: RMB24,262,000) respectively, represent contributions paid to the retirement benefit scheme by the Group.

HRC Management maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code in the U.S.A.. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation.

The only obligation of HRC Management with respect to the retirement benefits plans is to make the specified contributions under the plans.

41. RELATED PARTY DISCLOSURES

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also entered into the following related party transactions:

Name of related Company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
Jinjiang District Maternity and Child Health Hospital	Entity controlled by Chengdu Jinxin Investment	Provision of management services by the Group	**104,103**	89,116
		Provision of pathological examination services	**631**	402
		Rendering pathological examination services (i)	**(183)**	(482)
Jinxin Women and Children Hospital	Entity controlled by Chengdu Jinxin Investment	Provision of management services by the Group	**–**	625
		Provision of pathological examination services	**705**	519
		Rendering pathological examination services (i)	**(3,839)**	(3,573)
Jinxin Psychiatric	Entity controlled by Chengdu Jinxin Investment	Rendering sanitizing and cleaning services (i)	**(1,935)**	(1,758)
Sichuan Chengxin	Entity controlled by Chengdu Jinxin Investment	Rendering cleaning services	**(168)**	(864)
Hejun Technology	Entity controlled by Chengdu Jinxin Investment	Purchase of consumables by the Group	**(21,524)**	(1,020)
		Rendering storage services	**(2,033)**	(864)

41. RELATED PARTY DISCLOSURES *(Continued)*

Name of related Company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
HRC Medical	Jointly controlled by certain shareholders of HRC Investment	Management service income	544,386	–
		PGS Testing income	4,618	–
		Ambulatory surgery centre facilities income	3,978	–
HRC Properties LLC	Controlled by certain shareholders of HRC Investment	Repayment of lease liability	(4,116)	–
		Finance cost on lease liability	(3,386)	–
135 South Rosemead LLC	Controlled by certain shareholders of HRC Investment	Repayment of lease liability	(1,030)	–
		Finance cost on lease liability	(409)	–
Gender Selection Australia	Controlled by a shareholder of HRC Investment	Marketing expense	(3,406)	–
Jinxin Investment Group Limited	Entity controlled by Jinxin Medical Investment Group Limited	Repayment of lease liability	(1,316)	–
		Finance cost on lease liability	(442)	–

Note:

(i) Amounts represent expenses incurred from pathological examination services and sanitising and cleaning services included in "cost of revenue".

Compensation of key management personnel

The remuneration of the directors and key executives is determined based on performance of individuals and market trends.

Key management includes executive directors and senior management. The remuneration of the directors and other members of key management during the year was as follows:

	2019 RMB'000	2018 RMB'000
Directors' fee	1,334	676
Salaries and allowances	8,370	507
Performance-related incentive payments	3,842	11,322
Retirement benefit schemes contributions	53	88
Share-based compensation benefits	20,498	–
	34,097	12,593

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of bank balances and cash, structured bank deposits, amounts due to related parties, and equity attributable to owners of the Company, comprising paid-up capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, additional advance from related parties or the repayment of their existing advances as well as issue of new debt, if necessary.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	31.12.2019	31.12.2018
	RMB'000	RMB'000
Financial assets		
Financial assets at		
– amortised cost (note i)	**3,323,387**	1,734,700
– FVTPL	**52,500**	65,010
– FVTOCI	**10,017**	9,990
	3,385,904	1,809,700
Financial liabilities		
Financial liabilities at amortised cost	**229,876**	1,174,621
Lease Liabilities	**182,508**	–

Note i: The financial asset classified as held for sale at amortised cost, amounting RMB842,000 for 2018, was included.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instrument at FVTOCI, accounts and other receivables, amounts due from/to related parties, financial assets at FVTPL, structured bank deposits, bank balances and cash and accounts and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency bank balances and structured bank deposits against the functional currencies of the relevant group entities which expose the Group to foreign currency risk.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

The carrying amounts of the Group's foreign bank balances and structured bank deposits at the reporting date are as follows:

	2019	2018
	RMB'000	RMB'000
Assets		
US$	**4,972**	–
HK$	**2,665,111**	–

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies* *(Continued)*

Market risk (Continued)

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: nil) increase and decrease in the subsidiaries' functional currency against the relevant foreign currencies. 5% (2018: nil) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: nil) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity where the subsidiaries' functional currency weakening 5% (2018: nil) against the relevant foreign currencies. For a 5% (2018: nil) strengthen of the subsidiaries' functional currency against the relevant foreign currencies, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

	US$		HK$	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**186**	–	**99,942**	–

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Notes 27 and 29 for details). The Group's cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances.

The Directors consider that the overall interest rate risk is not significant and no sensitivity analysis is presented for the Group.

The fair value interest rate risk on the financial assets at FVTPL and fixed rate structured bank deposits is limited because the periods of these investment products and deposit are short, which ranged from 35 to 90 days.

The Group is also exposed to fair value interest rate risk in relation to lease liabilities (see Note 32 for details) and the Company consider that the exposure of such interest rate risk arising from fixed rate lease liabilities is insignificant.

Other price risk

The Group is exposed to equity price risk through its investments in an unquoted equity investments measured at FVTOCI as disclosed in Note 23. The Group has appointed a special team to monitor the price risk of this investment.

As the unquoted equity investments measured at FVTOCI is still in development phase, the Directors consider that the changes in fair value is not significant and no sensitivity analysis is presented.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies* (Continued)

Credit risk and impairment assessment

At the end of each reporting period, the carrying amount of the respective recognised financial assets of the Group as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk which will cause a financial loss to the Group and due to failure to discharge an obligation by the counterparties. The average loss rates for majority of the financial assets measured at amortised cost are assessed to be less than 1%.

In order to minimise the credit risk for accounts receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made and other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment under ECL model on trade balances individually. In this regard, the Directors consider that the Group's credit risk is significantly reduced. The loss allowance is measured under lifetime ECL for accounts receivables of RMB12,247,000 (2018: RMB9,385,000) for the Group is considered insignificant.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. As such, the Directors considered the risk over ECL to be immaterial after considering counterparty financial background and credibility.

The loss allowance of other receivables is measured under 12m ECL which is considered insignificant in respect of other receivables, amounting to RMB8,574,000 (2018: RMB11,046,000) as at December 31, 2019.

For the amounts due from related companies, the Directors make individual assessment on the recoverability of the amounts based on historical settlement records and past experience. In view of the good repayment history of these related parties and considered the future prospects of the industry in which these related parties operate, the Directors consider the risk of default is low, and accordingly, no impairment was recognised in respect of the amounts due from related parties amounting to RMB49,653,000 (2018: RMB509,059,000) as at December 31, 2019.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The credit risk on liquid funds, including interest receivable, is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The 12m ECL for structured bank deposits, bank balances and interest receivable of the Group amounting to RMB3,252,913,000 (2018: RMB1,205,211,000) as at December 31, 2019 is considered to be insignificant.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk on receivables from Chengdu Jinxin Investment as at December 31, 2018 and 2019. In order to minimise the credit risk, the Group closely monitors the liquidity risk of the related parties and reviews the outstanding debt at the end of each reporting period to ensure that follow-up action is taken on overdue debts.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed payment dates. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The tables include both interest, if any, and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2019							
Accounts and other payables	–	189,147	–	–	–	189,147	189,147
Amounts due to related parties	–	40,729	–	–	–	40,729	40,729
Lease liabilities	5.54	37,856	36,706	75,340	95,625	245,527	182,508
		267,732	36,706	75,340	95,625	475,403	412,384
At December 31, 2018							
Accounts and other payables	–	257,636	–	–	–	257,636	257,636
Amounts due to related parties	–	916,985	–	–	–	916,985	916,985
		1,174,621	–	–	–	1,174,621	1,174,621

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets that are measured at fair value at December 31, 2019 are disclosed in Notes 23 and 28. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at December 31, 2019 RMB'000	Fair value as at December 31, 2018 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Unlisted equity investment classified as financial asset at FVTOCI	**10,017**	9,990	Level 2	Recent transaction price (Note)
Financial assets at FVTPL	**52,500**	65,010	Level 2	Discounted cash flows – future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risks of various counterparties.

Note: The investment were acquired in June 2018. The entity is still under development phase. Hence, the cost of the acquisition is used as the best estimation of the fair value.

There were no transfer between levels during the year ended December 31, 2018 and 2019.

Fair value of financial instruments that are recorded at amortised cost

The fair values of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Accrued issue costs RMB'000	Dividend payable RMB'000	Payables to a third party (included in other payables RMB'000	Lease liabilities RMB'000	Non-trade amounts due to related parties RMB'000	Total RMB'000
At January 1, 2018	–	3,262	6,794	–	–	10,056
Financing cash flows	(3,144)	(123,924)	891	–	104,033	(22,144)
Non-cash changes						
Deemed distribution to shareholders (Note 26(b)(vi))	–	–	–	–	782,550	782,550
Dividend declared (Note 14)	–	259,755	–	–	–	259,755
HRC Management Acquisition (Note 36)	–	–	–	–	14,556	14,556
Share issue costs accrued	6,730	–	–	–	–	6,730
Offsetting arrangement (Notes 48(i) & (iii))	–	(43,451)	–	–	(64,285)	(107,736)
Dividend payable transfer to amount due to a related party (Note 48(iv))	–	(71,915)	–	–	71,915	–
At December 31, 2018	3,586	23,727	7,685	–	908,769	943,767
Adjustment upon application of IFRS 16	–	–	–	187,198	–	187,198
Financing cash flows	**(142,599)**	**(327,688)**	**(12,242)**	**(36,086)**	**(911,016)**	**(1,429,631)**
Non-cash changes						
Addition from Share Transfer (Note 25)	**–**	**–**	**–**	**–**	**17,000**	**17,000**
Dividend declared (Note 14)	**–**	**303,961**	**–**	**–**	**–**	**303,961**
Share issue costs accrued	**139,013**	**–**	**–**	**–**	**–**	**139,013**
Loss arising from a settlement on behalf of a related party which was subsequently waived	**–**	**–**	**4,557**	**–**	**–**	**4,557**
New leases entered	**–**	**–**	**–**	**20,410**	**–**	**20,410**
Interest expenses	**–**	**–**	**–**	**9,323**	**–**	**9,323**
Exchange realignment	**–**	**–**	**–**	**1,663**	**–**	**1,663**
At December 31, 2019	**–**	**–**	**–**	**182,508**	**14,753**	**197,261**

45. PARTICULARS OF SUBSIDIARIES

At the date of this report, the Company has the following subsidiaries comprising the Group:

Name of subsidiaries	Place/Date of establishment	Paid-up/ share capital	Attributable equity interest to the Group 2019	2018	Principal activities
Directly held:					
BVI Holdco	BVI March 1, 2018	–	100%	100%	Investment holding
Willsun BVI	BVI March 31, 2017	US$205,600,000	100%	100%	Investment holding
Willsun (BVI) New Company Limited	BVI May 17, 2018	US$50,000	100%	100%	Investment holding
Indirectly held:					
Jinxin Fertility HK	Hong Kong March 14, 2018	HK$1	100%	100%	Investment holding
Sichuan Jinxin Fertility	PRC September 12, 2016	Registered capital RMB1,054,841,600	100%	100%	Investment holding
Chengdu Xinan Hospital (note i)	PRC September 1, 2016	Registered capital RMB22,222,222	100%	100%	Assisted reproductive services and management services
Gaoxin Xinan Hospital (note iv)*	PRC June 13, 2016	Registered capital RMB15,000,000	N/A	100%	Assisted reproductive services and management services
Shenzhen Zhongshan Hospital (note i)	PRC May 18, 2004	Registered capital RMB20,000,000	79.44%	73.98%	Assisted reproductive services and ancillary medical services
Chengdu Jinyi (note iii)	PRC December 27, 2018	Registered capital RMB1,000,000	100%	N/A	Property holder
深圳市裕集物業服務有限公司 Shenzhen Yuji Property Services Co., Ltd. ("Yuji Property")*	PRC September 16, 2009	Registered capital RMB300,000	100%	100%	Property management services to group companies

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place/Date of establishment	Paid-up/ share capital	Attributable equity interest to the Group 2019	2018	Principal activities
Indirectly held: (Continued)					
Zhongshan Research Institute (note iv)	PRC January 8, 2009	Registered capital RMB1,000,000	N/A	100%	Laboratory operation
深圳市梅驊醫療投資管理有限公司 Shenzhen Meihua Medical Management Co., Ltd. ("Meihua Management") (notes ii)	PRC June 16, 2003	Registered capital RMB18,000,000	100%	100%	Investment management and management consultancy
HRC Management	U.S.A. November 3, 2015	US$80,000	100%	100%	Provision for management services and surgery centre facilities
NexGenomics, LLC	U.S.A. February 4, 2015	US$100	100%	100%	PGS Testing services
Willsun Fertility US Delaware LLC	U.S.A. April 5, 2017	US$85,505,000	100%	100%	Investment holding
Willsun US Delaware Newco Inc.	U.S.A. May 7, 2018	US$82,151,863	100%	100%	Investment holding
Structured entity:					
成都錦潤福德醫療管理有限公司 Chengdu Jinrun Fude Medical Management Company Limited ("Jinrun Fude") (notes i)*	PRC May 9, 2018	Registered capital RMB300,000	100%	100%	Investment holding

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Notes:

* The English names of these entities registered in the PRC represent the best efforts made by the Directors to directly translate their Chinese names as they did not register any official English names.

i In September and November 2018, Sichuan Jinxin Fertility transferred its 10% equity interest in Chengdu Xinan Hospital and 3.98% equity interest in Shenzhen Zhongshan Hospital (which directly holds the entire equity interest in Yuji Property, Zhongshan Research Institute and Meihua Management) to Jinrun Fude, a structured entity of the Group. The Group does not have direct or indirect legal ownership in equity of this structured entity. Nevertheless, under certain contractual arrangements, including but not limited to, exclusive operation service agreement, option agreements, entrustment agreements and equity pledge agreements, entered into with this structured entity and their registered owners, the Group has rights to exercise power over this structured entity, receives variable returns from its involvement in this structured entity, and has the ability to affect those returns through its power over this structured entity. As a result, it is presented as consolidated structured entity of the Group.

Similarly, the Group obtained control over Mr. Zeng Yong's 5.46% equity interest in Shenzhen Zhongshan Hospital via a series of contractual arrangements entered into between Mr. Zeng Yong and the Group in February 2019 and accordingly, the Group has indirect control of an aggregate of 79.44% equity interest in Shenzhen Zhongshan Hospital since then.

ii The entire registered capital of Meihua Management was not paid at December 31, 2018 and 2019, and date of this report.

iii In February 2019, the Group acquired the equity interest in Chengdu Jinyi (see Note 25 for details).

iv. These subsidiaries were disposed during the year ended December 31, 2019 (see Note 37 for details).

The table below shows details of non wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and operations	Proportion of equity interest voting/ rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shenzhen Zhongshan Group	PRC	**20.56**	26.02	**11,054**	8,928	**115,511**	136,627

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Summarised financial information of the Group's subsidiary that has material non-controlling interests is set out below on a consolidation basis. The summarised financial information below represents amounts before intragroup eliminations and after fair value adjustments.

Shenzhen Zhongshan Group

	2019 **RMB'000**	2018 RMB'000
Current assets	**113,589**	145,722
Non-current assets	**956,961**	934,414
Current liabilities	**(121,677)**	(188,889)
Non-current liabilities	**(201,947)**	(168,672)
Equity attributable to owners of the Company	**(631,415)**	(585,948)
Non-controlling interest	**(115,511)**	(136,627)
Dividend to non-controlling interests	**–**	(20,816)

	2019 **RMB'000** **(note)**	2018 RMB'000 (note)
Revenue recognised in profit or loss	**336,122**	293,156
Expenses recognised in profit or loss	**281,988**	258,844
Profit and total comprehensive income for the year	**54,163**	34,312
Profit and total comprehensive income for the year attributable to:		
– Owners of the Company	**43,109**	25,384
– Non-controlling interests	**11,054**	8,928
	54,163	34,312
Net cash inflow from operating activities	**79,094**	54,577
Net cash inflow (outflow) from investing activities	**5,153**	(17,807)
Net cash (outflow) inflow from financing activities	**(110,674)**	45,482
Net cash (outflow) inflow	**(26,427)**	82,252

Note: Shenzhen Zhongshan Group was acquired by the Group in January 2017.

46. MOVEMENTS IN THE COMPANY'S RESERVES

	Share premium RMB'000	Equity settled share based payment reserve RMB'000	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
At January 1, 2018	–	–	–	–	–
Loss and total comprehensive expense for the year	–	–	(34,367)	–	(34,367)
Issuance of shares	1,201,694	–	–	–	1,201,694
Issuance of shares for HRC Management Acquisition	3,110,982	–	–	–	3,110,982
At December 31, 2018	4,312,676	–	(34,367)	–	4,278,309
At January 1, 2019	4,312,676	–	(34,367)	–	4,278,309
Loss for the year	–	–	(42,806)	–	(42,806)
Other comprehensive income	–	–	–	111,846	111,846
Total comprehensive (expense) income for the year	–	–	(42,806)	111,846	69,040
Issue of new shares by the Company for the acquisition of non-controlling interest	51,924	–	–	–	51,924
Recognition of equity settled share-based payment (Note 38)	–	27,247	–	–	27,247
Dividend recognised as distribution (Note 14)	(303,961)	–	–	–	(303,961)
Issue of new shares by the Company upon share offer in the Listing (Note 34)	2,674,198	–	–	–	2,674,198
Issue of new shares by the Company upon share offer in the Listing-Over- allotment (Note 34)	402,554	–	–	–	402,554
Transaction costs attributable to issue of new shares	(145,743)	–	–	–	(145,743)
At December 31, 2019	**6,991,648**	**27,247**	**(77,173)**	**111,846**	**7,053,568**

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current asset		
Investments in subsidiaries	4,350,797	4,213,416
Current assets		
Prepayment and other receivables	9,555	–
Deferred listing expenses	–	6,664
Amount due from a subsidiary	27,096	–
Amounts due from shareholders	–	69,557
Structured bank deposits	2,643,980	–
Bank balances and cash	104,636	33,714
	2,785,267	109,935
Current liabilities		
Other payables	129	22,611
Amounts due to subsidiaries	81,089	22,302
Amounts due to related parties	1,118	–
	82,336	44,913
Net current assets	2,702,931	65,022
Total assets less current liabilities	7,053,728	4,278,438
Net assets	7,053,728	4,278,438

	2019 RMB'000	2018 RMB'000
Capital and reserves		
Share capital	160	129
Reserves	7,053,568	4,278,309
Total equity	7,053,728	4,278,438

48. MAJOR NON-CASH TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, the Group also entered into the following non-cash transactions:

(i) During the year ended December 31, 2018, the Group entered into agreements with respective related parties to offset the amounts receivables outstanding as of December 31, 2018 against the amounts payables of RMB64,285,000.

(ii) During the years ended December 31, 2018, Chengdu Xinan Hospital entered into agreements to transfer the outstanding accounts receivables from related parties as of December 31, 2018 amounting to RMB89,741,000 to Chengdu Jinxin Investment.

(iii) During the year ended December 31, 2018, Chengdu Xinan Hospital declared dividend amounting to RMB43,451,000 to offset the outstanding amount due from a related party.

(iv) During the year ended December 31, 2018, Sichuan Jinxin Fertility entered into an agreement to transfer the outstanding dividend payable amounting to RMB71,915,000 to Chengdu Jinxin Investment.

(v) During the year, the Group entered into a new lease agreement for the office in Hong Kong for 6 years with extension options. On the lease commencement, the Group recognised RMB20,410,000 of right-of-use asset and RMB20,410,000 lease liability.

49. CONTINGENT LIABILITIES

The Group has also been involved in legal proceedings and claims during both years that arise in the ordinary course of business, which primarily include medical and labour dispute claims brought by the former patients or employees.

The Group has been vigorously defending these lawsuits and the Directors believe that the final outcome of those outstanding medical and labour disputes will not have a material impact on the financial position or operations of the Group or the amount of outflow, if any, cannot be determined with sufficient reliability prior to judicial appraisals. Accordingly, no provision has been made during both years.

50. EVENTS AFTER THE REPORTING PERIOD

(a) The outbreak of coronavirus disease ("COVID-19")

Subsequent to December 31, 2019, due to the outbreak of the COVID-19, the PRC and a number of countries around the world have taken various emergency public health measures and actions to contain the spread, which had an adverse impact on the Group's patient visitation in early 2020. In order to minimize the impact the outbreak has on patients, the management of the Group has instituted alternative arrangements through digital channels to stay in close contact with patients to timely address their needs and has been working on various marketing campaigns to incentivise their patients to return and receive treatments post outbreak of COVID-19. The Directors considered that it is impossible to quantify the impact to our overall business but will continue to assess the impact of the outbreak on the operation and financial performance of the Group, while closely monitoring the development of the outbreak and the risks and uncertainties faced by the Group as a result of the outbreak. For further details, refer to the Management Analysis and Discussion Section in this annual report.

(b) Acquisition

On February 29, 2020, the Group through its indirect wholly-owned subsidiary, JXR New Hope Limited, entered into an agreement with an independent third party, Rhea International Medical Centre ("Rhea"), pursuant to which the Group agreed to acquire the relevant licenses to provide assisted reproductive services and operate an IVF clinic in Laos for a total consideration of RMB40,166,000. The Company has planned to set up a new IVF-licensed clinic within the Boten Special Economic Zone in Laos and such clinic with a floor area of approximately 5,000 sq.m. is expected to be open for business by the third quarter of 2020. The acquisition would be and has been accounted for as an acquisition of asset. Details of the acquisition are set out in the Group's announcement dated March 3, 2020.

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AGM"	annual general meeting of the Company
"Amethyst Gem"	Amethyst Gem Holdings Limited, a limited (or its affiliate, where the context requires) liability company incorporated on September 13, 2016 under the laws of British Virgin Islands
"ARS"	assisted reproductive service(s)
"Articles of Association"	the articles of association of the Company (as amended from time to time)
"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Cayman Islands Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"Chengdu Jinxin Investment"	Chengdu Jinxin Medical Investment Management Group Co., Ltd. (成都錦欣醫療投資管理集團有限公司), a company established in the PRC with limited liability on December 19, 2012, a subsidiary of Jinxin Geriatrics
"Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on November 10, 2015, the Group's subsidiary and successor of Prior Chengdu Xinan Hospital that is a for-profit specialty hospital

Definitions

"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"clinical pregnancy"	pregnancy defined by ultrasound that shows a gestational sac in the uterus or a heartbeat of the fetus
"clinical pregnancy rate"	calculated as the total number of resulting clinical pregnancies divided by the total number of fresh and frozen embryo transfers
"Company", "we", "our" or "Jinxin Fertility"	Jinxin Fertility Group Limited (錦欣生殖醫療集團有限公司*), previously known as Sichuan Jinxin Fertility Company Limited, an exempted company established in the Cayman Islands with limited liability on May 3, 2018
"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Sichuan Jinxin Fertility, the Registered Shareholders, Mr. Zeng Yong, Jinrun Fude and the VIE Entities, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"cryopreservation"	procedure where the in vitro culture is suspended in a solution to which a cryoprotectant is added, frozen to a temperature below zero at a certain freezing rate for the purpose of long-term preservation at such temperature
"Director(s)"	the director(s) of the Company
"ESOP"	collectively the RSU Scheme and the Share Option Scheme
"Gaoxin Xinan Hospital"	Chengdu Gaoxin Xinan Gynecological Hospital Co., Ltd. (成都高新西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on June 13, 2016, successor of Prior Gaoxin Xinan Hospital and the Group's subsidiary before the Reorganization (as defined in the Prospectus) that is a for-profit gynecological and obstetrics specialty hospital
"Greater Los Angeles area"	area encompassing five counties in southern California in the United States, including Los Angeles County, Orange County, Ventura County, San Bernardino County and Riverside County
"Group"	the Company and its subsidiaries

"HK dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HRC Management"	HRC Fertility Management, LLC, a limited liability company established under the laws of Delaware, the United States on November 3, 2015, the Group's indirect subsidiary
"HRC Medical"	Huntington Reproductive Center Medical Group, a professional corporation established under the laws of California, the United States on January 1, 1995, a connected person of the Company by virtue of being jointly owned by Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick (each, a substantial shareholder of the Company), and the nine clinics and three IVF laboratories in California which it owns
"HRC Fertility"	HRC Management and HRC Medical
"HRC Investment"	HRC Investment Holding, LLC, a limited liability company established under the laws of Delaware, the United States on June 2, 2017, the Group's substantial shareholder
"IFRS"	International Financial Reporting Standards
"Individual Shareholders"	the individual shareholders who are former or current employees of Jinxin Group and control Jinxin Fertility Shareholders
"IVF"	in vitro fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy
"IVF specialty collaboration agreements"	the IVF specialty collaboration agreement with Jinjiang District Maternity and Child Health Hospital, under which we provided joint management services to Jinjiang IVF Center and Jinxin Fertility Center since September 2016, as amended by any subsequent agreement, including the agreement in relation to the termination of such services to Jinxin Fertility Center
"Jinjiang District Maternity and Child Health Hospital"	Chengdu Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院), a non-profit maternity and child healthcare hospital established in the PRC in 1954, the IVF center of which is jointly managed by the Group

Definitions

"Jinjiang IVF Center"	the IVF center of Chengdu Jinjiang District Maternity and Child Health Hospital
"Jinrun Fude"	Chengdu Jinrun Fude Medical Management Company Limited (成都錦潤福德醫療管理有限公司), a limited liability company established under the laws of the PRC on May 9, 2018, the Group's subsidiary by virtue of the Contractual Arrangements
"Jinsheng Hospital Management"	Chengdu Jinsheng Hospital Management Company Limited (成都錦昇醫院管理有限公司), a limited liability company established under the laws of the PRC on May 27, 2016, an indirect subsidiary of Jinxin Geriatrics
"Jinxin Fertility BVI"	JINXIN Fertility Investment Group Limited, a limited liability company established under the laws of the British Virgin Islands on November 13, 2017, the Company's substantial shareholder
"Jinxin Fertility Center"	the fertility center of Jinxin Women and Children Hospital
"Jinxin Fertility HK"	LionRock New Hope (HK) Company Limited, a limited liability company established under the laws of Hong Kong on March 14, 2018
"Jinxin Fertility Shareholders"	the collective of Jinxin Fertility BVI, Jinxin Global BVI and Jinxin Fund, our Controlling Shareholders prior to Listing and will remain as our substantial shareholders upon Listing, and are ultimately controlled by the Individual Shareholders
"Jinxin Fund"	JINXIN Fertility Fund LP, an exempted limited partnership established under the laws of the Cayman Islands on September 10, 2018, the Company's substantial shareholder
"Jinxin Geriatrics"	Chengdu Jinsheng Enterprise Management Co., Ltd. (成都錦盛企業管理股份有限公司), a limited liability company established under the laws of the PRC on July 1, 2015, a member of the Sister Group
"Jinxin Global BVI"	JINXIN Global Fertility Company Limited, a limited liability company established under the laws of the British Virgin Islands on August 9, 2018, the Company's substantial shareholder
"Jinxin Group"	the collective of Jinxin Fertility Shareholders, Jinxin Ob-Gyn and Jinxin Geriatrics and their respective subsidiaries

"Jinxin Ob-Gyn"	JINXIN Medical Investment Group Limited, a limited liability company established under the laws of the BVI on September 14, 2017, a member of the Sister Group
"Jinxin Women and Children Hospital"	Sichuan Jinxin Women and Children Hospital Co., Ltd (四川錦欣婦女兒童醫院有限公司), a company established under the laws of the PRC with limited liability on December 9, 2016 that is a for-profit women and children hospital, the fertility center of which was jointly managed by the Group
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 25, 2019
"Listing Date"	June 25, 2019, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MSA"	the amended and restated management services agreement dated January 22, 2019 pursuant to which HRC Management provided non-medical management services to HRC Medical
"New Hospital Building"	the hospital building located at Block 1, No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, the PRC with a total gross floor area of 42,659.64 sq.m.
"NexGenomics"	NexGenomics, LLC, a limited liability company established under the laws of California, the United States, on February 4, 2015, wholly owned by HRC Management
"NPV"	new patient visit
"PGD"	preimplantation genetic diagnosis
"PGS"	preimplantation genetic screening

Definitions

"Physician Shareholders"	Dr. Michael A. Feinman, Dr. Daniel A. Potter, Dr. Jane L. Frederick, Dr. David Tourgeman, Dr. Bradford A. Kolb, Dr. John G. Wilcox, Dr. Jeffrey Nelson and Dr. Robert Boostanfar, each a certified physician in California, United States, and ultimate beneficial shareholder of HRC Investment, and all of them together are connected persons of our Company by virtue of being our substantial shareholders
"Prior Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital (成都西囡婦科醫院), a privately funded non-enterprise entity (民辦非企業單位) established on March 31, 2010, predecessor of Chengdu Xinan Hospital
"Prior Gaoxin Xinan Hospital"	Chengdu Gaoxin Xinan Gynecological Hospital (成都高新西囡婦科醫院), a privately funded non-enterprise entity (民辦非企業單位) established on May 27, 2013, predecessor of Gaoxin Xinan Hospital
"Prospectus"	the prospectus issued by the Company dated June 13, 2019
"Registered Shareholders"	Two individual shareholders of Jinrun Fude, namely Ms. Yan Xiaoqing and Ms. Zhu Yujuan
"Reorganization" or "Reorganisation"	the reorganization of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in the Prospectus.
"RSA Centers"	the three surgical centers located at HRC Medical core clinics in Pasadena, Encino and Newport Beach
"RSU"	a restricted share unit award granted to a participant under the RSU Scheme
"RSU Scheme"	the restricted share award scheme conditionally adopted by the Company on February 15, 2019, the principal terms of which are summarized in "RSU Scheme" in Appendix V to the Prospectus
"Reporting Period"	the twelve-month period from January 1, 2019 to December 31, 2019
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC

"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to the Prospectus
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in Shenzhen, PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"Sichuan Jinxin Fertility"	Sichuan Jinxin Fertility Medical Management Co., Ltd. (四川錦欣生殖醫療管理有限公司), previously known as Chengdu Jinde Corporate Management Company Limited (成都錦德企業管理有限公司), a company established under the laws of the PRC with limited liability on September 12, 2016, our indirect subsidiary
"Sister Group"	the collective of JINXIN Medical Investment Group Limited and Chengdu Jinsheng Enterprise Management Co., Ltd.* (成都錦盛企業管理股份有限公司) and their respective subsidiaries
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"success rate"	the form of "clinical pregnancy rate" that has been adopted for discussion in the Prospectus and this annual report
"U.S.", "US", or "United States"	the United States of America
"U.S. dollar(s)" or "US$"	United States dollar(s), the lawful currency of the United States of America
"VIE"	variable interest entity
"VIE Entities"	the entities that we control certain percentage of their shareholding through the Contractual Arrangements which comprised, as at the date of this annual report, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital

"VIP patient(s)"	a very important patient of Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital who receives a private and convenient treatment experience, and they are given access to a private consultation area, flexible appointment schedule, complementary nutrition guidance, Chinese medicine treatment, psychological counseling and fitness courses to support the ARS
"Warburg Pincus China"	(i) Warburg Pincus China (Cayman), L.P.; and (ii) Warburg Pincus China Partners (Cayman), L.P., each a Cayman Islands exempted limited partnership, which together with Warburg Pincus XII, collectively own 83.45% of the interest in Amethyst Gem
"Warburg Pincus XII"	(i) Warburg Pincus (Callisto) Private Equity XII (Cayman), L.P.; (ii) Warburg Pincus (Europa) Private Equity XII (Cayman), L.P.; (iii) Warburg Pincus (Ganymede) Private Equity XII (Cayman), L.P.; (iv) Warburg Pincus Private Equity XII-B (Cayman), L.P.; (v) Warburg Pincus Private Equity XII-D (Cayman), L.P.; (vi) Warburg Pincus Private Equity XII-E (Cayman), L.P.; (vii) WP XII Partners (Cayman), L.P.; and (viii) Warburg Pincus XII Partners (Cayman), L.P., each a Cayman Islands exempted limited partnership which together with Warburg Pincus China, collectively own 83.45% of the interest in Amethyst Gem
'Western United States"	the region in the United States comprising of the states Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming
'Willsun AM"	Willsun Asset Management Company Limited (華昇資產管理有限公司), a limited liability incorporated in the PRC, an independent third party subsequent to the Reorganization
"Willsun BVI"	Willsun Fertility (BVI) Company Limited, a limited liability company established in the British Virgin Islands on March 31, 2017, our direct wholly-owned subsidiary
"Willsun BVI Group"	Willsun BVI and its subsidiaries
"Xinan Hospital Group"	Chengdu Xinan Hospital and Gaoxin Xinan Hospital

In this annual report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.