锦欣生殖

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

2020 Annual Report

* 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 the China and US ARS market 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 endeavor to provide patients with personalized solutions to fulfill their dreams of becoming parents.

The Group has established a competitive advantage on branding, technology, medical staff and management in a market with significant entry barriers. All hospitals established in the Group's network are recognized as top-notch in their respective regional market, including but not limited to Sichuan Province, Shenzhen and the Western United States, which contributes to the Group's leading position in the ARS markets in China and the United States. In 2020, the Group further expanded its network to the Wuhan and Southeast Asia markets through the acquisition of Wuhan Jinxin Hospital and Jinrui Medical Center in Laos, respectively. We believe, by leveraging our existing resources and continuously recruiting talents and elites in joining our Group, we are able to replicate our success to the new regions we have entered into.

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

Mr. Zhong Yong *(Chairman)*
Dr. John G. Wilcox
Mr. Dong Yang *(Chief Executive Officer)*
Dr. Geng Lihong

Non-executive Directors

Mr. Fang Min
Ms. Hu Zhe
Ms. Yan Xiaoqing

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. Fang Min
Ms. Hu Zhe
Mr. Wang Xiaobo

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGIC DECISIONS COMMITTEE

Mr. Zhong Yong *(Chairman)*
Mr. Dong Yang
Mr. Fang Min
Dr. John G. Wilcox
Mr. Lim Haw Kuang

MEDICAL QUALITY CONTROL AND R&D COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Liu Hongkun
Ms. Leung Suet Wing

AUTHORIZED REPRESENTATIVES

Mr. Dong Yang
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
KY1-1111
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
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

Pine Peak Corporate Finance Limited
(formerly known as 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

	For the year ended December 31,				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating results					
Revenue	346,408	662,774	921,994	1,648,496	**1,426,088**
Gross profit	132,719	302,136	413,119	816,795	**565,781**
Profit before tax	109,345	241,582	276,588	547,900	**349,134**
Net profit	103,651	198,551	212,124	420,677	**260,496**
Adjusted net profit	103,651	198,551	264,210	530,347	**372,278**
Profitability					
Gross margin	38.3%	45.6%	44.8%	49.5%	**39.7%**
Net profit margin	29.9%	30.0%	23.0%	25.5%	**18.3%**
Adjusted net profit margin	29.9%	30.0%	28.7%	32.2%	**26.1%**

	As at December 31,				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Financial position					
Total assets	755,407	1,738,008	6,558,308	8,941,145	**9,163,227**
Total equity	100,569	1,361,626	4,499,798	7,642,395	**7,462,486**
Total liabilities	654,838	376,382	2,058,510	1,298,750	**1,700,741**
Bank balances and cash	190,703	449,495	1,184,190	579,637	**681,619**

Chairman's Statement

Dear Shareholders,

"A feat requires capable people to accomplish and a cause requires capable people to make it great (功以才成，業由才廣)". In many meetings, General Secretary Xi Jinping has stressed on the foundational, strategic and utmost significance of human talent. He mentioned that "we must broaden our recruitment channels for talent with a keen eye, the sincerity of cherishing talent, the courage to employ talent, the generosity of accommodating talent and effective ways to pool talent (以識才的慧眼，愛才的誠意、用才的膽識、容才的雅量、聚才的良方，廣開進賢之路)". Through our long-term efforts, Jinxin Fertility became a leading stock on the Stock Exchange for its assisted reproductive services as well as having the largest group of full-time doctors employed in its medical facilities within the PRC. Our success is derived from valuing and making good use of talent. Furthermore, we bear in mind the advice of General Secretary Xi's addressed in the Two Sessions of "cultivating medical ethics, treating patients kindly, having a compassionate heart and becoming a great doctor for the public (修醫德、行仁術，懷救苦之心、做蒼生大醫)", and we will continue to provide medical services with excellent medical care and impressive services.

Since its Listing, Jinxin Fertility has explicitly focused on recruiting and maintaining talent as its primary strategy and innovation and entrepreneurship as its core driving force. After the Listing, we have sought widely for talent and built a system for attracting and retaining talented individuals. In 2020, we recruited several chief-level talented individuals who are industry leaders, as our core experts for our hospitals in Chengdu, Shenzhen and Wuhan, and signed contracts with a number of doctor partners in HRC. Also, we promoted several young talented management and medical individuals to the senior management of the Group or our hospitals, and offered equity incentive plans to more than 80 talented core medical and management individuals.

2021 marks our 70th year anniversary. As such, I am excited to announce that our "Global Partner Election Scheme" of Jinxin Fertility is officially launched! Ms. Fan Yulan (范玉蘭), the founder of Jinxin Group, will act as the honorary chairman of Jinxin Fertility, and Mr. Zhong Ying will act as the chief-level member of the Global Partner Election Committee.

Ms. Fan Yulan and Mr. Zhong Ying will lead the Global Partner Election Committee to elect individuals to be part of our new generation of Jinxin Fertility. Such individuals shall be the most benevolent, motivated, diligent and cooperative, and we will elect such individuals based on the principle of "it doesn't matter where heroes come from and no specific style should be fixed for accepting talents (英雄不問出處，不拘一格降人才)". Furthermore, we will pass on our historical gene of "Physician As Partner" (「醫生集團」的歷史基因), open-minded culture, entrepreneurial spirit and collaboration from the old generation to the new generation of Jinxin Fertility. We will select our new generation of partners internally. We recruit partners based on the principle of "not seeking to have it all but utilize what we have (不求所有，但求所用)" and seek for individuals who are industry leaders with a broad view and an open mind to become dedicated long-term partners with us. In addition, we embrace the philosophy of "employing global talents to manage a global business (全球的人才管理全球的業務)" and will recruit global talents, as well as making good use of local talents, to expand the Company both internationally and domestically.

We put emphasis on the following categories of talent:

- Managing Partners – "Leadership Talent Scheme (領才計劃)": mainly refers to hospital management experts with a global vision, industry influence and resources. They are full of industry insights, responds well to change and possesses internal management capabilities;
- Scientific Research Partners – "Smart Talent Scheme (智才計劃)": mainly refers to the most renowned scientists in the field of reproductive health with a focus on scientific research and product research and development in production, education and research;
- Clinical Partners – "Treasure Talent Scheme (珍才計劃)": mainly refers to first-class clinical experts and academic leaders in the fields of assisted reproduction, gynecology and andrology, who treat intractable diseases and are renowned experts in their respective industry;
- Entrepreneurial Partners – "Winning Talent Scheme (贏才計劃)": mainly refers to pioneers in fertility related industries, leaders of unicorn companies of related industries and other top partners in the professional fields of digitalization, internet-based healthcare and science and technology.

We plan to share several billion dollars with the partners of Jinxin Fertility in the next 5 years. We guarantee our partners a track for rapid promotion and development within the organization, clear channels for realizing equity incentives and have embedded a strong management and resource platform system.

In particular, for managing partners and entrepreneurial partners, we use a flat and dynamic organizational structure to enable quick communication between all levels and partners. This allows rapid decisions to be made in the ever-changing market, enabling us to realize the high efficacy and efficiency of talents and resources that we have and accomplish common values.

Chairman's Statement

For scientific research partners and clinical partners, we provide our scientific research and clinical personnel with more feedback and data through our strategies of "internal + external growth" and "offline + Internet". We will increase our investments in talent training and scientific research innovation, as well as provide our employees with a wide range of learning and exchange opportunities though our international platform.

Jinxin Fertility is a company that relies on their medical practitioners, scientific research pioneers and entrepreneurs to create value, which is naturally derived from our respect and value for talent.

In 2020, we all experienced the COVID-19 pandemic. With the efforts put in by people globally, we were able to surpass the darkest moments and move forward. During this period, Jinxin Fertility continued to upgrade itself by expanding its medical service network through acquisitions, cooperation and expansion, enhancing their patient's experience by improving its VIP business, medical solutions and service processes, and improving their brand influence through brand planning and establishment of Jinxin International Medical Services Company Limited. Simultaneously, our continuous investment on research and development and talent recruitment has attracted a group of highly talented individuals. For details, please refer to the section headed "Management Discussion and Analysis" of this annual report.

We believe that after the darkest nights comes a brighter day. We will continue to contribute and ask you sincerely to embark on this journey with us to discover the unknowns of life and achieve a happy family.

Looking ahead, we have full confidence in our future!

Zhong Yong

Chairman

March 28, 2021

BUSINESS UPDATES

Despite the challenges the overall ARS industry faced in 2020, the COVID-19 pandemic presented and continues to present unique opportunities for the Company to expedite its acquisition and growth strategy in order to take advantage of new business opportunities. This will enable the Company to further bolster its leading national ARS network in the PRC and continue its international expansion to becoming a leading global ARS platform with integrated abilities to address increasing unmet demands for ARS, in particular from Chinese patients.

We have built a strong market reputation stemming from our superior success rates, experienced medical staff, high quality patient care and sophisticated management experience, all of which have greatly contributed to our role as a leading ARS provider in the PRC and the United States. With this strategy and reputation in mind and against the backdrop of the COVID-19 pandemic in 2020, we continued to expand our network operations, enhance patient experience and loyalty, improve brand awareness through marketing and cooperation initiatives, recruit talent to our network of experienced physicians and maintain superior success rates across our network of operations.

Expansion of business operations

During the Reporting Period, we continued to adhere to our strategy of expanding our global network and brand through acquisitions and cooperation agreements, increasing the operational capacity of our existing network through relocation and renovation, and expanding our service offerings to better cater for patient's demand on ARS. Key highlights are as follows:

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. The IVF clinic offers 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), and egg and sperm cryopreservation and other various IVF technology and treatment options. 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, which is due to be completed in 2021 as part of the Belt and Road Initiative. This IVF clinic will allow us to further expand our global outreach by tapping into the Southeast Asian market, providing Chinese patients with an overseas option and a wider range of services at a lower price point. As such, establishment of the IVF clinic in Laos is in line with our internationalization strategy to expand and provide ARS outside of China as well as catering to the surging patient flow from the Chinese market.

In June 2020, Sichuan Jinxin Fertility, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire an aggregate of 75% equity interests in Wuhan Huangpu Integrated Gynecology and Obstetrics Hospital Co., Ltd.* (武漢黃浦中西醫結合婦產醫院有限責任公司) ("**Wuhan Jinxin Hospital**") (of which 70% equity interests is held by Sichuan Jinxin Fertility and 5% equity interests is held by a separate legal entity designated by Sichuan Jinxin Fertility for the purpose of employee incentives in the future). Wuhan Jinxin Hospital, a for-profit Class III specialized maternity hospital located in Jiang'an District, Wuhan, Hubei Province, the PRC, is one of only two non-public and for-profit hospitals in Wuhan possessing an IVF license to provide ARS to its patients, including conventional IVF-ET and ICSI. The acquisition of Wuhan Jinxin Hospital allows us to strategically expand into a new region that has a sizable population and high income per capita. We plan to accelerate the development of Wuhan Jinxin Hospital with our extensive network and fulfill the potentially large unmet medical need in the region. During the second half of 2020, Wuhan Jinxin Hospital underwent extensive renovation in order to expand its capacity and provide patients with high-quality fertility treatment services. During the renovation period, apart from the IVF department which has been in operation, all other departments of Wuhan Jinxin Hospital resumed their operations in February 2021.

In November 2020, HRC Fertility relocated one of its clinics in Pasadena, California, for the purposes of doubling its existing capacity and enhancing its service offerings to patients. The new clinic in Pasadena has a floor area of more than 2,000 sq.m. and has the annual capacity to conduct over 5,000 IVF treatment cycles. The new clinic is divided into several functional areas including a B-ultrasound room, an operating theatre and an embryo laboratory, and is designed to ensure operational efficiency by diverting the flow of people during peak periods and minimizing waiting time of our patients.

Throughout the Reporting Period, we continued to expand our service offerings at both Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital in order to provide patients with comprehensive services in infertility treatment. We introduced and launched various newly add-on services, including MDT (Multi-disciplinary Team), Breast Surgeries, and PCOS (Polycystic Ovary Syndrome) departments in Chengdu Xinan Hospital and outpatient pre-natal center in Shenzhen Zhongshan Hospital.

Enhance patient experience

Chengdu Xinan Hospital continued to provide an array of services to its patients to meet the increasing demand for highly personalized services. In particular, the upgraded VIP center continues to be led by a team of expert physicians with world-class medical equipment and diagnostic technology to provide patients with full-service support and personalized fertility treatment solutions. Among other things, VIP patients have access to a 24-hour dedicated consultation hotline, an exclusive butler to provide timely and personalized concierge services, increased consultation time with our physicians and psychological counseling to support patients throughout the entire treatment process. The penetration rate of our VIP services in Chengdu Xinan Hospital and Jinjiang IVF Center increased from 5.8% as of December 31, 2019 to 10.8% as of December 31, 2020, primarily attributable to increasing demand from patients for personalized and high-end IVF services.

In April 2020, Shenzhen Zhongshan Hospital launched the Mini-VIP service which provided patients with premium services for certain procedures in IVF treatment process. For example, the patient is assigned an experienced physician and butler to provide timely and personalized concierge services in egg retrieval and embryo transfer procedures. In January 2021, Shenzhen Zhongshan Hospital upgraded its Mini-VIP service to an integrated VIP center, which is similar to the VIP center at Chengdu Xinan Hospital, and is led by expert physicians and provides patients with a full suite of privileged services throughout the entire treatment process.

HRC Fertility's primary mission is to provide world-class medical services to patients through compassion, expertise, innovation and personalized care. During the Reporting Period, HRC Fertility has been investing actively in its IT infrastructure. The construction of new infrastructure enables HRC Fertility to assemble a new call center primarily for new patient inquiries, requests, follow up on leads and reach out to patients whom have missed their appointments. In order to ensure that patients are aware of their scheduled appointments, HRC Fertility has further implemented a patient reminder system, and also made available of internal mental health resources to support patients in having successful IVF treatment cycles.

Marketing and cooperation initiatives

We continued to develop our brand and expertise through various marketing and cooperation initiatives. As of December 31, 2020, we cooperated with 66 medical institutions at Chengdu Xinan Hospital, which involve two-way referrals or specialty alliance cooperation agreements. Since July 2020, Shenzhen Zhongshan Hospital has vigorously promoted two-way referrals in Northern and Eastern Guangdong Province. Furthermore, we endeavor to further expand our cooperation network with medical institutions in the PRC, particularly in Guangdong Province and Hubei Province where Shenzhen Zhongshan Hospital and Wuhan Jinxin Hospital possess huge potential to broaden their cooperation network with local medical institutions. Additionally, in July 2020, Chengdu Xinan Hospital obtained an online hospital license which will also enhance our geographical penetration into markets that Chengdu Xinan Hospital has yet to cover, including second to third-tier cities in Sichuan Province and other regions surrounding Sichuan Province.

In order to further promote our international influence in the ARS industry, in August 2020, we established Jinxin International Medical Services Company Limited, a joint venture committed to providing high-quality, patient-centric services to its customers. It serves as an open platform to attract more business partners and expand our reach in other regions, including the United States, Southeast Asia and other Asia-Pacific countries, to become a leading international IVF medical service platform for customers in need of ARS.

HRC Fertility 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 its marketing efforts. This centralized all of our creative, media, events, social media, digital and production initiatives, which resulted in a much more cost efficient and strategic approach. The in-house team has been focusing on three key areas, namely lead nurturing, digital presence and creative development. The customer-relationship management (CRM) system continues to provide insight into marketing efforts and conversions of pre-NPV (new patient visit) through lead nurturing activities that are built via marketing funnels. In terms of HRC Fertility's conversions of pre-NPV digital presence, webinars have been rebranded into Facebook Live sessions to provide seminars with more consistent lead flow. Additionally, HRC Fertility has been investing actively in data warehouse which enables HRC Fertility to better manage market trends, further develop key performance indicators, ensure that all internal software programs communicate with one another, perform predictive analytics, develop strategic initiatives and further enhance privacy and data security protections. Apart from strengthening its marketing strategy, HRC Fertility also adopted a business development strategy which allows it to continue to expand its market share and develop cooperative relationships with physicians in the community.

Furthermore, 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. With its facilities and solid experience in serving Chinese and international patients, HRC Fertility is equipped with the ability to recover its business once the United States government lifts travel restrictions resulting from the outbreak of COVID-19.

Research and development

In September 2020, Chengdu Jinxin Investment established Jinxin Medical Innovation Research Center. We obtained exclusive rights for the application of the technology in Jinxin Medical Innovation Research Center for the purpose of integrating our network's expansive resources and experienced medical team in Shenzhen and Chengdu to conduct high-level clinical research in the ARS field to explore new and innovative methods to improve clinical pregnancy rate, including carrying out endometrial receptivity testing, developing an IVF-AI (artificial intelligence) diagnostic system and developing reproductive related immune cells culture system.

During the Reporting Period, our Group's embryo laboratory successively obtained its ISO9001 International Quality Management System Certification. HRC Fertility's laboratories are also dual certified by the Clinical Laboratory Improvement Amendments (CLIA) under the U.S. FDA (Food and Drug Administration) and the College of American Pathologists (CAP).

Talents recruitment

As a leading ARS provider, we are committed to a talent strategy of recruiting and retaining the best and most experienced medical professionals. This year, we implemented an equity incentive plan to award shares of our Company to key employees of Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital and HRC Fertility. Through this equity incentive plan, our Group has been able to retain and recruit a new generation of talent to support its continued rapid development.

During the first half of 2020, Dr. Geng Qiang (耿薔), a renowned assisted reproductive physician, joined as the associate chief physician of Shenzhen Zhongshan Hospital. Dr. Geng Qiang is the founder, and director of the reproductive fertility center of Shenzhen Hengsheng Hospital, and previously studied under an acclaimed Chinese professor of reproductive medicine. In the second half of 2020, Dr. Yang Jing (楊菁) joined as an executive director of Wuhan Jinxin Hospital. Dr. Yang Jing is also the director of Obstetrics and Gynecology center of Renmin Hospital of Wuhan University. In January 2021, Dr. Zhu Minghui (朱明輝), a chief physician of Chengdu University of Traditional Chinese Medicine, Reproductive and Women-Children Hospital, joined our Group as head of quality control of Chengdu Xinan Hospital, and Dr. Xu Wangming (徐望明), the chief physician of Renmin Hospital of Wuhan University, joined our Group as Medical President of Wuhan Jinxin Hospital. They bring their wealth of experience to our already robust medical team, which allows us to continue to expand our capabilities and capacity to serve high-quality care to more patients. 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 years ended December 31, 2019 and 2020.

	Year ended December 31,	
	2020	2019
Number of IVF treatment cycles	**22,879**	27,854
Overall success rate		
Xinan Hospital Group and Jinjiang IVF Center	**55.0%**	55.2%
Shenzhen operations	**53.7%**	54.1%
United States operations	**54.2%**	55.2%

During the Reporting Period, the slight decrease in overall success rate was mainly attributable to the increased age of patients and complication of certain individual cases. Success rate largely depends on the patient's age, the level of complication of each individual case and other factors. During the outbreak of COVID-19, usually, patients with the most urgent medical needs are immediately sent to the hospital. After the COVID-19 outbreak being under controlled in the PRC, the success rate in Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital rebounded in the second half of 2020.

Management Discussion and Analysis

OUTLOOK AND FUTURE

Despite the impact of the COVID-19 pandemic on the ARS industry, the global ARS market is expected to recover once the pandemic is under control and continue its growth trend as demonstrated over the years. The growth is particularly due to an increased prevalence of infertility caused by lifestyle changes, increase in the average age of the parents when having their first childbirth, and increased public awareness on birth defects and prevention. In facing the challenges of decreasing fertility rates, it is inclined that the government encourages patients in need of ARS in treatment. Compared with Japan, Europe and the United States, the market penetration of ARS in China is still relatively low. With the improved awareness and increasing disposable income, patients in China tend to seek for more sophisticated IVF treatments and are opened to 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. All hospitals established in our network are recognized as top-notch in their respective regional market, including but not limited to Sichuan Province, Shenzhen and the Western United States, which contributes to our leading position in the ARS markets in China and the United States. In 2020, we further expanded our network to the Wuhan and Southeast Asia markets through the acquisition of Wuhan Jinxin Hospital and Jinrui Medical Center in Laos, respectively. We believe, by leveraging our existing resources and continuously recruiting talents and elites in joining our Group, we are able to replicate our success to the new regions we have entered into. 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, the average success rate of an IVF treatment cycle in the United States in 2016 was 52.5% compared to our network in the United States of 62%.

In view of the aforesaid, we intend to leverage on our marketing positioning as a leading ARS provider and the favorable industry prospects and continue to pursue the following core strategies that have contributed to our success so far.

Increase market share, productivity and capacity

In both China and the United States, we will continue to promote educational activities to improve public awareness of our high quality ARS services, which in turn will increase our market share. Additionally, we plan to focus on increasing our market positions in Southeast Asia, Wuhan and their neighboring respective regions through our recent acquisitions. Furthermore, leveraging on our existing market leadership in Sichuan and Guangdong Provinces, we plan to penetrate into markets of neighboring regions (e.g. Southwest China, Eastern and Northern Guangdong Province and Hong Kong) by fully utilizing our (i) recently obtained internet hospital license at Chengdu Xinan Hospital, (ii) our continuous hiring of experienced physicians to join Shenzhen Zhongshan Hospital, which consequently led to a market gain in the Guangdong Province, and (iii) collaboration with local hospitals by way of mutual referral and alliances.

In Shenzhen, we are in the process of identifying a new building for Shenzhen Zhongshan Hospital to expand its capacity and capabilities of offering enhanced services. In the United States, we recently doubled the capacity of our clinic in Pasadena, California in November 2020. We also intend to expand the capacities of other clinics by relocating our existing centers and penetrate into untapped markets by hiring new physicians and opening new centers, in particular, in the Western United States.

Continue to improve our brand awareness

We intend to boost our branding efforts, which will allow us to maintain and improve our reputation and attract new patients. By leveraging our existing market leadership, long-standing experience and strong reputation in the ARS market, we will continue to adopt branding strategies that are effective towards improving our brand awareness and educate intended patients of ARS.

We utilize our online platform and a variety of social media tools 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 outreach. In particular, we endeavor to further expand our cooperation network with medical institutions in the PRC, particularly in Guangdong Province and Hubei Province where Shenzhen Zhongshan Hospital and Wuhan Jinxin Hospital possess huge potential to broaden their cooperation network with local medical institutions. We are also in discussion with privileged and reputable universities in China and overseas to explore potential cooperation opportunities in research and development and talent cultivation. By collaborating with our leading vendor, we established Jinxin International Medical Services Company Limited, which serves as an open platform to attract more business partners and expand our reach in other regions, including the United States, Southeast Asia and other Asia-Pacific countries, to become a leading international IVF medical service platform for mid- to high-end customers. At the same time, we are committed to continuously improving our branding, services and clinical outcomes for our patients, so as to becoming more competitive in the industry.

Expand our service offerings to provide comprehensive services in fertility treatment

We intend to continue expanding our service offerings to provide patients with comprehensive and high-quality services in fertility treatment. We also plan to expand facilities for fast-growing value-added services, including andrology, traditional Chinese medicine, immunology and gynecology services in our network to explore high potential opportunities in these businesses. In particular, in Chengdu, we intended to expand the andrology department, and in Shenzhen, we intended to extend our service offerings with post-IVF services, such as pre-natal and obstetrics services, in order for Shenzhen Zhongshan Hospital to be classified as a Class III hospital and obtain the PGS/PGD license.

Remain dedicated to improving patient's experience

While we have made major strides in enhancing the service and experience our patients receive, such as introducing an upgraded VIP center at Chengdu Xinan Hospital, we remain dedicated to serving our patients by upgrading our facilities and adjusting our service offerings to meet their ever-changing and multi-dimensional needs. In January 2021, we also opened an upgraded VIP center with a suite of premium services in Shenzhen Zhongshan Hospital. We expect to replicate the VIP business model in Wuhan Jinxin Hospital and HRC Fertility in the near future.

Maintain investments in research and development to enhance overall performance

By leveraging our market positioning as one of the pioneers in the ARS industry in both China and the United States, we intend to continue investing in research and development initiatives to maintain our leading position in the application of assisted reproductive technologies and improve clinical outcomes of our patients.

We will continue to collaborate with Chengdu Jinxin Investment to conduct research and development initiatives including endometrial receptivity testing and developing an IVF-AI diagnostic system and reproductive related immune cells culture system. We believe the application of these technologies is likely to expand our service offerings as well as improve our clinical outcomes. We intend to collaborate with top tier universities and medical schools in research and development, to maintain our leading position in the application of assisted reproductive technologies, which in turn upholds our high success rate. Furthermore, we seek to actively deploy technologies that we possess to expand our service offerings, and invest in targets equipped with advanced technology to enhance our treatment technique and clinical outcome. We will continue to adhere to our high quality standards and explore new methods of improving quality control in our IVF laboratories, which are critical 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 our medical teams in China and the United States.

Expand our platform reach through acquisitions

We have been expanding our network in China, the United States and Southeast Asia to address the increasing demands from patients. In China, we plan on continuing mergers and acquisitions of ARS-licensed providers located in regions in China with relatively high demand for ARS, such as in East China, the Beijing-Tianjin-Hebei region, and other regions with high potential. Similarly, in the United States, we intend to acquire fertility clinics to expand our reach in the Western United States.

We will also continue stick to our mergers and acquisitions strategy by selectively entering into other countries and markets with relatively high demand for ARS or are of particular significance to providing ARS to international patients, such as other Southeast Asia countries and Eastern European countries that are becoming increasingly popular as medical tourism destinations for Chinese patients. To help accomplish our mergers and acquisitions strategy, on February 9, 2021, the Company completed a placing of 80,000,000 new shares at the price of HK$15.85 per share. Details of the use of proceeds from such placing is set out in the section “Use of Proceeds from Placing” below.

Minimize the impact of the outbreak of COVID-19

The outbreak of COVID-19 in China is currently under control and the business operations managed to resume its operations back to normal. Similar business recovery progress was also observed in our local business in the United States. Since the initial outbreak in December 2019, we have instituted, and will continue to institute, various emergency measures and alternative arrangements to minimize the impact of the outbreak on patients. In particular, digital channels are fully utilized 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 in-person. We will also continue to foster closer cooperation with different online platforms, such as through minority shareholding investments and long-term cooperation agreements. We believe these measures can help maintain our business growth despite any potential outbreak in future. Additionally, during this outbreak, we will continue to increase our marketing and patient outreach through various agents and online channels. We are also working on several marketing campaigns to incentivize our patients to return to our hospitals and receive treatments after the COVID-19 outbreak.

The Company will continue to assess the impact of the COVID-19 outbreak by measuring the operational and financial performance of the Group, while closely monitoring the development of the COVID-19 outbreak and the risks and uncertainties faced by the Group. The Company will take appropriate measures as necessary.

Talent recruitment initiatives

We are committed to recruiting and retaining the best and most experienced medical professionals in the field of assisted reproduction to support our medical facilities in both China and the United States. We have implemented a "physician as partner" mechanism to grant physicians with equity ownership as a partner of the Company. In 2020, as part of our talent strategy, we have implemented an equity incentive plan to award shares of our Company to certain medical professionals who has contributed to the development of our business. The management believes that the equity incentive plan encourages our medical professionals to continue providing excellent medical services to our patients, which further facilitates our future expansion plans. To further enhance the "physician as partner" mechanism, we established a "Partner Election Committee" in March 2021.

We equip our team of medical professionals with the necessary infrastructure and resources that facilitates optimal performance. We will continue expanding and penetrating into markets with unmet demands, and this will provide our team of medical professionals with opportunities to undertake more important roles beyond medical practice, such as management, in the new markets. Furthermore, we enhance our research capabilities by increasing our investment in our research and development teams and research initiatives that are in conjunction with our clinical practice. Additionally, we have an international platform allowing medical professionals in our network to exchange ideas and communicate with each other.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Company does not have other future plans for material investments or capital assets.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by 13.5% from approximately RMB1,648.5 million for the year ended December 31, 2019 to approximately RMB1,426.1 million for the year ended December 31, 2020. The overall decrease was primarily due to the outbreak of COVID-19 and the travel restrictions imposed by the United States.

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,			
	2020		2019	
	Revenue	**%**	Revenue	%
	(RMB in thousands, except percentages)			
Revenue				
ARS				
Xinan Hospital Group	**699,716**	**49.1%**	628,400	38.1%
Shenzhen Zhongshan Hospital	**267,968**	**18.8%**	303,478	18.4%
Wuhan Jinxin Hospital	**11,163**	**0.8%**	–	–
Sub-total	**978,847**	**68.7%**	931,878	56.5%
Management service fee				
Jinjiang IVF Center	**32,691**	**2.3%**	104,103	6.3%
HRC Medical	**342,399**	**24.0%**	544,386	33.0%
Sub-total	**375,090**	**26.3%**	648,489	39.3%
Ancillary medical services[(1)]				
Shenzhen Zhongshan Hospital	**31,942**	**2.2%**	32,644	2.0%
HRC Management	**37,308**	**2.6%**	35,485	2.2%
Wuhan Jinxin Hospital	**2,901**	**0.2%**	–	–
Sub-total	**72,151**	**5.0%**	68,129	4.2%
Total	**1,426,088**	**100.0%**	1,648,496	100.0%

Note:

(1) Ancillary medical services provided by HRC Medical include ambulatory surgery centre facility services and PGS (preimplantation genetic screening) testing services.

Chengdu operations

The revenue contributed by the medical facilities in the Group's network in Chengdu remained stable from approximately RMB732.5 million for the year ended December 31, 2019 to approximately RMB732.4 million for the year ended December 31, 2020.

The revenue from ARS provided at Xinan Hospital Group increased by 11.3% from approximately RMB628.4 million for the year ended December 31, 2019 to approximately RMB699.7 million for the year ended December 31, 2020, as a result of an increase in the average spending per IVF treatment cycle performed at Xinan Hospital Group resulting from the increased penetration rate of VIP packages and the increase in IVF related services.

The revenue from management services provided in Chengdu decreased by 68.6% from approximately RMB104.1 million for the year ended December 31, 2019 to approximately RMB32.7 million for the year ended December 31, 2020, primarily due to the outbreak of COVID-19, which slowed down the Group's business operations. In addition, more patients were assigned to Jinjiang IVF Center due to the relocation of Chengdu Xinan Hospital in the first half of 2019.

Shenzhen operations

The revenue contributed by the Group's Shenzhen operations decreased by 10.8% from approximately RMB336.1 million for the year ended December 31, 2019 to approximately RMB299.9 million for the year ended December 31, 2020, primarily due to the outbreak of COVID-19 and the travel restrictions imposed by the Hong Kong government. Prior to the COVID-19 pandemic, approximately 10% of the patients in the Group's Shenzhen operations were from Hong Kong.

United States operations

The revenue from management services provided by the Group under the MSA with HRC Medical in California, the United States decreased by 37.1% from approximately RMB544.4 million for the year ended December 31, 2019 to approximately RMB342.4 million for the year ended December 31, 2020, primarily due to the outbreak of COVID-19 and the travel restrictions imposed by the United States.

Ancillary medical and facilities services provided by HRC Management including ambulatory surgery centre facility services and PGS testing services increased by 5.1% from approximately RMB35.5 million for the year ended December 31, 2019 to approximately RMB37.3 million for the year ended December 31, 2020. Ambulatory surgery centre facilities services revenue relates to provision of ambulatory surgery centre facilities at RSA Centers to doctors in exchange for a fee. PGS testing services revenue relates to provision of preimplantation genetic screening service at its in-house clinical laboratory called NexGenomics.

Cost of Revenue

Cost of revenue of the Group increased by 3.4% to approximately RMB860.3 million for the year ended December 31, 2020 from approximately RMB831.7 million for the year ended December 31, 2019. The increase of the cost of revenue was primarily due to the increase in ESOP expenses of RMB33.6 million.

Cost of revenue of the Group consists primarily of 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, bonus of the Group's medical staff and ESOP expenses. Depreciation primarily consists of depreciation of property, plant and equipment.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 30.7% from approximately RMB816.8 million for the year ended December 31, 2019 to approximately RM565.8 million for the year ended December 31, 2020. The decrease in the gross profit was mainly attributable to the decrease in revenue. The Group's gross profit margin decreased from 49.5% for the year ended December 31, 2019 to 39.7% for the year ended December 31, 2020. The decrease in the gross profit margin was due to the fixed costs primarily including staff costs, depreciation and amortization, lease cost did not decrease as much as the decrease of revenue while the Group's business slowed down due to the outbreak of COVID-19.

Other Income

Other income of the Group increased by 16.9% from approximately RMB63.4 million for the year ended December 31, 2019 to approximately RMB74.1 million for the year ended December 31, 2020, primarily due to an increase in interest income from the bank deposits.

Other income consists primarily of interest income from bank deposits, 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 RMB42.2 million for the year ended December 31, 2020, resulting from converting the Renminbi 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 decreased by 13.5% from approximately RMB13.3 million for the year ended December 31, 2019 to approximately RMB11.5 million for the year ended December 31, 2020, primarily due to a decrease in the cost of materials used by the Group's research and development team.

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.

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 30.3% from approximately RMB211.3 million for the year ended December 31, 2019 to approximately RMB275.3 million for the year ended December 31, 2020, primarily due to the increase in ESOP expenses from RMB27.2 million for the year ended December 31, 2019 to RMB50.0 million for the year ended December 31, 2020.

Finance Costs

Finance costs consist of interest on bank borrowings of RMB2.2 million and interest on lease liabilities of RMB11.1 million due to the application of IFRS 16.

Income Tax Expenses

Income tax expenses of the Group primarily consist of PRC enterprise income tax and U.S.A. income tax. Income tax expenses of the Group decreased by 30.3% from approximately RMB127.2 million for the year ended December 31, 2019 to approximately RMB88.6 million for the year ended December 31, 2020, primarily due to the decrease in the Group's profit before taxation.

The effective tax rate of the Group increased from 23.2% for the year ended December 31, 2019 to 25.4% for the year ended December 31, 2020, primarily due to the increase in the non-deductible expenses at the Group's offshore entities.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided EBITDA, adjusted EBITDA, and adjusted net profit as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Company believes that the adjusted financial measures provide useful information to investors and others 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 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 the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS.

The following tables set forth the reconciliation of the Group's non-IFRS financial measures for the years ended December 31, 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Profit for the year	260,496	420,677
Add:		
Listing expenses[(1)]	–	62,635
ESOP expenses[(2)]	83,649	27,246
Amortization and depreciation of medical practice license and property, plant and equipment arising from Shenzhen Zhongshan Hospital, HRC Management and Wuhan Jinxin Hospital acquisition[(3)]	22,133	17,553
Imputed interest income from related parties[(4)]	–	(2,321)
Donation to Wuhan[(5)]	6,000	–
Loss associated with the disposal of Shenzhen Zhongshan Hospital's two community health service centers	–	4,557
Adjusted Net Profit	372,278	530,347
EBITDA	394,743	583,354
Add:		
Listing expenses[(1)]	–	62,635
ESOP expenses[(2)]	83,649	27,246
Imputed interest income from related parties[(4)]	–	(2,321)
Donation to Wuhan[(5)]	6,000	–
Loss associated with the disposal of Shenzhen Zhongshan Hospital's two community health service centers	–	4,557
Adjusted EBITDA	484,392	675,471

Notes:

(1) Listing expenses: Listing expenses are expenses incurred during the listing of the Company on the Main Board of the Stock Exchange, which are considered as non-recurring.

(2) ESOP expenses: As ESOP expenses are regarded as non-cash items, the Company has eliminated the effect of the grant of restricted shares under the RSU Scheme when calculating the earnings per Share to ensure disclosure consistency.

(3) Amortization and depreciation of medical practice license and property, plant and equipment arising from Shenzhen Zhongshan Hospital, HRC Management and Wuhan Jinxin Hospital acquisition: By eliminating the effect of these items from the profit attributable to the owners of the Company, it serves the purpose of demonstrating the endogenous growth of the Company.

(4) Imputed interest income from related parties: This imputed interest is arisen from advanced payments by the Company on behalf of its related parties, which is merely a result of accounting treatment and therefore is regarded as non-operating item.

(5) Donation to Wuhan: This donation is to fight against COVID-19 which is regarded as a non-operating item.

Net Profit and Net Profit Margin

As a result of the foregoings, net profit of the Group decreased by 38.1% from approximately RMB420.7 million for the year ended December 31, 2019 to approximately RMB260.5 million for the year ended December 31, 2020. Net profit margin of the Group for the year ended December 31, 2020 was 18.3%, compared to 25.5% for the year ended December 31, 2019. The lower net profit margin compared to the year ended December 31, 2019 was primarily due to the fixed cost, primarily including labor cost, lease cost and depreciation did not decrease as much as the decrease of revenue while the Group's business slowed down due to the outbreak of COVID-19.

Adjusted net profit[1] of the Group decreased by 29.8% from approximately RMB530.3 million for the year ended December 31, 2019 to approximately RMB372.3 million for the year ended December 31, 2020. The adjusted net profit margin of the Group for the year ended December 31, 2020 was 26.1%, compared to 32.2% for the year ended December 31, 2019. The lower adjusted net profit margin of the Group for the year ended December 31, 2020 was primarily due to the fixed cost, primarily including labor cost, lease cost and depreciation did not decrease as much as the decrease of revenue while the Group's business slowed down due to the outbreak of COVID-19.

EBITDA

EBITDA[2] of the Group decreased by 32.3% from approximately RMB583.4 million for the year ended December 31, 2019 to approximately RMB394.7 million for the year ended December 31, 2020. The EBITDA margin of the Group for the year ended December 31, 2020 was 27.7%, compared to 35.4% for the year ended December 31, 2019. The lower EBITDA margin of the Group for the year ended December 31, 2020 was mainly because the decrease in fixed costs, which primarily comprises of labor cost, was not as much as the decrease in the Group's revenue due to its business slowdown during the outbreak of COVID-19.

Adjusted EBITDA[3] of the Group decreased by 28.3% from approximately RMB675.5 million for the year ended December 31, 2019 to approximately RMB484.4 million for the year ended December 31, 2020. The adjusted EBITDA margin of the Group for the year ended December 31, 2020 was 34.0%, compared to 41.0% for the year ended December 31, 2019. The lower adjusted EBITDA margin of the Group for the year ended December 31, 2020 was mainly because the decrease in fixed costs, which primarily comprises of labor cost, was not as much as the decrease in the Group's revenue due to its business slowdown during the outbreak of COVID-19.

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1 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, HRC Management and Wuhan Jinxin Hospital 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) donation to Wuhan to better reflect the Company's current business and operations.

2 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.

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

Basic Earnings per Share

The basic earnings per share of the Group for the year ended December 31, 2020 amounted to RMB0.10, as compared to RMB0.19 for the year ended December 31, 2019. Please refer to note 14 to the consolidated financial statements in this report.

Interests in associates

Interests in associates mainly represent our investments in Mengmei Life Pty. Ltd. and Jinxin International Medical Services Company Limited.

Inventories

Inventories of the Group decreased by 2.3% from approximately RMB26.1 million as at December 31, 2019 to approximately RMB25.5 million as at December 31, 2020, which primarily remained stable.

Accounts and Other Receivables

Accounts and other receivables of the Group increased by 49.0% from approximately RMB46.1 million as at December 31, 2019 to approximately RMB68.7 million as at December 31, 2020, primarily due to the increase in prepayment to suppliers.

Accounts and Other Payables

Accounts and other payables of the Group increased by 13.1% from approximately RMB319.8 million as at December 31, 2019 to approximately RMB361.6 million as at December 31, 2020, primarily because the Group was able to better utilize credit terms with its suppliers.

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 requirement. 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,	
	2020	2019
	RMB'000	RMB'000
Net cash generated from operating activities	**308,039**	452,568
Net cash used in investing activities	**(130,984)**	(2,705,963)
Net cash (used in) from financing activities	**(55,582)**	1,647,149
Cash and cash equivalents at the beginning of the year	**579,637**	1,184,190
Cash and cash equivalents at the end of the year	**681,619**	579,637

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 for the years indicated:

	For the year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Capital expenditure in respect of property, plant and equipment contracted for but not yet provided	**39,144**	4,606
Total	**39,144**	4,606

Significant Investments, Material Acquisitions and Disposals

Save as disclosed above, as at December 31, 2020, there were no significant investment held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Lease liabilities

The Group recognized right-of-use assets and corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. As at December 31, 2020, the Group, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB244.3 million. The lease liabilities of RMB222.4 million represent payment for right of using underlying assets.

Borrowings

As of December 31, 2020, the Group had bank borrowings of RMB162.5 million (December 31, 2019: Nil).

Contingent liabilities and guarantees

As at December 31, 2020, the Group did not have any material contingent liabilities or guarantees.

Charge of assets

As at December 31, 2020, there was no charge on the material assets of the Group.

Contractual obligations

As at December 31, 2020, 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, 2020, the Group's gearing ratio is 2.18% (December 31, 2019: not applicable).

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 U.S. dollar is covered by the revenue generated in U.S. dollar, which serves as 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 forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2020, the Group and the medical facilities in its network had a total of 1,421 employees, of whom 1,238 were located in China and 183 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 RMB357.3 million for the year ended December 31, 2020, as compared to approximately RMB361.0 million for the year ended December 31, 2019.

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. Besides, 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, 2020, no option has been granted pursuant to the Share Option Scheme.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended December 31, 2020 (for the year ended December 31, 2019: HK$6.8 cents).

EVENT AFTER THE REPORTING PERIOD

The Group has the following event taken place subsequent to December 31, 2020:

- On February 2, 2021, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent agreed to place 80,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors. The Placing price was HK$15.85 per share. For more details, please refer to the Company's announcements dated February 2, 2021 and February 9, 2021, respectively.

DIRECTORS

Executive Directors

Mr. Zhong Yong (鍾勇), aged 49, is the Chairman of the Board and has been an executive Director of the Company since June 29, 2020. He joined our Group in June 2017 and was appointed as a Co-chief Executive Officer on September 12, 2018, re-designated to the Vice Chairman of the Board on June 29, 2020 and the Chairman of the Board on March 28, 2021. 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.

Since April 2020, Mr. Zhong has been the chairman of the board of Sichuan Jincheng Industrial Development Co., Ltd. (四川錦城實業發展公司). 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, from March 2009 to 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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Directors and Senior Management

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 member of the 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 substantial aspects of reproductive health.

Dr. Wilcox has not held directorship in any public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Mr. Dong Yang (董陽), aged 35, is a Chief Executive Officer and has been an executive Director of the Company since June 29, 2020. He was appointed as a non-executive Director of the Company on May 3, 2018. He was appointed as a Co-chief Executive Officer on June 29, 2020 and re-designated to the Chief Executive Officer on March 28, 2021. 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 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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Dr. Geng Lihong (耿麗紅), aged 52, has been an executive Director since March 28, 2021. She has also been the chief medical quality control officer of the Company since February 21, 2020. She was mainly responsible for guiding the implementation of clinical work and medical quality control. Prior to joining the Group, from July 2018 to January 2020, she served as the clinical director of the IVF Center of the First Affiliated Hospital of Chongqing Medical University (重慶醫科大學附屬第一醫院生殖醫學中心). From December 2009 to March 2018, she worked at the IVF Center of Chengdu Xinan Gynecological Hospital (成都西囡婦科醫院生殖醫學中心) and was responsible for clinical practice and management work. From May 1994 to August 2006, Dr. Geng worked at the Department of Obstetrics and Gynecology of the Second Affiliated Hospital of Xinjiang Medical University (新疆醫科大學第二附屬醫院) and was responsible for clinical practice, scientific research and teaching. From December 1991 to April 1994, Dr. Geng worked at the Department of Obstetrics and Gynecology of the Barkol People's Hospital, Barkol, Xinjiang, Uygur Autonomous Region (新疆維吾爾自治區巴里坤縣人民醫院).

Dr. Geng obtained a bachelor's degree in medicine from Xinjiang Medical School (新疆醫學院) (the predecessor of Xinjing Medical University) in the PRC in July 1991 and a doctoral degree in medicine with a major in reproductive endocrinology and assisted reproductive technology from West China School of Medicine, Sichuan University (四川大學華西臨床醫學院) in the PRC in July 2009.

Dr. Geng has served as a member of the standing committee of the Reproductive Medicine and Reproductive Ethics Sub-committee of the China Healthy Birth Science Association (中國優生科學協會生殖醫學與生殖倫理學分會) since February 2019. Since October 2019, she has served as the vice chairman of the Reproductive Medicine Professional Committee of the Chongqing Medical Association (重慶市醫學會生殖醫學專業委員會). Since July 2018, she has served as a member of the first session of the Reproductive Immunology Sub-committee of the Chongqing Society of Immunology (重慶市免疫學會生殖免疫分會). Since September 2017, she has served as a member of the standing committee of the Reproductive Endocrinology Professional Committee of the China Medicine Education Association (中國醫藥教育協會生殖內分泌專業). Since July 2016, she has served as a member of the second session of the standing committee of the Reproductive Medicine Professional Committee of Sichuan Provincial Medical Association (四川省醫學會生殖醫學專業委員會).

Dr. Geng has not held directorship in any public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Non-executive Directors

Mr. Fang Min (方敏), aged 42, 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.

Since June 2019 and January 2020, respectively, he has been a non-executive director and the chairman of the board of Hygeia Healthcare Holdings Co., Limited (HKEx stock code: 6078). From March 2015 to August 2016, Mr. Fang 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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Ms. Hu Zhe (胡喆), aged 47, 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) (HKEx 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 other public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Ms. Yan Xiaoqing (嚴曉晴), aged 51, has been a non-executive Director since March 28, 2021. She has also been a senior vice president of the Company since September 12, 2018. Her main responsibilities include the overall management of the Group and overseeing operations and internal audit matters. She joined the Group in March 2010 and served as an executive Director from May 3, 2018 to June 29, 2020. 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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Independent Non-executive Directors

Dr. Chong Yat Keung (莊一強), aged 57, 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. From April 2015 to June 2020, he was an independent non-executive director of Wenzhou Kangning Hospital Co., Ltd. (HKEx stock code: 2120). 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 (阿斯利康製藥有限公司) 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 degree 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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Mr. Lim Haw Kuang (林浩光), aged 67, 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 March 2014 and from March 2014 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). From March 2013 to February 2016, he was a non-executive director of BG Group Plc (then LSE stock code: BG.L). He successively acted as an independent non-executive director and a senior independent non-executive director and of Sime Darby Berhad (MYX stock code: 4197) from August 2010 to November 2017 and from December 2017 to November 2019, respectively.

Mr. Lim worked at Royal Dutch Shell Plc 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 planning and strategy for Royal Dutch Shell Plc, president of oil products in Asia Pacific and Middle East regions, chairman of Shell Malaysia Limited, as well as a managing director of Shell Malaysia Exploration & Production. 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.

Mr. Lim is an honorary citizen of Texas and Houston of the United States.

Except as disclosed above, Mr. Lim has not held directorship in any other public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Mr. Wang Xiaobo (王嘯波), aged 46, 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 19 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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Mr. Ye Changqing (葉長青), aged 50, 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 Hygeia Healthcare Holdings Co., Limited (HKEx stock code: 6078) since September 2019, 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 and HKEx stock code: 9991) 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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Senior Management

Mr. Dong Yang, is an executive Director and Chief Executive Officer of the Company. See "– Executive Directors" for details of his biography.

Dr. Geng Lihong, is an executive Director and chief medical quality control officer of the Company. See "– Executive Directors" for details of her biography.

Ms. Yan Xiaoqing, is a non-executive Director and senior vice president of the Company. See "– Non-executive Directors" for details of her biography.

Ms. You Fei (由飛), aged 42, 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 17 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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Dr. Chi Ling (池玲), aged 66, 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 Director of the Assisted Reproductive IVF Laboratory, and is later the Deputy Program Director and Course Advisory Committee Chairperson for the Master of Science programme in Reproductive Medicine and Clinical Embryology. She is currently an Adjunct Associate Professor at the Chinese University of Hong Kong.

From October 2009 to 2015, she was concurrently an 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 SIG Embryology for Asia Pacific Initiative on Reproduction (ASPIRE) and a journal reviewer for several international professional journals in reproductive medicine.

Dr. Chi is a member or a director-level member of several international 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 ASPIRE.

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 public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Ms. Liu Hongkun (劉竑琨), aged 33, has been a joint company secretary of the Company since January 22, 2019 and chief investment officer. She has been serving as the general manager of Tibet Taisheng Venture Capital Co., Ltd. (西藏泰昇創業投資管理有限公司) since June 2016, and the deputy general manager and assistant to the president of Willsun AM since June 2016. From April 2014 to May 2016, she was the senior manager of the trust team of Sichuan Development Holding Co., Ltd. From July 2013 to April 2014, she served as an investment manager in the investment banking department at Sichuan Shuxiang Venture Capital Co., Ltd. (四川蜀祥創業投資有限公司).

Ms. Liu obtained her bachelor's degree in law from Southwest University of Political Science and Law (西南政法大學) in July 2010 and a master's degree in economic law from Southwest University of Finance and Economy in June 2013. Ms. Liu was licensed by the Ministry of Justice of PRC to practice law in the PRC in August 2010.

Ms. Liu has not held directorship in any public companies the securities of which are listed in Hong Kong or overseas in the three years immediately preceding the date of this report.

Report of Directors

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

PRINCIPAL ACTIVITIES

The Group 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, 2020 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 "Event 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 and One-off Connected Transaction" 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, 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, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 91 of this annual report.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended December 31, 2020 (for the year ended December 31, 2019: HK$6.8 cents).

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five 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 NET PROCEEDS

Use of Proceeds from Listing

The total 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 and the unutilized net proceeds were kept at the bank accounts of the Group as at December 31, 2020.

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, 2020:

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceed	Actual usage up to December 31, 2020 (HK$ million)	Net proceeds brought forward for the Reporting Period (HK$ million)	Unutilized net proceeds as at December 31, 2020 (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]	24.7	702.0	677.3	By June 2024
For the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in[3]	561.6	20.0%	484.6	561.6	77.0	By June 2022
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%	38.4	280.8	242.4	By June 2024

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceed	Actual usage up to December 31, 2020 (HK$ million)	Net proceeds brought forward for the Reporting Period (HK$ million)	Unutilized net proceeds as at December 31, 2020 (HK$ million)	Expected timeframe for utilizing the remaining unutilized net proceeds[(2)]
For the potential acquisitions of ARS service providers and businesses along the ARS service chain[(4)]	561.6	20.0%	272.9	561.6	288.7	By June 2022
To improve brand awareness and general ARS awareness in both China and the United States	421.2	15.0%	–	421.2	421.2	By June 2024
For the Group's working capital and general corporate purposes[(5)]	280.9	10.0%	45.3	280.9	235.6	By June 2024
Total	2,808.1	100.0%	865.9	2,808.1	1,942.2	

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.

(3) Including the acquisition of equity interests of a hospital in Wuhan with assisted reproductive medical facilities and subsequent capital expenditure in connection with improving the hospital.

(4) Including (i) formation of joint venture with the shareholders of Mengmei Life Pty. Ltd. and Jinxin Hospital Management Group Limited in relation to, among others, the promotion, customers acquisition and channels management related to IVF (actual usage up to December 31, 2020 amounting to HK$235 million) and (ii) other expenditures (actual usage up to December 31, 2020 amounting to HK$38 million).

(5) Namely (i) consultation fees, including but not limited to fees for legal compliance, audit, investor relations/public relations, human resources, and operations; (ii) rental and office expense; and (iii) remuneration packages of the existing management team.

Use of Proceeds from Placing

On February 2, 2021, the Company entered into a placing agreement with Morgan Stanley & Co. International plc (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 80,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Placing**"). The Placing price was HK$15.85 per share.

The closing of the Placing took place on February 9, 2021, which is after the Reporting Period. The net proceeds from the Placing were approximately HK$1,253.47 million, which will be used (i) to fund potential merger and acquisition opportunities of ARS-licensed providers located in regions in the PRC with relatively high demand for ARS, such as in East China, the Beijing-Tianjin-Hebei region, and other highly potential regions; (ii) to fund potential merger and acquisition opportunities of ARS-licensed providers located outside the PRC, such as in Southeast Asia and other Asia-pacific countries, to further expand the Group's global reach; and (iii) for other general corporate purposes where appropriate, as disclosed in the announcements of the Company dated February 2, 2021 and February 9, 2021, respectively. As of the date of this report, none of the net proceeds has been utilized by the Company. The expected timeline for utilizing the net proceeds of the Placing is by December 2023. Such timeline 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.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Major Customers

For the year ended December 31, 2020, the Group's sales to its five largest customers accounted for 27.3% (2019: 39.9%) of the Group's total revenue and the single largest customer accounted for 25.0% (2019: 33.5%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2020, the Group's five largest suppliers accounted for 41.3% (2019: 49.4%) of the Group's total purchases and the single largest supplier accounted for 13.2% (2019: 14.4%) 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, 2020 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2020 are set out in note 35 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2020 are set out on pages 94 to 96 in the consolidated statement of changes in equity and note 46 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's reserves available for distribution, amounted to approximately RMB6,714.2 million (as at December 31, 2019: RMB6,914.5 million).

TAXATION

Tax position of the Company for the year ended December 31, 2020 is set forth in note 11 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at December 31, 2020 are set out in note 33 to the consolidated financial statements.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

During the Reporting Period

Executive Directors

Ms. Yan Xiaoqing (retired on June 29, 2020)
Mr. Zhong Ying *(Chief Executive Officer)*
Mr. Zhong Yong *(Vice Chairman)* (elected as an executive Director and re-designated from the Co-chief Executive Officer to the Vice Chairman of the Board on June 29, 2020)
Dr. John G. Wilcox
Mr. Dong Yang *(Co-chief Executive Officer)* (re-designated from a non-executive Director to an executive Director and appointed as the Co-chief Executive Officer on June 29, 2020)

Non-executive Directors

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

Independent Non-executive Directors

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

Up to the Date of this Annual Report

Executive Directors

Mr. Zhong Yong *(Chairman)* (re-designated from the Vice Chairman of the Board to the Chairman of the Board on March 28, 2021)
Dr. John G. Wilcox
Mr. Dong Yang *(Chief Executive Officer)* (re-designated from the Co-chief Executive Officer to the Chief Executive Officer on March 28, 2021)
Dr. Geng Lihong (appointed on March 28, 2021)

Non-executive Directors

Mr. Fang Min
Ms. Hu Zhe
Ms. Yan Xiaoqing (appointed on March 28, 2021)

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, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office 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 of the Company 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 29 to 37 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 during the Reporting Period.

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 one month's/three months' notice (as the case may be) 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 as Directors.

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 and One-off Connected Transaction" 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 during the Reporting Period.

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 Reporting Period.

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 during the Reporting Period.

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 12 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 during the Reporting Period and up to the date of this annual report:

1. With effect from January 20, 2020, Mr. Fang Min has been appointed as the chairman of the board of Hygeia Healthcare Holdings Co., Limited (HKEx stock code: 6078).

2. With effect from June 29, 2020, Ms. Yan Xiaoqing has retired as an executive Director as she wishes to devote more time to her other personal and business commitments and ceased to be a member of the Remuneration Committee and the authorized representative of the Company under Rule 3.05 of the Listing Rules ("**Authorized Representative**").

3. With effect from June 29, 2020, Mr. Zhong Yong has been elected as an executive Director and appointed as the chairman of the Strategic Decisions Committee and re-designated from the Co-chief Executive Officer to the Vice Chairman of the Board.

4. With effect from June 29, 2020, Mr. Dong Yang has been re-designated from a non-executive Director to an executive Director and appointed as the Co-chief Executive Officer, a member of the Remuneration Committee and the Authorized Representative. He has ceased to be a member of the Audit and Risk Management Committee.

5. With effect from June 29, 2020, Ms. Hu Zhe, a non-executive Director, has been appointed as a member of the Audit and Risk Management Committee.

6. With effect from June 29, 2020, Mr. Zhong Ying, an executive Director, has been re-designated from the chairman to a member of the Strategic Decisions Committee.

7. With effect from June 29, 2020, Mr. Lim Haw Kuang, an independent non-executive Director, has been appointed as a member of the Strategic Decisions Committee.

8. With effect from March 28, 2021, Mr. Wang Bin has resigned as a non-executive Director due to his decision to devote more time to his other commitments with the Company, the Chairman of the Board and the chairman of the Nomination Committee.

9. With effect from March 28, 2021, Mr. Zhong Ying has resigned as an executive Director due to his decision to devote more time to his other commitments with the Company and the Chief Executive Officer and re-designated from a member to the chairman of the Medical Quality Control and R&D Committee.

10. With effect from March 28, 2021, Dr. Geng Lihong has been appointed as an executive Director.

11. With effect from March 28, 2021, Ms. Yan Xiaoqing has been appointed as a non-executive Director.

12. With effect from March 28, 2021, Mr. Zhong Yong has been re-designated from the Vice Chairman of the Board to the Chairman of the Board and appointed as the chairman of the Nomination Committee.

13. With effect from March 28, 2021, Mr. Dong Yang has been re-designated from the Co-chief Executive Officer to the Chief Executive Officer of the Company.

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 during the Reporting Period and up to the date of this annual report.

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 POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2020, 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:

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	342,688,755	14.11%	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 342,688,755 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 2,429,501,802 Shares in issue as at December 31, 2020.

Save as disclosed above, as at December 31, 2020, 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, 2020, 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[1]	Beneficial owner	384,330,626	15.82%	Long position
HRC Investment	Beneficial owner	342,688,755	14.11%	Long position
HRC Investment Cayman, LLC	Interests of controlled corporations	342,688,755	14.11%	Long position
Dr. Michael A. Feinman[2]	Interests of controlled corporations	342,688,755	14.11%	Long position
Dr. Daniel A. Potter[3]	Interests of controlled corporations	342,688,755	14.11%	Long position
Dr. Jane L. Frederick[4]	Interests of controlled corporations	342,688,755	14.11%	Long position
Dr. Bradford A. Kolb[5]	Interests of controlled corporations	342,688,755	14.11%	Long position
Dr. David Tourgeman[6]	Interests of controlled corporations	342,688,755	14.11%	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
Dr. John G. Wilcox[7]	Interests of controlled corporations	342,688,755	14.11%	Long position
Dr. Jeffrey Nelson[8]	Interests of controlled corporations	342,688,755	14.11%	Long position
Dr. Robert Boostanfar[9]	Interests of controlled corporations	342,688,755	14.11%	Long position
Amethyst Gem[10] [11]	Beneficial owner	312,128,491	12.85%	Long position
Amethyst Gem Investments Ltd[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
Ametrine Gem Investments Ltd[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
Warburg Pincus (Bermuda) Private Equity GP Ltd.[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
Warburg Pincus (Cayman) China GP LLC[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
Warburg Pincus (Cayman) China GP, L.P.[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
Warburg Pincus (Cayman) XII, L.P.[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
Warburg Pincus China (Cayman), L.P.[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
Warburg Pincus Partners II (Cayman), L.P.[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
Warburg Pincus XII GP LLC[10]	Interests of controlled corporations	312,128,491	12.85%	Long position
E Fund Management Co., Ltd. (易方達基金管理有限公司)	Investment manager	219,034,000	9.02%	Long position
Hillhouse Capital Advisors, Ltd.[12]	Investment manager	186,863,349	7.69%	Long position
Gaoling Fund, L.P.[12]	Beneficial owner	161,915,349	6.66%	Long position

Notes:

(1) Jinxin Fertility BVI 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 as at December 31, 2020 and remain as one of our substantial shareholders upon Listing and as at December 31, 2020.

(2) 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 342,688,755 Shares. Under the SFO, Dr. Michael A. Feinman is deemed to be interested in the Shares held by HRC Investment.

(3) 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 342,688,755 Shares. Under the SFO, Dr. Daniel A. Potter is deemed to be interested in the Shares held by HRC Investment.

(4) 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 342,688,755 Shares. Under the SFO, Dr. Jane L. Frederick is deemed to be interested in the Shares held by HRC Investment.

(5) 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 342,688,755 Shares. Under the SFO, Dr. Bradford A. Kolb is deemed to be interested in the Shares held by HRC Investment.

(6) 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 342,688,755 Shares. Under the SFO, Dr. David Tourgeman is deemed to be interested in the Shares held by HRC Investment.

(7) 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 342,688,755 Shares. Under the SFO, Dr. John G. Wilcox is deemed to be interested in the Shares held by HRC Investment.

(8) 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 342,688,755 Shares. Under the SFO, Dr. Jeffrey Nelson is deemed to be interested in the Shares held by HRC Investment.

(9) 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 342,688,755 Shares. Under the SFO, Dr. Robert Boostanfar is deemed to be interested in the Shares held by HRC Investment.

(10) 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.

(11) As at December 31, 2020, 312,128,491 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.

(12) Hillhouse Capital Advisors, Ltd. is the investment manager of Gaoling Fund, L.P. and is therefore deemed to be interested in the Shares held by Gaoling Fund, L.P..

(13) The calculation is based on the total number of 2,429,501,802 Shares in issue as at December 31, 2020.

Save as disclosed above, as at December 31, 2020, the Directors were not aware of any persons (who were not Directors or 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 9.80% of the issued shares of the Company as at December 31, 2020. The Share Option Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately eight years as at the date of this annual report.

During the year ended December 31, 2020, 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 9,594,347 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, 2020**	**Granted during the Reporting Period**	**Vested during the Reporting Period**	**Forfeited during the Reporting Period**	**Outstanding as at December 31, 2020**	**Vesting period**
Employees in aggregate							
Selected Participants	February 15, 2019	13,676,180	–	4,035,833	–	9,640,347	Ranging from 3 to 5 years
Key management personnel	January 6, 2020	–	2,141,839	–	132,489	2,009,350	3 years
Eligible employees and doctors of HRC Medical	January 6, 2020	–	5,672,970	–	–	5,672,970	3 years
Key management personnel	July 23, 2020	–	1,779,538	–	–	1,779,538	5 – 6 months
Total		13,676,180	9,594,347	4,035,833	132,489	19,102,205	

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, the Company had repurchased a total of 6,800,000 ordinary shares of the Company on the Stock Exchange at an aggregate purchase price of HK$66,520,817.4. As of the date of this annual report, the repurchased shares had been cancelled by the Company.

The financial position of the Company is solid and healthy. The Board believes the share repurchases and subsequent cancellation of the repurchased Shares can enhance the value of the Shares thereby improving the return to the Shareholders. In addition, the Share repurchases reflect the confidence of the Company in its business development and the long-term prospects of the industry. The Board believes that the share repurchases are in the interests of the Company and the Shareholders as a whole.

Details of shares repurchased during the year ended December 31, 2020 are set out as follows:

Date of repurchases	Number of Shares purchased on the Stock Exchange	Price paid per Share Highest	Lowest	Aggregate purchase price
May 12, 2020 to May 15, 2020	4,882,000	HK$10.00	HK$9.42	HK$47,852,461.2
September 23, 2020 to September 25, 2020	1,918,000	HK$9.95	HK$9.54	HK$18,668,356.2
Total	6,800,000			HK$66,520,817.4

Save as the aforesaid repurchases of shares, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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, 2020, 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.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

CONTINUING CONNECTED TRANSACTIONS AND ONE-OFF CONNECTED TRANSACTION

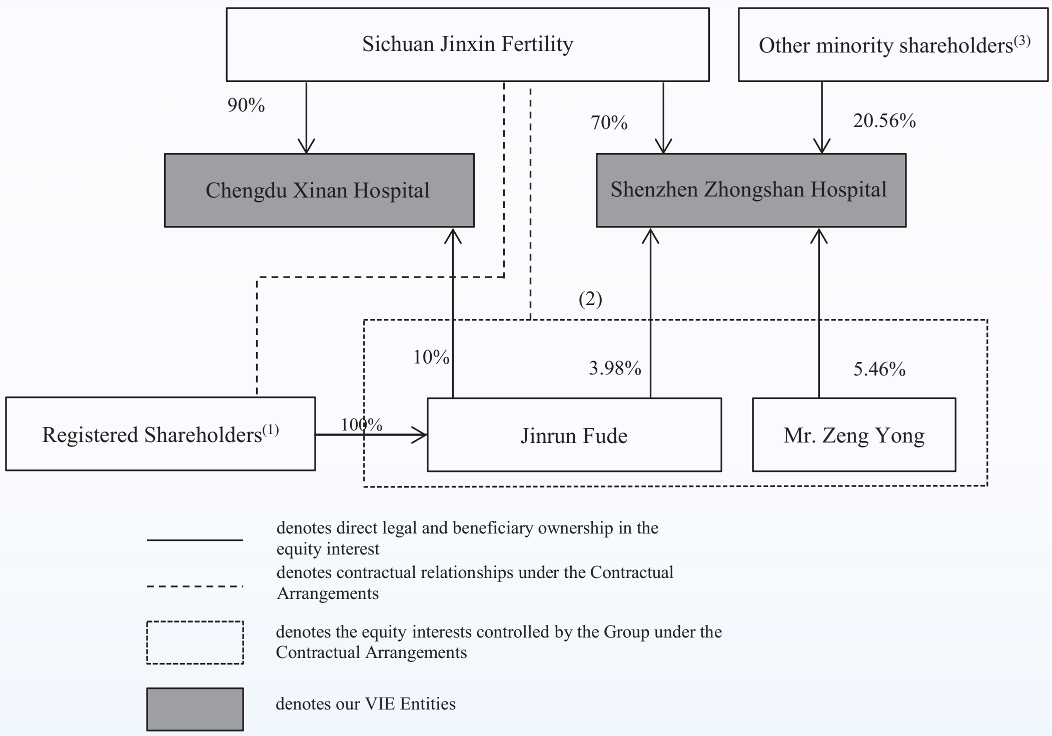
For the year ended December 31, 2020, the Group had entered into certain non-exempt continuing connected transactions and one-off connected transaction as set out below. For detailed terms of such non-exempt continuing connected transactions and connected transaction, please refer to the section headed "Connected Transactions" of the Prospectus and the announcement of the Company dated August 24, 2020, respectively.

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 interest 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 Operation 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, 2020, 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 RMB26,181,000 and RMB7,267,000, respectively. The profits available for distribution of Chengdu Xinan Hospital is RMB187,145,839.23 for the year ended December 31, 2019. During the year ended December 31, 2020, among the profits available for distribution of Chengdu Xinan Hospital, RMB180,000,000 was distributed – 99.0% and 1.0% of such amount distributed to Sichuan Jinxin Fertility and Jinrun Fude is RMB178,200,000 and RMB1,800,000, respectively. The amount distributed to Jinrun Fude will be subsequently assigned or transferred to the Group.

(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, 2020, 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 interests 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 interests, 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 "Risk 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 (retired on June 29, 2020 and thereafter appointed as a non-executive Director on March 28, 2021), 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 reproduce (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 Auditor

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 Jinrun Fude and Mr. Zeng Yong (except the portion held for his own benefit) 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 reporting of the continuing connected transactions under Chapter 14A of the Listing Rules.

2. HRC Clinic Lease Agreement (Terminated on August 20, 2020)

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, the Unites States (the "**HRC Clinic Premises**"), 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, 2020, 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$1,080,218, which falls within the proposed annual cap as set out above.

On August 20, 2020, HRC Management and the Lessors, after friendly negotiation, have mutually agreed to an early termination of the HRC Clinic Lease Agreement with effect from December 31, 2020 and entered into a termination agreement (the "**Termination Agreement**"). The parties also confirmed that none of them shall have any claim against the other parties arising from such early termination.

In view of the Group's growing business needs and continuous business expansion in the United States, the Company considers that the current office space for the clinical operations may not be sufficient to satisfy the Group's customer demands in the near future and entered into the Termination Agreement. On the same date, the parties enter into the New HRC Clinic Lease Agreement, please see below headed "Non-exempt One-off Connected Transaction – New HRC Clinic Lease Agreement" for more details.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Termination Agreement are on normal commercial terms, which are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. Also, the Directors consider that the early termination of the HRC Clinic Lease Agreement will not have any material adverse impact to the Group's business and operational activities.

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, 2020, 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$55,907,478 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 and the Auditor

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, 2020 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, 2020 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, 2020 had been duly reviewed and approved by the Board (including the independent non-executive Directors).

Non-exempt One-off Connected Transaction

1. New HRC Clinic Lease Agreement

On August 20, 2020, HRC Management, as lessee, entered into a new lease agreement (the "**New HRC Clinic Lease Agreement**") with (i) HRC Properties LLC, (ii) 333 Arroyo Parkway LLC, (iii) JGWilcox Capital Building LLC, and (iv) Michael Feinman Real Estate LLC (collectively the "**New Lessors**"), pursuant to which the New Lessors agreed to lease approximately 9,658 rentable sq. ft. on the second floor of the three-story office building of the HRC Clinic Premises to HRC Management. The initial term of the New HRC Clinic Lease Agreement is 10 years commencing from January 1, 2021 to December 31, 2030.

The rent to be payable by the Group to the New Lessors under the New HRC Clinic Lease Agreement is US$35,555.17 per month, which is determinable after arm's length negotiation with reference to the prevailing market rent of properties of comparable size and quality situated in the same locality which is available and is expected to be satisfied by the internal resources of the Group. The rent shall be payable on the first day of each month commencing from January 1, 2021.

The value of the right-of-use assets to be recognized by the Company under the New HRC Clinic Lease Agreement amounted to approximately US$4,673,000, which represents the present value of aggregated lease payments to be made under the New HRC Clinic Lease Agreement in accordance with IFRS 16.

With an aim to further enhancing the quality of its medical services and facilities as well as attracting more high-end customers, the Group entered into the New HRC Clinic Lease Agreement to obtain lease for a new office space with a more prominent location, larger capacity and more advanced design and will move its entire clinical operations from HRC Clinic Premises to such new premises. On the other hand, the second floor of the HRC Clinic Premises will be retained for the purpose of laboratory experimentation with a larger area. Not only will such enlarged capacity allow the Group to provide more testing services to its customers, wider variety of services including acupuncture, emotional therapy and other administrative services will also be introduced, thereby generate more revenue to the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the New HRC Clinic Lease Agreement are on normal commercial terms, which are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications under the New HRC Clinic Lease Agreement

The New Lessors are wholly-owned by some of the Physician Shareholders, namely, Dr. Robert Boostanfar, Dr. Bradford A. Kolb, Dr. John G. Wilcox and Dr. Michael A. Feinman, respectively. Pursuant to Rule 14A.07 of the Listing Rules, each of the New Lessors is an associate of the Physician Shareholders, which are the substantial shareholders of the Company and hence a connected person of the Company. In accordance with IFRS 16 applicable to the Company, the transaction contemplated under the New HRC Clinic Lease Agreement will be recognized as an acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

Annual Review and Confirmation by the Auditor of the Company

Deloitte Touche Tohmatsu, the Company's auditor was engaged to report on the Group's continuing connected transactions 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, 2020 in accordance with Rule 14A.56 of the Listing Rules, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with (i) the Exclusive Operation Services Agreements, (ii) the Equity Pledge Agreements, (iii) the MSA and Ancillary Arrangements, and (iv) the Consulting Agreement for the year ended December 31, 2020. 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, 2020, which do not constitute connected transactions under the Listing Rules, are disclosed in note 41 to the consolidated financial statements of this annual report. Save as disclosed in this annual report, during the year ended December 31, 2020, 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 donations of RMB6.0 million to Wuhan to fight against COVID-19.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2020, 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 or she may incur or sustain in or about the execution of his or her duties in his or her 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 49 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 the 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, 2020.

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 70 to 85 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 Reporting Period 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, 2020. The accompanying financial statements prepared in accordance with IFRSs have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

Zhong Yong
Chairman and Executive Director

Hong Kong, March 28, 2021

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2020.

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 of 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 year ended December 31, 2020.

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

During the Reporting Period and up to the date of this annual report, the Board comprises following Directors:

During the Reporting Period

Executive Directors

Ms. Yan Xiaoqing (retired on June 29, 2020)

Mr. Zhong Ying *(Chief Executive Officer)*

Mr. Zhong Yong *(Vice Chairman)* (elected as an executive Director and re-designated from the Co-chief Executive Officer to the Vice Chairman of the Board on June 29, 2020)

Dr. John G. Wilcox

Mr. Dong Yang *(Co-chief Executive Officer)* (re-designated from a non-executive Director to an executive Director and appointed as the Co-chief Executive Officer on June 29, 2020)

Non-executive Directors

Mr. Wang Bin *(Chairman)*

Mr. Fang Min

Ms. Hu Zhe

Independent Non-executive Directors

Dr. Chong Yat Keung

Mr. Lim Haw Kuang

Mr. Wang Xiaobo

Mr. Ye Changqing

Up to the Date of this Annual Report

Executive Directors

Mr. Zhong Yong *(Chairman)* (re-designated from the Vice Chairman of the Board to Chairman of the Board on March 28, 2021)

Dr. John G. Wilcox

Mr. Dong Yang *(Chief Executive Officer)* (re-designated from the Co-chief Executive Officer to the Chief Executive Officer on March 28, 2021)

Dr. Geng Lihong (appointed on March 28, 2021)

Non-executive Directors

Mr. Fang Min

Ms. Hu Zhe

Ms. Yan Xiaoqing (appointed on March 28, 2021)

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 year ended December 31, 2020, 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 year ended December 31, 2020, 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 parties.

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 35 years old to 67 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 year ended December 31, 2020 is as follows:

Name of Directors	**Nature of Continuous Professional Development Programme**(4)
Executive Directors	
Ms. Yan Xiaoqing(1)	A&B
Mr. Zhong Ying *(Chief Executive Officer)*	A&B
Mr. Zhong Yong(2) *(Vice Chairman)*	A&B
Dr. John G. Wilcox	A&B
Mr. Dong Yang(3) *(Co-chief Executive Officer)*	A&B
Non-Executive Directors	
Mr. Wang Bin *(Chairman)*	A&B
Mr. Fang Min	A&B
Ms. Hu Zhe	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:

(1) Ms. Yan Xiaoqing retired on June 29, 2020.

(2) Mr. Zhong Yong was elected as an executive Director on June 29, 2020 and re-designated from the Co-chief Executive Officer to the Vice Chairman of the Board on June 29, 2020.

(3) Mr. Dong Yang was re-designated from a non-executive Director to an executive Director and appointed as the Co-chief Executive Officer on June 29, 2020.

(4) Nature of Continuous Professional Development Programme:

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.

During the Reporting Period, the Chairman of the Board and the Chief Executive Officer were two separate positions held by Mr. Wang Bin and Mr. Zhong Ying, respectively, with clear distinction in responsibilities. The Chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Zhong Yong and Mr. Dong Yang, 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 one month's/three months' notice (as the case may be) 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 Reporting Period, four Board meetings and one general meeting were held, the attendance of each Director at the Board meetings and the general meeting 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)]	4/4	1/1
Mr. Zhong Ying *(Chief Executive Officer)*	4/4	1/1
Mr. Zhong Yong[(2)] *(Vice Chairman)*	2/2	0/0
Dr. John G. Wilcox	4/4	1/1
Mr. Dong Yang[(3)] *(Co-chief Executive Officer)*	4/4	1/1
Non-Executive Directors		
Mr. Wang Bin *(Chairman)*	4/4	1/1
Mr. Fang Min	4/4	1/1
Ms. Hu Zhe	4/4	1/1
Independent Non-Executive Directors		
Dr. Chong Yat Keung	4/4	1/1
Mr. Lim Haw Kuang	4/4	1/1
Mr. Wang Xiaobo	4/4	1/1
Mr. Ye Changqing	4/4	1/1

Notes:

(1) Ms. Yan Xiaoqing retired on June 29, 2020.

(2) Mr. Zhong Yong was elected as an executive Director on June 29, 2020 and re-designated from the Co-chief Executive Officer to the Vice Chairman of the Board on June 29, 2020.

(3) Mr. Dong Yang was re-designated from a non-executive Director to an executive Director and appointed as the Co-chief Executive Officer on June 29, 2020.

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 Reporting Period.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the Reporting Period.

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

During the Reporting Period, 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 (ceased to be a member on June 29, 2020), Mr. Fang Min and Ms. Hu Zhe (appointed as a member on June 29, 2020).

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.

For the year ended December 31, 2020, 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, 2020; 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, internal audit 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 (ceased to be a member on June 29, 2020)	2/2
Mr. Fang Min	2/2
Ms. Hu Zhe (appointed as a member on June 29, 2020)	1/1
Mr. Wang Xiaobo	2/2

Nomination Committee

During the Reporting Period, 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.

During the Reporting Period, one meeting of the Nomination Committee was held to discuss and consider the following matters:

- considered the globalized recruitment and training mechanism of the Group
- confirmed the independence of the independent non-executive Directors
- considered the nomination of Director for election at the AGM

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

During the Reporting Period, 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 (ceased to be a member on June 29, 2020) and Mr. Dong Yang (appointed as a member on June 29, 2020) 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.

For the year ended December 31, 2020, two meetings of the Remuneration Committee were held to discuss and consider the following matter:

- reviewed, considered and making recommendations to the Board on the remuneration of the Directors and senior management of the Company for the year 2020

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. Dong Yang (appointed as a member on June 29, 2020)	1/1
Mr. Fang Min	2/2
Mr. Wang Xiaobo	2/2
Ms. Yan Xiaoqing (ceased to be a member on June 29, 2020)	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 the Directors) for the year ended December 31, 2020, are set out below:

Remuneration bands (RMB)	**Number of persons**
10,000,001-15,000,000	1
5,000,001-10,000,000	0
1,000,001-5,000,000	5
0-1,000,000	1
Total	**7**

For additional information on the Directors' remuneration for the year ended December 31, 2020, please refer to note 12 to the consolidated financial statements of 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, 2020 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 86 to 90 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 Reporting Period, 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, 2020 was approximately as follows:

Type of Services	Amount (RMB)
Audit services	2,810,000
Non-audit services – Interim review	937,000
Total	**3,747,000**

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, 2020, 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 of 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. For the year ended December 31, 2020, the said amended and restated memorandum and articles of association did not have any change.

Deloitte. 德勤

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 91 to 209, which comprise the consolidated statement of financial position as at 31 December 2020, 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 31 December 2020, 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 MATTER

Key audit matter is the matter that, in our professional judgment, was 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 the matter.

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets	
We identified the impairment of goodwill and intangible assets, representing contractual right to provide management services, trademarks and licenses, arising from the acquisitions of Shenzhen Zhongshan Urological Hospital Co., Ltd. and its subsidiaries, HRC Fertility Management, LLC and its subsidiary, and Wuhan Jinxin Integrated Gynaecology and Obstetrics Hospital Co., Ltd. (previously known as Wuhan Huangpu Integrated Gynaecology and Obstetrics Co., Ltd.) and Jinrui Medical Center, as a key audit matter due to the significant management judgements involved in the impairment assessment, Covid-19 impact, and their significance to the consolidated financial statements as a whole. Determining whether goodwill and these intangible assets are impaired required management's estimation of the value in use of the four 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, trademarks and licenses were approximately RMB889,642,000, RMB1,839,369,000, RMB1,255,735,000 and RMB785,983,000, respectively, as at 31 December 2020 and no impairment loss was recognised for the year. Details of their impairment testing are disclosed in note 21 to the consolidated financial statements.	Our procedures in relation to the impairment of goodwill and intangible assets 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 four 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 four 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 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 of the Company 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, actions taken to eliminate threats or safeguards applied.

From the matter communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter 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
28 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	5	**1,426,088**	1,648,496
Cost of revenue		**(860,307)**	(831,701)
Gross profit		**565,781**	816,795
Other income	6	**74,113**	63,381
Other expenses	7	**(6,377)**	(1,828)
Other gains and losses	8	**57,108**	28,322
Research and development expenses		**(11,483)**	(13,298)
Selling and distribution expenses		**(41,357)**	(62,219)
Administrative expenses		**(275,260)**	(211,295)
Listing expenses		**–**	(62,635)
Finance costs	9	**(13,391)**	(9,323)
Profit before taxation	10	**349,134**	547,900
Income tax expenses	11	**(88,638)**	(127,223)
Profit for the year		**260,496**	420,677
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**(406,191)**	84,172
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**36,972**	(18,648)
Other comprehensive (expense) income for the year		**(369,219)**	65,524
Total comprehensive (expense) income for the year		**(108,723)**	486,201
Profit for the year attributable to:			
– Owners of the Company		**251,622**	409,623
– Non-controlling interests		**8,874**	11,054
		260,496	420,677
Total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		**(117,597)**	476,887
– Non-controlling interests		**8,874**	9,314
		(108,723)	486,201
Earnings per share:	14		
– Basic (RMB)		**0.10**	0.19
– Diluted (RMB)		**0.10**	0.19

Consolidated Statement of Financial Position

As at December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,056,125**	856,691
Right-of-use assets	16	**222,421**	170,331
Goodwill	17	**889,642**	809,312
Licenses	18	**785,983**	388,130
Contractual right to provide management services	19	**1,839,369**	1,962,926
Trademarks	20	**1,255,735**	1,305,306
Interests in associates	22	**171,057**	–
Equity instrument at fair value through other comprehensive income ("FVTOCI")	23	**9,387**	10,017
Pledged bank deposits	29	**180,000**	–
Refundable deposits	25	**7,783**	4,996
Prepayments	25	**31,838**	7,343
Amounts due from related parties	26	**61,913**	–
		6,511,253	5,515,052
Current assets			
Inventories	24	**25,476**	26,083
Accounts and other receivables	25	**68,745**	46,060
Amounts due from related parties	26	**81,086**	49,653
Tax recoverable		**7,481**	8,180
Structured bank deposits	27	**1,724,567**	2,663,980
Financial assets at fair value through profit or loss ("FVTPL")	28	**63,000**	52,500
Bank balances and cash	29	**681,619**	579,637
		2,651,974	3,426,093
Current liabilities			
Accounts and other payables	30	**361,646**	319,757
Amounts due to related parties	26	**67,748**	40,729
Lease liabilities	31	**34,558**	29,244
Tax payables		**61,227**	46,465
Bank borrowing	33	**18,000**	–
Other financial liabilities	34	**11,904**	–
		555,083	436,195
Net current assets		**2,096,891**	2,989,898
Total assets less current liabilities		**8,608,144**	8,504,950

Consolidated Statement of Financial Position

As at December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	31	**209,774**	153,264
Deferred tax liabilities	32	**791,344**	709,291
Bank borrowing	33	**144,540**	–
		1,145,658	862,555
Net assets		**7,462,486**	7,642,395
Capital and reserves			
Share capital	35	**160**	160
Reserves		**7,282,860**	7,526,724
Equity attributable to owners of the Company		**7,283,020**	7,526,884
Non-controlling interests		**179,466**	115,511
Total equity		**7,462,486**	7,642,395

The consolidated financial statements on pages 91 to 209 were approved and authorised for issue by the board of directors on 28 March 2021 and are signed on its behalf by:

Zhong Yong
DIRECTOR

Dong Yang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to owners of the Company										
	Share capital	Share premium	Shares held for restricted share award scheme	Capital reserve	Translation reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (Note 38(b))	RMB'000 (Note a)	RMB'000	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	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 c)	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 (iii))	–	–	–	(2,321)	–	–	–	–	(2,321)	–	(2,321)
Dividends recognised as distribution (Note 13)	–	(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 35)	25	2,674,198	–	–	–	–	–	–	2,674,223	–	2,674,223
Shares issued upon over-allotment options exercised (Note 35)	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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held for restricted share award scheme RMB'000 (Note 38(b))	Capital reserve RMB'000 (Note a)	Translation reserve RMB'000	Statutory reserve RMB'000 (Note b)	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 31 December 2019	160	6,991,648	(2)	(83,175)	67,264	11,142	27,247	512,600	7,526,884	115,511	7,642,395
Profit for the year	–	–	–	–	–	–	–	251,622	251,622	8,874	260,496
Other comprehensive (expense) income for the year	–	–	–	–	(369,219)	–	–	–	(369,219)	–	(369,219)
Total comprehensive (expense) income for the year	–	–	–	–	(369,219)	–	–	251,622	(117,597)	8,874	(108,723)
Shares repurchased and cancelled (Note 35)	–	(43,769)	–	–	–	–	–	–	(43,769)	–	(43,769)
Shares repurchased (Note 35)	–	(16,472)	–	–	–	–	–	–	(16,472)	–	(16,472)
Recognition of equity-settled share-based payment (Note 38)	–	–	–	–	–	–	83,649	–	83,649	–	83,649
Vesting of restricted shares (Note 38)	–	18,249	–	–	–	–	(18,249)	–	–	–	–
Dividends recognised as distribution (Note 13)	–	(149,675)	–	–	–	–	–	–	(149,675)	–	(149,675)
Dividends to non-controlling shareholders (Note d)	–	–	–	–	–	–	–	–	–	(12,797)	(12,797)
Acquisition of a subsidiary (Note 36)	–	–	–	–	–	–	–	–	–	67,878	67,878
At 31 December 2020	160	6,799,981	(2)	(83,175)	(301,955)	11,142	92,647	764,222	7,283,020	179,466	7,462,486

Notes:

(a) 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 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"), the controlling shareholder of 四川錦欣生殖醫療管理有限公司(Sichuan Jinxin Fertility Medical Management Co. Ltd., "Sichuan Jinxin Fertility") before the group reorganisation ("Group Reorganisation"); (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 Company's listing on The Stock Exchange of Hong Kong Limited (the "Listing") on June 25, 2019.

(b) 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.

(c) On 2 February 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 深圳中山泌尿外科醫院(Shenzhen Zhongshan Urological Hospital, "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.

(d) During the year ended 31 December, 2020, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB180,000,000 and RMB62,243,000, respectively, to its shareholders, of which approximately RMB227,646,000, RMB1,800,000, and RMB12,797,000 were distributed to Sichuan Jinxin Fertility, Chengdu Jinrun Fude Medical Management Company Limited ("Jinrun Fude"), and the non-controlling shareholders, respectively.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		**349,134**	547,900
Adjustments for:			
Depreciation of property, plant and equipment		**76,483**	66,156
Depreciation of right-of-use assets		**36,061**	33,239
Amortisation of licenses		**17,745**	13,155
Imputed interest income from related parties		**–**	(2,321)
Exchange gain		**(42,204)**	–
Interest income from banks		**(4,274)**	(12,321)
Interest income from structured bank deposits		**(42,522)**	(31,537)
Interest income from pledged bank deposits		**(1,823)**	–
Covid-19 related rent concessions		**(4,363)**	–
Interest expenses		**13,391**	9,323
(Gains) losses on disposal of property, plant and equipment		**(53)**	2,948
Loss on disposal of a subsidiary		**–**	21
Share-based payment expense		**83,649**	27,247
Gains on fair value change of financial assets at FVTPL		**(2,325)**	(1,789)
Gains on fair value change of interests in associates at FVTPL		**(18,206)**	–
Gains on early termination of leases		**(5,815)**	–
Loss on fair value change of other financial liabilities at FVTPL		**11,904**	–
Operating cash flows before movements in working capital		**466,782**	652,021
Decrease (increase) in inventories		**1,807**	(11,152)
Increase in accounts and other receivables		**(26,903)**	(21,733)
Increase in amounts due from related parties		**(32,757)**	(30,680)
Decrease in accounts and other payables		**(31,560)**	(27,876)
(Decrease) increase in amounts due to related parties		**(18,110)**	17,760
Cash generated from operations		**359,259**	578,340
Income tax paid		**(51,220)**	(125,772)
Net cash generated from operating activities		**308,039**	452,568
Investing activities			
Interest received from banks		**4,274**	12,321
Interest received from structured bank deposits		**42,522**	–
Interest received from pledged bank deposits		**1,823**	–
Advance to a shareholder of an associate		**26,100**	–
Purchase of other tangible assets		**–**	(216,814)
Purchase of intangible assets		**(57,217)**	–
Purchase of property, plant and equipment		**(209,640)**	(53,126)
Prepayments for purchase of property, plant and equipment		**(56,509)**	(7,343)
Purchase of financial assets at FVTPL		**(749,175)**	(477,000)
Proceeds from disposal of financial assets at FVTPL		**741,000**	491,299
Proceeds from disposal of property, plant and equipment		**164**	141
Net cash outflow on disposal of subsidiaries	37	**–**	(16,340)
Net cash outflow on acquisition of a subsidiary	36	**(287,470)**	–
Repayment from related parties		**25,630**	195,018
Advance to related parties		**(92,185)**	(46,561)
Placement of structured bank deposits		**(12,814,522)**	(19,278,333)
Withdrawal of structured bank deposits		**13,581,398**	16,690,775
Placement of pledged bank deposits		**(180,000)**	–
Acquisition of interests in associates		**(107,177)**	–
Net cash used in investing activities		**(130,984)**	(2,705,963)

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 RMB'000	2019 RMB'000
Financing activities		
New bank loans raised	**162,540**	–
Interest paid	**(2,243)**	–
Proceeds from issue of shares	**–**	3,076,780
Payment on repurchase of shares	**(60,241)**	–
Share issue costs paid	**–**	(142,599)
Advance from shareholders	**–**	5,288
Repayment to shareholders	**–**	(903,207)
Advance from other related parties	**61,632**	30,085
Repayment to other related parties	**(16,503)**	(43,182)
Dividends paid	**(149,675)**	(327,688)
Repayment of lease liabilities	**(27,147)**	(26,763)
Interest paid for lease liabilities	**(11,148)**	(9,323)
Temporary receipts received on behalf of a not-for-profit organization	**–**	1,604
Temporary receipts paid to a not-for-profit organization	**–**	(13,846)
Dividends paid to non-controlling interests	**(12,797)**	–
Net cash (used in) from financing activities	**(55,582)**	1,647,149
Net increase (decrease) in cash and cash equivalents	**121,473**	(606,246)
Cash and cash equivalents at beginning of the year	**579,637**	1,184,190
Effect of foreign exchange rate changes	**(19,491)**	1,693
Cash and cash equivalents at end of the year	**681,619**	579,637

1. GENERAL INFORMATION

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 3 May 2018 and the shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 June 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 1 January 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 1 January 2019.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19 Related Rent Concessions".

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year 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.

2.1 Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

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

2.2 Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

2.3 Impact on early application of Amendment to IFRS 16 Covid-19 Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19 related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from one to eight months waiver of lease payments on several leases in the PRC and U.S.A. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB4,363,000, which has been recognised in profit or loss for the current year.

2. 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 and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to IFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021[5]
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[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

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

4 Effective for annual periods beginning on or after 1 January 2021

5 Effective for annual periods beginning on or after 1 April 2021

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.

2. 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 IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the Conceptual Framework for Financial Reporting issued by IASB in March 2018 (the "Conceptual Framework") instead of the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010);
- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group had adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 *Basis of preparation of consolidated financial statements* *(Continued)*

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, 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.

3.2 *Significant accounting policies*

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Basis of consolidation (Continued)

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.

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.

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 interests in subsidiaries

Changes in the Group's interests in 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 interest in subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and 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;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries *(Continued)*

(ii) the carrying amount of the assets (including goodwill and liabilities of the subsidiary attribute) 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 Financial Instruments ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities 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 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.

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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting* issued in September 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Business combinations or asset acquisitions (Continued)

Business combinations *(Continued)*

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 (see the accounting policy below);
- 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Merger accounting for business combination involving business under common control

The consolidated financial statements 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.

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.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when financial interests in the associate that do not qualify as part of the Group's investment for applying the equity method should be accounted for in accordance with IFRS 9. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *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 in time when the customer obtains control of the distinct good or service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Revenue from contracts with customers (Continued)

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. 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;
- Ambulatory surgery centre facilities services; and
- Ancillary medical services.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Revenue from contracts with customers (Continued)

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.

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 the expected value method.

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.

Ambulatory surgery centre facilities services

Revenue from the ambulatory surgery centre facilities services is recognised at a point in time when the related services have been rendered. 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Revenue from contracts with customers (Continued)

Ancillary medical services *(Continued)*

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Leases

Definition of a lease

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 on or after the date of initial application or arising from business combinations, 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.

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.

The Group as a lessee

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

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 other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Leases (Continued)

The Group as a lessee *(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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

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, residual value 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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Intangible assets (Continued)

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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination (including licenses, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *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 testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *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 unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

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.

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 *Revenue from Contracts with Customers* ("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 financial assets at fair value through profit or loss ("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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

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 equity instrument at fair value through other comprehensive income ("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.

All other financial assets are subsequently measured at FVTPL, except that at 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

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

(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) 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.

(iii) 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 is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including bank balances, pledged bank deposits, structured bank deposits, refundable deposits, accounts and other receivables and amounts due from related parties) which are subject to impairment assessment 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. Assessments 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 there has been a significant increase in credit risk since initial recognition, in which case 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *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; or

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

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *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 and 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

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 equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI 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, amounts due to related parties and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

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.

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 on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income 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. Such grants are presented under "other income".

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 and annual leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Share-based payments

Equity-settled share-based payment transactions

Share Option Scheme and Restricted Share Award Scheme 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.

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 equity-settled 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 taxation 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

Taxation (Continued)

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.

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 as a whole. Temporary differences relating right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 or 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 *Significant accounting policies* *(Continued)*

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).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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-ongoing 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.

Contractual arrangements

According to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018) ("Negative List"), medical institutions fall within the "restricted" investment category, and therefore may not be held 100% by foreign investments, and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. In view of the foreign ownership restriction, the provision of private specialized medical services is subject to foreign investment restriction in accordance with the Negative List.

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

Critical judgement in applying accounting policies *(Continued)*

Contractual arrangements (Continued)

Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital (collectively referred to as "VIE Entities") were established under the laws of the PRC. The Group does not directly own 100% equity interest in the VIE Entities. Chengdu Xinan Hospital is currently held by Sichuan Jinxin Fertility as to 90% and Chengdu Jinrun Fude Medical Management Company Limited ("Jinrun Fude") as to 10%. Shenzhen Zhongshan Hospital is currently held by Sichuan Jinxin Fertility as to 70%, Mr. Zeng Yong as to 5.46%, Jinrun Fude as to 3.98% and other shareholders for the remaining.

Through the shareholdings and the contractual arrangements as mentioned, Sichuan Jinxin Fertility has acquired (i) effective control over the financial and operational policies of Chengdu Xinan Hospital and has become entitled to all the economic benefits from its operations; and (ii) effective control over the financial and operational policies of Shenzhen Zhongshan Hospital and has become entitled to 79.44% of the economic benefits from its operations. The Directors believe that the contractual arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC.

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 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 5.

4. 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 31 December 2020, the carrying amount of the trademarks are RMB1,255,735,000 (31 December 2019: RMB1,305,306,000), with details set out in Note 20.

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 extension of the service contracts upon their maturity automatically for one additional year on each anniversary date 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 31 December 2020, the carrying amount of the contractual right to provide management services is RMB1,839,369,000 (31 December 2019: RMB1,962,926,000), with details set out in Note 19.

Useful life of license

The Group determines the useful life of the license for Jinrui Medical Center to be indefinite considering the nature of the renewal process and additional economic sacrifices, if any, required when renewing the license.

The Directors determine the useful life of the license for human assisted reproduction services in Jinrui Medical Center to be indefinite. The Directors determine the useful life of the license to be indefinite based on an analysis of the period of control over the use of the license (including the extension of the license upon its maturity automatically for one additional year on each anniversary date unless terminated). Based on this analysis, the Directors consider the useful life of such license 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 31 December 2020, the carrying amount of the license is RMB40,166,000 (31 December 2019: nil), with details set out in Note 18.

4. 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

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.

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.

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

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

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 CGUs), taking into account key assumptions including annual growth rate of revenue, gross margin rate, pre-tax discount rate and long-term growth rate based on management's view of future business prospects 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 flows, a material impairment loss may arise. As at 31 December 2020, the carrying amount of goodwill is RMB889,642,000 (31 December 2019: RMB809,312,000) and that of intangible assets comprising (i) contractual right to provide management services is RMB1,839,369,000 (31 December 2019: RMB1,962,926,000), (ii) trademarks of RMB1,255,735,000 (31 December 2019: RMB1,305,306,000) and (iii) license of RMB785,983,000 (31 December 2019: 388,130,000). Details are set out in Note 21.

Useful lives, amortisation and depreciation of property, plant and equipment and licenses

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and licenses. 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 licenses 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 31 December 2020, the carrying amount of property, plant and equipment is RMB1,056,125,000 (31 December 2019: RMB856,691,000), net of accumulated depreciation of RMB188,421,000 (31 December 2019: RMB115,022,000). Details are set out in Note 15.

As at 31 December 2020, the carrying amount of licenses with finite lives was RMB745,817,000 (31 December 2019: RMB388,130,000), net of accumulated amortisation of RMB56,115,000 (31 December 2019: RMB38,370,000). Details are set out in Note 18.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for assisted reproductive services, management services, ambulatory surgery centre facilities services and ancillary medical services, net of discounts.

During the year ended 31 December 2020, the Group's revenue is contributed from its operations in Chengdu, Shenzhen, Wuhan and the U.S.A. (2019: Chengdu, Shenzhen and the U.S.A.).

Information reported to the chief executive officer ("CEO"), being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The information reported to CODM is categorised into various countries, each of which is considered as a separate operating segment by the CODM.

The Group's operating and reportable segments under IFRS 8 *Operating Segments* are operations located in the PRC and the U.S.A. during the years ended 31 December 2020 and 2019. The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2020:

	PRC RMB'000	U.S.A. RMB'000	Consolidated RMB'000
Revenue			
Segment revenue from external customers	1,046,381	379,707	1,426,088
Segment profit	344,360	32,923	377,283
Unallocated administrative expenses			(121,777)
Gains on fair value change of interests in associates at FVTPL			18,206
Loss on fair value change of other financial liabilities at FVTPL			(11,904)
Exchange gain, net			42,204
Certain interest income from banks			777
Interest income from structured bank deposits			42,522
Interest income from pledged bank deposits			1,823
Profit before taxation			349,134

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit before taxation for each respective segment excluding unallocated administrative expenses (including the corporate expenses), gains on fair value change of interests in associates at FVTPL, loss on fair value change of other financial liabilities at FVTPL, certain net exchange gain or loss, interest income resulted from the corporate bank balances (including pledged bank deposits and structured bank deposits), and listing expenses.

5. 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:

	2020 RMB'000	2019 RMB'000
Segment assets		
PRC	2,848,113	2,130,085
U.S.A.	3,848,161	3,948,625
Total segment assets	6,696,274	6,078,710
Equity instrument at FVTOCI	9,387	10,017
Corporate structured bank deposits	1,714,567	2,643,980
Corporate bank balances and cash	272,098	176,061
Pledged bank deposits	180,000	–
Interests in associates	171,057	–
Unallocated (other assets)	119,844	32,377
Total	9,163,227	8,941,145

	2020 RMB'000	2019 RMB'000
Segment liabilities		
PRC	887,299	574,757
U.S.A.	724,506	695,973
Total segment liabilities	1,611,805	1,270,730
Unallocated (corporate liabilities)	88,936	28,020
Total	1,700,741	1,298,750

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 structured bank deposits, corporate bank balances and cash, pledged bank deposits, interests in associates and other unallocated corporate assets; and
- All liabilities are allocated to operating segments, other than other unallocated corporate liabilities.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities (Continued)

For the year ended 31 December 2020

	PRC RMB'000	U.S.A. RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (Note)	139,196	284,834	54,658	478,688
Addition to non-current assets through acquisition of a subsidiary (Note 36)	520,775	–	–	520,775
Depreciation and amortisation	91,697	34,937	3,655	130,289
Gain on disposal of property, plant and equipment	53	–	–	53

Note: Non-current assets excluded financial instruments, amounts due from related parties and addition to non-current assets through acquisition of a subsidiary.

For the year ended 31 December 2019

	PRC RMB'000	U.S.A. RMB'000	Unallocated 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 financial instruments.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Disaggregation of revenue from contracts with customers

	NOTES	2020 RMB'000	2019 RMB'000
Types of services			
Assisted reproductive services – PRC			
A point in time recognition	(i)	589,013	573,272
Over time recognition	(i)	389,834	358,606
		978,847	931,878
Management services – Over time recognition			
– U.S.A.	(ii), (iii)	342,399	544,386
– PRC	(i)	32,691	104,103
		375,090	648,489
Ambulatory surgery centre facilities services – U.S.A.			
– A point in time recognition	(ii)	25,804	30,867
Ancillary medical services			
A point in time recognition			
– U.S.A.	(ii)	11,504	4,618
– PRC	(i)	21,245	18,082
		32,749	22,700
Ancillary medical services – PRC			
Over time recognition	(i)	13,598	14,562
		46,347	37,262
Total		1,426,088	1,648,496

Notes:

(i) Revenue generated in the PRC which amounted RMB1,046,381,000 (31 December 2019: RMB1,068,625,000).

(ii) Revenue generated in the U.S.A. which amounted to RMB379,707,000 (31 December 2019: RMB579,871,000).

(iii) Management services fee under the MSA for the year ended 31 December 2020 amounted to RMB385,628,000 (31 December 2019: RMB610,562,000), net of cost reimbursed of RMB43,229,000 (31 December 2019: RMB66,176,000) as purchasing agent for pharmaceuticals procurement pursuant to HRC medical's medication supply program.

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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Geographical information

At 31 December 2020, the non-current assets located in the PRC, the U.S.A., Hong Kong and Lao People's Democratic Republic ("Laos") amounted to RMB2,384,273,000, RMB3,802,237,000, RMB11,594,000 and RMB54,066,000, respectively (31 December 2019: RMB1,716,576,000, RMB3,768,363,000, RMB15,100,000 and nil, respectively). Non-current assets as at 31 December 2020 and 2019 excluded equity instrument at FVTOCI, pledged bank deposits, refundable deposits, 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:

	2020 RMB'000	2019 RMB'000
HRC medical	356,668	552,981

6. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Imputed interest income from related parties	–	2,321
Interest income from banks	4,274	12,321
Interest income from structured bank deposits	42,522	31,537
Interest income from pledged bank deposits	1,823	–
Government grants (Note)	7,778	3,506
Consulting service income	8,259	9,171
Sponsorship income	604	1,258
Others	8,853	3,267
	74,113	63,381

Note: The government grants mainly represented the grant on cost incurred for research and development projects of Shenzhen Zhongshan Hospital and the grant as an incentive for the Company's listing on the Stock Exchange with no unfulfilled conditions.

7. OTHER EXPENSES

	2020 RMB'000	2019 RMB'000
Late fees relating to unpaid PRC Enterprise Income Tax ("EIT") and value-added tax (Note)	–	1,778
Donations	6,000	–
Others	377	50
	6,377	1,828

Note: Amount for the year ended 31 December 2019 primarily represents late fees relating to unpaid PRC EIT and value-added tax arising from the revenue generated from the provision of management services.

8. OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Loss on disposal of a subsidiary	–	(21)
Gains (losses) on disposal of property, plant and equipment	53	(2,948)
Exchange gain, net	42,204	29,980
Gains on fair value change of financial assets at FVTPL	2,325	1,789
Gains on fair value change of interests in associates at FVTPL	18,206	–
Loss on fair value change of other financial liabilities at FVTPL	(11,904)	–
Gains on early termination of leases	5,815	–
Others	409	(478)
	57,108	28,322

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank borrowing	2,243	–
Interest on lease liabilities	11,148	9,323
	13,391	9,323

10. PROFIT BEFORE TAXATION

	2020 RMB'000	2019 RMB'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	3,255	3,150
Directors' remuneration (Note 12)	8,405	5,436
Other staff costs		
– salaries, allowances and other benefits	348,927	355,557
– retirement benefit schemes contributions for other staff	14,972	22,919
– share-based compensation benefits	83,649	27,247
Total staff costs	455,953	411,159
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	334,969	379,309
Research and development expenses	11,483	13,298
Amortisation of licenses (included in administrative expenses)	17,745	13,155
Depreciation of property, plant and equipment	76,483	66,156
Depreciation of right-of-use assets	36,061	33,239

11. INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC EIT	66,681	58,349
U.S.A. Federal Income Tax	–	27,769
U.S.A. State Income Tax	–	12,762
	66,681	98,880
Deferred tax:		
Current year (Note 32)	21,957	28,343
	88,638	127,223

The Company is tax exempted under the laws of the Cayman Islands and its subsidiaries incorporated in the 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.

11. 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 1 January 2008.

Certain subsidiaries of the Company 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 years ended 31 December 2020 and 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 RMB533,777,000 as at 31 December 2020 (31 December 2019: RMB437,222,000), 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:

	2020	2019
	RMB'000	RMB'000
Profit before taxation	**349,134**	547,900
Tax at PRC EIT rate of 25%	**87,284**	136,975
Tax effect of expenses not deductible for tax purposes	**44,094**	31,348
Tax effect of income not taxable for tax purpose	**(12,155)**	(15,990)
Effect of tax exemption and concessions granted to a PRC subsidiary	**(30,585)**	(30,151)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	4,343
Others	**–**	698
Income tax expenses	**88,638**	127,223

At the end of the reporting period, the Group has no material unused tax losses that is not recognised.

12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS

(a) Directors and the chief executive

Details of the executives and non-executive directors appointed during the years ended 31 December 2020 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	25 December 2018
Mr. Zhong Yong (鍾勇)	Vice chairman and executive director	29 June 2020
Mr. Zhong Ying (鍾影) (Note)	Executive director and chief executive officer	17 August 2018
Ms. Yan Xiaoqing (嚴曉晴)	Executive director	3 May 2018 (resigned on 29 June 2020)
Mr. John G. Wilcox	Executive director	25 December 2018
Mr. Dong Yang (董陽) (Note)	Executive director and co-chief executive officer	3 May 2018
Mr. Fang Min (方敏)	Non-executive director	25 December 2018
Ms. Hu Zhe (胡喆)	Non-executive director	25 December 2018
Mr. Ye Changqing (葉長青)	Independent non-executive director	3 June 2019
Mr. Wang Xiaobo (王嘯波)	Independent non-executive director	3 June 2019
Dr. Chong Yat Keung (莊一強)	Independent non-executive director	3 June 2019
Mr. Lim Haw Kuang (林浩光)	Independent non-executive director	3 June 2019

Note: Mr. Zhong Ying has been appointed as the executive director on 29 June 2020. And Mr. Dong Yang has been re-designated from a non-executive director to an executive director and appointed as the co-chief executive officer on 29 June 2020.

12. 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:

	Fees RMB'000	Salaries and allowances RMB'000	Performance-related incentive payments* RMB'000	Retirement benefit schemes contributions RMB'000	Total RMB'000
For the year ended 31 December 2020					
Chairman and non-executive director:					
Mr. Wang Bin (王彬)	800	–	–	–	800
Vice chairman and executive director:					
Mr. Zhong Yong (鍾勇) (Note)	–	1,482	–	16	1,498
Executive directors:					
Mr. Zhong Ying (鍾影)	800	2,489	400	–	3,689
Ms. Yan Xiaoqing (嚴曉晴)	300	300	–	–	600
Mr. John G. Wilcox	–	–	–	–	–
Mr. Dong Yang (董陽)	–	450	300	–	750
Non-executive directors:					
Mr. Fang Min (方敏)	–	–	–	–	–
Ms. Hu Zhe (胡喆)	–	–	–	–	–
Independent non-executive directors:					
Mr. Ye Changqing (葉長青)	267	–	–	–	267
Mr. Wang Xiaobo (王嘯波)	267	–	–	–	267
Dr. Chong Yat Keung (莊一強)	267	–	–	–	267
Mr. Lim Haw Kuang (林浩光)	267	–	–	–	267
	2,968	4,721	700	16	8,405

Note: The amount included RMB749,000 related to his service emolument before he was appointed as the executive director on 29 June 2020.

12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) *Directors and the chief executive (Continued)*

	Fees RMB'000	Salaries and allowances RMB'000	Performance-related incentive payments* RMB'000	Retirement benefit schemes contributions RMB'000	Total RMB'000
For the year ended 31 December 2019					
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
Mr. 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

* 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 and its subsidiaries, if applicable. The independent non-executive directors' emoluments shown above were for their services as Directors.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

12. 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 years ended 31 December 2020 and 2019. Details of the remuneration for the year of the remaining four who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and allowances	6,673	6,096
Performance-related incentive payments	154	3,042
Retirement benefit schemes contributions	20	53
Share-based compensation benefits	34,063	20,498
	40,910	29,689

The number of the highest paid employees (including a director) whose remuneration fell within the following bands is as follows:

	2020	2019
Hong Kong dollars ("HK$") 2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$3,500,000	–	1
HK$3,500,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$4,500,000	1	–
HK$11,000,001 to HK$11,500,000	1	–
HK$13,000,001 to HK$13,500,000	–	1
HK$13,500,001 to HK$14,000,000	–	1
HK$29,500,001 to HK$30,000,000	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.

13. DIVIDENDS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 final – HK$6.8 cents (2019: 2018 final dividend RMB0.15) per share (Note)	149,675	303,961

Note: On 27 May 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.

A final dividend in respect of the year ended 31 December 2019 of HK$6.8 cents (equivalent to RMB0.06) per ordinary share, in an aggregate amount of RMB149,675,000, has been proposed by the Directors and approved by the shareholders in the annual general meeting held on 29 June 2020.

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of the reporting period.

14. 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:

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	251,622	409,623

14. EARNINGS PER SHARE *(Continued)*

	2020 '000	2019 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,400,385**	2,199,011
Effect of dilutive potential ordinary shares:		
Restricted Shares Units ("RSUs") issued by the Company	**15,371**	7,176
Over-allotment option issued by the Company	**–**	152
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,415,756**	2,206,339

For the year ended 31 December 2020, 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 ordinary shares held by the nominee under the Restricted Share Award Scheme by the RSU Scheme's Nominee as described in Note 38 and the effect of the 6,800,000 ordinary shares repurchased by the Company as described in Note 35.

For the year ended 31 December 2020, the restricted shares (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 (2019: the restricted shares and the over-allotment option granted by the Company).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings 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 1 January 2019	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 31 December 2019	773,228	57,712	111,895	27,192	593	1,093	971,713
Additions	11,046	77,811	27,674	22,388	1,072	138,393	278,384
Disposals	–	–	(860)	(510)	(76)	–	(1,446)
Reclassification	–	1,467	837	–	–	(2,304)	–
Acquisition of a subsidiary (Note 36)	–	1,474	2,676	1,330	37	–	5,517
Exchange realignment	–	(5,413)	(1,651)	(1,146)	–	(1,412)	(9,622)
At 31 December 2020	784,274	133,051	140,571	49,254	1,626	135,770	1,244,546
DEPRECIATION							
At 1 January 2019	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 31 December 2019	36,875	16,369	51,510	9,735	533	–	115,022
Provided for the year	39,880	7,936	21,764	6,783	120	–	76,483
Eliminated on disposals	–	–	(785)	(478)	(72)	–	(1,335)
Exchange realignment	–	(829)	(653)	(267)	–	–	(1,749)
At 31 December 2020	76,755	23,476	71,836	15,773	581	–	188,421
CARRYING VALUES							
At 31 December 2019	736,353	41,343	60,385	17,457	60	1,093	856,691
At 31 December 2020	707,519	109,575	68,735	33,481	1,045	135,770	1,056,125

15. 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:

Buildings	5%
Leasehold improvements	10% to 20% or lease term, whichever is shorter
Medical equipment	20%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

16. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Equipment RMB'000	Total RMB'000
As at 1 January 2020			
Carrying amount	164,834	5,497	170,331
As at 31 December 2020			
Carrying amount	219,907	2,514	222,421
For the year ended 31 December 2020			
Depreciation charge	33,090	2,971	36,061
For the year ended 31 December 2019			
Depreciation charge	29,746	3,493	33,239

	31/12/2020 RMB'000	31/12/2019 RMB'000
Expense relating to short-term leases	480	5,295
Expense relating to lease of low-value assets, excluding short-term leases of low-value assets	–	339
Total cash outflow for leases	38,775	41,720
Additions to right-of-use assets	143,087	20,824
Additions to right-of-use assets through acquisition of a subsidiary (Note 36)	20,961	–

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.

16. RIGHT-OF-USE ASSETS *(Continued)*

The Group regularly entered into short-term leases for property as at December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the year ended 31 December 2020, the Group early terminated one lease in U.S.A. which right-of-use assets of approximately RMB66,126,000 has been de-recognised.

Rent concessions

During the year ended 31 December 2020, lessors of properties provided rent concessions to the Group through rent reductions ranging from 50% to 100% over one to eight months.

The rent concessions in PRC and U.S.A. occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the year ended 31 December 2020, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB4,363,000 were recognised as negative variable lease payments.

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 31/12/2020 RMB'000	**Potential future lease payments not included in lease liabilities (undiscounted) 31/12/2020 RMB'000**	Lease liabilities recognised as at 31/12/2019 RMB'000	Potential future lease payments not included in lease liabilities (undiscounted) 31/12/2019 RMB'000
Clinics – U.S.A.	**93,841**	**124,060**	88,397	130,542
Office – U.S.A.	**6,970**	**16,354**	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 years ended 31 December 2020 and 2019, there is no such triggering event.

16. RIGHT-OF-USE ASSETS *(Continued)*

Leases committed

As at 31 December 2020, the Group entered into a new lease for an office in the PRC that is not yet commenced, with non-cancellable period of 12 years with extension options, the total future undiscounted cash flows under which amounted to approximately RMB6,798,000 over the non-cancellable period.

As at 31 December 2020, 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 with extension options, the total future undiscounted cash flows under which amounted to approximately US$4,998,000 (equivalent to approximately RMB32,612,000) over the non-cancellable period.

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 became effective during the year ended 31 December 2020 and the Group recognized the relevant right-of-use assets of RMB71,694,000 as at 31 December 2020.

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.

17. GOODWILL

	RMB'000
COST	
At 1 January 2019	802,051
Exchange realignment	7,261
At 31 December 2019	809,312
Arising on acquisition of a subsidiary (Note 36)	118,865
Exchange realignment	(38,535)
At 31 December 2020	**889,642**

Particulars regarding impairment testing on goodwill are disclosed in Note 21.

18. LICENSES

	RMB'000
COST	
At 1 January 2019 and 31 December 2019 (Note a)	426,500
Addition (Note b)	40,166
Arising on acquisition of a subsidiary (Note 36 and Note c)	375,432
At 31 December 2020	**842,098**
AMORTISATION	
At 1 January 2019	25,215
Provided for the year	13,155
At 31 December 2019	38,370
Provided for the year	17,745
At 31 December 2020	**56,115**
CARRYING VALUES	
At 31 December 2019	388,130
At 31 December 2020	**785,983**

At 31 December 2020, the carrying amount of RMB785,983,000 (2019: RMB388,130,000) of licenses mainly comprises of licenses in Shenzhen, Laos and Wuhan (2019: Shenzhen).

Notes:

a. License with finite useful life in Shenzhen

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 31 January 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.

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 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.

18. LICENSES *(Continued)*

Notes: *(Continued)*

b. License with indefinite useful life in Laos

The Group entered into an agreement for the acquisition of a medical practice license from a third party, Rhea International Medical Center in Laos with a consideration of RMB40,166,000 on 29 February 2020. The license has a legal life of one year but is renewable every year at minimal cost. The Directors are of the opinion that the Group would renew the license continuously and has the ability to do so. The license 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 lives are determined to be finite. Instead it is tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding impairment testing of the license acquired are disclosed in Note 21.

c. License with finite useful life in Wuhan

The acquisition-date fair value of the medical practice license was recognised upon the acquisition of Wuhan Jinxin Integrated Gynaecology and Obstetrics Hospital Co,. Ltd ("Wuhan Jinxin Hospital") on 14 July 2020. 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 Wuhan Jinxin Hospital for a period of 39.5 years, being the estimated useful life of the medical practice license and the certificate for human assisted reproduction. 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 Wuhan Jinxin Hospital to maintain certification, the Directors 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 9.5 years at date of acquisition and is renewable every 15 years, and hence an estimated useful life of 39.5 years at its acquisition in July 2020.

19. CONTRACTUAL RIGHT TO PROVIDE MANAGEMENT SERVICES

	RMB'000
COST	
At 1 January 2019	1,939,049
Exchange realignment	23,877
At 31 December 2019	1,962,926
Exchange realignment	(123,557)
At 31 December 2020	**1,839,369**

Contractual right to provide management services was acquired through the HRC Management Acquisition on 24 December 2018.

Contractual right to provide management services represents the MSA with HRC Medical for a period of 20 years which will automatically be extended for one additional year on each anniversary date unless terminated.

On 22 January 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 1 January 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 21.

20. TRADEMARKS

	RMB'000
COST	
At 1 January 2019	1,292,432
Exchange realignment	12,874
At 31 December 2019 (Note a)	1,305,306
Addition (Note b)	17,051
Exchange realignment	(66,622)
At 31 December 2020	**1,255,735**

Notes:

a. The Group's trademarks as at 31 December 2019 were acquired through the acquisition of Shenzhen Zhongshan Group and HRC Management on 31 January 2017 and 24 December 2018, respectively. Trademarks 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 21.

b. During the year ended 31 December 2020, the Group acquired trademarks from an asset acquisition in the U.S.A. The trademark has legal life of 10 years and is renewable for every 10 years at minimal cost. The Group would renew the trademark continuously and has the ability to do so. The trademark is considered 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 are determined to be finite. Instead it is tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding impairment testing of the trademark is disclosed in Note 21.

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill, contractual right to provide management services, trademarks and licenses acquired set out in Notes 17, 18, 19 and 20, have been allocated to four (2019: two) individual CGUs. The carrying amounts of goodwill, contractual right to provide management services, trademarks and licenses as at 31 December 2020 and 2019 allocated to these CGUs are as follows:

	Goodwill as at 31 December		Contractual right to provide management services as at 31 December		Trademarks as at 31 December		Licenses as at 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Zhongshan Group	197,123	197,123	–	–	246,900	246,900	374,974	388,130
HRC Management Group	573,654	612,189	1,839,369	1,962,926	1,008,835	1,058,406	–	–
Wuhan Jinxin Hospital	118,865	–	–	–	–	–	370,843	–
Jinrui Medical Center	–	–	–	–	–	–	40,166	–
	889,642	809,312	1,839,369	1,962,926	1,255,735	1,305,306	785,983	388,130

The impairment assessment is based on a valuation by an independent professional valuer engaged by the Group.

In addition to goodwill, contractual right to provide management services, trademarks, and licenses above, property, plant and equipment and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill, contractual right to provide management services, trademarks, and licenses are also included in the respective CGU for the purpose of impairment assessment.

The basis of the recoverable amount of the above CGUs and its major underlying assumptions are summarised below. The recoverable amounts of these units and asset have been determined based on a value in use calculation.

The calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, a pre-tax discount rate of 18.7%, and declining growth rates of 18% to 8% for Shenzhen Zhongshan Group at 31 December 2020 (2019: a five-year period, a pre-tax discount rate of 20.0%, and declining growth rates of 15% to 7.4%). The remaining forecast cash flows beyond that five-year period are extrapolated for a two-year period using declining growth rates from 8% to 4.5% for Shenzhen Zhongshan Group at 31 December 2020 (2019: a two-year period using declining growth rates from 7.4% to 7%), and then a steady 3% growth rate for the units thereafter (2019: 3%).

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS *(Continued)*

The calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, a pre-tax discount rate of 18.1%, and declining growth rates of 37.9% to 20% to for HRC Management Group at 31 December 2020 (2019: a five-year period, a pre-tax discount rate of 15.3%, and declining growth rates of 10% to 9.4%). The remaining forecast cash flows beyond that five-year period are extrapolated for a three-year period from 20% to 10% for HRC Management Group at 31 December 2020 (2019: a three-year period using declining growth rates from 9.4% to 8.5%), and then a steady 3% growth rate for the units thereafter (2019: 3%).

The calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, a pre-tax discount rate of 18.7%, and declining growth rates of 119.5% to 15% for Wuhan Jinxin Hospital at 31 December 2020 (2019: N/A). The remaining forecast cash flows beyond that five-year period are extrapolated for a three-year period using declining growth rates from 15% to 3% for Wuhan Jinxin Hospital at 31 December 2020 (2019: N/A), and then a steady 3% growth rate for the units thereafter (2019: N/A).

The calculation uses cash flow projections based on financial forecasts approved by management covering a ten-year period, a pre-tax discount rate of 34.7%, and declining growth rates of 147.3% to 12.4% for Jinrui Medical Center at 31 December 2020 (2019: N/A), and then a steady 4.9% growth rate for the units thereafter(2019: N/A).

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.

As at 31 December 2020, the Directors determined that there is no impairment of these CGUs containing goodwill, contractual right to provide management services, trademarks and licenses (2019: Nil).

The recoverable amount of the CGU of Shenzhen Zhongshan Group, HRC management Group, Wuhan Jinxin Hospital, and Jinrui Medical Center exceeds its carrying amount by RMB220,142,000, RMB710,474,000, RMB54,444,000, and RMB800,000 as at 31 December 2020 (2019: RMB172,914,000, RMB1,295,705,000, N/A and N/A).

The table below sets forth (i) each key assumption that is used in goodwill, trademarks, contractual right to provide management services and licenses impairment testing at 31 December 2020 and 2019; 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, HRC Management Group and Wuhan Jinxin Hospital, and Jinrui Medical Center:

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS *(Continued)*

Shenzhen Zhongshan Group

At 31 December 2020

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	18% to 4.5%	Decrease by 1%	170,768
		Decrease by 2%	123,702
Gross margin rate	39.8%	Decrease by 1%	185,510
		Decrease by 2%	150,878
Pre-tax discount rate	18.7%	Increase by 0.5%	187,483
		Increase by 1%	156,960
Long-term growth rate	3%	Decrease by 0.5%	194,804
		Decrease by 1%	171,577

At 31 December 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

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS *(Continued)*

HRC Management Group

At 31 December 2020

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	37.9% to 10%	Decrease by 1%	495,981
		Decrease by 2%	292,694
Gross margin rate	37.2% to 53.4%	Decrease by 1%	420,300
		Decrease by 2%	130,129
Pre-tax discount rate	18.1%	Increase by 0.5%	532,083
		Increase by 1%	367,270
Long-term growth rate	3%	Decrease by 0.5%	585,649
		Decrease by 1%	472,174

At 31 December 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

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS *(Continued)*

Wuhan Jinxin Hospital

At 31 December 2020

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	119.5% to 3%	Decrease by 1%	23,937
		Decrease by 2%	(5,195)
Gross margin rate	6.3% to 42.3%	Decrease by 1%	34,392
		Decrease by 2%	14,339
Pre-tax discount rate	18.7%	Increase by 0.5%	29,057
		Increase by 1%	(16,517)
Long-term growth rate	3%	Decrease by 0.5%	38,195
		Decrease by 1%	23,300

Jinrui Medical Center

At 31 December 2020

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	147.3% to 12.4%	Decrease by 1%	(3,827)
		Decrease by 2%	(8,250)
Gross margin rate	-6.1% to 69.6%	Decrease by 1%	443
		Decrease by 2%	86
Pre-tax discount rate	34.7%	Increase by 0.5%	(1,271)
		Increase by 1%	(3,246)
Long-term growth rate	4.9%	Decrease by 0.5%	297
		Decrease by 1%	(188)

22. INTERESTS IN ASSOCIATES

	2020 RMB'000
Cost of interests in associates accounted for in accordance with IFRS 9	152,851
Gains on fair value change of interests in associates at FVTPL	18,206
	171,057
Cost of interest in associate applying the equity method	–

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 2020	Proportion of voting rights held by the Group 2020	Principal activity
Mengmei Life Pty. Limited ("Mengmei")	Cayman Islands	U.S.A.	28%	28% (Note 1)	Assisted reproduction agency
KangSeed Technology Limited ("KangSeed")	Cayman Islands	China	16.39%	16.39% (Note 2)	Assisted reproduction services
Jinxin International Medical Service Company Limited	Cayman Islands	U.S.A.	49%	49%	Assisted reproduction agency

Notes:

1) On 21 July 2020, the Group acquired 35,000,000 preferred shares with a substantive redemption feature of Mengmei at a consideration of USD13,366,000 (equivalent to RMB87,210,000). The Group fully paid the consideration during the year. The Group is able to exercise significant influence over Mengmei because it has the power to appoint two out of four directors of Mengmei under its articles of association. The preferred shares with a substantive redemption feature held by the Group are not accounted for as part of the Group's investment for applying the equity method because the ordinary shares of Mengmi do not have an equivalent feature of preferred shares. Financial interests in Mengmei that do not qualify as part of the Group's investment for applying the equity method should be accounted for in accordance with IFRS 9. Therefore, the interest in Mengmei is measured at FVTPL. The fair value of the Group's interest in Mengmei as at 31 December 2020 was USD13,572,000 (equivalent to RMB89,731,000) (2019: Nil) of which the fair value hierarchy is classified as Level 3.

22. INTERESTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

2) On 23 September 2020, the Group acquired 5,564,997 preferred shares with a capital injection feature of KangSeed at a consideration of USD10,060,000 (equivalent to RMB65,641,000). The Group paid USD3,060,000 (equivalent to RMB19,575,000) during the year. As at 31 December 2020, the Group has amount due to KangSeed of USD7,000,000 (equivalent to RMB46,066,000). The Group is able to exercise significant influence over KangSeed because it has the power to appoint one out of seven directors of KangSeed under its articles of association. The preferred shares with a substantive redemption feature held by the Group are not accounted for as part of the Group's investment for applying the equity method because the ordinary shares of KangSeed do not have an equivalent feature of preferred shares. Financial interests in KangSeed that do not qualify as part of the Group's investment for applying the equity method should be accounted for in accordance with IFRS 9. Therefore, the interest in KangSeed is measured at FVTPL. The fair value of the Group's interest in KangSeed as at 31 December 2020 was USD12,464,000 (equivalent to RMB81,326,000) (2019: Nil) of which the fair value hierarchy is classified as Level 3.

No summarised financial information in respect of the interest in an associate applying the equity method is disclosed as the associate is immaterial.

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 years ended 31 December 2020 and 2019.

24. INVENTORIES

	2020 RMB'000	2019 RMB'000
Pharmaceutical products	**12,080**	13,936
Consumables and others	**13,396**	12,147
	25,476	26,083

25. ACCOUNTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Accounts receivables	11,289	12,247
Other receivables and prepayment:		
Prepayments to suppliers	21,980	20,939
Prepayments to property, plant and equipment	31,838	7,343
Refundable deposits	7,783	4,996
Interest receivables	4,773	9,296
Loan receivables (Note)	26,100	–
Others	4,603	3,578
	97,077	46,152
Total accounts and other receivables	108,366	58,399
Analysed as:		
Current	68,745	46,060
Non-current	39,621	12,339
Total	108,366	58,399

Note: The amount represents US$1,000,000 (equivalent to approximately RMB6,525,000) loan receivable from IVF Universal, LLC, a supplier to the Group, and US$3,000,000 (equivalent to approximately RMB19,575,000) loan receivable from a shareholder of an associate, and both are unsecured, interest-free and repayable on demand.

As at 1 January 2019, accounts receivables amounted to RMB9,385,000.

The individual customers of Chengdu Xinan Hospital, Shenzhen Zhongshan Group and Wuhan Jinxin Hospital 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 customers 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.

25. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

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 forward looking information at the reporting date. The Directors considered that the ECL for accounts receivables is insignificant as at 31 December 2020 and 2019.

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.

The following is an aged analysis of accounts receivables, presented based on the invoice date at the end of each reporting period.

	2020 RMB'000	2019 RMB'000
Within 90 days	5,560	5,582
91 to 180 days	2,406	2,880
Over 180 days	3,323	3,785
	11,289	12,247

The Directors closely monitor the credit quality of accounts and other receivables and consider the debts are of a good credit quality.

Details of impairment assessment of accounts and other receivables are set out in Note 43.

26. AMOUNTS DUE FROM/TO RELATED PARTIES

(a) Amounts due from related parties

	2020 RMB'000	2019 RMB'000
Trade in nature		
HRC Medical (note iv)	**39,531**	22,896
Jinjiang District Maternity and Child Health Hospital (notes i & v)	**19,383**	2,911
Chengdu Jinxin Investment (notes i & v)	**4,856**	5,372
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 i & v)*	**638**	469
成都錦欣博悅生物物科技有限公司 Chengdu Jinxin Boyue Biotechnology Co., Ltd. (note i)*	**30**	–
成都錦欣婦產科醫院有限公司 (Chengdu Jinxin Obstetrics and Gynaecology Hospital Limited) (notes i & v)*	**10**	9
	64,448	31,657
Non-trade in nature		
Loan receivable:		
成都錦薈科技有限公司 (Chengdu Jinhui Technology Co., Ltd) (note vi)*	**35,000**	–
Other receivables:		
成都錦欣生殖醫學與遺傳研究所 (Chengdu Jinxin Institute of Reproductive Medicine and Genetics) (note i)*	**15,536**	7,493
北京錦欣國際醫療科技有限公司 (Beijing Jinxin International Medical Technology Co., Ltd) (note viii)*	**14,142**	–
Jinxin International Medical Services Company limited (note vii)	**12,771**	–
Jinxin Medical Innovation Research Center (note i)	**1,097**	–
Jinxin Investment Group Limited	**5**	–
HRC-Hainan Holding Company, LLC (note ii)	**–**	176
135 South Rosemead LLC (note iii)	**–**	1
Jinjiang District Maternity and Child Health Hospital (note i)	**–**	10,326
	78,551	17,996
Total	**142,999**	49,653
Analysed as:		
Current	**81,086**	49,653
Non-current	**61,913**	–
	142,999	49,653

25. AMOUNTS DUE FROM/TO RELATED PARTIES *(Continued)*

(a) Amounts due from related parties *(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) These related parties and Chengdu Jinxin Investment have the same beneficial shareholders. The amounts are unsecured, interest-free and repayable on demand.

(ii) The balance represents rental income from the related party and certain expenses paid on its behalf. The amount was unsecured, interest-free and fully repaid during the year..

(iii) The entity is owned by certain shareholders of HRC Investment. The amount was unsecured, interest-free and fully repaid during the year.

(iv) The amount represents receivables from HRC Medical in relation to management services provided in accordance with the MSA. The amount was unsecured and interest-free. The trade balance at 31 December 2020 based on invoice date is aged within 30 days (2019: 30 days) and not past due nor impaired.

(v) The balances were all aged within 180 days (2019: 90 days) based on the invoice date at the end of the reporting period.

(vi) The entity is owned by Chengdu Jinxin Investment. The amount was unsecured, carrying the variable interest rates by reference to the interest rates promulgated by the People's Bank of China and repayable in 2025.

(vii) The entity is the associate of the Company. The amount was unsecured, interest-free and repayable after one year.

(viii) The entity is a subsidiary of the associate of the Company. The amount was unsecured, interest-free and repayable after one year.

Details of impairment assessment of amounts due from related parties are set out in Note 43.

26. AMOUNTS DUE FROM/TO RELATED PARTIES *(Continued)*

(b) Amounts due to related parties

	2020 RMB'000	2019 RMB'000
Trade in nature		
Jinxin Women and Children Hospital (note i)	640	10,254
成都錦欣精神病醫院有限公司 (Chengdu Jinxin Psychiatric Hospital Company Limited "Jinxin Psychiatric") (note i)*	764	1,935
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)*	2,240	13,775
Jinxin Investment Group Limited (note v)	4,192	–
Jinxin Medical Innovation Research Center (note i)	30	–
	7,866	25,976
Non-trade in nature		
KangSeed Technology Ltd (note vi)	46,066	–
Jinxin Global Fertility Company Limited (note i)	–	2,070
Daniel A. Potter, MD, Inc. (note ii)	–	117
John Wilcox, MD, Inc. (note ii)	–	266
David Tourgeman, MD, Inc. (note ii)	–	9
Jeffrey Nelson, MD, Inc. (note ii)	–	8
John Norian, MD. (note ii)	–	23
CapexMD, LLC (note ii)	–	29
Jinjiang District Maternity and Child Health Hospital (note i)	2,150	–
Chengdu Jinxin Investment (note iv)	10,916	9,093
Jinxin Medical Investment Group Limited (note iii)	–	3,138
Jinxin Investment Group Limited (note iii)	750	–
	59,882	14,753
	67,748	40,729

26. AMOUNTS DUE FROM/TO RELATED PARTIES *(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) 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.

(iii) 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.

(iv) The amount as at 31 December 2020 and 2019 was unsecured, interest-free and repayable on demand.

(v) The balance represents rental expense due to the entity controlled by the shareholder of the Company.

(vi) The related party is the associate of the Company. The amounts represents the consideration payable upon the acquisition of an associate. Details are set out in Note 22.

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.

	2020 RMB'000	2019 RMB'000
Within 90 days	**2,877**	9,871
91 to 180 days	**2,147**	3,714
Over 180 days	**2,842**	12,391
	7,866	25,976

27. STRUCTURED BANK DEPOSITS

During the years ended 31 December 2020 and 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 fixed interest rate of 0.34% to 2.25% per annum (2019: 0.69% to 3.15% per annum). The contracts are with maturity on or before 3 August 2021 or 90 days as specified in the agreement (2019: on or before 6 March 2020).

Details of impairment assessment of structured bank deposits are set out in Note 43.

28. FINANCIAL ASSETS AT FVTPL

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 4.00% per annum for the year ended 31 December 2020 (2019: up to 3.65% 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 63 days, or can be redeemable on demand (2019: a maturity period of 35 days to 65 days).

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. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits, which amounting to RMB180,000,000 (2019: Nil) and have been pledged to secure long-term borrowing, carry fixed interest rate of 2.175% , and are therefore classified as non-current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

Bank balances carried interest at market rates which range from 0.01% to 0.35% per annum as at 31 December 2020 (2019: from 0.01% to 0.35% per annum).

Details of impairment assessment of bank balances and pledged bank deposits are set out in Note 43.

30. ACCOUNTS AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Accounts payables	**124,715**	114,916
Other payables:		
Construction payables	**1,295**	3,695
Refundable customers' deposits	**64,840**	54,347
Accrued employee expenses (including social insurances and housing fund contributions)	**98,151**	102,555
Value-added tax and other tax payables	**18,379**	22,302
Deferred income (note i)	**4,130**	5,753
Interest payables	**1,224**	–
Consideration payable for acquisition of a subsidiary (Note 36)	**32,250**	–
Others	**16,662**	16,189
	236,931	204,841
Total accounts and other payables	**361,646**	319,757

Note:

(i) 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.

	2020 RMB'000	2019 RMB'000
Within 90 days	**104,341**	93,497
91 to 180 days	**16,536**	20,595
181 to 365 days	**2,221**	106
Over 365 days	**1,617**	718
	124,715	114,916

31. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	34,558	29,244
Within a period of more than one year but not more than two years	48,258	29,023
Within a period of more than two years but not more than five years	87,019	47,610
Within a period of more than five years	74,497	76,631
	244,332	182,508
Less: Amount due for settlement with 12 months shown under current liabilities	(34,558)	(29,244)
Amount due for settlement after 12 months shown under non-current liabilities	209,774	153,264

The weighted average incremental borrowing rates applied to lease liabilities is 4.95% (2019: 5.54%).

As at 31 December 2020, RMB 6,970,000 of lease liabilities payable is related to the lease entered with related parties (2019: RMB 85,963,000).

32. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2019	–	676,941	676,941
Charged during the year (Note 11)	3,916	24,427	28,343
Exchange realignment	–	4,007	4,007
At 31 December 2019 and 1 January 2020	3,916	705,375	709,291
Arising on acquisition of a subsidiary (Note 36)	–	93,858	93,858
Charged during the year (Note 11)	1,819	20,138	21,957
Exchange realignment	–	(33,762)	(33,762)
At 31 December 2020	5,735	785,609	791,344

33. BANK BORROWING

	31/12/2020 RMB'000	31/12/2019 RMB'000
Bank borrowing Secured	162,540	–
The carrying amounts of the above borrowing are repayable:		
Within one year	18,000	–
Within a period of more than one year	144,540	–
	162,540	–

As at 31 December 2020, bank borrowing carries fixed interest rate which is determined at loan prime rate less 0.33% (2019: N/A) per annum upon drawdown of the bank borrowing and is secured by pledged bank deposits (Note 29). During the year ended 31 December 2020, the effective interest rate on the bank borrowing is 3.52% (2019: N/A)

34. OTHER FINANCIAL LIABILITIES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Other financial liabilities:		
Foreign currency forward contract	11,904	–

Major items of the currency forward contracts are as follows:

31 December 2020

Notional amount	Maturity	Exchange rates
Sell RMB 180,000,000	July 2021	HKD 1: RMB 0.9067

35. SHARE CAPITAL

The movements in the Company's issued ordinary share capital during the period are as follows:

	Number of shares	Share capital	Share capital
		US$	RMB'000
Ordinary shares of US$0.00001 each			
Authorised:			
At 1 January 2019, 31 December 2019 and 31 December 2020	5,000,000,000	50,000	345
Issued:			
At 1 January 2019	1,979,828,401	19,798	129
Issue of shares during the year (Note i)	454,555,401	4,546	31
At 31 December 2019	2,434,383,802	24,344	160
Shares repurchased and cancelled (Note ii)	**(4,882,000)**	**(49)**	**–**
At 31 December 2020	**2,429,501,802**	**24,295**	**160**

35. SHARE CAPITAL *(Continued)*

Notes:

(i) On 2 February 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 15 February 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 25 June 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 18 July 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.

(ii) During the year ended 31 December 2020, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid
May	4,882,000	10.00	9.42	HK$47,999,000 (equivalent to RMB43,769,000)
September	1,918,000	9.95	9.54	HK$18,726,000 (equivalent to RMB16,472,000)

The above ordinary shares were cancelled upon repurchase, except for the 1,918,000 ordinary shares repurchased in September, which were cancelled in March 2021.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period.

36. ACQUISITION OF A SUBSIDIARY

On 14 July 2020, the Group acquired an 75% equity interest in Wuhan Jinxin Hospital. Wuhan Jinxin Hospital is principally engaged in the assisted reproductive services and ancillary medical services and it was acquired to continue the expansion of the Group's assisted reproductive services and ancillary medical services business. The acquisition has been accounted for as acquisition of business using the acquisition method.

	RMB'000
Consideration	
Cash transferred	290,250
Consideration payable (Note 30)	32,250
Total	322,500

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	5,517
License	375,432
Inventories	1,200
Accounts and other receivables	990
Amounts due from related parties	34
Bank balances and cash	2,780
Right-of-use assets	20,961
Accounts and other payables	(14,582)
Lease liabilities	(20,961)
Amounts due to the Group	(6,000)
Deferred tax liabilities	(93,858)
Total	271,513

36. ACQUISITION OF A SUBSIDIARY *(Continued)*

Non-controlling interests

The non-controlling interests (25%) in Wuhan Jinxin Hospital recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Wuhan Jinxin Hospital and amounted to RMB67,878,000.

	RMB' 000
Goodwill arising on acquisition	
Consideration	322,500
Plus: non-controlling interests (25% in Wuhan Jinxin Hospital)	67,878
Less: recognised amounts of net assets acquired	(271,513)
Goodwill arising from acquisition	118,865

Goodwill arose on the acquisition of Wuhan Jinxin Hospital because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Wuhan Jinxin Hospital. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Wuhan Jinxin Hospital

	RMB' 000
Cash consideration acquired	290,250
Less: cash and cash equivalent balances acquired	(2,780)
	287,470

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB13,786,000 loss attributable to the additional business generated by Wuhan Jinxin Hospital. Revenue for the year includes RMB14,064,000 generated from Wuhan Jinxin Hospital.

Had the acquisition of Wuhan Jinxin Hospital been completed on 1 January 2020, the profit for the year would have been RMB238,752,000 and the total revenue of the Group for the year ended 31 December 2020 would have been RMB1,449,255,000. 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 1 January 2020, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Wuhan Jinxin Hospital been acquired at the beginning of the current year, the Directors calculated depreciation of property, plant and equipment and amortisation of intangible assets based on the recognised amounts of property, plant and equipment and intangible assets at the date of the acquisition.

37. DISPOSAL OF A SUBSIDIARY

In January 2019, Chengdu Xinan Hospital entered into an equity transfer agreement with Chengdu Jinxin Investment and sold its entire equity interests in Chengdu Gaoxin Xinan Gynaecological Hospital Co., Ltd to Chengdu Jinxin Investment for RMB3,894,000. The transaction was completed on 31 January 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.

	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 3 June 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 3 June 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.

(b) Restricted Share Award Scheme ("RSU Scheme")

On 15 February 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.

The total number of the restricted share units 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.

38. SHARE-BASED PAYMENTS *(Continued)*

(b) Restricted Share Award Scheme ("RSU Scheme") *(Continued)*

A deed of adherence dated 14 February 2019 was entered into between the Company and Jinxin Employee Holdings Company Limited ("RSU Scheme's Nominee"). On 15 February 2019, 32,981,388 shares were issued to RSU Scheme's Nominee for and on behalf of the Company. As of 31 December 2020, 28,945,555 shares were held by RSU Scheme's Nominee. The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity as shown in the consolidated statement of changes in equity under "Shares held for Restricted Share Award Scheme". As at 31 December 2020, the restricted shares granted to key management personnel, eligible employees and doctors of HRC Medical 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, being a physician of HRC Medical	3,921,700	15 February 2019	14 February 2029	17,733,000	5 years
Key management personnel	9,754,480	15 February 2019	14 February 2029	44,107,000	3 – 4 years
Key management personnel	2,141,839	6 January 2020	14 February 2029	20,810,000	3 years
Eligible employees and doctors of HRC Medical	5,672,970	6 January 2020	14 February 2029	55,120,000	3 years
Key management personnel	1,779,538	23 July 2020	1 January 2021	18,010,000	5 – 6 months

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 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 15 February 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 15 February 2019 was assessed to be RMB61,840,000.

The Directors used the quoted prices in active market for the RSUs granted on 6 January 2020 and 23 July 2020. The fair value of the RSUs granted on 6 January and 23 July 2020 were assessed to be RMB75,930,000 and RMB18,010,000, respectively.

38. SHARE-BASED PAYMENTS *(Continued)*

(b) Restricted Share Award Scheme ("RSU Scheme") *(Continued)*

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 1 January 2020	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2020
RSU granted to:					
Key management personnel	9,754,480	–	(3,251,493)	–	6,502,987
Other consultant	3,921,700	–	(784,340)	–	3,137,360
Key management personnel	–	2,141,839	–	(132,489)	2,009,350
Eligible employees and doctors of HRC Medical	–	5,672,970	–	–	5,672,970
Key management personnel	–	1,779,538	–	–	1,779,538
	13,676,180	9,594,347	(4,035,833)	(132,489)	19,102,205

	Number of Awarded and Shares		
	Outstanding at 1 January 2019	Granted during the year	Outstanding at 31 December 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 RMB83,649,000 for the year ended 31 December 2020 (2019: RMB27,247,000) 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 or loss, with a corresponding adjustment to the equity-settled share-based payment reserve.

During the year ended 31 December 2020, the Company have modified the vesting period and added vesting market conditions of 5,773,060 restricted shares granted to key management personnel on 15 February 2019. The vesting period was changed from 4 years to 3 years and the added vesting market conditions were to meet the average market capitalisation of the Company for certain consecutive trading days. There was no incremental fair value caused by these modifications. The Company used the inputs noted above to recognise the share-based payment expense over the revised vesting period.

39. CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**39,144**	4,606

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.

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.

The total costs charged to profit or loss, amounted to RMB14,988,000 for the year ended 31 December 2020 (2019: RMB22,919,000) respectively, represent contributions paid to the retirement benefit scheme by the Group.

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	2020 RMB'000	2019 RMB'000
Jinjiang District Maternity and Child Health Hospital	Entity controlled by Chengdu Jinxin Investment	Provision of management services by the Group	32,691	104,103
		Provision of pathological examination services by the Group	1,049	631
		Rendering pathological examination services by the related company (i)	(43)	(183)
Jinxin Women and Children Hospital	Entity controlled by Chengdu Jinxin Investment	Provision of pathological examination services by the Group	369	705
		Rendering pathological examination services by the related company (i)	(969)	(3,839)
Jinxin Psychiatric	Entity controlled by Chengdu Jinxin Investment	Rendering sanitizing and cleaning services by the related company (i)	(2,130)	(1,935)
Sichuan Chengxin Property Management Company Limited	Entity controlled by Chengdu Jinxin Investment	Rendering cleaning services by the related company	–	(168)
Chengdu Jinxin Obstetrics and Gynecology Hospital Limited	Entity controlled by Chengdu Jinxin Investment	Rendering pathological examination services	(16)	(80)
Hejun Technology	Entity controlled by Chengdu Jinxin Investment	Purchase of consumables by the Group	(1,070)	(21,524)
		Rendering storage services	(3,476)	(2,033)

41. RELATED PARTY DISCLOSURES *(Continued)*

Name of related Company	Relationship	Nature of transactions	2020 RMB'000	2019 RMB'000
HRC Medical	Jointly controlled by certain shareholders of HRC Investment	Management service income	**342,399**	544,386
		PGS Testing income	**11,504**	4,618
		Ambulatory surgery centre facilities income	**2,765**	3,978
HRC Properties LLC	Controlled by certain of HRC investment	Repayment of lease liability	**(4,492)**	(4,116)
		Finance costs on lease liability	**(3,203)**	(3,386)
135 South Rosemead, LLC	Controlled by certain of HRC investment	Repayment of lease liability	**(1,049)**	(1,030)
		Finance costs on lease liability	**(355)**	(409)
Gender Selection Australia Pty Ltd.	Controlled by a shareholder HRC investment	Marketing expense	**(759)**	(3,406)
Jinxin Investment Group Limited	Entity controlled by Jinxin Medical Investment Group Limited	Repayment of lease liability	**(2,772)**	(1,316)
		Finance costs on lease liability	**(765)**	(442)
Jinxin Medical Innovation Research Center	Entity controlled by Chengdu Jinxin Investment	Rendering consulting services	**(30)**	–
Chengdu Jinxin Investment	Entity controlled by Jinxin Geriatrics	Rendering consulting services	**4,856**	5,372

Note:

(i) Amounts represent expenses incurred from pathological examination services and sanitising and cleaning services included in "cost of revenue".

41. RELATED PARTY DISCLOSURES *(Continued)*

Compensation of key management personnel

The remuneration of the key management 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:

	2020	2019
	RMB'000	RMB'000
Directors' fee	**1,900**	1,834
Salaries and allowances	**9,744**	8,370
Performance-related incentive payments	**854**	3,842
Retirement benefit schemes contributions	**52**	53
Share-based compensation benefits	**32,579**	20,498
	45,129	34,597

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 net debt, which includes the lease liabilities and bank borrowing disclosed in notes 31 and 33 respectively, net of cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other 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	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at		
– amortised cost	**2,783,733**	3,323,387
– FVTPL	**63,000**	52,500
– Interests in associates at FVTPL	**171,057**	–
– FVTOCI	**9,387**	10,017
	3,027,177	3,385,904
Financial liabilities		
Financial liabilities at amortised cost	**471,274**	229,876
– FVTPL	**11,904**	–
	483,178	229,876
Lease liabilities	**244,332**	182,508

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, interests in associates, structured bank deposits, bank balances and cash, pledged bank deposits, accounts and other payables, bank borrowing, lease liabilities and other financial liabilities. 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:

	2020 RMB'000	2019 RMB'000
Assets		
US$	176,468	4,972
HK$	835,113	2,665,111
RMB	181,036	–

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies (Continued)*

Market risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the subsidiaries' functional currency against the relevant foreign currencies. 5% (2019: 5%) 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% (2019: 5%) 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% (2019: 5%) against the relevant foreign currencies. For a 5% (2019: 5%) 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$		RMB	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit or loss	**6,618**	186	**31,317**	99,942	**6,789**	–

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate amount due from a related party and bank balances (see Notes 26 and 29 for details) and bank borrowing (see Note 33 for details). The Group's cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances and bank borrowing.

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 fixed rate structured bank deposits and fixed rate pledged bank deposits, is limited because the periods of these investment products and deposits 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 31 for details) and the Company consider that the exposure of such interest rate risk arising from fixed rate lease liabilities is insignificant.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

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, interests in associates at FVTPL as disclosed in Note 22, and other financial liabilities as disclosed in Note 34. The Group has appointed a special team to monitor the price risk of this investment.

If the fair value of the FVTOCI had been 5% (2019: 5%) higher/lower, the other comprehensive income would increase/decrease by RMB469,000 (2019: RMB501,000). If the fair value of the respective unlisted investments had been 5% (2019: N/A) higher/lower, the post-tax profit would increase/decrease by RMB8,553,000 (2019: N/A). If the fair value of the other financial liabilities had been 5% (2019: N/A) higher/lower, the post-tax profit would decrease/increase by RMB595,000 (2019: N/A).

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 RMB11,289,000 (2019: RMB12,247,000) for the Group is considered insignificant.

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2020 and 2019, the Group assessed the ECL for other receivables are insignificant and thus no loss allowance is recognised in respect of other receivables amounting to RMB38,486,000 (2019: RMB8,574,000) as at 31 December 2020.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

For the amounts due from related parties, 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 RMB142,999,000 (2019: RMB49,653,000) as at 31 December 2020.

The credit risk on liquid funds, including interest receivables, 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, pledged bank deposits and interest receivables, of the Group amounting to RMB2,590,959,000 (2019: RMB3,252,913,000) as at 31 December 2020 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 as at 31 December 2020 and 2019.

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 table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has 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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash outflow on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies* *(Continued)*

Liquidity risk (Continued)

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 31 December 2020							
Accounts and other payables	-	240,986	-	-	-	240,986	240,986
Amounts due to related parties	-	67,748	-	-	-	67,748	67,748
Bank borrowing	3.5	24,303	51,516	134,487	-	210,306	162,540
Lease liabilities	4.95	42,648	59,425	98,311	85,920	286,304	244,332
		375,685	110,941	232,798	85,920	805,344	715,606
Derivatives – net settlement							
Foreign currency forward contract		11,904	–	–	–	11,904	11,904
At 31 December 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

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) *Fair value measurement of financial instruments*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's financial assets and financial liabilities that are measured at fair value at 31 December 2020 are disclosed in Notes 22, 23, 28 and 34. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at December 31, 2020 RMB'000	2019 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investment classified as financial asset at FVTOCI	9,387	10,017	Level 2	Recent transaction price (Note 1)	N/A	N/A
Financial assets at FVTPL	63,000	52,500	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.	N/A	N/A
Other financial liabilities at FVTPL	11,904	–	Level 2	Discounted cash flows - future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at December 31, 2020 RMB'000	Fair value as at December 31, 2019 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Interests in associates	171,057	–	Level 3	Market Approach and Black-Scholes Option Pricing Model (Note 2)	The expected volatility of the underlying share prices	The significant unobservable input is the expected volatility of the underlying share prices of 50%. Changing this unobservable input based on reasonable alternative assumptions would not significantly change the valuations of the preferred.

Note 1: 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.

Note 2: The fair value of the preferred shares is determined by use of the combination of Market Approach and Black-Scholes Option Pricing Model. Market Approach determines the value of the subject companies with reference to enterprise value to sales ratio of similar companies in listed market. The Black-Scholes Option Pricing Model determines the value of option value based on such parameters as risk-free rate, prevailing price of the underlying stock, exercise price, expected volatility of the underlying share prices, and term to maturity.

There were no transfer between levels during the years ended 31 December 2020 and 2019.

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) *Fair value measurement of financial instruments* *(Continued)*

Reconciliation of level 3 fair value measurement

	Interests in associates RMB'000
At 1 January 2020	–
Additions	152,851
Gains on fair value change of interests in associates at FVTPL	18,206
At 31 December 2020	171,057

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	Dividends payable	Payables to a third party (included in other payables	Lease liabilities	Non-trade amounts due to related parties	Bank borrowing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	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	–	–	–	–	17,000	–	17,000
Dividend declared (Note 13)	–	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 31 December 2019	–	–	–	182,508	14,753	–	197,261
Financing cash flows	–	(162,472)	–	(38,295)	45,129	160,297	4,659
Non-cash changes							
Dividends declared (Note 13)	–	162,472	–	–	–	–	162,472
New leases entered	–	–	–	143,087	–	–	143,087
Leases early terminated	–	–	–	(71,941)	–	–	(71,941)
Lease liabilities from acquisition of a subsidiary (Note 36)	–	–	–	20,961	–	–	20,961
Covid-19 related rent concession	–	–	–	(4,363)	–	–	(4,363)
Interest expenses	–	–	–	11,148	–	2,243	13,391
Exchange realignment	–	–	–	1,227	–	–	1,227
At 31 December 2020	–	–	–	244,332	59,882	162,540	466,754

45. PARTICULARS OF SUBSIDIARIES

At the date of this report, the Company has the following subsidiaries comprising the Group:

Name of subsidiaries	Place and date of establishment	Paid-up/share capital	Attributable equity interest to the Group 2020	2019	Principal activities
Directly held:					
BVI Holdco	BVI 1 March 2018	–	100%	100%	Investment holding
Willsun BVI	BVI 31 March 2017	US$205,600,000	100%	100%	Investment holding
Willsun (BVI) New Company Limited	BVI 17 May 2018	–	100%	100%	Investment holding
Indirectly held:					
Jinxin Fertility HK	Hong Kong 14 March 2018	HK$1	100%	100%	Investment holding
Sichuan Jinxin Fertility (note v)	PRC 12 September 2016	Registered capital RMB1,054,841,600	100%	100%	Investment holding
Chengdu Xinan Hospital (notes i and v)	PRC 1 September 2016	Registered capital RMB22,222,222	100%	100%	Assisted reproductive services and management services
Shenzhen Zhongshan Hospital (notes i and vi)	PRC 18 May 2004	Registered capital RMB20,000,000	79.44%	79.44%	Assisted reproductive services and ancillary medical services
Chengdu Jinyi (notes iii and v)	PRC 27 December 2018	Registered capital RMB1,000,000	100%	100%	Property holder
Shenzhen Yuji Property Services Co., Ltd. ("Yuji Property") (note v)*	PRC 16 September 2009	Registered capital RMB300,000	100%	100%	Property management services to group companies

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of establishment	Paid-up/share capital	Attributable equity interest to the Group 2020	2019	Principal activities
Indirectly held: (Continued)					
深圳市梅驊醫療投資管理有限公司 Shenzhen Meihua Medical Investment Management Co., Ltd. ("Meihua Management") (notes ii and v)*	PRC 16 June 2003	Registered capital RMB18,000,000	100%	100%	Investment management and management consultancy
武漢錦欣中西醫結合婦產醫院有限公司 Wuhan Jinxin Integrated Gynecology and Obstetrics Hospital Co., Ltd (notes iv and vi) *	PRC 17 February 2006	Registered capital RMB80,000,000	75%	N/A	Assisted reproductive services and ancillary medical services
上海錦霄醫療管理有限公司 Shanghai Jinxiao Medical Management Co., Ltd (note v)*	PRC 9 December 2020	Registered capital RMB1,000,000	100%	N/A	Management consultancy
深圳市萊恩服務諮詢有限公司 Shenzhen Laien Service Consulting Co., Ltd (note v)*	PRC 3 April 2020	Registered capital RM15,000,000	100%	N/A	Management consultancy
JXR New Hope Limited	BVI 27 February 2020	US$1	100%	N/A	Investment holding
錦瑞醫療中心 Jinrui Medical Center	Laos 20 March, 2020	Registered capital Lao Kip25,000,000,000	100%	N/A	Assisted reproductive services
HRC Management	U.S.A. 3 November 2015	US$80,000	100%	100%	Provision for management services and surgery centre facilities
NexGenomics, LLC	U.S.A. 4 February 2015	US$100	100%	100%	PGS Testing services
Willsun Fertility US Delaware LLC	U.S.A. 5 April 2017	US$85,505,000	100%	100%	Investment holding

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of establishment	Paid-up/share capital	Attributable equity interest to the Group 2020	2019	Principal activities
Indirectly held: (Continued)					
Willsun US Delaware Newco Inc.	U.S.A. 7 May 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 JinrunFude Medical ManagementCompany Limited ("Jinrun Fude") (notes i and vi)*	PRC 9 May 2018	Registered capital RMB300,000	100%	100%	Investment holding

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 31 December 2020 and 2019, and date of this report.

iii In February 2019, the Group acquired the equity interest in Chengdu Jinyi.

iv In July 2020, the Group acquired 75% equity interest in Wuhan Jinxin Hospital.

v The company is a wholly foreign owned enterprise established in PRC.

vi The company is a limited liability company established in PRC.

vii None of the subsidiaries had issued any debt securities at the end of the year. The principal country of operation for the subsidiaries are same as the place of establishment of the subsidiaries.

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of establishment and operations	Proportion of equity interest voting/ rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019	2020	2019
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Zhongshan Group	PRC	20.56	20.56	13,470	11,054	116,183	115,511
Wuhan Jinxin Hospital	PRC	25	N/A	(4,596)	–	63,283	–

Summarised financial information of the Group's subsidiaries that have 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

	2020	2019
	RMB'000	RMB'000
Current assets	162,698	107,961
Non-current assets	758,157	759,841
Current liabilities	(180,668)	(121,677)
Non-current liabilities	(192,742)	(201,947)
Equity attributable to owners of the Company	(431,262)	(428,667)
Non-controlling interests	(116,183)	(115,511)
Dividends to non-controlling interests	(12,797)	–

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Shenzhen Zhongshan Group (Continued)

	2020 RMB'000 (note)	2019 RMB'000 (note)
Revenue recognised in profit or loss	**299,909**	336,122
Expenses recognised in profit or loss	**234,399**	281,988
Profit and total comprehensive income for the year	**65,510**	54,163
Profit and total comprehensive income for the year attributable to:		
– Owners of the Company	**52,040**	43,109
– Non-controlling interests	**13,470**	11,054
	65,510	54,163
Net cash inflow from operating activities	**95,376**	79,094
Net cash (outflow) inflow from investing activities	**(23,206)**	5,153
Net cash outflow from financing activities	**(17,811)**	(110,674)
Net cash inflow (outflow)	**54,359**	(26,427)

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Wuhan Jinxin Hospital

	2020 RMB'000
Current assets	5,787
Non-current assets	469,375
Current liabilities	(113,229)
Non-current liabilities	(108,802)
Equity attributable to owners of the Company	(189,848)
Non-controlling interests	(63,283)
Dividends to non-controlling interests	–

	From acquisition date to 31 December 2020 RMB'000 (note)
Revenue recognised in profit or loss	14,064
Expenses recognised in profit or loss	(32,446)
Loss and total comprehensive expenses for the year	(18,382)
Loss and total comprehensive expenses for the year attributable to:	
– Owners of the Company	(13,786)
– Non-controlling interests	(4,596)
	(18,382)
Net cash outflow from operating activities	(22,545)
Net cash outflow from investing activities	(51,629)
Net cash inflow from financing activities	73,851
Net cash outflow	(323)

Note: Wuhan Jinxin Hospital was acquired by the Group in July 2020.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current asset		
Interests in subsidiaries	4,080,204	4,350,797
Interests in associates	171,057	–
Pledged bank deposits	180,000	–
Amount due from a related party	11,092	–
	4,442,353	4,350,797
Current assets		
Prepayment and other receivables	24,034	9,555
Amounts due from subsidiaries	821,610	27,096
Structured bank deposits	1,080,928	2,643,980
Bank balances and cash	261,128	104,636
	2,187,700	2,785,267
Current liabilities		
Other payables	883	129
Amounts due to subsidiaries	80,679	81,089
Amounts due to related parties	46,066	1,118
Other financial liabilities	11,904	–
	139,532	82,336
Net current assets	2,048,168	2,702,931
Total assets less current liabilities	6,490,521	7,053,728
Capital and Reserves		
Share capital (Note 35)	160	160
Reserves	6,490,361	7,053,568
Total equity	6,490,521	7,053,728

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movements In The Company's Reserves

	Share premium RMB'000	Shares held for restricted share award scheme RMB'000	Equity-settled share-based payment reserve RMB'000	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
At 1 January 2019	4,312,676	–	–	(34,367)	–	4,278,309
Loss for the year	–	–	–	(42,804)	–	(42,804)
Other comprehensive income	–	–	–	–	111,846	111,846
Total comprehensive (expense) income for the year	–	–	–	(42,804)	111,846	69,042
Issue of new shares by the Company for the acquisition of non-controlling interests	51,924	–	–	–	–	51,924
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
Dividends recognised as distribution (Note 13)	(303,961)	–	–	–	–	(303,961)
Issue of new shares by the Company upon share offer in the Listing (Note 35)	2,674,198	–	–	–	–	2,674,198
Shares issued upon over-allotment options exercised (Note 35)	402,554	–	–	–	–	402,554
Transaction costs attributable to issue of new shares	(145,743)	–	–	–	–	(145,743)
At 31 December 2019	6,991,648	(2)	27,247	(77,171)	111,846	7,053,568
At 1 January 2020	**6,991,648**	**(2)**	**27,247**	**(77,171)**	**111,846**	**7,053,568**
Loss for the year	**–**	**–**	**–**	**(8,566)**	**–**	**(8,566)**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(428,374)**	**(428,374)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**(8,566)**	**(428,374)**	**(436,940)**
Share repurchased and cancelled (Note 35)	**(43,769)**	**–**	**–**	**–**	**–**	**(43,769)**
Shares repurchased	**(16,472)**	**–**	**–**	**–**	**–**	**(16,472)**
Dividends recognised as distribution (Note 13)	**(149,675)**	**–**	**–**	**–**	**–**	**(149,675)**
Recognition of equity-settled share-bases payment (Note 38)	**–**	**–**	**83,649**	**–**	**–**	**83,649**
Exercise of restricted shares (Note 38)	**18,249**	**–**	**(18,249)**	**–**	**–**	**–**
At 31 December 2020	**6,799,981**	**(2)**	**92,647**	**(85,737)**	**(316,528)**	**6,490,361**

47. MAJOR NON-CASH TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, the Group also entered into the following non-cash transactions:

During the year ended 31 December 2020, the Group entered into several new lease agreements for the clinics in U.S.A. for 4 to 10 years with extension options and for the clinic in Laos for 20 years without extension options. On the lease commencements, the Group recognised RMB127,181,000 of right-of-use assets and RMB127,181,000 lease liabilities in the U.S.A. and RMB13,973,000 of right-of-use asset and RMB13,973,000 lease liability in Lao, respectively.

During the year ended 31 December 2019, 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 RMB20,410,00 lease liability.

48. 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.

49. EVENTS AFTER THE REPORTING PERIOD

An aggregate of 80,000,000 placing shares have been placed by Morgan Stanley Co. International plc (the "Placing Agent") to not less than six places ("professional, institutional or other investors whom the Placing Agent have procured to purchase any placing shares pursuant to their obligations under the placing agreement) at the placing price of HK$15.85 per placing share pursuant to the term and conditions of the placing agreement dated 2 February 2021. The placing has been completed on 9 February 2021, Details of the placing are set out in the Company's announcement dated 9 February 2021.

Definitions

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

"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, the 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

"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 PRC and Taiwan
"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
"COVID-19"	Coronavirus disease of 2019
"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, the 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
"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

Definitions

"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
"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
"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
"Jinjiang IVF Center"	the IVF center of 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
"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 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 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 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
"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
"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

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
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the twelve-month period from January 1, 2020 to December 31, 2020
"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
"Shareholder(s)"	holder(s) of Share(s)

"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to the Prospectus
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in Shenzhen, PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"Sichuan Jinxin Fertility"	Sichuan Jinxin Fertility Medical Management Co., Ltd. (四川錦欣生殖醫療管理有限公司), previously known as Chengdu Jinde Corporate Management Company Limited (成都錦德企業管理有限公司), a company established under the laws of the PRC with limited liability on September 12, 2016, our indirect subsidiary
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"success rate"	the form of "clinical pregnancy rate" that has been adopted for discussion in the Prospectus and this annual report
"U.S.", "US", or "United States"	the United States of America
"U.S. dollar(s)" or "US$"	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

Definitions

"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
"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
"Xinan Hospital Group"	Chengdu Xinan Hospital and Gaoxin Xinan Hospital

In this annual report, the terms "associate", "associated corporation", "connected person", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.