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

Annual Report 2021

* 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 acquired businesses in Wuhan and Laos. In 2021, by taking advantage of the Group's core business of ARS services, the Group further expanded its service offerings to provide a full fertility lifecycle services covering pregnancy preparation, IVF, pregnancy check-ups, childbirth and postpartum through acquisitions in Chengdu, Yunnan Province, Hong Kong and the United States. 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)*
Ms. Lyu Rong *(Co-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. Li Jianwei
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. Li Jianwei

MEDICAL QUALITY CONTROL AND R&D COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Zhai Yangyang
Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Mr. Dong Yang
Ms. Ng Sau Mei

REGISTERED OFFICE

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Corporate Information

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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HONG KONG LEGAL ADVISOR

Fangda Partners
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8 Connaught Place
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AUDITOR

Deloitte Touche Tohmatsu
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Registered Public Interest Entity Auditors
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STOCK CODE

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COMPANY'S WEBSITE

www.jxr-fertility.com

Financial Summary

	For the year ended December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating results					
Revenue	662,774	921,994	1,648,496	1,426,088	**1,838,826**
Gross profit	302,136	413,119	816,795	565,781	**771,482**
Profit before taxation	241,582	276,588	547,900	349,134	**457,927**
Net profit	198,551	212,124	420,677	260,496	**353,697**
Adjusted net profit	198,551	264,210	530,347	372,278	**455,276**
Profitability					
Gross margin	45.6%	44.8%	49.5%	39.7%	**42.0%**
Net profit margin	30.0%	23.0%	25.5%	18.3%	**19.2%**
Adjusted net profit margin	30.0%	28.7%	32.2%	26.1%	**24.8%**

	As at December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Financial position					
Total assets	1,738,008	6,558,308	8,941,145	9,163,227	**12,825,390**
Total equity	1,361,626	4,499,798	7,642,395	7,462,486	**8,752,701**
Total liabilities	376,382	2,058,510	1,298,750	1,700,741	**4,072,689**
Bank balances and cash	449,495	1,184,190	579,637	681,619	**862,325**

Chairman's Statement

Dear Shareholders,

In 2021, against the backdrop of a resurgent global Covid-19 epidemic, Jinxin Fertility's business in China and the U.S. continued to recover and significantly exceeded pre-epidemic levels in 2019. Through two years of repeated refinement during the Covid-19 epidemic, our business has become more resilient and less susceptible to risks than before the epidemic.

In 2021, the New Generation Executive Director Growth Plan was implemented at Jinxin Fertility and achieved significant results. Chengdu hospital reached a record high in initial visits and revenue, achieving over RMB800 million in revenue. Meanwhile, Shenzhen hospital achieved the fastest revenue growth in its history. The newly appointed acting CEO of HRC in the U.S. during the year also led the U.S. domestic business to buck the epidemic, with revenue up 21% from 2020, and three of the young reserve partner doctors reaching the business volume levels of partners.

The outstanding performance of the new generation management team in 2021 confirms that the strategic layout of Jinxin Fertility is forward-looking in terms of organization building and talent building, laying a solid foundation for the sustainable development of the Group.

In 2022, Jinxin Fertility will focus on taking the strategic initiative in the construction of talent teams and innovation with top-level design, as well as on accelerating the formation of strategic pivot and flying geese paradigm. On the other hand, we will focus on further strengthening our ability to understand and implement policies.

The seventh national census issued an early warning of the low fertility rate, and raising the fertility rate has become a common concern of the society, academia and government. China is investing more in education, labor rights protection, and infrastructure construction to improve the fertility rate.

Such a policy direction gives Jinxin Fertility a very good strategic position, which will certainly bring us great development opportunities. Therefore, we must further expand our political vision, and align the future of our business and the corporate with the nation to facilitate professional development, improve the quality and standard of medical services, and enhance patient satisfaction. On such basis, we will actively follow the national direction and guidance for the development of private medical institutions, provide Class III Grade A medical services with the same medical quality as large public hospitals, and strengthen our assisted reproductive technology for advanced maternal age and complex fertility problems. We will continue to build a private medical enterprise that makes the government feels at ease, the society feels satisfied and the employees feel happy.

In 2022, the priority of Jinxin Fertility is to improve the vision of all employees and reach consensus with them to provide strong ideological support for our development; at the same time, we need to focus on professional knowledge and business skill set trainings for each work position to provide a capacity support for us to comply with national policies. In this way, we are in a position to achieve more stable and long-term development for Jinxin at our 70th anniversary. We will share the fruits of long-term development with every social stakeholder, such as doctors, management partners, investors, employees, users and founding partners.

Zhong Yong

Chairman

March 30, 2022

Management Discussion and Analysis

BUSINESS UPDATES

In 2021, as the COVID-19 pandemic gradually became under control, we remained fully focused on rapidly recovering our local businesses in both the Greater China and the United States, which resulted in a solid business performance with a revenue growth of 28.9% as compared to 2020. The revenue contributed by the Group's operations in the Greater China and the United States in 2021 increased by 31.8% and 21.0%, respectively, as compared to 2020.

We continued to build and strengthen our strong business reputation in the ARS field as a result of our superior success rates, robust and experienced medical teams, high quality patient care and sophisticated management teams, all of which have further strengthened our role as a leading ARS provider in the Greater China and the United States.

We expedited and executed our growth and acquisition strategy, which makes us an increasingly well recognised brand in the ARS market, and as a result, we are attractive to the patients in needs and the top talents in the ARS industry. We were able to continue expanding our operations, enhance patient experience and loyalty, improve brand awareness in both the Greater China and the US market.

In addition, by taking advantage of our competitive ARS services which are our core business, we further expanded our service offerings to provide a full fertility lifecycle services covering pregnancy preparation, IVF, pregnancy check-ups, childbirth and postpartum to better serve patients and create value for the Group.

Chengdu operations

We adhere to providing high-quality and safe services to our patients. In November 2021, Chengdu Xinan Hospital obtained JCI accreditation from the Joint Commission International ("**JCI**") with an outstanding score of 9.93 out of 10, which proves that our standards for service and patient safety comply with international standards. JCI is an independent, not-for-profit organization based in the United States which accredits and certifies healthcare organizations and programs across the globe. JCI standards are globally recognized as one of the reputable benchmarks for quality and safe healthcare services.

In order to provide patients with superior and personalized ARS treatment solutions, we reclassified our IVF outpatient services at Chengdu Xinan Hospital into five specialised categories for: (i) patients with repeated IVF failures and thin endometrium; (ii) elder patients (aged 35 or above); (iii) younger patients (aged below 35); (iv) patients with PCOS (Polycystic Ovary Syndrome); and (v) IVF and artificial insemination (especially for ethnic minorities). Furthermore, we arranged "one-on-one consultant" for each patient with repeated IVF failure in order to better respond to their special needs both physically and psychologically and thus improve their success rate.

We continued to expand our VIP service to cater for the diversified and highly personalised needs for our patients at Chengdu Xinan Hospital. We launched a new VIP services package in May 2021 to further meet the needs of our patients for higher-end premium services. As of December 31, 2021, the penetration rate of our VIP services at Chengdu Xinan Hospital reached 12%.

We endeavoured to enhance patient satisfaction. We established the Quality Service Department (優質服務部) at Chengdu Xinan Hospital in January 2021 and patient satisfaction has been included as part of the key performance index (KPI) to enhance our patients' experience. The patient satisfaction increased to 93% in 2021.

We continued to attract highly capable medical professionals to join us to provide our patients with high-quality services. In August 2021, Dr. Li Yuan ("**Dr. Li**"), a renowned assisted reproductive expert, joined as the chief medical officer of the Group and offers consultation service at Chengdu Xinan Hospital. Dr. Li has more than 25 years experience in the field of reproductive medicine and she was among the first batch of doctors majoring in reproductive medicine in China. Prior to joining our Group, Dr. Li was the founder of the reproductive center of Beijing Chaoyang Hospital* (北京朝陽醫院). The addition of Dr. Li further enhances the capabilities of our already robust medical team at Chengdu Xinan Hospital.

We continued to develop our brand and diversify patient acquisition networks at Chengdu Xinan Hospital and Jinjiang IVF Centre. We have built a very strong reputation among our patients with our superior success rate and high quality patient care, by which word of mouth continued to be the dominant way for patient acquisition. In addition, we continued to develop our two-way referrals network. As of December 31, 2021, Chengdu Xinan Hospital cooperated with 83 medical institutions, which involves two-way referrals or specialty alliance cooperation agreements, as compared to 66 medical institutions in 2020.

To strategically develop ourselves into providing medical services that support the entire fertility and pregnancy lifecycle, we acquired the obstetrics, gynecology and pediatrics business from Jinxin Hospital Management (Cayman) Company Limited in November 2021. Through this acquisition, we controlled 100% equity interest in Jinxin Medical Group.

Jinxin Women and Children Hospital is one of the largest private medical institutions that specializes in providing obstetrics, gynecology and pediatrics medical services in the PRC. Since its establishment, it has developed a well-established branding and extensive customer base allowing Jinxin Women and Children Hospital to be one of the largest private Class III Grade A obstetrics, gynecology and pediatrics hospitals in China in terms of baby deliveries. Through the acquisition, we are able to better serve the needs of IVF families and expand its service offerings into the areas of obstetrics, gynecology and pediatrics medical services in the PRC and vastly extend its industry chain to provide its patients with a more comprehensive suite of fertility services to improve its competitiveness within the IVF industry. The inclusion of obstetrics, gynecology and pediatrics medical service offerings now allows us to cover the complete pregnancy lifecycle from preconception preparation stage to pregnancy stage and to postpartum stage, which breaks through the limitations of traditional fertility services and gains us a competitive advantage over its peers on both a strategic and operational level. As such, the unique mix of service offerings that caters from the IVF stage to pregnancy stage will significantly address the unmet needs in the market. The acquisition is also aligned with our philosophy of enhancing patient's experience. Jinxin Women and Children Hospital, being classified as a Class III Grade A hospital, is expected to deliver patients with high-quality pregnancy experiences to bolster patients' satisfaction rate. In turn, we expect that this will attract new customers, lower client acquisition cost and an improvement in patient revisit rate. This acquisition also serves as a downstream business to our ARS business and creates revenue and cost synergies.

After the completion of the acquisition, Ms. Lyu Rong (chief executive officer of Jinxin Medical Investment Co., Ltd.) and Mr. Duan Tao (co-chief executive officer of Jinxin Medical Investment Co., Ltd.) joined our Group as the co-chief executive officer of the Company and the chief strategy officer of the Company, respectively. Ms. Duan Hongmei was appointed as the chief operating officer of the domestic market of the Company and is mainly responsible for integrating the businesses between hospitals and accelerating the synergistic effects between fertility services and obstetrics, gynecology and pediatrics medical services. Furthermore, we are able to reduce costs by integrating Chengdu Jinxin Health Management Co., Ltd.* (成都錦欣健康管理有限公司) and Chengdu Jinmai Innovative Testing Co., Ltd.* (成都市錦邁創新實驗檢測有限公司) as integrated supply chain management.

Shenzhen and Greater Bay Area operations

Despite the continuation of the COVID-19 outbreak during the Reporting Period, Shenzhen Zhongshan Hospital has delivered a strong performance in various aspects, including financial performance, operational expansion, corporate governance and capacity upgrading.

Shenzhen Zhongshan Hospital achieved a revenue growth of 42.4% in 2021 as compared to 2020, as a result of an increase in market share, services optimization and launch of VIP package.

In January 2021, Shenzhen Zhongshan Hospital upgraded its Mini-VIP service to an integrated VIP center, which is comparable 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. As of December 31, 2021, the penetration rate of our VIP services was 4.2%.

We continued to expand our service scope at Shenzhen Zhongshan Hospital to provide comprehensive services in fertility treatment. During the first half of 2021, we restructured an andrology center to manage both the reproductive andrology department and the male urology department. As such, the expansion of our service scope provides more treatment options to patients with infertility problems.

During the second half of 2021, we had been preparing for the commencement of full operation of the obstetrics outpatient department which commenced operation in January 2022. This enables us to meet the patients' demand for full-cycle services from pre-pregnancy, pregnancy, pre-natal and delivery, and on the other hand, it will help prepare the hospital to upgrade itself into a Grade III obstetrics hospital in the future.

We entered into an equity transfer agreement to further acquire 15% equity interest in Shenzhen Zhongshan Hospital in January 2022, and the completion is currently anticipated to take place in April 2022, and in any event no later than May 31, 2022. The acquisition will enable us to increase our control in the equity interest in Shenzhen Zhongshan Hospital to approximately 94.44%, thereby enabling us to (i) enhance our control and influence over the management and operation of Shenzhen Zhongshan Hospital, (ii) increase our share of economic benefits generated by Shenzhen Zhongshan Hospital, and (iii) have greater flexibility in the formulation of business strategies in Shenzhen Zhongshan Hospital.

Shenzhen Zhongshan Hospital was established in May 2004 and is a specialty hospital focused in the provision of fertility services, particularly to patients of the Greater Bay Area. The current premises of Shenzhen Zhongshan Hospital has been operating nearly at its full capacity, more floor space is required for long term growth.

To capture the anticipated growth and increasing demand for ARS services in Shenzhen and within the Greater Bay Area in the next decade due to the projected increase in population and demand in the region, we acquired a property under a construction project in February 2022, which is due to complete construction in the third quarter of 2022. The new property will allow Shenzhen Zhongshan Hospital to (i) further diversify its service offerings to provide full fertility lifecycle services covering ARS services, obstetrics, gynecology, pediatrics and andrology medical services, etc.; (ii) expand the VIP service to satisfy the multi-dimensional needs of its patients and enhance their patient's experience; and (iii) provide sufficient space and a better medical environment to attract patients from the Greater Bay Area, including Hong Kong, in the future. Shenzhen Zhongshan Hospital is planning to utilize its existing premises for out-patient services and re-designate all other existing services and new services to the new property upon completion of the project. We will continue to strive for Shenzhen Zhongshan Hospital to become a Class III Grade A specialty hospital with a focus on ARS and related fertility services, which will in turn create a higher barrier to enter in the fertility industry while improving the branding of "Jinxin" in the Greater Bay Area.

We intend to deepen our strategic focus in the Guangdong-Hong Kong-Macao Greater Bay Area, where it has a significant growth potential to increase our market share and brand awareness in the region. In August 2021, we acquired RHC and ARC to expand our footprint and provide ARS and fertility services in Hong Kong. RHC is a clinic dedicated to the reproductive health of women and its professional team comprises of specialist physicians from reproductive medicine, obstetrics and gynecology and surgery, and ARC is a full-service fertility ARS provider in Hong Kong. We believe that the acquisition of and cooperation with ARC and RHC will strengthen our presence in the Greater Bay Area through the integration of our operations in Shenzhen and Hong Kong. Dr. Chan Chi Wai Carina, one of the registered specialists in reproductive medicine in Hong Kong, according to the Medical Council of Hong Kong, has been retained with the Group as managing partner physician and a person responsible for RHC and ARC after the acquisition.

Wuhan operations

Following the completion of the acquisition of Wuhan Jinxin Hospital in July 2020, we renovated and conducted improvement works to expand its operational capacity to provide patients with high quality services. All departments of Wuhan Jinxin Hospital resumed their operations in February 2021. During the Reporting Period, more than 1,200 treatment cycles were performed at Wuhan Jinxin Hospital.

United States operations

While the COVID-19 impacted the number of international patients visiting HRC Fertility for IVF treatment, the local business has demonstrated sufficient resilience during the pandemic and continued to grow during the Reporting Period, with a revenue growing of 21.0% as compared to 2020. This was attributable to the excellent management ability and continuous efforts in nurturing young physicians.

In August 2021, HRC Management entered into a collaboration agreement with the University of Southern California ("**USC**"), a leading private research university in the United States, where HRC Management will collaborate with the fertility medicine practice of the reproductive and infertility endocrinology division at the Keck School of Medicine owned and operated by USC ("**USC Fertility**"). Concurrently, USC and the fertility clinics managed by us in the United States will collaborate and clinically integrate their fertility practices to further advance their IVF-related clinical research, improve the quality of fertility treatment and provide better patient care.

Further, a co-branding arrangement has been put in place which will allow our fertility clinics in the United States to leverage on the prestigious branding of Keck School of Medicine of USC, and on the other hand, USC can also display HRC's logo on USC's marketing materials. The collaboration agreement provides long-term benefits through synergies created by sharing resources, including the nine fertility clinics managed by us in the United States and world-class IVF research, education and physicians of USC Fertility, and thus improving our brand awareness in the United States.

In addition, four physicians from USC Fertility started to practice and provide clinical services at our fertility center in Pasadena, California in November 2021. This enables us to make further advancements in our IVF academic and clinical research, provide fertility treatments at a reduced cost and subsequently improve the medical experience for patients as a whole.

As part of this collaboration, during the Reporting Period, Dr. Richard J. Paulson ("**Dr. Paulson**") has joined as medical director of HRC Fertility. Dr. Paulson founded the fertility practice of USC in 1986 and has been its medical director. Dr. Paulson is also the incumbent professor and vice-chair of the department of obstetrics and gynecology, chief of the division of reproductive endocrinology and infertility, and the director of the fellowship in reproductive endocrinology and infertility at the Keck School of Medicine of USC, and has authored over 200 scientific articles and chapters and received more than 35 research awards. He was also a past president of the American Society for Reproductive Medicine and the Society for Reproductive Endocrinology and Infertility. Dr. Paulson has been continuously listed as one of the "Best Doctors in America" since 1994. We believe that Dr. Paulson's experience allows us to continue to expand our capabilities and capacity to serve high-quality care to more patients.

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, 2020 and 2021.

	Year ended December 31,	
	2021	2020
Number of IVF treatment cycles	**27,354**	22,879
Overall success rate		
Chengdu Xinan Hospital and Jinjiang IVF Center	**55.3%**	55.0%
Shenzhen operations	**52.6%**	53.7%
United States operations	**56.2%**	54.2%
Wuhan Jinxin Hospital	**49.2%**	N/A

During the Reporting Period, the slight decrease in success rate at Shenzhen Zhongshan Hospital was mainly attributable to the increased age of patients and complication of certain individual cases. Success rate largely depends on the patient's age and the level of complication of each individual case and other factors. The lower than average success rate at Wuhan Jinxin Hospital was mainly due to the higher age of the patients and Wuhan Jinxin Hospital selectively targeting more complicated cases to build a good reputation in a newly established hospital.

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 continues on its growth trend as demonstrated over the past years. The growth of the China ARS market is particularly due to an increased prevalence of infertility caused by lifestyle changes, an increase in the average age of the parents when having their first childbirth, rising health awareness and environmental pollution. In facing the challenges of decreasing fertility rates, it is inclined that the government encourages patients in need of ARS in treatment. Compared with Europe and the United States with a market penetration of ARS at approximately 30%, the market penetration of ARS in China is still relatively low.

In facing the challenges of decreasing fertility rate and change in population structure due to aging problem, the PRC government encourages births by adopting various supportive measures. In July 2021, the Central Committee of the Communist Party of China and the State Council issued the "Decision on Optimizing Fertility Policies to Promote Long-term and Balanced Population Development"《關於優化生育政策促進人口長期均衡發展的決定》, where couples are allowed to have up to three children, and supportive measures are being introduced covering various aspects to encourage births. The "Human Assisted Reproductive Technology Application Plan (2015-2020)"《人類輔助生殖技術應用規劃(2015-2020)》 issued by the National Health Commission aims to promote the healthy development of the reproductive medicine industry in an orderly manner to meet the market demands. According to a recent reply by the National Health Commission, it has launched the revision of administrative measures, basis standard and technical specifications related to assisted reproductive technology in order to establish and improve legal egg donation and storage channel.

As a leading ARS provider in the Greater 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, Guangdong Province, Yunnan Province and the Western United States, which contributes to our leading position in the ARS markets in the Greater China and the United States.

In addition, starting from our Chengdu operations, we have started to expand our service offerings to provide a full fertility lifecycle services covering pregnancy preparation, IVF, pregnancy check-ups, childbirth and postpartum to better serve patients and create value through industry chain integration.

In view of the aforesaid, we intend to leverage on our market positioning as a leading ARS provider and the favourable industry prospects and pursue the following core strategies to drive our success in the future.

Increase market share, productivity and capacity

In both the Greater China and the United States, we continue to increase our market share through the acquisition and expansion of hospitals.

Chengdu Xinan Hospital entered into a collaboration agreement with each of Yunnan Jinxin Jiuzhou Hospital Co., Ltd.* (雲南錦欣九洲醫院有限公司) (formerly known as 雲南九洲醫院有限公司) ("**Jiuzhou Hospital**") and Kunming Jinxin Hewanjia Obstetrics and Gynecology Hospital Co., Ltd.* (昆明錦欣和萬家婦產醫院有限公司) (formerly known as 昆明和萬家婦產醫院有限公司 ("**Hewanjia Hospital**"), pursuant to which Chengdu Xinan Hospital will provide management services to both hospitals in various aspects, including speciality alliance, brand promotion, quality control, talent cultivation, supply chain management and information technology. Furthermore, leveraging on our existing marketing leadership in Sichuan and Yunnan, Chengdu Xinan Hospital, Jiuzhou Hospital and Hewanjia Hospital will integrate resources and complement each other's strengths to further expand our market share in Southwest China including Sichuan, Yunnan and Guizhou Provinces.

We intend to deepen our strategic focus in the Guangdong-Hong Kong-Macao Greater Bay Area that possess a huge growth potential to increase our market share and brand awareness in the region. On one hand, we have acquired a new building for Shenzhen Zhongshan Hospital to expand its capacity and capabilities of offering enhanced services. Further, our acquisition of Jinxin Women Group in August 2021 marked a crucial move to expand our footprint and provide ARS and fertility services in Hong Kong.

In Wuhan, we have endeavoured to improve our medical quality and patient experience in every aspect under the guidance of local authorities and expect to re-launch our IVF practices to better serve our patients in needs in Hubei Province. Especially, Wuhan Jinxin Hospital has collaborated with Jinxin Women and Children Hospital, a Class III Grade A hospital to build and expedite its obstetrics and gynecology business to provide quality integrated fertility treatment. In future, we intend to fully utilize our experienced medical teams and premium medical services to further penetrate into the market in the Hubei region.

In the United States, we seek to consolidate our market positioning, expand customer acquisition capacities and penetrate into untapped markets by hiring new physicians and opening new centers, in particular, in the Western United States. By leveraging on the market influence of HRC Management and the USC, the collaboration between HRC Management and the USC will attract more talented physicians to join HRC Management as well as increase its market share and enhance its ability to acquire customers.

Expand our service offerings to provide comprehensive and integrated fertility treatment services and premium services

We intend to continue expanding our service offerings to meet the patients' demand for high quality full-cycle services from pre-pregnancy, pregnancy, pre-natal and delivery. We also plan to expand our facilities for fast-growing value-added services in our network to explore high potential opportunities in these businesses.

In Chengdu, our acquisition of Jinxin Medical Group in 2021 marked our first move in strategically developing ourselves into providing medical services that support the entire fertility and pregnancy lifecycle for families. We believe that the businesses of obstetrics, gynecology and pediatrics medical services have the potential to be well integrated.

We intend to expand our male reproductive services in the southwest region of China. With the newly established "Jinxin Ai'jian International" as the platform, we have commenced trial operation of Chengdu Jinxin Aijian Hospital in December 2021. We are dedicated to becoming a top-class medical institution chain that specializes in full-lifecycle male healthcare services, including but not limited to health assessment, reproductive andrology and male urology.

We have introduced VIP packages with a suite of premium services at Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital. We intended to continue adjusting our service offerings to meet their ever-changing and multi-dimensional needs of our patients. We expect to replicate the success of our VIP business model to other hospitals in the near future.

Expand our platform reach through acquisitions

We have been expanding our network in the Greater China, the United States and Southeast Asia. In the Greater China, we will expedite our regional planning strategy and acquire ARS providers located in regions and cities with strong radiant effect.

In the United States, we also intend to increase our market share in the Western United States through acquisition and establishment of new clinics. In Southeast Asia, we intend to put a priority on the acquisition of leading local ARS providers to expedite market expansion.

We would also continue to stick to our mergers and acquisitions strategy by selectively entering into other countries and markets with relatively high demand for ARS.

In June 2021, we became indirectly entitled to approximately 19.33% economic interest in Jiuzhou Hospital and Hewanjia Hospital. Jiuzhou Hospital is a private for-profit Class II general hospital in Yunnan Province while Hewanjia Hospital is a private for-profit Class III specialized maternity hospital in Yunnan Province. Both Jiuzhou Hospital and Hewanjia Hospital possess IVF licenses to provide ARS to their patients, including conventional in-vitro fertilization and embryo transfer ("**IVF-ET**") and intracytoplasmic sperm injection ("**ICSI**"). This acquisition represents a strategic investment in line with the Group's well-established strategy of leveraging its leadership in China to expand its ARS outreach by focusing on acquisitions targeting ARS providers that already possess conventional IVF licenses and are located in geographical locations that present strategic advantages to the Group. In August 2021, we also entered into the Speciality Cooperation Agreement with Jiuzhou Hospital and Hewanjia Hospital to participate in the operation of the two hospitals, which allows us to better utilize our experiences in the IVF hospital management and improve the overall performance of the two hospitals.

During the Reporting Period, there are several renowned assisted reproductive experts joining Jiuzhou Hospital and Hewanjia Hospital.

Dr. Ma Yanping joined as the director of reproductive technology. Prior to joining our Group, Dr. Ma Yanping served as the director of the reproductive medicine department at the First People's Hospital of Yunnan Province (雲南省第一人民醫院) and is one of the pioneers of IVF technology in Yunnan Province.

Dr. Zhang Xiaoqin joined as the director of obstetrics and gynecology. Dr. Zhang Xiaoqin has been engaged in clinical practice, teaching and scientific research for 37 years and she was the director of the obstetrics and gynecology department of the Second Affiliated Hospital of Kunming Medical University (昆明醫科大學第二附屬醫院).

Continue to invest in research and development to enhance overall performance

We have enhanced our research capabilities by increasing our investments in our research and development teams and research initiatives to maintain our leading position in the application of assisted reproductive technologies and improve clinical outcomes in our patients.

We have included Jinxin Medical Innovation Research Center into the Group's network in January 2022 in order to achieve more efficient and effective R&D initiatives and commercial transformation. Our Jinxin Medical Innovation Research Center is dedicated to promoting and exploring new and innovative methods to expand our service offerings as well as improve our clinical outcomes. Through Jinxin Medical Innovation Research Center, we are also able to expedite clinical transformation and commercialization of our scientific research projects as well as to enhance our scientific research ability by investing in research and development, so as to improve the clinical quality at our hospitals and diversify our revenue streams. Furthermore, by introducing a high quality research team and investing in excellent start-ups in the fertility industry, we seek to actively deploy the technology that we possess to expand the services we provide. We will continue to adhere to high quality standards and explore new methods to improve quality control in our IVF laboratories, which are critical components to maintaining a high overall IVF success rate.

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 will continue to implement the "physician as partner" mechanism to grant physicians with equity ownership as partners of the Company. In 2021, as part of our talent strategy, we have established a Partner Selection Committee which identifies and develops the best physicians or management to to be part of our new generation.

We have adopted the 2022 Restricted Share Award Scheme in February 2022 to recognize the contributions of our employees. The purposes of the 2022 Restricted Share Award Scheme are to (i) provide our employees with the opportunity to acquire proprietary interests in the Company; (ii) encourage our employees to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its 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 our employees.

We intend to further expand our equity incentive coverage to attract more employees to become our partners. 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.

Environmental, Social and Governance (ESG)

We have dedicated to enhancing our ESG initiatives in many ways. For example, during the Reporting Period, our hospital in China had provided gratuitous support to local communities for more than 120 times and sent over 3,000 people to support the control and prevention of pandemic. We had also organized health educational activities for the community, and offered free medicines and IVF treatments to patients in financial difficulties. Besides, we had helped economically disadvantaged areas to improve their medical standards through medical technologies. To cope with climate change, we had identified the climate-related risks and opportunities regarding the Task Force on Climate-Related Financial Disclosures (TCFD), and reduced our carbon emissions by improving energy and water efficiency.

We intend to continue to contribute to the society by a wide array of ways to execute our ESG commitment. We believe, through our efforts in ESG, on the one hand, we will continue to create values for the society, on the other hand, we will gain recognition from the society and patients and help the Company to achieve a healthy and sustainable development in the future.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 28.9% from approximately RMB1,426.1 million for the year ended December 31, 2020 to approximately RMB1,838.8 million for the year ended December 31, 2021. The overall increase was primarily due to the quick recovery of the Group's operations from the COVID-19 pandemic as well as the increasing patients' need for fertility treatments.

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

	Year ended December 31,			
	2021		2020	
	RMB'000	%	RMB'000	%
Revenue				
ARS				
Chengdu Xinan Hospital	729,476	39.7%	699,716	49.1%
Shenzhen Zhongshan Hospital	379,617	20.6%	267,968	18.8%
Wuhan Jinxin Hospital	43,182	2.3%	11,163	0.8%
ARC	8,186	0.4%	–	0.0%
Sub-total	1,160,461	63.0%	978,847	68.7%
Management service fee				
Chengdu Xinan Hospital	92,551	5.0%	32,691	2.3%
HRC Management	432,239	23.5%	342,399	24.0%
Jinxin Women and Children Hospital	3,429	0.2%	–	0.0%
Sub-total	528,219	28.7%	375,090	26.3%
Ancillary medical services(1)				
Shenzhen Zhongshan Hospital.	47,310	2.6%	31,942	2.2%
HRC Management	27,045	1.5%	37,308	2.6%
Wuhan Jinxin Hospital	11,721	0.6%	2,901	0.2%
RHC	8,484	0.5%	–	0.0%
Sub-total	94,560	5.2%	72,151	5.0%

	Year ended December 31,			
	2021		2020	
	RMB'000	%	RMB'000	%
Obstetrics, gynecology and pediatrics medical services				
Jinxin Women and Children Hospital	34,298	1.9%	–	0.0%
Sub-total	34,298	1.9%	–	0.0%
Sales of medicines, consumables and equipment				
Chengdu Jinmai Innovative Testing Co., Ltd.	2,933	0.2%	–	0.0%
Chengdu Jinxin Health Management Co., Ltd	18,355	1.0%	–	0.0%
Sub-total	21,288	1.2%	–	0.0%
Total	1,838,826	100.0%	1,426,088	100.0%

Note:

(1) Ancillary medical services provided by HRC Management 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 increased by 12.2% from approximately RMB732.4 million for the year ended December 31, 2020 to approximately RMB822.1 million for the year ended December 31, 2021, primarily due to an increase in the revenue from ARS provided at Chengdu Xinan Hospital and management service fees charged to Jinjiang IVF Center resulting from the increase in the number of IVF treatment cycles performed at Chengdu Xinan Hospital and Jinjiang IVF Center.

The revenue from ARS provided at Chengdu Xinan Hospital increased by 4.3% from approximately RMB699.7 million for the year ended December 31, 2020 to approximately RMB729.5 million for the year ended December 31, 2021, as a result of an increase in the average spending per IVF treatment cycle performed at Chengdu Xinan Hospital.

Revenue from management services provided in Chengdu increased by 183.1% from approximately RMB32.7 million for the year ended December 31, 2020 to approximately RMB92.6 million for the year ended December 31, 2021, primarily due to the increase in management service fee charged to Jinjiang IVF Center.

We appointed a well regarded physician from Chengdu Xinan Hospital to Jinjiang IVF Center as the president of the center, which attributed to the significant increase of IVF treatment cycles at Jinjiang IVF Center.

Shenzhen operations

The revenue contributed by the Group's Shenzhen operations increased by 42.4% from approximately RMB299.9 million for the year ended December 31, 2020 to approximately RMB426.9 million for the year ended December 31, 2021, primarily due to the increase in the number of IVF treatment cycles performed at Shenzhen Zhongshan Hospital and an increase in average spending per IVF treatment cycle.

United States operations

The revenue contributed by the Group's United States operations increased by 21.0% from approximately RMB379.7 million for the year ended December 31, 2020 to approximately RMB459.3 million for the year ended December 31, 2021, primarily due to an increase in the number of IVF treatment cycles performed as well as an increase in the average spending per IVF treatment cycle performed at HRC Management. Revenue from management services provided by the Group under the MSA with HRC Medical in California, the United States increased by 26.2% from approximately RMB342.4 million for the year ended December 31, 2020 to approximately RMB432.2 million for the year ended December 31, 2021, primarily due to the recovery of HRC Medical's operation from the COVID-19 pandemic and an increase in the IVF treatment cycles provided to the local patients in the United States.

Ancillary medical services provided by HRC Management include ambulatory surgery centre facility services and PGS testing services. Ambulatory surgery centre facilities services revenue relates to provision of ambulatory surgery centre facilities at RSA Centers to doctors in exchange for a fee. PGS testing services revenue relates to provision of preimplantation genetic screening service at its in-house clinical laboratory called NexGenomics. Ancillary medical services revenue decreased by 27.5% from approximately RMB37.3 million for the year ended December 31, 2020 to approximately RMB27.1 million for the year ended December 31, 2021, primarily because HRC Management adjusted its charging method by including these ancillary medical services into its service packages, resulting in a decrease in the revenue generated from ancillary medical services. Notwithstanding the change in charging method, the overall revenue contributed by the Group's United States operations recorded an increase in 2021 compared with last year.

Cost of Revenue

Cost of revenue of the Group increased by 24.1% from approximately RMB860.3 million for the year ended December 31, 2020 to approximately RMB1,067.3 million for the year ended December 31, 2021. The increase of the cost of revenue was mainly attributed to the increase in pharmaceutical products and consumables, and increase in staff costs and depreciation, all of which were largely due to the increase in revenue.

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

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by 36.4% from approximately RMB565.8 million for the year ended December 31, 2020 to approximately RMB771.5 million for the year ended December 31, 2021. The increase in the gross profit was mainly attributed to the increase in revenue. The Group's gross profit margin increased from 39.7% for the year ended December 31, 2020 to 42.0% for the year ended December 31, 2021. The increase in the gross profit margin was primarily attributable to the economies of scale when the Group's operation recovered from the COVID-19 pandemic.

Other Income

Other income of the Group decreased by 24.5% from approximately RMB74.1 million for the year ended December 31, 2020 to approximately RMB56.0 million for the year ended December 31, 2021, primarily due to a decrease in interest income from time deposits.

Other income consists primarily of interest income from time deposits and bank balances, and government grants for research and development projects at Shenzhen Zhongshan Hospital.

Other Gains and Losses

Other gains and losses primarily represent gain on fair value change of financial assets at fair value through profit or loss ("**FVTPL**") and net exchange gain or loss. The Group recorded a gain on fair value change of financial assets at FVTPL of approximately RMB30.0 million for the year ended December 31, 2021, primarily due to the change of fair value of approximately 19.33% economic interest in Jiuzhou Hospital and Hewanjia Hospital. The Group recorded a net exchange gain of approximately RMB13.1 million for the year ended December 31, 2021 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 7.2% from approximately RMB11.5 million for the year ended December 31, 2020 to approximately RMB10.7 million for the year ended December 31, 2021.

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

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of marketing and promotional expenses associated with organizing educational activities and cooperating with third parties agencies and partners and staff cost of the Group's marketing team. Selling and distribution expenses of the Group increased by 49.2% from approximately RMB41.4 million for the year ended December 31, 2020 to approximately RMB61.7 million for the year ended December 31, 2021, primarily due to an increase in staff cost of the Group's marketing team and marketing expense of Wuhan Jinxin Hospital and Shenzhen Zhongshan Hospital.

Administrative Expenses

Administrative expenses primarily consist of staff costs, including ESOP expenses, depreciation and amortization, repair and maintenance expenses, property-related expenses and others. Administrative expenses of the Group increased by 19.1% from approximately RMB275.3 million for the year ended December 31, 2020 to approximately RMB327.7 million for the year ended December 31, 2021, primarily due to the increase in ESOP expenses and depreciation and amortization expenses of RMB11.0 million and RMB18.0 million, respectively.

Finance Costs

Finance costs of the Group increased from approximately RMB13.4 million for the year ended December 31, 2020 to approximately RMB21.1 million for the year ended December 31, 2021, primarily due to an increase in the number of leases.

Income Tax Expenses

Income tax expenses of the Group primarily consist of PRC enterprise income tax and US income tax. Income tax expenses of the Group increased by 17.6% from approximately RMB88.6 million for the year ended December 31, 2020 to approximately RMB104.2 million for the year ended December 31, 2021, primarily due to the increase in the Group's profit before taxation.

The effective tax rate of the Group decreased from 25.4% for the year ended December 31, 2020 to 22.8% for the year ended December 31, 2021, primarily due to the decrease in the taxable income of the Group's United States operations as a percentage of total taxable income of the Group.

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 non-IFRS 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 non-IFRS 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 non-IFRS 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, 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**353,697**	260,496
Add:		
ESOP expenses(1)	**76,342**	83,649
Amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from Shenzhen Zhongshan Hospital, HRC Management, Wuhan Jinxin Hospital, Jinxin Medical Group and Jinxin Women Group acquisitions(2)	**27,556**	22,133
Imputed interest income from related parties(3)	**(2,319)**	–
Donation to Wuhan(4)	**–**	6,000
Non-IFRS adjusted net profit	**455,276**	372,278
Non-IFRS EBITDA	**548,493**	394,743
Add:		
ESOP expenses(1)	**76,342**	83,649
Imputed interest income from related parties(3)	**(2,319)**	–
Donation to Wuhan(4)	**–**	6,000
Non-IFRS adjusted EBITDA	**622,516**	484,392

Notes:

(1) 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.

(2) Amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from Shenzhen Zhongshan Hospital, HRC Management, Wuhan Jinxin Hospital, Jinxin Medical Group and Jinxin Women Group acquisitions. 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.

(3) 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.

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

Net Profit and Net Profit Margin

As a result of the foregoing, net profit of the Group increased by 35.8% from approximately RMB260.5 million for the year ended December 31, 2020 to approximately RMB353.7 million for the year ended December 31, 2021. Net profit margin of the Group for the year ended December 31, 2021 was 19.2%, compared to 18.3% for the year ended December 31, 2020. The higher net profit margin compared to the year ended December 31, 2020 was primarily due to the economies of scale when the Group's operation recovered from the COVID-19 pandemic, which was partially offset by the decrease in interest income and the consolidation of Wuhan Jinxin Hospital, which is still loss making.

Non-IFRS adjusted net profit[1] of the Group increased by 22.3% from approximately RMB372.3 million for the year ended December 31, 2020 to approximately RMB455.3 million for the year ended December 31, 2021. The non-IFRS adjusted net profit margin of the Group for the year ended December 31, 2020 was 26.1%, compared to 24.8% for the year ended December 31, 2021. The lower non-IFRS adjusted net profit margin of the Group for the year ended December 31, 2021 was primarily due to the decrease in interest income and the consolidation of Wuhan Jinxin Hospital, which is still loss making.

Non-IFRS EBITDA

Non-IFRS EBITDA[2] of the Group increased by 38.9% from approximately RMB394.7 million for the year ended December 31, 2020 to approximately RMB548.5 million for the year ended December 31, 2021. The non-IFRS EBITDA margin of the Group for the year ended December 31, 2021 was 29.8%, compared to 27.7% for the year ended December 31, 2020. The higher non-IFRS EBITDA margin of the Group for the year ended December 31, 2021 was mainly due to the economies of scale when the Group's operation was being recovered from the COVID-19 pandemic.

Non-IFRS adjusted EBITDA[3] of the Group increased by 28.5% from approximately RMB484.4 million for the year ended December 31, 2020 to approximately RMB622.5 million for the year ended December 31, 2021. The non-IFRS adjusted EBITDA margin of the Group for the year ended December 31, 2021 was 33.9%, compared to 34.0% for the year ended December 31, 2020. The non-IFRS adjusted EBITDA margin of the Group for the year ended December 31, 2021 was stable as compared to that for the year ended December 31, 2020.

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1 Non-IFRS adjusted net profit is calculated as net profit for the Reporting Period, excluding (i) ESOP expenses; (ii) amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from Shenzhen Zhongshan Hospital, HRC Management, Wuhan Jinxin Hospital, Jinxin Medical Group and Jinxin Women Group acquisitions; (iii) imputed interest income from related parties and (iv) donation to Wuhan to better reflect the Company's current business and operations.

2 Non-IFRS EBITDA represents profit before taxation excluding (i) finance costs (excluding interest on lease liabilities); (ii) depreciation of property, plant and equipment; and (iii) amortization of medical practice license and non-compete agreement, while less interest income (excluding imputed interest from related parties).

3 Non-IFRS adjusted EBITDA is calculated as non-IFRS EBITDA for the Reporting Period, excluding (i) ESOP expenses; (ii) imputed interest income from related parties and (iii) donation to Wuhan to better reflect the Company's current business and operations.

Basic and Diluted Earnings per Share

The basic and diluted earnings per Share of the Group for the year ended December 31, 2021 amounted to RMB0.14 and RMB0.14 respectively, as compared with RMB0.10 and RMB0.10 respectively for the year ended December 31, 2020. Please refer to note 14 to the consolidated financial statements in this annual report. Adjusted basic earnings per share of the Group for the year ended December 31, 2021 amounted to RMB0.18, as compared with RMB0.15 for the year ended December 31, 2020.

Inventories

Inventories of the Group increased by 83.7% from approximately RMB25.5 million as at December 31, 2020 to approximately RMB46.8 million as at December 31, 2021, which primarily due to the the consolidation of Jinxin Medical Group.

Accounts and Other Receivables

Accounts and other receivables of the Group increased by 107.6% from approximately RMB68.7 million as at December 31, 2020 to approximately RMB142.7 million as at December 31, 2021, primarily due to the consolidation of Jinxin Medical Group.

Financial Assets at FVTPL

Financial assets at FVTPL of the Group was approximately RMB177.7 million as at December 31, 2021, representing the investment of Jiuzhou Hospital and Hewanjia Hospital.

Goodwill

Goodwill of the Group increased by 205.7% from approximately RMB889.6 million to approximately RMB2,719.7 million as at December 31, 2021, primarily due to the consolidation of Jinxin Medical Group.

Accounts and Other Payables

Accounts and other payables of the Group increased by 23.2% from approximately RMB361.6 million as at December 31, 2020 to approximately RMB445.5 million as at December 31, 2021, primarily due to the consolidation of Jinxin Medical Group.

Liquidity and Capital Resources

The business operations and expansion plans of the Group require a significant amount of capital, including funding of merger and acquisition, 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. In February 2021, the Group received total net proceeds of approximately HK$1,253.47 million from the Placing (as defined hereinafter). The Group also obtained additional funding from syndicated loan facilities of up to US$300 million during the year. The net proceeds and the loan facilities would be used to fund the capital requirements of the Group. Therefore, the Directors are of the view that the Group has sufficient resources to meet its future business operations and expansion plans.

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,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	**343,452**	308,039
Net cash (used in) from investing activities	**(1,566,182)**	1,151,913
Net cash from (used in) financing activities	**955,054**	(55,582)
Cash and cash equivalents at beginning of the year	**1,964,516**	579,637
Effect of foreign exchange rate changes	**(7,556)**	(19,491)
Cash and cash equivalents at end of the year	**1,689,284**	1,964,516

Capital Commitments

The principal capital expenditures of the Group relate primarily to purchases of equity investments and 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,	
	2021	2020
	RMB'000	RMB'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,306**	39,144
Total	**5,306**	39,144

Significant Investments, Material Acquisitions and Disposals

Save as disclosed above, as at December 31, 2021, there were no other significant investments 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, 2021, the Group, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB433.1 million. The lease liabilities represent payment for right of using underlying assets.

Borrowings

As of December 31, 2021, the Group had bank borrowings of RMB163.7 million (December 31, 2020: RMB162.5 million).

Contingent Liabilities and Guarantees

As at December 31, 2021, the Group did not have any material contingent liabilities or guarantees.

Charge of Assets

As at December 31, 2021, there was no charge on the material assets of the Group.

Contractual Obligations

As at December 31, 2021, 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, 2021, the Group's gearing ratio is 1.87% (December 31, 2020: 2.18%).

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 31 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, 2021, the Group and the medical facilities in its network had a total of 2,548 employees, of whom 2,291 were located in China and 257 were located in the United States. The staff costs, including Directors' emoluments were approximately RMB457.9 million for the year ended December 31, 2021, as compared to approximately RMB357.3 million for the year ended December 31, 2020.

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 the 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 and 2022 Restricted Share Award Scheme, which were adopted on February 15, 2019 and February 17, 2022, respectively. Summary of the principal terms of the RSU Scheme are set out in the section headed "Statutory and General Information – D. RSU Scheme" in Appendix V to the Prospectus. Summary of the principal terms of the 2022 Restricted Share Award Scheme are set out in the announcement of the Company dated February 17, 2022.

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, which was adopted on June 3, 2019. Summary of the principal terms of the Share Option Scheme are set out in the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix V to the Prospectus. As at December 31, 2021, no option has been granted pursuant to the Share Option Scheme.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$7.38 cents per Share for the year ended December 31, 2021 (for the year ended December 31, 2020: nil) which is subject to the approval by the Shareholders at the AGM. The final dividend is expected to be payable to the Shareholders on or before Friday, July 22, 2022. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, July 7, 2022.

EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to December 31, 2021:

- On January 27, 2022, Jinrun Fude, as the purchaser entered into an equity transfer agreement with Mr. Mei Hua (梅驊), as the vendor, pursuant to which Jinrun Fude agreed to purchase, and Mr. Mei Hua agreed to sell 15% equity interest in Shenzhen Zhongshan Hospital at a consideration of RMB288,682,500. The completion is currently anticipated to take place in April 2022, and in any event no later than May 31, 2022. Following completion, the Company will indirectly hold 70% equity interest in Shenzhen Zhongshan Hospital and control 24.44% equity interest in Shenzhen Zhongshan Hospital by virtue of contractual arrangements. This acquisition will enable the Group to increase its control in the equity interest in Shenzhen Zhongshan Hospital to approximately 94.44%. For more details, please refer to the announcements of the Company dated January 27, 2022 and March 28, 2022, respectively.

- On February 4, 2022, Hainan Sanya Jinshu Enterprise Management Co., Ltd.* (海南三亞錦舒企業管理有限公司) ("**Sanya Jinshu**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into an equity transfer agreement with Gong Haipeng, Lin Yinglai and Zhou Zhenhao, collectively as the vendors, pursuant to which Sanya Jinshu conditionally agreed to acquire from the vendors the entire equity interest of Shenzhen Hengyu Lianxiang Investment Development Co., Ltd (深圳市恒裕聯翔投資發展有限公司) ("**Hengyu Lianxiang**") whose principal asset is a property developed by it under a construction project in Shenzhen. The total consideration is in the sum of approximately RMB1,727 million. Upon completion, Hengyu Lianxiang will be wholly-owned by the Company and will become an indirect wholly-owned subsidiary of the Company. The financial results and assets and liabilities of Hengyu Lianxiang will therefore be consolidated into the financial statements of the Group. For more details, please refer to the announcements of the Company dated February 4, 2022 and February 15, 2022, respectively.

DIRECTORS

Executive Directors

Mr. Zhong Yong (鍾勇), aged 50, 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 the Chairman of the Board on March 28, 2021. He is mainly responsible for formulating the Company's strategies and development plans. 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 59, 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 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. Dong Yang (董陽), aged 36, has been an executive Director of the Company and the Chief Executive Officer 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 as 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). 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 2009 to June 2017, Mr. Dong successively served as a manager of audit assurance, a manager of capital market transaction and a manager of accounting management and advisory at PricewaterhouseCoopers in Mainland China and Hong Kong.

Mr. Dong obtained a master's degree in business administration at the Hong Kong University of Science and Technology in March 2020. He 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 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. Lyu Rong (呂蓉), aged 40, has been an executive Director and the Co-chief Executive Officer of the Company since December 3, 2021. She has more than 10 years of experience working in the medical industry. She has been serving as the chairman of the board of directors and the general manager of Sichuan Jinxin Women and Children Hospital Co., Ltd. (四川錦欣婦女兒童醫院有限公司) since October 2018 and previously its president from May 2015 to May 2021 and was the CEO of Jinxin Medical Investment Co., Ltd. from March 2017 to November 2021. Further, she has been the director of Chengdu Jinxin Medical Investment Management Group Co., Ltd. (成都錦欣醫療投資管理集團有限公司) since May 2015 and its general manager since June 2021. Currently, she is also the director of Chengdu Jinxin Health Management Co., Ltd.* (成都錦欣健康管理有限公司) and Jinxin Medical Investment Co., Ltd. (錦欣醫療投資有限公司).

In addition to her work experiences, Ms. Lyu has held a number of positions at various public offices and medical associations. Ms. Lyu has served as a sub-committee for private medical institutions of the expert committee on management capacity building for modern hospitals at the National Health Commission Capacity Building and Continuing Education Center (國家衛健委能力建設和繼續教育中心) since October 2021, an expert committee on medical quality management and evaluation for private medical institutions at the Chinese Hospital Association since June 2021 and a member of the hospital review and evaluation committee at the Chinese Hospital Association (中國醫院協會) since November 2020. Furthermore, she also participated as a member of the Chengdu Jinjiang District Committee of the CPPCC (政協成都市錦江區委員會) for two consecutive terms since 2016.

Ms. Lyu obtained a master's degree (correspondence course) in business administration from the Open University of Hong Kong (香港公開大學) (now Hong Kong Metropolitan University (香港都會大學)) in August 2018.

Ms. Lyu 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.

Dr. Geng Lihong (耿麗紅), aged 53, 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 Xinjiang 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 was one of the main breeders of the first successful IVF in Tibet Autonomous Region and she was awarded "Excellant Expert with Outstanding Contributions" in Sichuan Province in 2018.

Dr. Geng 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.

Non-executive Directors

Mr. Fang Min (方敏), aged 43, has been a non-executive Director of the Company since December 25, 2018. He is primarily responsible for providing guidance on financial management and business development to our Group. He has been a managing director at Warburg Pincus Asia LLC since July 2016 and is primarily responsible for investment and management consulting. Prior to joining Warburg Pincus Investment Consulting Company Limited (Shanghai Branch) in July 2011 as investment manager, he worked at Boston Consulting (Shanghai) Company Ltd. as a consultant between September 2001 and November 2006.

From January 2020 to October 2021, Mr. Fang served as a non-executive director 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 48, 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 52, 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) (now Hong Kong Metropolitan University (香港都會大學)) in November 2015.

Ms. Yan 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.

Independent Non-executive Directors

Dr. Chong Yat Keung (莊一強), aged 58, 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. Li Jianwei (李建偉), aged 48, has been an independent non-executive Director since August 31, 2021. He is primarily responsible for supervising and providing independent judgment to the Board.

Mr. Li has been a juris doctor and a professor of commercial law at China University of Political Science and Law and a supervisor for doctoral students since 2013. He also serves as the director of department of law and commerce at the business school, as well as the secretary general of the Commercial Law Research Society of China Law Society. His main research areas include, among others, civil and commercial law, corporate law, securities law, corporate governance, etc.

From 2013 to 2015, Mr. Li served as a visiting professor at the Law School of The Aoyama Gakuin University in Japan. Before that, between 2008 to 2009, he was a senior visiting scholar at the Law School of University of The New South Wales in Australia and from 2002 to 2004, he was a post-doctoral researcher at the Business School of the Renmin University of China. Furthermore, his past positions also include the executive director and secretary general of the Commercial Law Research Society of China Law Society, executive director of China Association of Business Law, member of the 1st, 2nd and 3rd Hong Kong and Macau Law Committee of Zhuhai Hengqin New Area, member of Expert Advisory Committee of courts such as Guangzhou Intermediate People's Court, and arbitrator of arbitration committees in Beijing, Fuzhou, Changsha, Guangzhou, Zibo, Beihai, Ordos and Zhuhai.

Mr. Li has been in charge of more than 10 national and provincial level projects, including chief specialist of significant projects under the National Social Science Fund of China, youth research project under the National Social Science Fund of China, the Humanities and Social Science Fund of the Ministry of Education, rule of law theory projects of the Ministry of Justice and social science projects under Beijing Social Science Fund. He was also in charge of the youth research innovation team project of Commercial Law in China University of Political Science and Law for six years from 2012 to 2018. Furthermore, Mr. Li has published more than 160 academic papers such as China Legal Science, Journal of Law and Xinhua Digest.

Mr Li. has received several awards for research excellence such as the second prize in Dong Biwu Youth Law Achievement Award and the third prize in the 4th China Law Outstanding Achievement Award. As a legal expert, he has successively participated in expert argumentation of a number of legislative and judicial interpretation documents, including, among others, General Principles of Civil Law, Civil Code – Contracts, Company Law, Electronic Commerce Law and Company Law Interpretation (3), (4). He also received the Outstanding Teacher Award of 2011 and Excellent Teacher Award of 2007, 2009, 2010 and 2016, awarded by the China University of Political Science and Law.

Mr. Li obtained the independent director qualification from the Shanghai Stock Exchange in 2015, and is currently an independent director of Hanwang Technology Co., Ltd. (漢王科技股份有限公司) since April 2018, whose shares have been listed on the Shenzhen Stock Exchange (Stock Code: 002362), Linksus Digiwork Marketing Communication Co., Ltd. (靈思雲途營銷顧問股份有限公司) since May 2017, whose shares have been listed on the National Equities Exchange and Quotations (Stock Code: 838290), and China Quanjude (Group) Co., Ltd. (中國全聚德(集團)股份有限公司) since December 2018, whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002186). He also serves as the chairman of the board of Beijing Fangyuan Zhonghe Culture Communication Co., Ltd. (北京方圓眾合教育科技有限公司). In addition, Mr. Li is also an independent non-executive director of China Shanshui Cement Group Limited (中國山水水泥集團有限公司) since May 2018, whose shares have been listed on the Stock Exchange (Stock Code: 0691)

Except as disclosed above, Mr. Li 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 20 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. He has been an independent director of Hengyi Biomedical Technology (Shanghai) Co Ltd (恒翼生物醫藥（上海）股份有限公司) since November 2021.

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 51, 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.

Ms. Lyu Rong, is an executive Director and co-chief executive officer of the Company. See "– Executive Directors" for details of her biography.

Dr. Geng Lihong, is an executive Director and chief medical 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.

Dr. Li Yuan (李媛), aged 51, has been the chief medical officer of the Group since August 2021 and is primarily responsible for improving the quality of medical services, strengthening the scientific research and innovation, training medical professionals and employees and improving the customer-centric culture in the hospitals of the Group. Dr. Li has been working in the field of reproductive medicine since 1994. From 1999 to 2011, Dr. Li successively served as the laboratory director and assistant to the dean in the Affiliated Reproductive Medicine Hospital of Shandong University* (山東大學附屬生殖醫院) and established its standardized quality control system. Prior to that, from September 2011 to August 2021, she was employed as a director at the reproductive center of Beijing Chaoyang Hospital* (北京朝陽醫院). During her tenure, she significantly contributed to and as the founder of reproductive center, led the reproductive center of Beijing Chaoyang Hospital to become one of the top clinical centers in Beijing in terms of clinical operations, greatly recognized by the patients.

Dr. Li has made a series of academic achievements in the field of reproductive medicine. She owns more than 10 patents in relation to reproductive medicine and has published more than 130 academic articles. As a project director, she had also undertaken eight Chinese national and provincial projects, including the 973 Program* (國家973 計劃課題) in 2011 and the project of the Natural National Science Foundation of China* (國家自然科學基金) in 2008 and 2014 respectively. Further, Dr. Li received second prize in the National Science and Technology Progress Award* (國家科技進步獎), first prize in the Ministry of Education* (教育部) and the first and second prize in the Provincial Science and Technology Progress Award* (省科技進步獎), respectively. Moreover, she was the chief editor of the guiding textbook Human Assisted Reproductive Laboratory Technology* (人類輔助生殖實驗室技術) published in 2008.

Dr. Li obtained a bachelor's degree from the School of Medicine of the Shandong Medical University (山東大學醫學院) in June 1994 and a master's degree and a doctorate degree from the School of Medicine of the Shandong Medical University in June 1999.

Dr. Li 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. Chi Ling (池玲), aged 67, 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 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. You Fei (由飛), aged 43, 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 18 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 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. Duan Hongmei (段紅梅), aged 42, has been the chief operating officer of the domestic market of the Company and the deputy general manager of Chengdu Jinxin Medical Investment Management Group Limited* (成都錦欣醫療投資管理集團有限公司) since March 2022 and December 2018, respectively. Ms. Duan has nearly 20 years of experience in the hospital industry. From April 2017 to November 2018, she served as the deputy general manager of Chengdu Jinxin Healthcare Hospital Management Co. Ltd.* (成都錦欣康養醫院管理有限公司). From October 2016 to March 2017, she served as the director of Chengdu Jinxin JiuJiuLeLing Healthcare Center (成都錦欣九九樂齡康養中心). From August 2015 to October 2016, she served as the deputy director of Chengdu Jinxin Obstetrics and Gynaecology Hospital (成都錦欣婦產科醫院). From September 2004 to July 2015, she was the director of Longzhou Road/Lianxin/Yanshikou Community Healthcare Center (成都市錦江區龍舟路／蓮新／鹽市口社區衛生服務中心) in Jinjiang District, Chengdu and the person in charge of Jinxin Love Angel Education Center (錦欣愛天使教育中心). From September 2003 to August 2004, she served as an inpatient gynaecology nurse at Chengdu Jinjiang District Obstetrics and Gynaecology Hospital (成都錦江區婦產科醫院) and also as a nursing department administrator.

Ms. Duan obtained a master's degree in business administration from Southwest University of Finance and Economics (西南財經大學) in November 2018.

Ms. Duan did not hold any directorships in any other public companies whose securities are listed in Hong Kong or overseas during the three years immediately preceding the date of this report.

Ms. Liu Hongkun (劉竑琨), aged 34, has been the vice president and the head of strategic investment of the Company and the chief investment officer of Jinxin Medical Technology Innovation Center since July 2021. She is mainly responsible for matters in relation to investment, mergers and acquisitions, scientific research platform integration, innovation projects incubation and innovation and technology cooperation of the Company. She served as the investment director of the Company since January 2019. She also served as the joint company secretary of the Company from January 2019 to July 2021. She served 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 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. Huang Hanmei (黃寒梅), aged 41, has been the vice president of the Company since January 2020. From January 2017 to December 2019, she served as the finance director of China Resources Medical Holdings Limited (華潤醫療控股有限公司). From October 2012 to December 2016, she served from a finance manager to a senior manager (professional vice director level) of China Resources Group Limited (華潤集團有限公司). From August 2006 to September 2012, she successively served from an auditor to an audit manager of Ernst & Young Hua Ming & Co (安永華明會計師事務所).

Ms. Huang obtained a master's degree in management, majoring in accounting from the Central University of Finance and Economics (中央財經大學) in July 2006. Ms. Huang is a certified public accountant in the PRC, a chartered financial analyst and a certified public accountant in Australia.

Ms. Huang did not hold any directorships in any other public companies whose securities are listed in Hong Kong or overseas during the three years immediately preceding the date of this report.

Ms. Shi Pu (石璞), aged 47, has been the vice president and head of human resources and administration of the Company since March 2020. Ms. Shi has more than 25 years of human resources management experience. She has accumulated extensive experience in the areas of organizational and leadership development, performance management, employee relationship management, and talent cultivation and development. From August 2018 to November 2019, she was the Chief Administrative Officer of Sichuan Shuijingfang Co. (四川水井坊股份有限公司) (Shanghai Stock Exchange Stock Code: 600779). From July 2013 to July 2018, she was the Senior Vice President of Fullerton Credit (富登信貸), a wholly-owned subsidiary of Temasek in Singapore. From August 1996 to June 2013, Ms. Shi had been responsible for human resources in various companies including Whirlpool, Guanqun Computer China Co., Ltd., Electrolux (China) and Intel.

Ms. Shi obtained a master's degree in business administration from the Webster University in December 2012.

Ms. Shi did not hold any directorships in any other public companies whose securities are listed in Hong Kong or overseas during the three years immediately preceding the date of this report.

Ms. Zhai Yangyang (翟揚揚), aged 34, has been a joint company secretary of the Company since July 26, 2021 and legal director of the Group and is mainly responsible for managing and overseeing the legal affairs of the Group.

Prior to joining the Group, from February 2017 to June 2019, Ms. Zhai served as the legal director of Zall Smart Commerce Group Ltd. (formerly known as Zall Group Ltd.) (stock code: 2098) and was responsible for day-to-day legal and compliance matters. From June 2015 to February 2017, Ms. Zhai served as the senior manager of legal and compliance of Hang Tang International Capital Management Limited and was responsible for managing the company compliance matters and communication with the Securities and Futures Commission of Hong Kong. From August 2013 to June 2015, Ms. Zhai was a PRC Legal Consultant at Davis Polk & Wardwell and was responsible for advising corporate clients in mergers and acquisitions, capital markets and general corporate. From April 2010 to August 2013, Ms. Zhai was a PRC Legal Consultant at Paul Hastings LLP and was responsible for advising corporate clients in mergers and acquisitions, capital markets and general corporate.

Ms. Zhai obtained a bachelor's degree in law from China University of Political Science and Law in September 2008. She then obtained a master degree in common law from the Chinese University of Hong Kong in September 2009. Ms. Zhai has also obtained the China Bar qualification in 2011.

Ms. Zhai 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.

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, 2021 is set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

- The assisted reproductive medical facilities in our network conduct business in a strictly regulated industry. Any failure to comply with relevant laws and regulations may adversely affect the business and results of operations of the medical facilities in our network and, therefore, the Group.

- Any adverse change in the regulatory regime relating to the PRC healthcare industry may limit the ability to provide ARS by the medical facilities in our network and may have a material adverse effect on the business, results of operations and financial conditions of the assisted reproductive medical facilities in our network, and therefore, the Group.

- If the assisted reproductive medical facilities in our network are unable to attract and retain a sufficient number of qualified physicians, administrators and other medical personnel, the business, results of operations and financial results of such medical facilities and the Group could be materially and adversely affected.

- We derived and expect to derive a majority of our revenue from Sichuan and Guangdong in the PRC and California in the United States, and may be particularly sensitive to adverse developments with respect to local conditions and changes in these regions, such as with respect to their economy, laws and regulations, and any force majeure events, natural disasters or outbreaks of contagious diseases in these regions.

- Any failure to obtain or maintain any license may subject the assisted reproductive medical facilities in our network to penalties and may affect the business of the assisted reproductive medical facilities in our network, and therefore, the Group.

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, 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, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 96 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$7.38 cents per Share for the year ended December 31, 2021 (for the year ended December 31, 2020: nil).

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 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, 2021.

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, 2021:

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceed	Actual usage up to December 31, 2021 (HK$ million)	Net proceeds brought forward for the Reporting Period (HK$ million)	Unutilized net proceeds as at December 31, 2021 (HK$ million)	Expected timeline 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]	30.8	677.3	671.2	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%	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%	50.7	242.4	230.1	By June 2024

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceed	Actual usage up to December 31, 2021 (HK$ million)	Net proceeds brought forward for the Reporting Period (HK$ million)	Unutilized net proceeds as at December 31, 2021 (HK$ million)	Expected timeline 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%	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%	36.8	421.2	384.4	By June 2024
For the Group's working capital and general corporate purposes[(5)]	280.9	10.0%	177.7	235.6	103.2	By June 2024
Total	2,808.1	100.0%	1,419.2	1,942.2	1,388.9	

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 and (ii) acquisition of obstetrics, gynecology and pediatric business through Jinxin Medical Management (BVI) Group Limited.

(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. The net proceeds from the Placing of approximately HK$1,253.47 million have been and will be utilized in accordance with the purposes set out in the announcements of the Company dated February 2, 2021 and February 9, 2021, respectively. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2021:

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceed	Actual usage up to December 31, 2021 (HK$ million)	Net proceeds brought forward for the Reporting Period (HK$ million)	Unutilized net proceeds as at December 31, 2021 (HK$ million)	Expected timeline for utilizing the remaining unutilized net proceeds(1)
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	1,002.78	80.0%	1,002.78	N/A	–	N/A
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	188.02	15.0%	–	N/A	188.02	By June 2023
For general corporate and working capital purposes	62.67	5.0%	–	N/A	62.67	By December 2023
Total	1,253.47	100.0%	1,002.78	N/A	250.69	

Note:

(1) 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.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Major Customers

For the year ended December 31, 2021, the Group's sales to its five largest customers accounted for 29.4% (2020: 27.3%) of the Group's total revenue and our single largest customer accounted for 23.8% (2020: 25.0%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2021, the Group's five largest suppliers accounted for 50.5% (2020: 41.3%) of the Group's total purchases and our single largest supplier accounted for 21.2% (2020: 13.2%) 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) 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, 2021 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, 2021 are set out in note 39 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2021 are set out on pages 99 to 101 in the consolidated statement of changes in equity and note 49 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution, amounted to approximately RMB7,738 million (as at December 31, 2020: RMB6,714.2 million).

TAXATION

Tax position of the Company for the year ended December 31, 2021 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, 2021 are set out in note 36 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Zhong Ying (resigned on March 28, 2021)
Mr. Zhong Yong *(Chairman)*
Dr. John G. Wilcox
Mr. Dong Yang *(Chief Executive Officer)*
Ms. Lyu Rong *(Co-chief Executive Officer)* (appointed on December 3, 2021)
Dr. Geng Lihong (appointed on March 28, 2021)

Non-executive Directors

Mr. Wang Bin (resigned on March 28, 2021)
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 (resigned on August 31, 2021)
Mr. Li Jianwei (appointed on August 31, 2021)
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 shall be eligible for re-election at the AGM.

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

Accordingly, Mr. Dong Yang, Ms. Lyu Rong, Dr. John G. Wilcox, Mr. Fang Min, Mr. Li Jianwei and Mr. Ye Changqing shall retire by rotation as Directors at the AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Details of the Directors to be re-elected at the forthcoming 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 40 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 three years 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" 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 43 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 during the Reporting Period and up to the date of this annual report are set out below:

1. With effect from March 28, 2021, Mr. Wang Bin has resigned as a non-executive Director, the Chairman of the Board and the chairman of the Nomination Committee.

2. With effect from March 28, 2021, Mr. Zhong Ying has resigned as an executive Director and the Chief Executive Officer and re-designated from a member to the chairman of the Medical Quality Control and R&D Committee.

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

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

5. 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.

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

7. With effect from August 31, 2021, Mr. Lim Haw Kuang has resigned as an independent non-executive Director and a member of the Strategic Decisions Committee.

8. With effect from August 31, 2021, Mr. Li Jianwei has been appointed as an independent non-executive Director and a member of the Strategic Decisions Committee.

9. With effect from October 13, 2021, Mr. Fang Min has resigned as a non-executive director and a member of the audit committee of Hygeia Healthcare Holdings Co., Limited (HKEx stock code: 6078).

10. With effect from December 3, 2021, Ms. Lyu Rong has been appointed as an executive Director and the Co-chief Executive Officer.

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 time deposit to be limited because the tenor of such instruments are short, ranging from 31 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, 2021, 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 under such provisions of the SFO), or which were recorded in the register required to be kept by the Company 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
Mr. Zhong Yong	Beneficial owner	500,000	0.02%	Long position
Mr. Dong Yang	Beneficial owner	864,000	0.03%	Long position
Ms. Lyu Rong	Beneficial owner	200,000	0.01%	Long position
Ms. Yan Xiaoqing	Beneficial owner	500,000	0.02%	Long position

Note:

(1) The calculation is based on the total number of 2,507,583,802 Shares in issue as at December 31, 2021.

(i) Interest in the Company's associated corporations

Name of Director	Capacity/nature of interest	Name of associated corporation	Approximate percentage of shareholding interest
Ms. Lyu Rong	Beneficial owner	Jinyi Hongkang	51%[(1)]
Ms. Yan Xiaoqing	Beneficial owner	Jinrun Fude	51%[(2)]

Note:

(1) Ms. Lyu Rong, one of the Jinyi Hongkang Registered Shareholders, holds 51% of the equity interest in Jinyi Hongkang. Jinyi Hongkang is a subsidiary of the Company by virtue of the 2021 Contractual Arrangements.

(2) Ms. Yan Xiaoqing, one of the Jinrun Fude Registered Shareholders, holds 51% of the equity interest in Jinrun Fude. Jinrun Fude is a subsidiary of the Company by virtue of the 2019 Contractual Arrangements.

Save as disclosed above, as at December 31, 2021, 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 under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company 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, 2021, 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
HRC Investment	Beneficial owner	342,652,505	13.66%	Long position
Jinxin Fertility BVI[(1)]	Beneficial owner	319,471,061	12.74%	Long position
Amethyst Gem[(2)]	Beneficial owner	214,128,491	8.54%	Long position
Amethyst Gem Investments Ltd[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Ametrine Gem Investments Ltd[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Warburg Pincus (Bermuda) Private Equity GP Ltd.[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Warburg Pincus (Cayman) China GP LLC[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Warburg Pincus (Cayman) China GP, L.P.[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Warburg Pincus (Cayman) XII, L.P.[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Warburg Pincus China (Cayman), L.P.[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Warburg Pincus Partners II (Cayman), L.P.[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Warburg Pincus XII GP LLC[(2)]	Interests of controlled corporations	214,128,491	8.54%	Long position
Hillhouse Capital Advisors. Ltd.[(3)]	Investment manager	186,863,349	7.45%	Long position
Gaoling Fund, L.P.[(3)]	Beneficial owner	161,915,349	6.46%	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, 2021 and remain as one of our substantial Shareholders upon Listing and as at December 31, 2021.

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

(3) 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.

(4) The calculation is based on the total number of 2,507,583,802 Shares in issue as at December 31, 2021.

Save as disclosed above, as at December 31, 2021, 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 9.52% of the issued Shares as at the date of this annual report. The Share Option Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately seven years as at the date of this annual report.

As at December 31, 2021, 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 participants 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 4,773,111 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 note 41 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, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at December 31, 2021	Vesting period
Selected Participants	February 15, 2019	9,640,347	–	4,035,833	–	5,604,514	Ranging from 1 to 5 years
Key management personnel	January 6, 2020	2,009,350	–	672,260	–	1,337,090	1 – 3 years
Eligible employees and doctors of HRC Medical	January 6, 2020	5,672,970	–	1,888,513	–	3,784,457	1 – 3 years
Key management personnel	July 23, 2020	1,779,538	–	1,779,538	–	–	5 – 6 months
Key management personnel	January 10, 2021	–	2,098,932	112,420	–	1,986,512	6 months – 3 years
Key management personnel	January 18, 2021	–	2,174,179	2,174,179	–	–	0 – 5 months
Key management personnel	January 18, 2021	–	500,000	–	–	500,000	8 months – 3 years
Total		19,102,205	4,773,111	10,662,743	–	13,212,573	

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 5,731,000 Shares on the Stock Exchange at an aggregate purchase price of HK$50,140,147. 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 the Shares repurchased during the Reporting Period are set out as follows:

Date of repurchases	Number of Shares repurchased on the Stock Exchange	Price per Share paid Highest (HK$)	Price per Share paid Lowest (HK$)	Aggregate purchase price (HK$)
December 21, 2021 to December 23, 2021	5,731,000	8.93	8.53	50,140,147.23

Save as 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, 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2021, the Group had entered into certain non-exempt continuing connected transactions as set out below. For detailed terms of such non-exempt continuing connected transactions, please refer to the section headed "Connected Transactions" of the Prospectus and the announcement of the Company dated November 26, 2021 respectively.

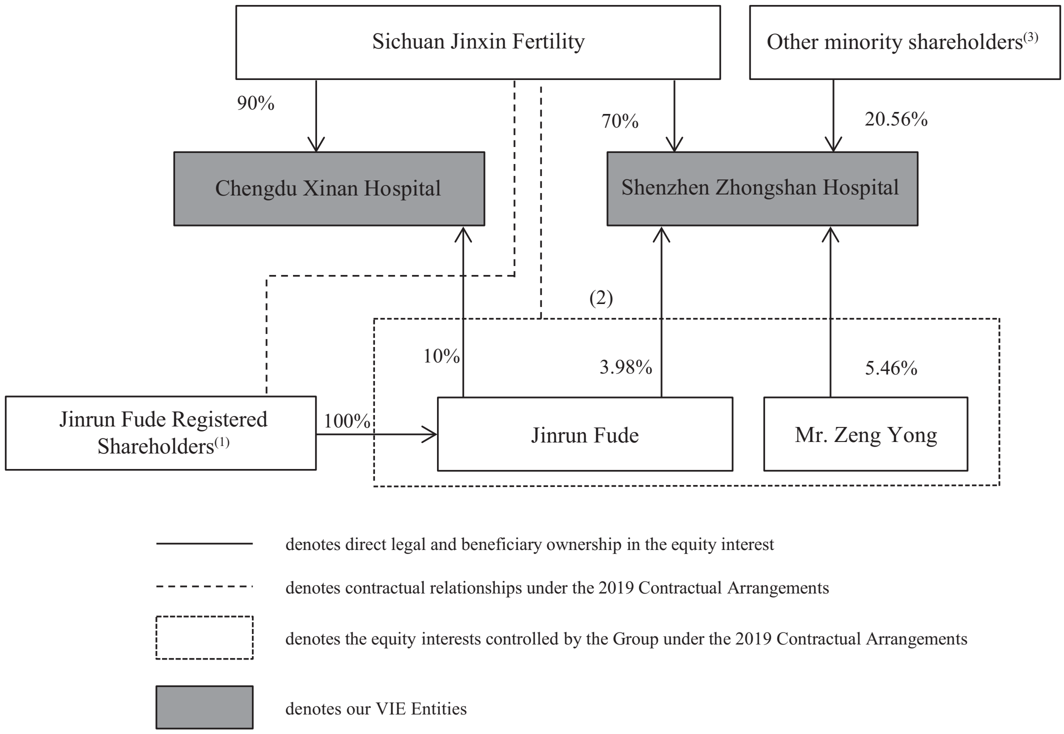
Non-exempt Continuing Connected Transactions

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 below, 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%, 9.44% and 10.00% equity interests in Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital and Jinxin Women and Child Hospital, respectively.

a. *2019 Contractual Arrangements*

The following simplified diagram illustrates the flow of economic benefits from Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital to the Group as stipulated under the 2019 Contractual Arrangements:



Notes:

(1) The Jinrun Fude 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 2019 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 the 2019 Contractual Arrangements in relation to the 5.46% equity interests.

A brief description of the specific agreements that comprise the 2019 Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" of the Prospectus.

(1) 2019 Exclusive Operation Services Agreements

The Jinrun Fude Registered Shareholders, Mr. Zeng Yong, Jinrun Fude and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital have entered into the 2019 Exclusive Operation Services Agreements with Sichuan Jinxin Fertility on December 23, 2018 and February 2, 2019, pursuant to which, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, 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 2019 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 2019 Exclusive Operation Services Agreements, Sichuan Jinxin Fertility may use the intellectual property rights owned by Jinrun Fude and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital free of charge and without any conditions. Jinrun Fude and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital may also use the intellectual property work created by Sichuan Jinxin Fertility from the services performed by Sichuan Jinxin Fertility in accordance with the 2019 Exclusive Operation Services Agreements.

Under the 2019 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 Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Sichuan Jinxin Fertility in connection with the performance of the 2019 Exclusive Operation Services Agreements and provision of services. For the year ended December 31, 2021, 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 RMB28,413,000 and RMB9,538,000, respectively.

(2) 2019 Exclusive Option Agreements

On December 23, 2018 and February 2, 2019, Sichuan Jinxin Fertility, the Jinrun Fude Registered Shareholders, Jinrun Fude, Mr. Zeng Yong and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital entered the 2019 Exclusive Option Agreements.

Pursuant to the 2019 Exclusive Option Agreements, (i) each of the Jinrun Fude 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 Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital 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 Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital attributable to Jinrun Fude from Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital 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 Jinrun Fude Registered Shareholders, Jinrun Fude, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital 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) 2019 Shareholders' Rights Entrustment Agreements and 2019 Powers of Attorney

On December 23, 2018 and February 2, 2019, Sichuan Jinxin Fertility, Mr. Zeng Yong, Jinrun Fude and the Jinrun Fude Registered Shareholders and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital entered into the 2019 Shareholders' Rights Entrustment Agreement and the 2019 Powers of Attorney executed by the Jinrun Fude 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 2019 Shareholders' Rights Entrustment Agreements and the 2019 Powers of Attorney, (i) the Jinrun Fude 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 2019 Shareholders' Rights Entrustment Agreements and the 2019 Powers of Attorney will give the Company control over all corporate decisions of Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, 100% equity interests of Jinrun Fude and Chengdu Xinan Hospital, and 79.44% equity interests of Shenzhen Zhongshan Hospital.

(4) 2019 Equity Pledge Agreements

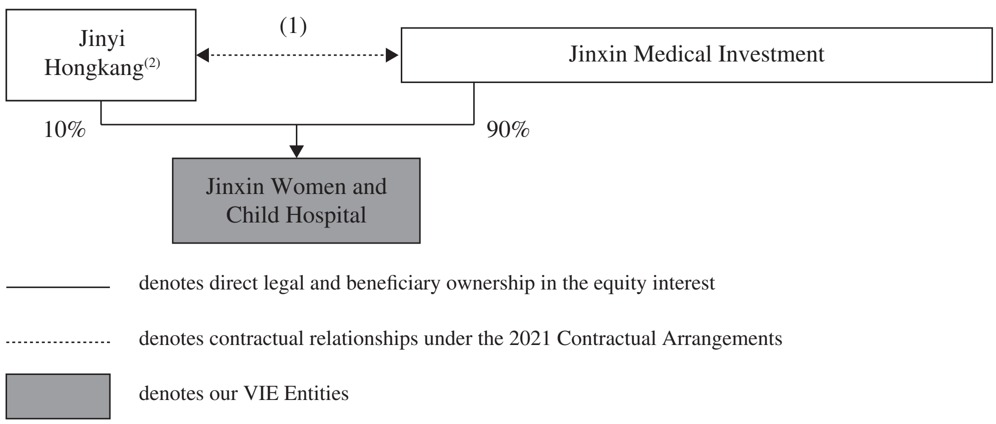
On December 23, 2018 and February 2, 2019, Mr. Zeng Yong, Jinrun Fude, Sichuan Jinxin Fertility, the Jinrun Fude Registered Shareholders and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital entered into the 2019 Equity Pledge Agreements. Pursuant to the 2019 Equity Pledge Agreements, (i) the Jinrun Fude 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 Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital 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 Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital under the 2019 Exclusive Option Agreements, the 2019 Powers of Attorney and the 2019 Equity Pledge Agreements underlying the 2019 Contractual Arrangements.

(5) Spouse Undertakings

The spouses of Mr. Zeng Yong and each of the Jinrun Fude Registered Shareholders (as applicable) has signed an 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 Jinrun Fude 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.

b. 2021 Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Jinxin Women and Child Hospital to the Group as stipulated under the 2021 Contractual Arrangements:



Notes:

(1) The Exclusive Operations Service Agreement, Exclusive Option Agreements, Powers of Attorney, Equity Pledge Agreements and Spouse Undertakings together form the legal relationship under the 2021 Contractual Arrangements.

(2) Jinyi Hongkang is owned by the Jinyi Hongkang Registered Shareholders, Ms. Lyu Rong and Mr. Xu Jun as to 51% and 49%, respectively.

A brief description of the specific agreements that comprise the 2021 Contractual Arrangements is set out below. For details of the specific agreements, please refer to the Company's announcement dated November 26, 2021.

(1) 2021 Exclusive Operation Services Agreement

The Jinyi Hongkang Registered Shareholders, Jinyi Hongkang and Jinxin Women and Child Hospital have entered into the 2021 Exclusive Operation Services Agreement with Jinxin Medical Investment on November 26, 2021, pursuant to which, Jinxin Women and Child Hospital and Jinyi Hongkang agreed to engage Jinxin Medical Investment as their exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Under the 2021 Exclusive Operation Services Agreement, 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. Jinxin Medical Investment 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 Service Agreement, Jinxin Medical Investment may use the intellectual property rights owned by Jinyi Hongkang and Jinxin Women and Child Hospital free of charge and without any conditions. Jinyi Hongkang and Jinxin Women and Child Hospital may also use the intellectual property work created by Jinxin Medical Investment from the services performed by Jinxin Medical Investment in accordance with the 2021 Exclusive Operation Service Agreement.

Under the 2021 Exclusive Operation Services Agreement, the service fee shall be an amount equal to 10% of the distributable net profit of Jinxin Women and Child 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, Jinyi Hongkang and Jinxin Women and Child Hospital shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Jinxin Medical Investment in connection with the performance of the 2021 Exclusive Operation Services Agreement and provision of services. For the year ended December 31, 2021, the service fee in relation to 10% of the distributable net profit of Jinxin Women and Child Hospital is RMB1,014,000.

(2) 2021 Exclusive Option Agreements

On November 26, 2021, Jinxin Medical Investment, the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang and/or Jinxin Women and Child Hospital have entered into the 2021 Exclusive Option Agreements.

Pursuant to the 2021 Exclusive Option Agreements, (i) each of the Jinyi Hongkang Registered Shareholders irrevocably and unconditionally grants an exclusive option to Jinxin Medical Investment which entitles Jinxin Medical Investment to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Jinyi Hongkang itself or through its designated person(s); (ii) Jinyi Hongkang irrevocably and unconditionally grants an exclusive option to Jinxin Medical Investment which entitles Jinxin Medical Investment to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Jinyi Hongkang itself or through its designated person(s); (iii) Jinyi Hongkang irrevocably and unconditionally grants an exclusive option to Jinxin Medical Investment which entitles Jinxin Medical Investment to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Jinxin Women and Child Hospital from Jinyi Hongkang itself or through its designated person(s); and (iv) Jinxin Women and Child Hospital irrevocably and unconditionally grants an exclusive option to Jinxin Medical Investment which entitles Jinxin Medical Investment to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Jinxin Women and Child Hospital attributable to Jinyi Hongkang from Jinxin Women and Child Hospital itself or through its designated person(s). The transfer price of the relevant equity interest and assets shall be the minimum purchase price permitted under PRC law, and each of the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang and Jinxin Women and Child Hospital 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 interest or assets to Jinxin Medical Investment.

(3) 2021 Shareholders' Rights Entrustment Agreements and 2021 Powers of Attorney

On November 26, 2021, Jinxin Medical Investment, Jinyi Hongkang and/or the Jinyi Hongkang Registered Shareholders and/or Jinxin Women and Child Hospital have entered into the 2021 Shareholders' Rights Entrustment Agreements and the 2021 Powers of Attorney executed by the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang in favor of Jinxin Medical Investment (and its successors or liquidators) or a natural person designated by Jinxin Medical Investment (the "**2021 Attorney**").

Pursuant to the 2021 Shareholders' Rights Entrustment Agreements and the 2021 Powers of Attorney, (i) the Jinyi Hongkang Registered Shareholders irrevocably agree to authorize the 2021 Attorney to exercise all of their rights and powers as a shareholder of Jinyi Hongkang (as applicable); and (ii) Jinyi Hongkang irrevocably agrees to authorize the 2021 Attorney to exercise all of its rights and powers of a shareholder of Jinxin Women and Child Hospital with 10% equity interest, including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. As Jinxin Medical Investment is a subsidiary of the Company, the terms of the 2021 Shareholders' Rights Entrustment Agreements and the 2021 Powers of Attorney will give the Company control over all corporate decisions of Jinxin Women and Child Hospital and 100% equity interest of Jinyi Hongkang and Jinxin Women and Child Hospital.

(4) 2021 Equity Pledge Agreements

On November 26, 2021, Jinxin Medical Investment, the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang, and/or Jinxin Women and Child Hospital have entered into the 2021 Equity Pledge Agreements. Pursuant to the 2021 Equity Pledge Agreements, (i) the Jinyi Hongkang Registered Shareholders agree to pledge all of their respective equity interest in Jinyi Hongkang; and (ii) Jinyi Hongkang agrees to pledge all of its equity interest in Jinxin Women and Child Hospital to Jinxin Medical Investment to secure performance of all their obligations and the obligations of Jinxin Women and Child Hospital under the 2021 Exclusive Option Agreements, the 2021 Powers of Attorney and the Equity Pledge Agreements underlying the 2021 Contractual Arrangements.

(5) Spouse Undertakings

The spouses of each of the Jinyi Hongkang Registered Shareholders has signed an undertaking to the effect that the respective interests of the Jinyi Hongkang Registered Shareholders in Jinyi Hongkang (together with any other interests therein) do not fall within the scope of joint possession, and 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, Jinyi Hongkang 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, 2021, 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 90.00% and 70.00% 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 and Jinxin Medical Investment, currently holds 90.00%, 70.00% and 90.00% equity interests in Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital and Jinxin Women and Child Hospital, respectively. Jinrun Fude holds 10.00% 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. Jinyi Hongkang holds 10.00% equity interests in Jinxin Women and Child 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 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 Group could be subject to severe penalties or be forced to relinquish the Group's interests in those operations.
- The Contractual Arrangements may result in adverse tax consequences to the Group.
- The shareholders of the Company's VIE Entities may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's 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.
- If the Group exercises the option to acquire equity ownership of Jinrun Fude and/or Jinyi Hongkang, the ownership transfer may subject the Group to certain limitations and substantial costs.
- The Contractual Arrangements may not be as effective in providing operational control as direct ownership. Jinrun Fude, Jinyi Hongkang, Jinrun Fude Registered Shareholders and Jinyi Hongkang Registered Shareholders may fail to perform their obligations under the Contractual Arrangements.

For details, please refer to the section headed "Risk Factors – Risks Relating to Our Corporate Structure" of the Prospectus and the section headed "Risks Relating to the New Contractual Arrangements" in the Company's announcement dated November 26, 2021.

Compliance with the Contractual Arrangements

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, Jinxin Medical Investment, Jinrun Fude, Jinyi Hongkang 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, a non-executive Director, Mr. Zeng Yong, a director of Shenzhen Zhongshan Hospital, a subsidiary of the Company, and Ms. Lyu Rong, an executive Director, 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 and Jinyi Hongkang will be treated as our subsidiary and the directors, chief executive or substantial shareholders of Jinrun Fude and Jinyi Hongkang and their respective associates will be treated as connected persons of our Company (excluding for this purpose, Jinrun Fude and Jinyi Hongkang), and transactions between these connected persons and the Group (including for this purpose, Jinrun Fude and Jinyi Hongkang), 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 and the auditor of the Company, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

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

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

(c) no dividends or other distributions have been made by each of Jinrun Fude and Jinyi Hongkang 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 as the Group is concerned and in the interests of the Shareholders as a whole.

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

2. 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, 2021, 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$71,743,870 and US$1,000 per Physician Shareholders (US$250 to Dr. Jane L. Frederick who resigned on March 12, 2021), 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 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 and the auditor of the Company, upon review of the MSA and Ancillary Agreements, confirmed that:

(a) The transactions carried out during the year ended December 31, 2021 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, 2021 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, 2021 had been duly reviewed and approved by the Board (including the independent non-executive Directors).

Annual Review and Confirmation by the Auditor

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, 2021 in accordance with Rule 14A.56 of the Listing Rules. 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, 2021, which do not constitute connected transactions under the Listing Rules, are disclosed in note 44 to the consolidated financial statements. Save as disclosed in this annual report, during the year ended December 31, 2021, the Company had not entered into any connected transactions or continuing connected transactions which were required to be disclosed under Chapter 14A of the Listing Rules.

DONATIONS

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

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended December 31, 2021, 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 52 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, 2021.

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 74 to 89 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 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, 2021. 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 30, 2022

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2021.

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 during the year ended December 31, 2021.

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 the 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 the following Directors:

Executive Directors

Mr. Zhong Ying (resigned on March 28, 2021)

Mr. Zhong Yong *(Chairman)*

Dr. John G. Wilcox

Mr. Dong Yang *(Chief Executive Officer)*

Ms. Lyu Rong *(Co-chief Executive Officer)* (appointed on December 3, 2021)

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

Non-executive Directors

Mr. Wang Bin (resigned on March 28, 2021)

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 (resigned on August 31, 2021)

Mr. Li Jianwei (appointed on August 31, 2021)

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 of the Company.

During the year ended December 31, 2021, 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.

During the year ended December 31, 2021, 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 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 ranges from 36 years old to 59 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, 2021 is as follows:

Name of Directors	Nature of Continuous Professional Development Programme(1)
Executive Directors	
Mr. Zhong Ying (resigned on March 28, 2021)	B
Mr. Zhong Yong *(Chairman)*	B
Dr. John G. Wilcox	B
Mr. Dong Yang *(Chief Executive Officer)*	B
Ms. Lyu Rong *(Co-chief Executive Officer)* (appointed on December 3, 2021)	A&B
Dr. Geng Lihong (appointed on March 28, 2021)	A&B
Non-Executive Directors	
Mr. Wang Bin (resigned on March 28, 2021)	B
Mr. Fang Min	B
Ms. Hu Zhe	B
Ms. Yan Xiaoqing (appointed on March 28, 2021)	A&B
Independent Non-Executive Directors	
Dr. Chong Yat Keung	B
Mr. Lim Haw Kuang (resigned on August 31, 2021)	B
Mr. Li Jianwei (appointed on August 31, 2021)	A&B
Mr. Wang Xiaobo	B
Mr. Ye Changqing	B

Note:

(1) 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 C.2.1 (previous 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, and Ms. Lyu Rong acts as the Co-chief Executive Officer, 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 and the Co-chief Executive Officer are 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 meeting 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 meeting. Minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, five 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
Executive Directors		
Mr. Zhong Ying (resigned on March 28, 2021)	1/1	0/0
Mr. Zhong Yong *(Chairman)*	5/5	1/1
Dr. John G. Wilcox	5/5	1/1
Mr. Dong Yang *(Chief Executive Officer)*	5/5	1/1
Ms. Lyu Rong *(Co-chief Executive Officer)* (appointed on December 3, 2021)	0/0	0/0
Dr. Geng Lihong (appointed on March 28, 2021)	4/4	1/1
Non-Executive Directors		
Mr. Wang Bin (resigned on March 28, 2021)	1/1	1/1
Mr. Fang Min	5/5	1/1
Ms. Hu Zhe	5/5	1/1
Ms. Yan Xiaoqing (appointed on March 28, 2021)	4/4	1/1
Independent Non-Executive Directors		
Dr. Chong Yat Keung	5/5	1/1
Mr. Lim Haw Kuang (resigned on August 31, 2021)	2/2	1/1
Mr. Li Jianwei (appointed on August 31, 2021)	3/3	0/0
Mr. Wang Xiaobo	5/5	1/1
Mr. Ye Changqing	5/5	1/1

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 in the Company's securities by Directors and relevant employees 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 during 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

The Audit and Risk Management Committee currently 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. Fang Min and Ms. Hu Zhe.

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.

During the year ended December 31, 2021, 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, 2021; 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. Fang Min	2/2
Ms. Hu Zhe	2/2
Mr. Wang Xiaobo	2/2

Nomination Committee

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

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 to 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 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, two meetings of the Nomination Committee were 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 retiring of Directors for re-election at the AGM
- considered the appointment of new Directors

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

Directors	**Attended/Eligible to attend**
Mr. Zhong Yong *(Chairman)*	2/2
Dr. Chong Yat Keung	2/2
Dr. John G. Wilcox	2/2
Mr. Wang Xiaobo	2/2
Mr. Ye Changqing	2/2

Remuneration Committee

The Remuneration Committee currently 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, Mr. Dong Yang 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 are listed.

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

During the year ended December 31, 2021, 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 2021

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	2/2
Mr. Fang Min	2/2
Mr. Wang Xiaobo	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, 2021, are set out below:

Remuneration bands (RMB)	**Number of persons**
30,000,001-35,000,000	1
5,000,001-10,000,000	1
1,000,001-5,000,000	2
0-1,000,000	2
Total	**6**

For additional information on the Directors' remuneration for the year ended December 31, 2021, please refer to note 12 to the consolidated financial statements.

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, 2021 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 90 to 95 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 Shareholders' investments and the Company's assets and reviewing the effectiveness of such system on an annual basis. The Company's risk management system and internal control systems assists the Board in evaluating material risk exposure arising internally and externally from the Group's business and proactively setting up appropriate risk management and internal control mechanism which is embedded in daily operation management. 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 Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Company has formulated a complete system concerning risk identification, assessment and management, and constantly made amendments and updates to the system. Various departments are responsible for executing the professional risk assessment, management and monitoring procedures on integrated management, human resources management, financial management, fund management, investment management, quality management, and audit and legal affairs management, etc. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

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, including annual routine audit, departure audit and special audit where the scope of audits covers all aspects including the execution of the Group's internal regulations and procedures, financial, operational, compliance controls and risk management to prevent assets from inappropriate use. The Company also maintains proper accounts and ensures that relevant regulations are complied with. 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.

The Group has developed the policy on information disclosure management which provides a general guide to the Directors, senior management and relevant employees of the Company in handling and dissemination of confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. Such procedures include, among others, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees and dissemination of information to stated purpose and on a need-to-know basis. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and the SFO.

The Group continuously reviews the effectiveness of the risk management and internal control systems, and adopted measures and procedures in various aspects, such as fund management and budget management to strengthen the effectiveness of the risk management and internal control systems. 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, 2021 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. Zhai Yangyang, 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.

On July 26, 2021, (i) Ms. Liu Hongkun resigned as a joint company secretary and Ms. Zhai Yangyang was appointed as a joint company secretary; and (ii) Ms. Leung Suet Wing resigned as a joint company secretary and Mr. Lee Kwok Fai Kenneth was appointed as a joint company secretary. On December 30, 2021, Mr. Lee Kwok Fai Kenneth resigned as a joint company secretary and Ms. Ng Sau Mei was appointed as a joint company secretary.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Ng Sau Mei, the director and head of the Listing Services Department of TMF Hong Kong Limited (a company secretarial service provider), as the other joint company secretary to assist Ms. Zhai Yangyang to discharge her duties as company secretary of the Company. Her primary corporate contact person at the Company was Ms. Zhai Yangyang, the joint company secretary of the Company.

During the year ended December 31, 2021, each of Ms. Zhai Yangyang and Ms. Ng Sau Mei 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 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 F.1.1 (previous 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. During the year ended December 31, 2021, 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 96 to 229, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets on HRC Fertility Management, LLC	
We identified the impairment of goodwill and intangible assets, representing contractual right to provide management services and trademarks, arising from the acquisition of HRC Fertility Management, LLC and its subsidiary, 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 relevant cash generating unit ("CGU") to which it has 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 is discounted in its present value taking into account key assumptions, including growth rates of revenue, gross margin rate and pre-tax discount rate. The carrying amount of goodwill, contractual right to provide management services and trademarks were approximately RMB560,535,000, RMB1,797,310,000 and RMB990,117,000, respectively, as at 31 December 2021 and no impairment loss was recognised for the year. Details of the impairment testing are disclosed in Note 22 to the consolidated financial statements.	Our procedures in relation to the impairment of goodwill and intangible assets on HRC Fertility Management, LLC included: • Obtaining an understanding of the method used to establish the impairment assessment model for the relevant CGU with the independent valuer appointed by the Group and evaluating the valuer's competence, capabilities and objectivity; • 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 of comparable entities; • Assessing the reasonableness of the key assumptions, by comparing the growth rates of revenue with market data and economic growth trends and comparing the gross margin rate of the relevant CGU with the Group's historical performance and business expansion plans; and • Evaluating the reliability of historical cash flow forecasts prepared by the management by comparing them with the actual performance in the current year.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of intangible assets arising from acquisition of JINXIN Medical Management (BVI) Group Limited and its subsidiaries	
We identified the estimation of fair value of intangible assets, representing trademark and license, arising from the acquisition of JINXIN Medical Management (BVI) Group Limited and its subsidiaries (collectively referred to as the "Jinxin Medical Group") as a key audit matter due to the significant management judgements involved in estimating the fair value of identifiable intangible assets arising from business combination, and their significance to the consolidated financial statements as a whole. The fair value accounting of the identifiable intangible assets were determined by the Group's management with support from an independent valuer in accordance with IFRS 3 *Business Combination* by establishing a discounted cash flow model. The estimated future cash flows involves key assumptions including growth rates of revenue, gross margin rate and pre-tax discount rate, which are estimated by the Group's management in order to calculate the fair values of identifiable intangible assets. The Group has completed the acquisition of Jinxin Medical Group on 26 November 2021. The acquisition resulted in identifiable intangible assets including trademark and license of approximately RMB863,000,000 and RMB477,200,000, respectively. Details of the estimation of intangible assets are disclosed in Note 18(d), Note 21(c) and Note 40(a) to the consolidated financial statements.	Our procedures in relation to the recognition of intangible assets arising from acquisition of Jinxin Medical Group included: • Obtaining an understanding of management's process for identifying all separately identifiable intangible assets acquired; • Reading the acquisition agreement to assess the completeness and appropriateness of the identification of intangible assets acquired; • Obtaining an understanding of the method used to evaluate the fair value of identifiable intangible assets on the acquisition date with the independent valuer appointed by the Group and evaluating the valuer's competence, capabilities and objectivity; • Engaging our valuation expert to assess the appropriateness of the valuation model and the pre-tax discount rate adopted by obtaining the underlying data used in the calculation and benchmarking it against market data of comparable entities; and • Assessing the reasonableness of the key assumptions, by comparing the growth rates of revenue with market data and economic growth trends and comparing the gross margin rate with Jinxin Medical Group's historical performance and the Group's business expansion plans.

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

The engagement partner on the audit resulting in the independent auditor's report is Chan, Benjie Pak Kin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	**1,838,826**	1,426,088
Cost of revenue		**(1,067,344)**	(860,307)
Gross profit		**771,482**	565,781
Other income	6	**55,966**	74,113
Other expenses	7	**(605)**	(6,377)
Other gains and losses, net	8	**62,440**	57,108
Research and development expenses		**(10,651)**	(11,483)
Selling and distribution expenses		**(61,716)**	(41,357)
Administrative expenses		**(327,730)**	(275,260)
Share of results of associates		**(6,823)**	–
Share of result of a joint venture		**(3,290)**	–
Finance costs	9	**(21,146)**	(13,391)
Profit before taxation	10	**457,927**	349,134
Income tax expenses	11	**(104,230)**	(88,638)
Profit for the year		**353,697**	260,496
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**(233,406)**	(406,191)
Fair value loss on equity instrument at fair value through other comprehensive income ("FVTOCI")		**(3,891)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**80,522**	36,972
Other comprehensive expense for the year		**(156,775)**	(369,219)
Total comprehensive income (expense) for the year		**196,922**	(108,723)
Profit for the year attributable to:			
– Owners of the Company		**339,901**	251,622
– Non-controlling interests		**13,796**	8,874
		353,697	260,496
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**183,600**	(117,597)
– Non-controlling interests		**13,322**	8,874
		196,922	(108,723)
Earnings per share:	14		
– Basic (RMB)		**0.14**	0.10
– Diluted (RMB)		**0.14**	0.10

Consolidated Statement of Financial Position

As at December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	1,092,059	1,056,125
Right-of-use assets	16	400,928	222,421
Goodwill	17	2,719,747	889,642
Licenses	18	1,238,186	785,983
Non-compete agreement	19	19,828	–
Contractual right to provide management services	20	1,797,310	1,839,369
Trademarks	21	2,151,480	1,255,735
Investments in preferred shares measured at fair value through profit or loss ("FVTPL")	23a	169,930	171,057
Interests in associates accounted for using equity method	23b	–	–
Interest in a joint venture	26	210	–
Equity instrument at FVTOCI	24	5,279	9,387
Loan receivable	28	17,074	–
Financial assets at FVTPL	25	177,747	–
Pledged bank deposits	32	180,000	180,000
Refundable deposits		65,610	7,783
Prepayments		47,417	31,838
Deferred tax assets	35	7,020	–
Amounts due from associates	23b	129,959	26,913
Amounts due from other related parties	29	62,474	35,000
		10,282,258	6,511,253
Current assets			
Inventories	27	46,807	25,476
Accounts and other receivables	28	142,685	68,745
Amounts due from other related parties	29	420,453	81,086
Tax recoverable		5,166	7,481
Time deposits	30	846,959	1,724,567
Other financial assets at FVTPL	31	218,737	63,000
Bank balances and cash	32	862,325	681,619
		2,543,132	2,651,974
Current liabilities			
Accounts and other payables	33	445,518	361,646
Amounts due to related parties	29	415,139	67,748
Lease liabilities	34	62,180	34,558
Tax payables		107,438	61,227
Bank borrowing	36	37,746	18,000
Other financial liabilities	37	3,501	11,904
		1,071,522	555,083
Net current assets		1,471,610	2,096,891
Total assets less current liabilities		11,753,868	8,608,144

Consolidated Statement of Financial Position

As at December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities	34	370,894	209,774
Deferred tax liabilities	35	1,011,341	791,344
Bank borrowing	36	126,000	144,540
Convertible bonds	38	1,492,932	–
		3,001,167	1,145,658
Net assets		8,752,701	7,462,486
Capital and reserves			
Share capital	39	165	160
Reserves		8,545,135	7,282,860
Equity attributable to owners of the Company		8,545,300	7,283,020
Non-controlling interests		207,401	179,466
Total equity		8,752,701	7,462,486

The consolidated financial statements on pages 96 to 229 were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Zhong Yong
DIRECTOR

Dong Yang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held for restricted share award scheme RMB'000 (Note 41b)	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 January 1, 2020	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 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)
Share repurchased and cancelled (Note 39)	*	(43,769)	–	–	–	–	–	–	(43,769)	–	(43,769)
Share repurchased (Note 39)	–	(16,472)	–	–	–	–	–	–	(16,472)	–	(16,472)
Recognition of equity settled share-based payment (Note 41)	–	–	–	–	–	–	83,649	–	83,649	–	83,649
Vesting of restricted shares	–	18,249	–	–	–	–	(18,249)	–	–	–	–
Dividends recognised as distribution (Note 13)	–	(149,675)	–	–	–	–	–	–	(149,675)	–	(149,675)
Dividends to non-controlling Shareholders (Note c)	–	–	–	–	–	–	–	–	–	(12,797)	(12,797)
Acquisition of a subsidiary (Note 40)	–	–	–	–	–	–	–	–	–	67,878	67,878
At December 31, 2020	160	6,799,981	(2)	(83,175)	(301,955)	11,142	92,647	764,222	7,283,020	179,466	7,462,486

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Shares held for restricted share award scheme RMB'000 (Note 41b)	Capital reserve RMB'000 (Note a)	Translation reserve RMB'000	Statutory reserve RMB'000 (Note b)	Equity-settled share based payment reserve RMB'000	Equity instrument at FVTOCI revaluation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2021	160	6,799,981	(2)	(83,175)	(301,955)	11,142	92,647	–	764,222	7,283,020	179,466	7,462,486
Profit for the year	–	–	–	–	–	–	–	–	339,901	339,901	13,796	353,697
Other comprehensive expense for the year	–	–	–	–	(152,410)	–	–	(3,891)	–	(156,301)	(474)	(156,775)
Total comprehensive (expense) income for the year	–	–	–	–	(152,410)	–	–	(3,891)	339,901	183,600	13,322	196,922
Share cancelled (Note 39)	*	*	–	–	–	–	–	–	–	–	–	–
Issue of shares (Note 39)	5	1,055,605	–	–	–	–	–	–	–	1,055,610	–	1,055,610
Transaction costs attributable to issue of shares	–	(12,319)	–	–	–	–	–	–	–	(12,319)	–	(12,319)
Share repurchased (Note 39)	–	(40,953)	–	–	–	–	–	–	–	(40,953)	–	(40,953)
Recognition of equity settled share-based payment (Note 41)	–	–	–	–	–	–	76,342	–	–	76,342	–	76,342
Vesting of restricted shares	–	88,601	–	–	–	–	(88,601)	–	–	–	–	–
Acquisitions of subsidiaries (Note 40)	–	–	–	–	–	–	–	–	–	–	31,216	31,216
Dividends to non-controlling Shareholders (Note c)	–	–	–	–	–	–	–	–	–	–	(16,603)	(16,603)
Transfer to reserve (Note b)	–	–	–	–	–	2,853	–	–	(2,853)	–	–	–
At December 31, 2021	165	7,890,915	(2)	(83,175)	(454,365)	13,995	80,388	(3,891)	1,101,270	8,545,300	207,401	8,752,701

* The amount is less than RMB1,000.

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 四川錦欣生殖醫療投資管理有限公司 (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 interests 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 25 June, 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) During the years ended 31 December 2021 and 2020, Shenzhen Zhongshan Urological Hospital ("Shenzhen Zhongshan Hospital") declared dividends amounted to RMB16,603,000 and RMB12,797,000 to the non-controlling shareholders, respectively.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Operating activities		
Profit before taxation	457,927	349,134
Adjustments for:		
Depreciation of property, plant and equipment	98,585	76,483
Depreciation of right-of-use assets	46,927	36,061
Amortisation of licenses	23,662	17,745
Amortisation of non-compete agreement	448	–
Exchange gain	(13,122)	(42,204)
Interest income from banks	(7,838)	(4,274)
Interest income from time deposits	(22,405)	(42,522)
Interest income from pledged bank deposits	(1,886)	(1,823)
Imputed interest income from related parties	(2,319)	–
Covid-19 related rent concessions	(2,008)	(4,363)
Interest expenses	21,146	13,391
Loss (gain) on disposal of property, plant and equipment	2	(53)
Share-based payment expense	76,342	83,649
Gain on fair value change of other financial assets at FVTPL	(6,856)	(2,325)
Gain on fair value changes of financial assets at FVTPL	(30,026)	–
Gain on fair value changes of investments in preferred shares measured at FVTPL	(3,979)	(18,206)
Gain on early termination of leases	–	(5,815)
(Gain) loss on fair value change of other financial liabilities at FVTPL	(8,362)	11,904
Share of results of associates	6,823	–
Share of result of a joint venture	3,290	–
Operating cash flows before movements in working capital	636,351	466,782
(Increase) decrease in inventories	(4,715)	1,807
Increase in accounts and other receivables	(61,199)	(26,903)
Increase in amounts due from related parties	(130,356)	(32,757)
Decrease in accounts and other payables	(45,567)	(31,560)
Decrease in amounts due to related parties	(3,964)	(18,110)
Cash generated from operations	390,550	359,259
Income tax paid	(47,098)	(51,220)
Net cash generated from operating activities	343,452	308,039

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTE	2021 RMB'000	2020 RMB'000
Investing activities			
Interest received from banks		7,838	4,274
Interest received from time deposits		24,534	42,522
Interest received from pledged bank deposits		1,886	1,823
Advance to a shareholder of an associate		–	26,100
Capital injection of investment in a joint venture		(3,500)	–
Purchase of intangible assets		–	(57,217)
Purchase of property, plant and equipment		(71,773)	(209,640)
Prepayments for purchase of property, plant and equipment		(8,060)	(56,509)
Purchase of financial assets at FVTPL		(130,762)	–
Purchase of other financial assets at FVTPL		(1,191,230)	(749,175)
Proceeds from disposal of other financial assets at FVTPL		1,042,349	741,000
Proceeds from disposal of property, plant and equipment		2,191	164
Net cash outflow on acquisitions of subsidiaries	40	(1,227,160)	(287,470)
Repayment from related parties		260,008	25,630
Advance to related parties		(437,058)	(92,185)
Settlement of consideration payables on acquisition of a subsidiary in prior year		(32,250)	–
Placement of time deposits		(6,715,625)	(11,531,625)
Withdrawal of time deposits		7,091,932	13,581,398
Placement of pledged bank deposits		–	(180,000)
Acquisition of investments in preferred shares measured at FVTPL		–	(107,177)
Advance to associates		(107,375)	–
Deposit paid for equity investments		(72,127)	–
Net cash (used in) from investing activities		(1,566,182)	1,151,913

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Financing activities		
New bank loans raised	17,460	162,540
Repayment of bank borrowing	(16,254)	–
Interest paid	(5,599)	(2,243)
Proceeds from issue of shares	1,055,610	–
Transaction costs attributable to issue of shares	(12,319)	–
Payment on repurchase of shares	(40,953)	(60,241)
Advance from other related parties	41,437	61,632
Repayment to other related parties	(18,103)	(16,503)
Dividends paid	–	(149,675)
Repayment of lease liabilities	(34,444)	(27,147)
Interest paid for lease liabilities	(15,178)	(11,148)
Dividends paid to non-controlling interests	(16,603)	(12,797)
Net cash from (used in) financing activities	955,054	(55,582)
Net (decrease) increase in cash and cash equivalents	(267,676)	1,404,370
Cash and cash equivalents at beginning of the year	1,964,516	579,637
Effect of foreign exchange rate changes	(7,556)	(19,491)
Cash and cash equivalents at end of the year	1,689,284	1,964,516
Bank balances and cash	862,325	681,619
Add: time deposits with original maturity of less than three months	826,959	1,282,897
	1,689,284	1,964,516

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 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; (iv) ancillary medical services; (v) obstetrics, gynecology and pediatrics medical services; and (vi) sales of medicines, consumables and equipment.

The consolidated financial statements are presented in Renminbi ("RMB"), which is different from the Company's functional currency of United States dollars ("US$"). The consolidated financial statements are presented in RMB as it best suits the needs of the shareholders and investors.

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 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 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated cost necessary to make the sale" when determining the net realisable value of inventories.

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

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

Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 *Leases* ("IFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

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[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
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[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[1]

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

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

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

Except for the amendments to IFRSs mentioned below, the directors of the company (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 International Financial Reporting Standards Interpretation Committee 21 *Levies*, an acquirer applies IAS 37 or International Financial Reporting Standards Interpretation Committee 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. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

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 IAS 1 Classification of Liabilities as Current or Non-current *(Continued)*

As at 31 December 2021, the Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying IAS 32 *Financial Instruments: Presentation*. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of RMB1,492,932,000 and the derivative component (including the conversion options) is considered to be insignificant as at 26 November 2021 and 31 December 2021. The host debt component is classified as non-current as set out in Note 38. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. Given that the conversion options are exercisable anytime, the host liability and the derivative component amounted to RMB1,492,932,000 would be classified to current liabilities as the holder have the option to convert within twelve months.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 December 2021.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

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 IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB400,928,000 and RMB433,074,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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 and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *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

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.

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

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).

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 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 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.

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)*

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 basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

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 CGU (or groups 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).

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

3.2 Significant accounting policies *(Continued)*

Goodwill *(Continued)*

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.

Investments in associates and a joint venture

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when financial interests in these associates 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 and a joint venture 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 or a joint venture 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 or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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.

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

3.2 *Significant accounting policies* *(Continued)*

Investments in associates and a joint venture *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture accounted for using equity method 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.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, 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 or joint venture 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 or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture 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 or joint venture.

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

When the Group reduces its ownership interest in an associate or a joint venture 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 or a joint venture of the Group accounted for using equity method, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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.

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 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.

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;
- Ancillary medical services;
- Obstetrics, gynecology and pediatrics medical services; and
- Sales of medicines, consumables and equipment.

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)*

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) in vitro fertilisation ("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 been 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 been transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

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

Management services

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

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

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

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 *(Continued)*

Variable consideration

For the management services arrangements that contain variable consideration, service fee is calculated based on pre-set formulas set out in the arrangements and subject to limitations primarily relating to the customer's net income before tax, the Group estimates the amount of consideration to which it will be entitled using 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 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 and obstetrics, gynecology and pediatrics medical services

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

Out-patient services

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

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.

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 and obstetrics, gynecology and pediatrics medical services *(Continued)*

In-patient services *(Continued)*

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. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining healthcare services promised under the contract, that best depict the Group's performance in transferring control of services.

Sales of medicines, consumables and equipment

Revenue from sales of medicines, consumables and equipment is recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location.

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 of IFRS 16 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.

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)*

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets 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.

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.

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 *(Continued)*

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.

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.

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 *(Continued)*

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 one or more additional 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. The associated non-lease components are included in the respective 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 2022; 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.

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.

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

3.2 *Significant accounting policies* *(Continued)*

Property, plant and equipment *(Continued)*

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. 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.

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, contractual right to provide management services and non-compete agreement) 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 these 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 a 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.

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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

3.2 *Significant accounting policies* *(Continued)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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.

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)*

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

(i) Amortised cost and interest income

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

(ii) 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) Other 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.

Other 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, net" 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, time deposits, refundable deposits, accounts and other receivables, loan receivables, amounts due from associates, and amounts due from other 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.

(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;

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 (Continued)

- 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.

(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 reorganisation.

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)*

(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.

(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 FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

3.2 *Significant accounting policies* *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL *(Continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

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.

Convertible bonds

A conversion option that will be settle other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

The Group classified the convertible bonds as current or non-current liabilities according to the terms of the convertible bonds, without considering the possibility of earlier settlement by conversion to equity.

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

3.2 *Significant accounting policies* *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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.

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".

Employee benefits

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("RSU 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 premium.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

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

3.2 Significant accounting policies *(Continued)*

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.

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.

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

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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.

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).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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 specialised medical services is subject to foreign investment restriction in accordance with the Negative List.

Chengdu Xinan Gynecological Hospital Co., Ltd ("Chengdu Xinan Hospital"), Shenzhen Zhongshan Hospital, and Sichuan Jinxin Women and Children Hospital Co., Ltd. ("Jinxin Women and Children 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. Jinxin Women and Children Hospital is currently held by Jinxin Medical Investment Company Ltd. as to 90% and Chengdu Jinyi Hongkang Corporate Management Co., Ltd. ("Jinyi Hongkang") as to 10%.

Through the shareholdings and the contractual arrangements as mentioned, the Group 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; and (iii) effective control over the financial and operational policies of Jinxin Women and Children Hospital and has become entitled to all 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.

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

Critical judgement in applying accounting policies (Continued)

Control over the IVF fertility centers and clinics under IVF specialty collaboration agreements and management services agreement ("MSA")

The Group entered into a series of IVF specialty collaboration agreements and MSA with certain IVF and fertility centers and clinics that were controlled by Chengdu Jinxin Investment and Huntington Reproductive Centre Medical Group ("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 MSA 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.

Useful life of trademarks and contractual right to provide management services

The Group determines the useful life of the trademarks for Shenzhen Zhongshan Hospital, the trademarks for HRC Medical held by HRC Fertility Management, LLC ("HRC Management"), the trademarks for Jinxin Women Wellness Limited and its subsidiaries (collectively refer to as "Jinxin Women Group"), and the trademarks for JINXIN Medical Management (BVI) Group Limited and its subsidiaries (collectively referred to as the "Jinxin Medical Group") 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 2021, the carrying amount of the trademarks are RMB2,151,480,000 (31 December 2020: RMB1,255,735,000), with details set out in Note 21.

The Directors determine the useful life of the contractual right to provide management services to be indefinite based on an analysis of the period of control over the use of the rights (including the 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 2021, the carrying amount of the contractual right to provide management services is RMB1,797,310,000 (31 December 2020: RMB1,839,369,000), with details set out in Note 20.

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

Critical judgement in applying accounting policies *(Continued)*

Useful life of a 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 2021, the carrying amount of the license is RMB40,166,000 (31 December 2020: RMB40,166,000), with details set out in Note 18.

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 United States of America ("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.

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.

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets comprising contractual right to provide management services, trademarks and license 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 growth rates of revenue, gross margin rate and pre-tax discount rate. 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 2021, the carrying amount of goodwill is RMB2,719,747,000 (31 December 2020: RMB889,642,000) and that of intangible assets comprising (i) contractual right to provide management services is RMB1,797,310,000 (31 December 2020: RMB1,839,369,000), (ii) trademarks of RMB2,151,480,000 (31 December 2020: RMB1,255,735,000) and (iii) license of RMB40,166,000 (31 December 2020: RMB40,166,000). Details are set out in Note 22.

Useful lives, depreciation and amortisation of property, plant and equipment, licenses and non-compete agreement

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment, licenses and non-compete agreement. 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 and non-compete agreement 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 2021, the carrying amount of property, plant and equipment is RMB1,092,059,000 (31 December 2020: RMB1,056,125,000), net of accumulated depreciation of RMB269,051,000 (31 December 2020: RMB188,421,000). Details are set out in Note 15.

As at 31 December 2021, the carrying amount of licenses with finite lives was RMB1,198,020,000 (31 December 2020: RMB745,817,000), net of accumulated amortisation of RMB79,777,000 (31 December 2020: RMB56,115,000). Details are set out in Note 18.

As at 31 December 2021, the carrying amount of non-compete agreement with finite lives was RMB19,828,000 (31 December 2020: N/A), net of accumulated amortisation of RMB448,000 (31 December 2020: N/A). Details are set out in Note 19.

Fair value measurement of investments in preferred shares measured at FVTPL and financial assets at FVTPL

Significant judgements and estimates were involved in the fair value measurement of investments in preferred shares measured at FVTPL and financial assets at FVTPL. These significant judgements and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation. The Group recognised investments in preferred shares measured at FVTPL of RMB169,930,000 (2020:RMB171,057,000) and financial assets at FVTPL of RMB177,747,000 (2020: N/A). Details of which are set out in Note 23(a), Note 25 and Note 46 to the financial statements.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for assisted reproductive services, management services, ambulatory surgery centre facilities services, ancillary medical services, obstetrics, gynecology and pediatrics medical service, and sales of medicines, consumables and equipment, net of discounts.

During the year ended 31 December 2021, the Group's revenue is many contributed from its operations in Chengdu, Shenzhen, Wuhan, the U.S.A. and Hong Kong special administrative region ("Hong Kong") (2020: Chengdu, Shenzhen, Wuhan and the U.S.A.). The Group has a new operation in Hong Kong during the year ended 31 December 2021 as a result from acquisition of Jinxin Women Group as disclosed in Note 40(b).

Information reported to the chief executive officer, being the chief operating decision makers ("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 jurisdictions, 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 Mainland China and Hong Kong ("Greater China"), and the U.S.A. during the year ended 31 December 2021 and 2020. The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2021:

	Greater China RMB'000	U.S.A. RMB'000	Consolidated RMB'000
Revenue			
Segment revenue from external customers	1,379,542	459,284	1,838,826
Segment profit	409,979	80,809	490,788
Unallocated administrative expenses			(40,005)
Share-based compensation benefits			(76,342)
Gains on fair value changes of investment in preferred shares measured at FVTPL			3,979
Gain on fair value changes of financial assets at FVTPL			30,026
Gain on fair value change of other financial liabilities at FVTPL			8,362
Exchange gain, net			13,122
Imputed interest income from related parties			2,319
Certain interest income from banks			1,599
Certain interest income from time deposits			22,193
Interest income from pledged bank deposits			1,886
Profit before taxation			457,927

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2020:

	Greater China 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			(38,128)
Share-based compensation benefits			(83,649)
Gains on fair value changes of investment in preferred shares measured 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 time deposits			42,522
Interest income from pledged bank deposits			1,823
Profit before taxation			349,134

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), share-based compensation benefits, gains on fair value changes of investments in preferred shares measured at FVTPL, gains on fair value change of financial assets at FVTPL, gain (loss) on fair value change of other financial liabilities at FVTPL, net exchange gain, imputed interest income from related parties, and certain interest income resulted from the corporate bank balances (including pledged bank deposits and time deposits).

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:

	2021 RMB'000	2020 RMB'000
Segment assets		
Greater China	7,382,524	2,848,113
U.S.A.	3,918,470	3,848,161
Total segment assets	11,300,994	6,696,274
Equity instrument at FVTOCI	5,279	9,387
Corporate time deposits	826,959	1,714,567
Corporate bank balances and cash	71,415	272,098
Pledged bank deposits	180,000	180,000
Investments in preferred shares measured at FVTPL	169,930	171,057
Financial assets at FVTPL	177,747	–
Unallocated (other assets)	93,066	119,844
Total	12,825,390	9,163,227

	2021 RMB'000	2020 RMB'000
Segment liabilities		
Greater China	1,381,690	887,299
U.S.A.	809,314	724,506
Total segment liabilities	2,191,004	1,611,805
Convertible bonds	1,492,932	–
Consideration payable for acquisition of Jinxin Medical Group (Note 40(a))	302,518	–
Unallocated (other liabilities)	86,235	88,936
Total	4,072,689	1,700,741

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 time deposits, corporate bank balances and cash, pledged bank deposits, investments in preferred shares measured at FVTPL, financial assets at FVTPL and other unallocated corporate assets; and
- All liabilities are allocated to operating segments, other than convertible bonds, consideration payable for acquisition of Jinxin Medical Group and other unallocated corporate liabilities.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities (Continued)

For the year ended 31 December 2021

	Greater China 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)	61,699	14,832	35,484	112,015
Addition to non-current assets through acquisitions of subsidiaries (Note 40)	3,449,554	–	–	3,449,554
Depreciation and amortisation	118,692	46,845	4,085	169,622
Loss on disposal of property, plant and equipment	2	–	–	2

Note: Non-current assets excluded financial instruments and addition to non-current assets through acquisitions of subsidiaries.

For the year ended 31 December 2020

	Greater China 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 40)	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 and addition to non-current assets through acquisition of a subsidiary.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers

	Notes	2021 RMB'000	2020 RMB'000
Types of services			
Assisted reproductive services – Greater China			
A point in time recognition	(i)	687,567	589,013
Over time recognition	(i)	472,894	389,834
		1,160,461	978,847
Management services – Over time recognition			
– U.S.A.	(ii), (iii)	432,239	342,399
– Greater China	(i)	95,980	32,691
		528,219	375,090
Ambulatory surgery centre facilities services – U.S.A.			
– A point in time recognition	(ii)	23,735	25,804
Ancillary medical` services			
A point in time recognition			
– U.S.A.	(ii)	3,310	11,504
– Greater China	(i)	48,785	21,245
		52,095	32,749
Ancillary medical services – Greater China			
Over time recognition	(i)	18,730	13,598
		70,825	46,347
Obstetrics, gynecology and pediatrics medical services			
– Greater China			
A point in time recognition	(i)	23,340	–
Over time recognition	(i)	10,958	–
		34,298	–
Sales of medicines, consumables and equipment			
– Greater China	(i)	21,288	–
Total		1,838,826	1,426,088

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

Notes:

(i) Revenue generated in the Greater China which amounted RMB1,379,542,000 (31 December 2020: RMB1,046,381,000).

(ii) Revenue generated in the U.S.A. which amounted to RMB459,284,000 (31 December 2020: RMB379,707,000).

(iii) Management services fee under the MSA for the year ended 31 December 2021 amounted to RMB491,460,000 (31 December 2020: RMB385,628,000), net of cost reimbursed of RMB59,221,000 (31 December 2020: RMB43,229,000) 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. The Group applies the practical expedient of not disclosing the information about its remaining performance obligation when the performance obligation is part of a contract that has an original expected duration of one year or less.

Geographical information

At 31 December 2021, the non-current assets located in the Greater China, the U.S.A., and Lao People's Democratic Republic ("Laos") amounted to RMB5,797,857,000, RMB3,785,893,000, and RMB53,345,000, respectively (31 December 2020: RMB2,395,867,000, RMB3,802,237,000, and RMB54,066,000, respectively). Non-current assets as at 31 December 2021 and 2020 excluded equity instrument at FVTOCI, loan receivable, financial assets at FVTPL, pledged bank deposits, refundable deposits, deferred tax assets, amounts due from associates and amounts due from other 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:

	2021 **RMB'000**	2020 RMB'000
HRC Medical	**436,846**	356,668

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Imputed interest income from related parties	2,319	–
Interest income from banks	7,838	4,274
Interest income from time deposits	22,405	42,522
Interest income from pledged bank deposits	1,886	1,823
Government grants (Note)	6,921	7,778
Consulting service income	6,834	8,259
Sponsorship income	–	604
Others	7,763	8,853
	55,966	74,113

Note: The government grants mainly represented the grant on cost incurred for research and development projects of Shenzhen Zhongshan Hospital.

7. OTHER EXPENSES

	2021 RMB'000	2020 RMB'000
Donations	–	6,000
Others	605	377
	605	6,377

8. OTHER GAINS AND LOSSES, NET

	2021 RMB'000	2020 RMB'000
(Loss) gain on disposal of property, plant and equipment	(2)	53
Exchange gain, net	13,122	42,204
Gain on fair value change of other financial assets at FVTPL	6,856	2,325
Gain on fair value changes of investments in preferred shares measured at FVTPL	3,979	18,206
Gain on fair value changes of financial assets at FVTPL	30,026	–
Gain (loss) on fair value change of other financial liabilities at FVTPL	8,362	(11,904)
Gain on early termination of leases	–	5,815
Others	97	409
	62,440	57,108

9. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowing	**5,589**	2,243
Interest on convertible bonds	**379**	–
Interest on lease liabilities	**15,178**	11,148
	21,146	13,391

10. PROFIT BEFORE TAXATION

	2021 RMB'000	2020 RMB'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**3,200**	3,255
Directors' remuneration (Note 12)	**8,242**	8,405
Other staff costs		
– salaries, allowances and other benefits	**449,669**	348,927
– retirement benefit schemes contributions for other staff	**32,507**	14,972
– share-based compensation benefits	**76,342**	83,649
Total staff costs	**566,760**	455,953
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	**513,785**	334,969
Research and development expenses	**10,651**	11,483
Amortisation of licenses (included in administrative expenses)	**23,662**	17,745
Amortisation of non-compete agreement (included in administrative expenses)	**448**	–
Depreciation of property, plant and equipment	**98,585**	76,483
Depreciation of right-of-use assets	**46,927**	36,061

11. INCOME TAX EXPENSES

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC EIT	**89,151**	66,681
Hong Kong Profits Tax	**1,890**	–
U.S.A. Federal Income Tax	**612**	–
U.S.A. State Income Tax	**1,656**	–
	93,309	66,681
Deferred tax:		
Current year (Note 35)	**10,921**	21,957
	104,230	88,638

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.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for year 2021 (2020: N/A)

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 2021 and 2020 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 RMB646,109,000 as at 31 December 2021 (31 December 2020: RMB533,777,000), 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.

11. INCOME TAX EXPENSES *(Continued)*

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:

	2021 RMB'000	2020 RMB'000
Profit before taxation	**457,927**	349,134
Tax at PRC EIT rate of 25%	**114,482**	87,284
Tax effect of share of results of associates	**1,706**	–
Tax effect of share of results of a joint venture	**823**	–
Tax effect of expenses not deductible for tax purposes	**26,823**	44,094
Tax effect of income not taxable for tax purpose	**(6,419)**	(12,155)
Effect of tax exemption and concessions granted to a PRC subsidiary	**(28,050)**	(30,585)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(5,135)**	–
Income tax expenses	**104,230**	88,638

At the end of the reporting period, the Group has recognised deferred tax assets of RMB7,020,000 (2020 : Nil). The Group has no other material unused tax losses that is not recognised as deferred tax assets.

12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS

(a) *Directors and the chief executive*

Details of the executives and non-executive directors appointed or resigned during the years ended 31 December 2021 and 2020 are as follows:

Name	Position	Date of appointment or resignation as the directors of the Company
Mr. Wang Bin (王彬)	Chairman and non-executive director	25 December 2018 (resigned on 28 March 2021)
Mr. Zhong Yong (鍾勇) (Note a)	Chairman and executive director	29 June 2020
Mr. Zhong Ying (鍾影)	Executive director and co-chief executive officer	17 August 2018 (resigned on 28 March 2021)
Ms. Yan Xiaoqing (嚴曉晴)	Executive director	3 May 2018 (resigned on 29 June 2020)
	Non-executive director	28 March 2021
Dr. John G. Wilcox	Executive director	25 December 2018
Mr. Dong Yang (董陽) (Note b)	Executive director and chief executive officer	3 May 2018
Dr. Geng Lihong (耿麗紅)	Executive director	28 March 2021
Ms. Lyu Rong (呂蓉)	Executive director and co-chief executive officer	3 December 2021
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 (resigned on 31 August 2021)
Mr. Li Jianwei (李建偉)	Independent non-executive director	31 August 2021

Notes:

a. Mr. Zhong Yong has been re-designated from a vice chairman to a chairman on 28 March 2021.

b. Mr. Dong Yang has been re-designated from a co-chief executive officer to a chief executive officer on 28 March 2021 (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 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 2021					
Chairman and non-executive director					
Mr. Wang Bin (王彬)	191	–	–	–	191
Chairman and executive director					
Mr. Zhong Yong (鍾勇)	–	1,568	–	11	1,579
Executive directors					
Mr. Zhong Ying (鍾影)	–	870	–	3	873
Dr. Geng Lihong (耿麗紅)	–	1,431	36	72	1,539
Dr. John G. Wilcox	–	–	–	–	–
Mr. Dong Yang (董陽)	–	2,212	–	54	2,266
Ms. Lyu Rong (呂蓉)	–	222	–	6	228
Non-executive directors					
Mr. Fang Min (方敏)	–	–	–	–	–
Ms. Hu Zhe (胡喆)	–	–	–	–	–
Ms. Yan Xiaoqing (嚴曉晴)	612	–	–	–	612
Independent non-executive directors					
Mr. Ye Changqing (葉長青)	238	–	–	–	238
Mr. Wang Xiaobo (王嘯波)	238	–	–	–	238
Dr. Chong Yat Keung (莊一強)	238	–	–	–	238
Mr. Lim Haw Kuang (林浩光)	159	–	–	–	159
Mr. Li Jianwei (李建偉)	81	–	–	–	81
	1,757	6,303	36	146	8,242

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 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

* 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.

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

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 two directors for the year ended 31 December 2021 (2020: one director). Details of the remuneration for the year of the remaining three (2020: four) who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and allowances	4,594	6,673
Performance-related incentive payments	–	154
Retirement benefit schemes contributions	95	20
Share-based compensation benefits	37,019	34,063
	41,708	40,910

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

	2021	2020
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	–	–
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	1	1
HK$6,000,001 to HK$6,500,000	1	–
HK$6,500,001 to HK$7,000,000	–	–
HK$7,000,001 to HK$7,500,000	1	–
HK$11,000,001 to HK$11,500,000	–	1
HK$29,500,001 to HK$30,000,000	–	1
HK$30,000,001 to HK$35,000,000	–	–
HK$35,000,001 to HK$40,000,000	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 RSU Scheme of the Company. Details of the restricted share award ("Restricted Share Award") are set out in Note 41 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

	2021 RMB'000	2020 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 final – Nil (2020: 2019 final dividend HK6.8 cents per share) (Note)	–	149,675

Note: A final cash dividend in respect of the year ended 31 December 2019 of HK6.8 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 2021. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK7.38 cents (approximately RMB6 cents) (2020: nil) per ordinary share, in an aggregate amount of HK$184,637,000 (approximately RMB150,000,000) (2020: nil), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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:

	2021 RMB'000	2020 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	339,901	251,622
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	379	–
Earnings for the purpose of diluted earnings per share (profit for the year attributable to owners of the Company)	340,280	251,622

14. EARNINGS PER SHARE *(Continued)*

	2021 '000	2020 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,478,210**	2,400,385
Effect of dilutive potential ordinary shares:		
– Restricted Shares Units ("RSUs") issued by the Company	**14,190**	15,371
– Convertible bonds issued by the Company	**11,932**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,504,332**	2,415,756

For the year ended 31 December 2021, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of ordinary shares held by the nominee under the RSU Scheme by the RSU Scheme's Nominee as described in Note 41 and the effect of the ordinary shares issued and repurchased by the Company as described in Note 39 (2020: the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of ordinary shares held by the nominee under the RSU Scheme by the RSU Scheme's Nominee and the effect of the ordinary shares repurchased by the Company).

For the year ended 31 December 2021, the weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share has been adjusted for the effect of assumption of the conversion of all potential dilutive ordinary shares arising from restricted shares and the conversion of the Company's outstanding convertible bonds (2020: the weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share has been adjusted for the effect of assumption of the conversion of all potential dilutive ordinary shares arising from restricted shares).

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 2020	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 40)	–	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
Additions	–	6,749	34,303	16,961	3,497	30,898	92,408
Disposals	–	–	(10,280)	(7,990)	(183)	–	(18,453)
Reclassification	24,817	127,236	2,978	–	–	(155,031)	–
Acquisitions of subsidiaries (Note 40)	–	4,961	36,202	4,292	1,624	–	47,079
Exchange realignment	–	(2,029)	(698)	(733)	–	(1,010)	(4,470)
At 31 December 2021	809,091	269,968	203,076	61,784	6,564	10,627	1,361,110
DEPRECIATION							
At 1 January 2020	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
Provided for the year	40,689	23,469	22,668	10,800	959	–	98,585
Eliminated on disposals	–	–	(10,166)	(5,921)	(173)	–	(16,260)
Exchange realignment	–	(925)	(493)	(277)	–	–	(1,695)
At 31 December 2021	117,444	46,020	83,845	20,375	1,367	–	269,051
CARRYING VALUES							
At 31 December 2020	707,519	109,575	68,735	33,481	1,045	135,770	1,056,125
At 31 December 2021	691,647	223,948	119,231	41,409	5,197	10,627	1,092,059

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	10% to 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 2021			
Carrying amount	219,907	2,514	222,421
As at 31 December 2021			
Carrying amount	**400,508**	**420**	**400,928**
For the year ended 31 December 2021			
Depreciation charge	44,864	2,063	46,927
For the year ended 31 December 2020			
Depreciation charge	**33,090**	**2,971**	**36,061**

	2021 **RMB'000**	2020 RMB'000
Expense relating to short-term leases	**2,377**	480
Expense relating to lease of low-value assets, excluding short-term leases of low-value assets	**8**	–
Total cash outflow for leases	**52,007**	38,775
Additions to right-of-use assets	**100,698**	143,087
Additions to right-of-use assets through acquisitions of subsidiaries (Note 40)	**137,865**	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 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 31 December 2021 and 2020, 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 derecognised.

Rent concessions

During the year ended 31 December 2021, lessors of properties provided rent concessions to the Group through rent reductions ranging from 20% to 100% over two to twelve months (2020: 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 2021, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB2,008,000 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 2021 RMB'000	**Potential future lease payments not included in lease liabilities (undiscounted) 2021 RMB'000**	Lease liabilities recognised as at 2020 RMB'000	Potential future lease payments not included in lease liabilities (undiscounted) 2020 RMB'000
Clinics – U.S.A.	**90,504**	**133,022**	93,841	124,060
Office – U.S.A.	**5,730**	**15,980**	6,970	16,354

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 2021 and 2020, there is no such triggering event.

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

Leases committed

As at 31 December 2021, 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 5.5 years with extension options, the total future undiscounted cash flows under which amounted to approximately US$517,000 (equivalent to approximately RMB3,296,000) over the non-cancellable period. The Group also entered into two new leases for employee dormitories in the PRC that have not yet commenced, with average non-cancellable period ranging from 4 to 10 months with extension options, the total future undiscounted cash flows under which amounted to approximately RMB172,000 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.

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 34.

17. GOODWILL

	RMB'000
COST	
At 1 January 2020	809,312
Arising on acquisition of a subsidiary (Note 40)	118,865
Exchange realignment	(38,535)
At 31 December 2020	889,642
Arising on acquisitions of subsidiaries (Note 40)	1,849,102
Exchange realignment	(18,997)
At 31 December 2021	**2,719,747**

Particulars regarding impairment testing on goodwill are disclosed in Note 22.

18. LICENSES

	RMB'000
COST	
At 1 January 2020 (Note a)	426,500
Addition (Note b)	40,166
Arising on acquisition of a subsidiary (Note 40 and Note c)	375,432
At 31 December 2020	842,098
Arising on acquisitions of subsidiaries (Note 40 and Note d)	477,200
Exchange realignment	(1,335)
At 31 December 2021	**1,317,963**
AMORTISATION	
At 1 January 2020	38,370
Provided for the year	17,745
At 31 December 2020	56,115
Provided for the year	23,662
Exchange realignment	*
At 31 December 2021	**79,777**
CARRYING VALUES	
At 31 December 2020	785,983
At 31 December 2021	**1,238,186**

* The amount is less than RMB1,000.

At 31 December 2021, the carrying amount of RMB1,238,186,000 (2020: RMB785,983,000) of licenses mainly comprises of licenses in Shenzhen, Laos, Wuhan, and Chengdu (2020: Shenzhen, Laos and Wuhan).

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 Hospital 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 discounted cash flow method under 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 Hospital 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 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 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 22.

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 Gynecology 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 discounted cash flow method under 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.

d. License with finite useful life in Chengdu

The acquisition-date fair value of the Medical Practice License was recognised upon the acquisition of Jinxin Medical Group on 26 November 2021. The acquisition-date fair value is determined by the Directors, and comprises the aggregate value of the Medical Practice License as determined using the discounted cash flow method under income approach, which is, among others, based on the projected cash flows generated from the obstetrics, gynecology and pediatrics medical services of Jinxin Medical Group for a period of 40.1 years, being the estimated useful life of the medical practice license. The estimated future cash flows involves key assumptions including growth rates of revenue, gross margin rate and pre-tax discount rate. Based on the capabilities and successful history without incurring significant expenses on the renewals of the Medical Practice License in Jinxin Medical 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 10.1 years at date of acquisition and is renewable every 15 years, and hence an estimated useful life of 40.1 years at its acquisition in November 2021.

19. NON-COMPETE AGREEMENT

	RMB'000
COST	
At 1 January 2020, 31 December 2020, and 1 January 2021	–
Arising on acquisition of a subsidiary (Note 40 and Note)	20,591
Exchange realignment	(315)
At 31 December 2021	**20,276**
AMORTISATION	
At 1 January 2020, 31 December 2020, and 1 January 2021	–
Provided for the year	448
Exchange realignment	*
At 31 December 2021	**448**
CARRYING VALUES	
At 31 December 2020	–
At 31 December 2021	**19,828**

* The amount is less than RMB1,000.

Note: The acquisition-date fair value of the non-compete agreement was recognised upon the acquisition of Jinxin Women Group on 5 September 2021. The acquisition-date fair value is determined by the Directors, and comprises the aggregate value of the non-compete agreement as determined using the discounted cash flow method under income approach, which is, among others, based on the projected cash flows generated from the value of the non-competition promise from Dr. Chan Chi Wai, a shareholder of Jinxin Women Group, for a period of 15.3 years, being the estimated useful life of the non-compete agreement.

20. CONTRACTUAL RIGHT TO PROVIDE MANAGEMENT SERVICES

	RMB'000
COST	
At 1 January 2020	1,962,926
Exchange realignment	(123,557)
At 31 December 2020	1,839,369
Exchange realignment	(42,059)
At 31 December 2021	**1,797,310**

Contractual right to provide management services was acquired through the acquisition of HRC Fertility Management, LLC and its subsidiary (collectively referred to as "HRC management Group") 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 22.

21. TRADEMARKS

	RMB'000
COST	
At 1 January 2020 (Note a)	1,305,306
Addition (Note b)	17,051
Exchange realignment	(66,622)
At 31 December 2020	1,255,735
Arising on acquisitions of subsidiaries (Note 40 and Note c)	917,717
Exchange realignment	(21,972)
At 31 December 2021	**2,151,480**

Notes:

a. The Group's trademarks as at 1 January 2020 were acquired through the acquisition of Shenzhen Zhongshan Hospital and HRC Management Group on 31 January 2017 and 24 December 2018, respectively. Trademarks acquired from Shenzhen Zhongshan Hospital has a legal life of 10 years but is renewable every 10 years at minimal cost while the trademarks of HRC Medical from the acquisition of HRC Management Group 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 Hospital and HRC Management Group are disclosed in Note 22.

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 22.

c. During the year ended 31 December 2021, the Group acquired Jinxin Women Group and Jinxin Medical Group on 5 September 2021 and 26 November 2021, respectively. Trademarks acquired from Jinxin Women Group has a legal life of one year but is renewable every year at minimal cost and the trademark acquired from Jinxin Medical Group has a legal life of 10 years and is renewable for every 10 years 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 indefinite useful lives 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. The acquisition-date fair value is determined by the Directors, and comprises the aggregate value of the trademarks as determined using the discounted cash flow method under income approach, which is, among others, based on the projected cash flows generated from the use of their respective trademarks. The estimated future cash flows involves key assumptions including growth rates of revenue, gross margin rate and pre-tax discount rate. These trademarks 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 Jinxin Women Group and Jinxin Medical Group are disclosed in Note 22.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill, contractual right to provide management services, trademarks, licenses and non-compete agreement acquired set out in Notes 17, 20, 21, 18 and 19, respectively, have been allocated to six (2020: four) individual CGUs. The carrying amounts of goodwill, contractual right to provide management services, trademarks, licenses and non-compete agreement as at 31 December 2021 and 2020 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		Non-compete agreement as at 31 December	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Zhongshan Hospital	197,123	197,123	–	–	246,900	246,900	361,819	374,974	–	–
HRC Management Group	560,535	573,654	1,797,310	1,839,369	990,117	1,008,835	–	–	–	–
Wuhan Jinxin Hospital	118,865	118,865	–	–	–	–	361,338	370,843	–	–
Jinrui Medical Center	–	–	–	–	–	–	40,166	40,166	–	–
Jinxin Women Group	55,304	–	–	–	53,879	–	–	–	19,828	–
Jinxin Medical Group	1,787,920	–	–	–	860,584	–	474,863	–	–	–
	2,719,747	889,642	1,797,310	1,839,369	2,151,480	1,255,735	1,238,186	785,983	19,828	–

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, licenses, and non-compete agreement 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, licenses and non-compete agreement 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 20%, and declining growth rates of 21.2% to 10.4% for Shenzhen Zhongshan Hospital at 31 December 2021 (2020 a five-year period, a pre-tax discount rate of 18.7%, and declining growth rates of 18% to 8%). The remaining forecast cash flows beyond that five-year period are extrapolated for a one-year period using declining growth rate 6% for Shenzhen Zhongshan Hospital at 31 December 2021 (2020: a two-year period using declining growth rates from 8% to 4.5%), and then a steady 3% growth rate for the units thereafter (2020: 3%).

22. 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 44.3% to 20% for HRC Management Group at 31 December 2021 (2020 a five-year period, a pre-tax discount rate of 18.1%, and declining growth rates of 37.9% to 20%). The remaining forecast cash flows beyond that five-year period are extrapolated for a two-year period from 15% to 3% for HRC Management Group at 31 December 2021 (2020: a two-year period using declining growth rates from 20% to 10%), and then a steady 3% growth rate for the units thereafter (2020: 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 131.3% to 10.1% for Wuhan Jinxin Hospital at 31 December 2021 (2020: a five-year period, a pre-tax discount rate of 18.7%, and declining growth rates of 119.5% to 15%). The remaining forecast cash flows beyond that five-year period are extrapolated for a three-year period using declining growth rates from 6% to 3% for Wuhan Jinxin Hospital at 31 December 2021 (2020: a three-year period using declining growth rates from 15% to 3%), and then a steady 3% growth rate for the units thereafter (2020: 3%).

The calculation uses cash flow projections based on financial forecasts approved by management covering a ten-year period, a pre-tax discount rate of 35.8%, and declining growth rates of 139.6% to 12.4% for Jinrui Medical Center at 31 December 2021 (2020: a ten-year period, a pre-tax discount rate of 34.7%, and declining growth rates of 147.3% to 12.4%), and then a steady 4.9% growth rate for the units thereafter (2020: 4.9%).

The calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, a pre-tax discount rate of 17.4%, and declining growth rates of 18.2% to 4% for Jinxin Women Group at 31 December 2021 (2020: N/A), and then a steady 3% growth rate for the units thereafter (2020: N/A).

And the calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, a pre-tax discount rate of 15.3%, and declining growth rates of 17.3% to 10.6% for Jinxin Medical Group at 31 December 2021 (2020: N/A), The remaining forecast cash flows beyond that five-year period are extrapolated for a three-year period using declining growth rates from 9.1% to 7% for Jinxin Medical Group at 31 December 2021 (2020: N/A), and then a steady 3% growth rate for the units thereafter (2020: N/A).

Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates of revenue and gross margin rate. Such estimation is based on the relevant unit's past performance and management's expectations for the market development.

As at 31 December 2021 and 2020, the Directors determined that there is no impairment of these CGUs containing goodwill, contractual right to provide management services, trademarks, licenses and non-compete agreement.

The recoverable amount of the CGU of Shenzhen Zhongshan Hospital, HRC management Group, Wuhan Jinxin Hospital, Jinrui Medical Center, Jinxin Women Group and Jinxin Medical Group exceeds its carrying amount by RMB1,511,543,000, RMB1,130,841,000, RMB11,744,000, RMB669,000, RMB3,628,000 and RMB31,446,000 as at 31 December 2021 (2020: RMB220,142,000, RMB710,474,000, RMB54,444,000, RMB800,000, N/A and N/A).

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

The table below sets forth (i) each key assumption that is used in goodwill, trademarks, contractual right to provide management services, licenses and non-compete agreement impairment testing at 31 December 2021 (2020: goodwill, trademarks, contractual right to provide management services and licenses); 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 Hospital, HRC Management Group, Wuhan Jinxin Hospital, Jinrui Medical Center, Jinxin Women Group and Jinxin Medical Group:

Shenzhen Zhongshan Hospital

At 31 December 2021

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	21.2% to 6%	Decrease by 1%	1,441,543
		Decrease by 2%	1,377,543
Gross margin rate	44.9% to 51.8%	Decrease by 1%	1,473,543
		Decrease by 2%	1,441,543
Pre-tax discount rate	20%	Increase by 0.5%	1,436,543
		Increase by 1%	1,366,543

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

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

HRC Management Group

At 31 December 2021

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	44.3% to 3%	Decrease by 1%	1,102,349
		Decrease by 2%	1,073,859
Gross margin rate	38.4% to 53.4%	Decrease by 1%	1,032,014
		Decrease by 2%	933,189
Pre-tax discount rate	18.1%	Increase by 0.5%	951,403
		Increase by 1%	785,107

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

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

Wuhan Jinxin Hospital

At 31 December 2021

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	131.3% to 3%	Decrease by 1%	6,512
		Decrease by 2%	(5,195)
Gross margin rate	-13.8% to 45.7%	Decrease by 1%	(6,427)
		Decrease by 2%	(24,597)
Pre-tax discount rate	18.7%	Increase by 0.5%	(13,687)
		Increase by 1%	(37,033)

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)

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

Jinrui Medical Center

At 31 December 2021

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	139.6% to 12.4%	Decrease by 1%	(262)
		Decrease by 2%	(1,192)
Gross margin rate	10.3% to 72.6%	Decrease by 1%	389
		Decrease by 2%	109
Pre-tax discount rate	35.8%	Increase by 0.5%	(1,305)
		Increase by 1%	(3,185)

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)

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

Jinxin Women Group

At 31 December 2021

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	18.2% to 4%	Decrease by 1%	(2,737)
		Decrease by 2%	(5,195)
Gross margin rate	51%	Decrease by 1%	(2,782)
		Decrease by 2%	(7,844)
Pre-tax discount rate	17.4%	Increase by 0.5%	(4,571)
		Increase by 1%	(10,961)

Jinxin Medical Group

At 31 December 2021

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	17.3% to 7%	Decrease by 1%	(8,003)
		Decrease by 2%	(47,453)
Gross margin rate	37.3% to 44.4%	Decrease by 1%	(50,462)
		Decrease by 2%	(132,374)
Pre-tax discount rate	15.3%	Increase by 0.5%	(96,097)
		Increase by 1%	(213,324)

23. INTERESTS IN ASSOCIATES

a. *Investments in preferred shares measured at FVTPL*

	RMB'000
At 1 January 2020	–
Cost	152,851
Gains on fair value change	18,206
At 31 December 2020	171,057
Gains on fair value change	3,979
Exchange realignment	(5,106)
At 31 December 2021	**169,930**

b. *Interests in associates accounted for using equity method*

	2021 **RMB'000**	2020 RMB'000
Cost of interests in associates applying the equity method	**2,691**	–
Amounts due from associates (Note)	**134,091**	26,913
Less: Share of post-acquisition loss that are excess of the cost of investment	**(6,823)**	–
	129,959	26,913
Interests in associates applying the equity method	**–**	–
Amounts due from associates (Note)	**129,959**	26,913

Note: The amount represents amount due from Jinxin International Medical Services Company Limited and Chengdu Jinxin Aijian International Hospital Management Co., Ltd, which are the associates of the Company. The amount is unsecured, interest free, repayable on demand and expected to be collected after one year.

23. INTERESTS IN ASSOCIATES *(Continued)*

b. Interests in associates accounted for using equity method *(Continued)*

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

Name of entities	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2021	2020	2021	2020	
Mengmei Life Pty. Limited ("Mengmei")	Cayman Islands	U.S.A.	28%	28%	28% (Note 1)	28% (Note 1)	Assisted reproduction agency
KangSeed Technology Limited ("KangSeed")	Cayman Islands	China	16.39%	16.39%	16.39% (Note 2)	16.39% (Note 2)	Assisted reproduction services
Jinxin International Medical Service Company Limited	Cayman Islands	U.S.A.	49%	49%	49%	49%	Assisted reproduction agency
Chengdu Jinxin Aijian International Hospital Management Co., Ltd	China	China	10%	Nil	10% (Note 3)	Nil	Andrology medical services

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 US$13,366,000 (equivalent to RMB87,210,000). The Group fully paid the consideration during the year ended 31 December 2020. 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 2021 was US$14,187,000 (equivalent to RMB90,453,000) (2020: US$13,572,000 (equivalent to RMB89,731,000)) of which the fair value hierarchy is classified as Level 3.

2. On 23 September 2020, the Group acquired 5,564,997 preferred shares with a capital injection feature of KangSeed at a consideration of US$10,060,000 (equivalent to RMB65,641,000). The Group paid US$3,000,000 (equivalent to RMB19,575,000) during the year ended 31 December 2020. As at 31 December 2021, the Group has amount due to KangSeed of US$7,060,000 (equivalent to RMB45,012,000) (2020: US$7,060,000 (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 2021 was US$12,466,000 (equivalent to RMB79,477,000) (2020: US$12,464,000 (equivalent to RMB81,326,000)) of which the fair value hierarchy is classified as Level 3.

23. INTERESTS IN ASSOCIATES *(Continued)*

b. *Interests in associates accounted for using equity method* *(Continued)*

Notes: *(Continued)*

3. Although the Group holds 10% of the issued share capital of Chengdu Jinxin Aijian International Hospital Management Co., Ltd., the Group is able to exercise significant influence over Chengdu Jinxin Aijian International Hospital Management Co., Ltd because the Group's executive director and co-chief executive officer Ms. Lyu Rong is one of the three directors of Chengdu Jinxin Aijian International Hospital Management Co., Ltd.

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

24. 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.

During the year ended 31 December 2021, an amount of RMB3,891,000 of fair value loss was recognised (2020: Nil)

25. FINANCIAL ASSETS AT FVTPL

	2021 RMB'000	2020 RMB'000
Financial assets at FVTPL (Note)	**177,747**	–

Note: During the year ended 31 December 2021, Sichuan Jinxin Fertility acquired 10% equity interest in 廣東康芝醫院管理有限公司 (Guangdong Kangzhi Hospital Management Co., Ltd.), which holds 51% equity interest in each of 雲南錦欣九洲醫院有限公司 (Yunnan Jinxin Jiuzhou Hospital Co., Ltd.) and 昆明錦欣和萬家婦產醫院有限公司 (Kunming Jinxin Hewanjia Obstetrics and Gynecology Hospital Co., Ltd.), at a consideration of RMB37,740,000. In addition, the Company through its wholly-owned subsidiary, Jinxin Fertility Group (BVI) Company Limited, subscribed 15% limited partnership interest in 天津濱海遠欣股權投資中心(有限合夥) (Tianjin Binhai Yuanxin Equity Investment Center (Limited Partnership)), which acquired 90% equity interest in Guangdong Kangzhi Hospital Management Co., Ltd. The total consideration is approximately US$17,250,000 (equivalent to approximately RMB111,504,000). Accordingly, the Company is indirectly entitled to approximately 19.33% economic interest in Yunnan Jinxin Jiuzhou Hospital Co., Ltd. and Kunming Jinxin Hewanjia Obstetrics and Gynecology Hospital Co., Ltd.

26. INTEREST IN A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Cost of interest in a joint venture	3,500	–
Share of result of a joint venture	(3,290)	–
	210	–

Details of the Group's joint venture 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		Proportion of voting rights held by the Group		Principal activity
			2021	2020	2021	2020	
成都錦欣尚輝企業管理有限公司 Chengdu Jinxin Shanghui Enterprise Management Co., Ltd*	China	China	50%	–	50%**	–	Information marketing

Notes:

* English name is for identification only.

** Chengdu Jinxin Shanghui Enterprise Management Co., Ltd is owned by Sichuan Jinxin Fertility and Chengdu Jinxin Investment with equity interest of 50% and 50%, respectively.

No summarised financial information in respect of the interest in a joint venture is disclosed as the joint venture is immaterial.

27. INVENTORIES

	2021 RMB'000	2020 RMB'000
Pharmaceutical products	10,378	12,080
Consumables and others	36,429	13,396
	46,807	25,476

28. ACCOUNTS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Accounts receivables	**64,330**	11,289
Other receivables and prepayment:		
Prepayments to suppliers	**51,118**	21,980
Interest receivables	**2,644**	4,773
Loan receivables (Note)	**23,153**	26,100
Others	**18,514**	4,603
	159,759	68,745
Less: loan receivable classified as non-current assets (Note)	**17,074**	–
Accounts and other receivables classified as current assets	**142,685**	68,745

Note: The amounts represent US$1,000,000 (equivalent to approximately RMB6,079,000) loan receivable from IVF Universal, LLC, a supplier to the Group, and US$3,000,000 (equivalent to approximately RMB17,074,000) loan receivable from a shareholder of an associate. These amounts are unsecured, interest-free and repayable on demand. The loan receivable from a shareholder of an associate is expected to collect in 2023 and is therefore classified as non-current assets in the consolidated statement of financial position.

As at 1 January 2020, accounts receivables amounted to RMB12,247,000.

The individual customers of Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital, Wuhan Jinxin Hospital, Hong Kong Assisted Reproduction Centre Ltd, Hong Kong Reproductive Health Centre Ltd and Jinxin Women and Children 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 corporate customers of Chengdu Xinan Hospital usually settle by cash and the payment terms are normally from 60 to 180 days from the transaction date.

The Directors are of 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.

28. 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 2021 and 2020.

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.

	2021 RMB'000	2020 RMB'000
Within 90 days	47,873	5,560
91 to 180 days	12,360	2,406
Over 180 days	4,097	3,323
	64,330	11,289

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 46.

29. AMOUNTS DUE FROM OTHER RELATED PARTIES/AMOUNTS DUE TO RELATED PARTIES

(a) Amounts due from other related parties

	2021 RMB'000	2020 RMB'000
Trade in nature		
HRC Medical (Note iii)	**106,644**	39,531
Jinjiang District Maternity and Child Health Hospital (Notes i & iv)*	**93,738**	19,383
Chengdu Jinxin Investment (Note i)*	**–**	4,856
四川錦欣婦女兒童醫院有限公司 (Jinxin Women and Children Hospital) (Notes i & vii)*	**–**	638
成都錦欣博悦生物科技有限公司 (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 Gynecology Hospital Limited) (Notes i & iv)*	**647**	10
成都蓮心社區衛生服務中心 (Chengdu Jinjiang District Lianxin Community Health Service Center) (Notes i & iv)*	**788**	–
成都龍舟社區衛生服務中心 (Chengdu Jinjiang District Longzhou Road Community Health Service Center) (Notes i & iv)*	**940**	–
成都東大社區衛生服務中心 (Chengdu Jinjiang District Dongda Community Health Service Center) (Notes i & iv)*	**1,983**	–
成都市錦江區成龍路錦城逸景社區衛生服務中心 (Chengdu Jinjiang District Chenglong Road Jincheng Yijing Community Health Service Center) (Notes i & iv)*	**568**	–
成都龍泉驛區錦欣慢性病醫院有限公司 (Chengdu Longquanyi Jinxin Chronic Disease Hospital) (Notes i & iv)*	**38**	–
成都錦欣老年病醫院有限公司 (Chengdu Jinxin Geriatric Hospital) (Notes i & iv)*	**8**	–

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

(a) *Amounts due from other related parties (Continued)*

	2021 RMB'000	2020 RMB'000
Trade in nature *(Continued)*		
瀘州錦欣婦產醫院有限公司 (Luzhou Jinxin Women and Children Hospital) (Notes i & iv)*	210	–
成都高新錦欣艾嘉綜合門診部有限公司 (Chengdu Gaoxin Jinxin Aijia General Outpatient Department) (Notes i & iv)*	78	–
成都錦欣橘米健康管理有限公司 (Chengdu Jinxin Jumi Health Management Co., Ltd) (Notes i & iv)*	123	–
成都錦欣藏醫醫院有限公司 (Chengdu Jinxin Tibetan Medical Hospital) (Notes i & iv)*	26	–
成都高新後美醫療美容醫院有限公司 (Chengdu High Tech Houmei Medical Cosmetic Hospital) (Notes i & iv)*	10	–
成都錦欣精神病醫院有限公司 (Chengdu Jinxin Psychiatric Hospital Company Limited "Jinxin Psychiatric") (Notes i & iv)*	14	–
成都錦欣沙河堡醫院有限責任公司 (Chengdu Jinxin Shahebao Hospital) (Notes i & iv)*	135	–
成都錦欣生殖醫學與遺傳研究所 (Chengdu Jinxin Institute of Reproductive Medicine and Genetics) (Notes i & iv)*	1	–
成都青羊橘米診所有限公司 (Chengdu Qingyang Jumi Clinic) (Notes i & iv)*	2	–
內江錦欣婦產醫院有限公司 (Neijiang Jinxin Maternity Hospital) (Notes i & iv)*	4,767	–
成都錦欣潤怡醫療管理有限公司 (Chengdu Jinxin Runyi Medical Management Co., Ltd) (Note viii)*	41,677	–
	252,397	64,448

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

(a) *Amounts due from other related parties (Continued)*

	2021 RMB'000	2020 RMB'000
Non-trade in nature		
Loan receivable:		
Chengdu Jinxin Investment (Note ix)*	91,398	–
成都錦薈科技有限公司 (Chengdu Jinhui Technology Co., Ltd) (Note v) *	52,136	35,000
成都錦霖企業管理有限公司 (Chengdu Jinlin Enterprise Management Co., Ltd) (Note x)*	29,587	–
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)*	24,624	15,536
KangSeed (Note vi)	10,338	–
Jinxin Medical Innovation Research Center (Note i)	1,058	1,097
瀘州錦欣婦產醫院有限公司 (Luzhou Jinxin Women and Children Hospital) (Note i)*	76	–
成都錦欣博悦生物科技有限公司 (Chengdu Jinxin Boyue Biotechnology Co., Ltd.) (Note i)*	5,900	–
成都高新西囡婦科醫院有限公司 (Chengdu High Tech Xinan Gynecological Hospital) (Note i) *	29	–
成都錦欣潤怡醫療管理有限公司 (Chengdu Jinxin Runyi Medical Management Co., Ltd) (Note i)*	9,596	–
成都錦欣卓越口腔醫院管理有限公司 (Chengdu Jinxin Excellent Stomatological Hospital Management Co., Ltd) (Note i)*	150	–
Jinxin Investment Group Limited (Notes i & iv)	–	5
Jinxin Medical Investment Group Limited (Note i)	308	–
Jinxin Hospital Management (Cayman) Company Limited (Note i)	228	–

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

(a) *Amounts due from other related parties (Continued)*

	2021 RMB'000	2020 RMB'000
Non-trade in nature *(Continued)*		
Other receivables: *(Continued)*		
成都錦欣信息科技有限公司		
(Chengdu Jinxin Information Technology Co., Ltd) (Note ii)*	2,102	–
北京錦醫科技有限公司		
(Beijing Jinyi Technology Co., Ltd) (Note ii)*	3,000	–
	230,530	51,638
Total	482,927	116,086
Analysed as:		
Current	420,453	81,086
Non-current**	62,474	35,000
	482,927	116,086

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.

** The amounts due from Chengdu Jinhui Technology Co., Ltd and KangSeed are classified as non-current. These amounts are non-trade in nature.

(i) These related parties and Chengdu Jinxin Investment have the same beneficial shareholders with the Company. The amounts are unsecured, interest-free and repayable on demand.

(ii) The entity is the joint venture or a subsidiary of joint venture of the Company. The amount was unsecured, interest-free and repayable on demand.

(iii) The amount represents receivables from HRC Medical in relation to management services provided in accordance with the MSA. The amount is unsecured and interest-free. The trade balance at 31 December 2021 based on invoice date is aged within 30 days (2020: 30 days) and not past due nor impaired.

(iv) The balances were all aged within 180 days (2020: 180 days) based on the invoice date at the end of the reporting period.

(v) Chengdu Jinhui Technology Co., Ltd and Chengdu Jinlin Enterprise Management Co., Ltd are owned by Chengdu Jinxin Investment. The amount of RMB52,136,000 due from Chengdu Jinhui Technology Co., Ltd is unsecured, carrying variable interest rates by reference to the prevailing market interest rates of 4.65% (2020: N/A) and is repayable in 2025.

(vi) The entity is an associate of the Company. The amount is unsecured, interest-free and repayable on demand and expect to be collected after one year.

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

(a) *Amounts due from other related parties (Continued)*

Notes: *(Continued)*

(vii) As a subsidiary of JINXIN Medical Management (BVI) Group Limited, the company was acquired in November 2021 and ceased to be the related party to the Group. Details of the acquisition are set out in Note 40(a).

(viii) The amount represents receivable from Chengdu Jinxin Runyi Medical Management Co., Ltd in relation to management services provided in accordance with the IVF specialty collaboration agreements. The Group allows a credit period of 30 to 180 days to Chengdu Jinxin Runyi Medical Management Co., Ltd.

(ix) The amount of RMB91,398,000 due from Chengdu Jinxin Investment is unsecured, carried a fixed interest rate of 3% per annum, repayable on demand. Among which, RMB86,605,000 has been subsequently settled in March 2022 by offsetting with Chengdu Jinxin Investment's receivable from Mr. Mei Hua, a non-controlling shareholder of Shenzhen Zhongshan Hospital, as part of the consideration payable by the Group to Mr. Mei Hua in connection with the equity transaction disclosed in Note 52(a) subsequently. The offsetting arrangement is a tripartite arrangement.

(x) The amount of RMB29,587,000 due from Chengdu Jinlin Enterprise Management Co., Ltd. is unsecured, interest-free, and repayable on demand after six months from the date of loan agreement.

Details of impairment assessment of amounts due from related parties are set out in Note 46.

(b) *Amounts due to related parties*

	2021 RMB'000	2020 RMB'000
Trade in nature		
Jinxin Women and Children Hospital (Note i)	–	640
Jinjiang District Maternity and Child Health Hospital (Note i)*	334	–
成都錦欣精神病醫院有限公司 (Jinxin Psychiatric) (Note i)*	117	764
成都和雋科技有限公司 (Chengdu Hejun Technology Company Limited) (Note i)*	4,411	2,240
四川省邁可多醫療用品有限公司 (Sichuan Mocodo Medical Products Co., Ltd) (Note i)*	780	–
成都錦燊企業管理有限公司 (Chengdu Jinshen Enterprise Management Co., Ltd) (Note i)*	640	–
成都同沁餐飲管理有限公司 (Chengdu Tongqin Catering Management Co., Ltd) (Note i)*	247	–
成都高新錦欣艾嘉綜合門診部有限公司 (Chengdu Gaoxin Jinxin Aijia General Outpatient Department) (Note i)*	25	–
四川程欣物業管理有限公司 (Sichuan Chengxin Property Management Company Limited) (Note i)*	2,671	–
Jinxin Investment Group Limited (Notes v & viii)	–	4,192
Jinxin Medical Innovation Research Center (Note i)	–	30
	9,225	7,866

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

(b) *Amounts due to related parties (Continued)*

	2021 RMB'000	2020 RMB'000
Non-trade in nature		
KangSeed (Note iv)	45,012	46,066
Jinjiang District Maternity and Child Health Hospital (Note i)	24,059	2,150
Chengdu Jinxin Investment (Note iii)	8,616	10,916
Jinxin Investment Group Limited (Notes v & viii)	–	750
Jinxin Hospital Management (Cayman) Company Limited (Note vii)	302,518	–
四川省邁可多醫療用品有限公司 (Sichuan Mocodo Medical Products Co., Ltd) (Note i)*	3,000	–
Dr. Chan Chi Wai (Note vi)	17,910	–
Prof. Tham Chee Yung (Note vi)	1,236	–
Ms. Chan Ying Chi (Note vi)	570	–
Dr. Yu Congyi (Note vi)	475	–
成都市第一精神衛生防治院 (Chengdu First Institute of Mental Health Prevention and Control) (Note i)*	1,800	–
成都同沁餐飲管理有限公司 (Chengdu Tongqin Catering Management Co., Ltd) (Note i)*	15	–
成都錦欣橘米健康管理有限公司 (Chengdu Jinxin Jumi Health Management Co., Ltd) (Note i)*	703	–
	405,914	59,882
	415,139	67,748

Notes:

(i) These related parties are controlled by Chengdu Jinxin Investment. The amounts are unsecured, interest-free and repayable on demand.

(ii) The related party and Chengdu Jinxin Investment have the same beneficial shareholders with the Company. The amount represents expenses paid by the related party on behalf of the Group and is unsecured, interest-free and repayable on demand.

(iii) The amount as at 31 December 2021 and 2020 is unsecured, interest-free and repayable on demand.

(iv) The related party is an associate of the Company. The amount represents the consideration payable upon acquisition of the associate.

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

(vi) The related parties are shareholders of a subsidiary. The amounts are unsecured, interest-free and repayable on demand.

(vii) The related party have the same beneficial shareholders with the Company. The amount represents the consideration payable upon acquisition of Jinxin Medical Group.

(viii) As a subsidiary of JINXIN Medical Management (BVI) Group Limited, the company was acquired in November 2021 and ceased to be a related party to the Group. Details of acquisition are set out in Note 40(a).

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

(b) *Amounts due to related parties* *(Continued)*

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.

	2021 RMB'000	2020 RMB'000
Within 90 days	8,585	2,877
91 to 180 days	640	2,147
Over 180 days	–	2,842
	9,225	7,866

30. TIME DEPOSITS

During the year ended 31 December 2021 and 2020, 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 0.03% to 2.8% per annum (2020: 0.34% to 2.25% per annum). The contracts are with maturity on or before 14 July 2022 or 90 days as specified in the agreement (2020: on or before 3 August 2021 or 90 days).

Details of impairment assessment of time deposits are set out in Note 46.

31. OTHER 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 3.85% per annum for the year ended 31 December 2021 (2020: up to 4.00% 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 98 days, or can be redeemable on demand (2020: a maturity period of 35 days to 63 days, or can be redeemable on demand).

The wealth management products are classified as other 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.

32. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits, which amounting to RMB180,000,000 (2020: RMB180,000,000) and have been pledged to secure a long-term bank 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 the relevant bank borrowing.

Bank balances carried interest at market rates which range from 0.01% to 0.39% per annum as at 31 December 2021 (2020: from 0.01% to 0.35% per annum).

Details of impairment assessment of bank balances and pledged bank deposits are set out in Note 46.

33. ACCOUNTS AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Accounts payables	**147,357**	124,715
Other payables:		
Construction payables	**5,923**	1,295
Refundable customers' deposits	**93,992**	64,840
Accrued employee expenses (including social insurances and housing fund contributions)	**138,606**	98,151
Value-added tax and other tax payables	**17,986**	18,379
Deferred income (Note i)	**4,140**	4,130
Interest payables	**1,214**	1,224
Consideration payable for acquisition of a subsidiary (Note ii)	**–**	32,250
Consideration payable for investment in financial assets at FVTPL (Note iii)	**18,482**	–
Others	**17,818**	16,662
	298,161	236,931
Total accounts and other payables	**445,518**	361,646

Notes:

(i) The amount mainly represents government grants received for research and development projects but with conditions not yet fulfilled.

(ii) The amount represents final payment of acquisition of Wuhan Jinxin Hospital and was settled during the year ended 31 December 2021.

(iii) The amount represents final payment payable of investment in financial assets at FVTPL.

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.

	2021 RMB'000	2020 RMB'000
Within 90 days	**139,017**	104,341
91 to 180 days	**6,539**	16,536
181 to 365 days	**168**	2,221
Over 365 days	**1,633**	1,617
	147,357	124,715

34. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	**62,180**	34,558
Within a period of more than one year but not more than two years	**79,580**	48,258
Within a period of more than two years but not more than five years	**160,540**	87,019
Within a period of more than five years	**130,774**	74,497
	433,074	244,332
Less: Amount due for settlement with 12 months shown under current liabilities	**(62,180)**	(34,558)
Amount due for settlement after 12 months shown under non-current liabilities	**370,894**	209,774

The weighted average incremental borrowing rates applied to lease liabilities is 4.66% (2020: 4.95%).

As at 31 December 2021, RMB30,284,000 of lease liabilities payable is related to the lease entered with related parties (2020: RMB19,018,000).

35. DEFERRED TAXATION

	Accelerated tax depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2020	3,916	705,375	–	709,291
Arising on acquisition of a subsidiary (Note 40)	–	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 and 1 January 2021	5,735	785,609	–	791,344
Arising on acquisitions of subsidiaries (Note 40)	–	213,841	–	213,841
Charged (credit) during the year (Note 11)	661	17,280	(7,020)	10,921
Exchange realignment	–	(11,785)	–	(11,785)
At 31 December 2021	**6,396**	**1,004,945**	**(7,020)**	**1,004,321**

35. DEFERRED TAXATION *(Continued)*

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax liabilities	**(1,011,341)**	(791,344)
Deferred tax assets	**7,020**	–
	(1,004,321)	(791,344)

36. BANK BORROWING

	2021 RMB'000	2020 RMB'000
Bank borrowing, secured	**163,746**	162,540
The carrying amounts of the above borrowing are repayable:		
Within one year	**37,746**	18,000
Within a period of more than one year but not exceeding two years	**54,000**	36,000
Within a period of more than two years but not exceeding three years	**72,000**	108,540
	163,746	162,540

As at 31 December 2021, bank borrowing carries fixed interest rate which is determined at loan prime rate less 0.33% (2020: loan prime rate less 0.33%) per annum upon drawdown of the bank borrowing and is secured by pledged bank deposits (Note 32). During the year ended 31 December 2021, the effective interest rate on the bank borrowing is 3.52% (2020: 3.52%).

On 28 December 2021, the Company obtained syndicated bank facility amounted to US$300,000,000. Credit Suisse AG, Singapore branch, incorporated in Switzerland with limited liability, and China CITIC Bank International Limited act as mandated lead arrangers and bookrunners of the syndicated bank facility. The loan is repayable by instalments of 15%, 20% and 65% upon 24, 30 and 36 months of the utilisation date. As at 31 December 2021, the bank facility has not been utilised by the Company. The bank facility has been drawdown in full amount in March 2022.

37. OTHER FINANCIAL LIABILITIES

	2021 RMB'000	2020 RMB'000
Other financial liabilities:		
Foreign currency forward contract	3,501	11,904

Major items of the currency forward contracts are as follows:

31 December 2021

Notional amount	Maturity	Exchange rates
Sell RMB180,000,000	July 2022	US$1:RMB6.53

31 December 2020

Notional amount	Maturity	Exchange rates
Sell RMB180,000,000	July 2021	HK$1:RMB0.9067

38. CONVERTIBLE BONDS

On 26 November 2021, the Company issued unsecured convertible bonds denominated in HK$ with principal amount of HK$1,814,706,000 (equivalent to RMB1,500,000,000) ("Convertible Bonds"). The Convertible Bonds are interest bearing at 0.75% per annum on the principal amount of the Convertible Bonds with maturity date of 31 March 2023 and entitle the bondholder to convert them, in whole or in part (in integral multiples of HK$1,000,000) of the outstanding principal amount of the Convertible Bonds, into ordinary shares of the Company at a conversion price of HK$15 per share (subject to adjustment rising from alteration of the nominal amount of the shares caused by any share consolidation, share subdivision, rights issue or any other reasons as provided in the terms and conditions of the Convertible Bonds) at any time during the period commencing from the date immediately following the issuance date of the Convertible Bonds up to the maturity date. Interest will be payable by the Company on the maturity date and no interest shall be payable by the Company in respect of the Convertible Bonds which have been converted in conversion shares. Unless previously converted or purchased and cancelled, the Company shall redeem the Convertible Bonds at 100% of its principal amount together with the accrued interest (calculated up to and including the date of redemption) by payment to the bondholder on the maturity date.

At any time after the occurrence of a Triggering Event as defined below, the Company may, at its discretion, convert the whole or any part in integral multiples of HK$1,000,000 of the outstanding principal amount of the Convertible Bonds into shares at a conversion price of HK$15. A "Triggering Event" means the average of the closing prices per share for (i) any sixty consecutive trading days for the shares before maturity date (the "Relevant Period"), during which the daily trading volume of the shares shall be no less than 0.2% of the total number of shares in issue; and (ii) the last ten consecutive trading days before the end of the Relevant Period is equal to or greater than HK$15.

38. CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds contain two components: debt component and derivative component. The Directors consider the value of derivative component (including the conversion options) of the Convertible Bonds to be insignificant as at 26 November 2021 and 31 December 2021 given the mechanism of above early conversion right is intended to be exercised by the Company once the Triggering Event has occurred. The Convertible Bonds are considered to be deferred consideration payment in substance and discounted to its present value on initial recognition. On initial recognition, the debt component is recognised at fair value and the fair value of the debt component is HK$1,825,537,000 (equivalent to approximately RMB1,496,941,000), measured at market price.

The movements of the Convertible Bonds for the year are set out as below:

	Convertible bonds RMB'000
At 1 January 2021	–
Issued during the year, net of transaction costs	1,496,941
Interest on the Convertible Bonds	379
Less: included as interest payable on the Convertible Bonds	–
Exchange realignment	(4,388)
At 31 December 2021	1,492,932

39. SHARE CAPITAL

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

	Number of shares	Share capital US$	Share capital RMB'000
Ordinary shares of US$0.00001 each			
Authorised:			
At 1 January 2020, 31 December 2020 and 31 December 2021	5,000,000,000	50,000	345
Issued:			
At 1 January 2020	2,434,383,802	24,344	160
Shares repurchased and cancelled (Note i)	(4,882,000)	(49)	–
At 31 December 2020	2,429,501,802	24,295	160
Shares cancelled (Note ii)	(1,918,000)	(19)	*
Issue of shares (Note iii)	80,000,000	800	5
At 31 December 2021	2,507,583,802	25,076	165

* The amount is less than RMB1,000.

39. SHARE CAPITAL *(Continued)*

Notes:

(i) 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	Lowest	Aggregate consideration paid
		HK$	HK$	
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.

(ii) During the year ended 31 December 2021, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid
		HK$	HK$	
December	5,731,000	8.93	8.53	HK$50,140,147 (equivalent to RMB40,953,000)

The above ordinary shares were cancelled in March 2022.

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

(iii) On 9 February 2021, 80,000,000 ordinary shares have been issued by the Company through a private placement arrangement at the price of HK$15.85 per share. Proceeds amounted to US$800 (equivalent to approximately RMB5,000) represent the par value of the share issued were credited to the share capital of the Company, the remaining proceeds of RMB1,055,605,000 were credited to the share premium.

40. ACQUISITIONS OF SUBSIDIARIES

a. *Acquisition of Jinxin Medical Group*

On 26 November 2021, the Group has completed the acquisition of Jinxin Medical Group from Jinxin Hospital Management (Cayman) Company Limited, a related party to the Group. Jinxin Medical Group are principally engaged in the provision of obstetrics, gynecology and paediatrics medical services including, but not limited to, provision of integrated management services and sales of medicines, consumables and equipment to obstetrics, gynecology and IVF institutions. The acquisition has been accounted for as acquisition of business using the acquisition method.

	RMB'000
Consideration	
Cash transferred	1,197,482
Issuance of convertible bonds (Note 38)	1,496,941
Contingent consideration arrangement (Note)	–
Consideration payable (Note 29)	302,518
Total	2,996,941

Note: Based on the relevant agreement, the vendor shall guarantee to the Company that the net profit after tax of Jinxin Medical Group for the financial year ended 31 December 2021, as shown in its consolidated financial statements (the "Actual Net Profit") shall be no less than RMB100,000,000 (the "Guaranteed Net Profit"), failing which the vendor shall compensate the Company with an amount (the "Compensation Amount") in respect of the shortfall calculated according to the agreement. Based on the Directors' expectation, the Actual Net Profit for Jinxin Medical Group for the financial year ended 31 December 2021 exceeds the Guaranteed Net Profit. The Directors consider the Actual Net Profit to be higher than the Guaranteed Net Profit and the estimated fair value of Compensation Amount is insignificant as at 26 November 2021 and 31 December 2021.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	46,132
Right-of-use assets	129,485
License	477,200
Trademark	863,000
Inventories	16,030
Accounts and other receivables	51,110
Amount due from related parties	73,777
Bank balances and cash	27,487
Accounts and other payables	(133,231)
Amount due to related parties	(16,177)
Lease liabilities	(129,485)
Deferred tax liabilities	(201,347)
Non-controlling interests	21
Total	1,204,002

40. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

a. *Acquisition of Jinxin Medical Group (Continued)*

***Assets acquired and liabilities recognised at the date of acquisition** (Continued)*

The fair value of accounts and other receivable is RMB51,110,000 and includes accounts receivables with a fair value of RMB26,675,000. The gross contractual amount for accounts and other receivable due is RMB51,110,000.

	RMB'000
Goodwill arising on acquisition	
Consideration	2,996,941
Less: recognised amounts of net assets acquired (100%)	(1,204,002)
Goodwill arising from acquisition	1,792,939

Goodwill arose on the acquisition of Jinxin Medical Group because the Group will be able to better serve the needs of IVF families and expand its service offerings to provide its patients with a more comprehensive suite of fertility services to improve its competitiveness within the IVF industry. On the other hand, cost synergies are achieved as the Group and Jinxin Medical Group integrates and aligns their procurement and supply chain costs, share talents and knowledge from various medical background, research and development and marketing expenditure. 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 Jinxin Medical Group

	RMB'000
Cash consideration acquired	1,197,482
Less: cash and cash equivalent balances acquired	(27,487)
	1,169,995

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB13,069,000 attributable to the additional business generated by Jinxin Medical Group. Revenue for the year includes RMB59,015,000 generated from Jinxin Medical Group.

Had the acquisition of Jinxin Medical Group been completed on 1 January 2021, the profit for the year would have been RMB444,444,000 and the total revenue of the Group for the year ended 31 December 2021 would have been RMB2,282,488,000. 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 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Jinxin Medical Group 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.

40. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

b. *Acquisition of Jinxin Women Group*

On 5 September 2021, the Group, through its wholly-owned subsidiary Jinxin Fertility Group (HK) Limited ("Jinxin HK"), acquired 51% equity interest in Jinxin Women Group from several doctors ("Vendors") who are independent from the Group. Jinxin Women Group are principally engaged in the assisted reproductive services and ancillary medical services and they were acquired to continue the expansion of the Group's relevant businesses. The acquisition has been accounted for as acquisition of business using the acquisition method.

	RMB'000
Consideration	
Cash transferred	88,675
Contingent consideration arrangement (Note)	–
Total	88,675

Note: Based on the relevant agreement, the Vendors shall guarantee to Jinxin HK that the average audited revenue of Jinxin Women Group for the accounting years ended 31 December 2022 and 2023 shall be no less than the average revenue as set out in the pro forma consolidated financial statements of Jinxin Women Group for the accounting years ended 31 December 2017, 2018, 2019, 2020 and 2021 ("Guaranteed Revenue"), failing which the Vendors shall compensate Jinxin HK with an amount (the "Compensation Value") in respect of the shortfall calculated according to the agreement. Based on the financial forecasts approved by management covering a five-year period, the forecast average revenue for Jinxin Women Group for the financial years ended 31 December 2022 and 2023 will exceed the Guaranteed Revenue. The Directors expect the actual average revenue for Jinxin Women Group for the financial years ending 31 December 2022 and 2023 is to be higher than the Guaranteed Revenue and the estimated fair value of Compensation Value as at 5 September 2021 and 31 December 2021 are insignificant.

In addition, the Vendors shall have the option (the "Put Option") to require Jinxin HK to acquire the 12.25% of the entire shareholding interest of Jinxin Women Group then held by the Vendors on a pro rata basis (the "Put Option Shares") with respect to their respective shareholding in the Jinxin Women Group in the years 2026, 2028, 2030 and 2032. The Vendors shall only be permitted to excise the option in a given option year if Jinxin Women Group has achieved the compound annual growth rate of revenue above zero percent compared to the average revenue as set out in the pro forma consolidated financial statements of Jinxin Women Group for the financial year of 2017, 2018, 2019, 2020 and 2021. In the event that a put option of a particular option year is exercisable, and is exercised by the Vendors, but Jinxin HK does not acquire the Put Option Shares, the Vendors shall have an option (the "Call Option") to request Jinxin HK to sell the same number of the shares which is subject of such put option exercised then held by Jinxin HK at the call option consideration in cash.

The Directors consider the pricing mechanism of the exercise price of the Put Option is intended to equate to its fair market value and the intent of the Put Option is to ensure the Vendors have an exit route in-place and will not be disadvantage by selling their remaining interest in review years. The Directors considered that their intention is to eventually hold full control of Jinxin Women Group, the probability of Jinxin HK not acquiring the shares when the Put Option is exercised is extremely low. Hence, the value of the Put Option and Call Option as at 5 September 2021 and 31 December 2021 are considered to be insignificant.

40. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

b. *Acquisition of Jinxin Women Group (Continued)*

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	947
Right-of-use assets	8,380
Non-compete agreement	20,591
Trademark	54,717
Inventories	586
Accounts and other receivables	2,045
Bank balances and cash	31,510
Accounts and other payables	(7,512)
Amounts due to related parties	(26,641)
Lease liabilities	(8,380)
Deferred tax liabilities	(12,494)
Total	63,749

The fair value of accounts and other receivable is RMB2,045,000 and includes accounts receivables with a fair value of RMB649,000. The gross contractual amount for accounts and other receivables due is RMB2,045,000.

Non-controlling interests

The non-controlling interests (49%) in Jinxin Women Group recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Jinxin Women Group and amounted to RMB31,237,000.

	RMB'000
Goodwill arising on acquisition	
Consideration	88,675
Plus: non-controlling interests (49% in Jinxin Women Group)	31,237
Less: recognised amounts of net assets acquired	(63,749)
Goodwill arising from acquisition	56,163

Goodwill arose on the acquisition of Jinxin Women Group 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 Jinxin Women Group. 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.

40. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

b. *Acquisition of Jinxin Women Group (Continued)*

Net cash outflow on acquisition of Jinxin Women Group

	RMB'000
Cash consideration acquired	88,675
Less: cash and cash equivalent balances acquired	(31,510)
	57,165

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB2,091,000 attributable to the additional business generated by Jinxin Women Group. Revenue for the year includes RMB16,670,000 generated from Jinxin Women Group.

Had the acquisition of Jinxin Women Group been completed on 1 January 2021, the profit for the year would have been RMB385,673,000 and the total revenue of the Group for the year ended 31 December 2021 would have been RMB1,861,776,000. 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 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Jinxin Women Group 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.

c. *Acquisition of Wuhan Jinxin Hospital*

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 33)	32,250
Total	322,500

40. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

c. *Acquisition of Wuhan Jinxin Hospital* *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition

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

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.

40. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

c. *Acquisition of Wuhan Jinxin Hospital* *(Continued)*

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 ended 31 December 2020 is RMB13,786,000 loss attributable to the additional business generated by Wuhan Jinxin Hospital. Revenue for the year ended 31 December 2020 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 ended 31 December 2020 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 year ended 31 December 2020, 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.

41. 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 ordinary 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) 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.

41. SHARE-BASED PAYMENTS *(Continued)*

(b) 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 2021, 18,282,812 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 RSU Scheme". As at 31 December 2021, 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	1 – 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	1 – 3 years
Eligible employees and doctors of HRC Medical	5,672,970	6 January 2020	14 February 2029	55,120,000	1 – 3 years
Key management personnel	1,779,538	23 July 2020	14 February 2029	18,010,000	5 – 6 months
Key management personnel	2,098,932	10 January 2021	14 February 2029	26,591,000	6 months – 3 years
Key management personnel	2,174,179	18 January 2021	14 February 2029	26,038,000	0 – 5 months
Key management personnel	500,000	1 June 2021	14 February 2029	8,703,000	8 months – 3 years

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, 23 July 2020, 10 January 2021, 18 January 2021, and 1 June 2021. The fair value of the RSUs granted on 6 January 2020, 23 July 2020, 10 January 2021, 18 January 2021, and 1 June 2021 were assessed to be RMB75,930,000, RMB18,010,000, RMB26,591,000, RMB26,038,000, and RMB8,703,000, respectively.

41. SHARE-BASED PAYMENTS *(Continued)*

(b) 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 Shares				
	Outstanding at 1 January 2021	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31 December 2021**
RSU granted to:					
Key management personnel	**6,502,987**	**–**	**(3,251,493)**	**–**	**3,251,494**
Other consultant	**3,137,360**	**–**	**(784,340)**	**–**	**2,353,020**
Key management personnel	**2,009,350**	**–**	**(672,260)**	**–**	**1,337,090**
Eligible employees and doctors of HRC Medical	**5,672,970**	**–**	**(1,888,513)**	**–**	**3,784,457**
Key management personnel	**1,779,538**	**–**	**(1,779,538)**	**–**	**–**
Key management personnel	**–**	**2,098,932**	**(112,420)**	**–**	**1,986,512**
Key management personnel	**–**	**2,174,179**	**(2,174,179)**	**–**	**–**
Key management personnel	**–**	**500,000**	**–**	**–**	**500,000**
	19,102,205	**4,773,111**	**(10,662,743)**	**–**	**13,212,573**

	Number of Awarded Shares				
	Outstanding at 1 January 2020	Granted during the year	Exercised 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

The Group recognised the total expense of RMB76,342,000 for the year ended 31 December 2021 (2020: RMB83,649,000) in relation to RSU granted by the Company in the current year.

At the end of the reporting period, the Group revises its estimates of the number of RSU that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the equity-settled share-based payment reserve.

41. SHARE-BASED PAYMENTS *(Continued)*

(b) RSU Scheme *(Continued)*

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. 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. During the year ended 31 December 2021, no vesting condition of above restricted shares was modified.

42. CAPITAL COMMITMENTS

	2021 **RMB'000**	2020 RMB'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,306**	39,144

43. RETIREMENT BENEFIT PLANS

The Group participates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately. The only obligation of the Group with respect to the MPF scheme is to make the specified contributions under the scheme.

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 and loss, amounted to RMB32,653,000 for the year ended 31 December 2021 (2020: RMB14,988,000) respectively, represent contributions paid to the retirement benefit scheme by the Group.

44. 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	2021 RMB'000	2020 RMB'000
成都市錦江區婦幼保健院 Jinjiang District Maternity and Child Health Hospital*	Entity controlled by Chengdu Jinxin Investment	Provision of management services by the Group	80,999	32,691
		Provision of pathological examination services by the Group	1	1,049
		Rendering pathological examination services by the related company (i)	(1,281)	(43)
		Sales of medicines, consumables and equipment by the Group	3,802	–
四川錦欣婦女兒童醫院有限公司 Jinxin Women and Children Hospital*	Entity controlled by Chengdu Jinxin Investment (ii)	Provision of pathological examination services by the Group	88	369
		Rendering pathological examination services by the related company (i)	(297)	(969)
成都錦欣精神病醫院有限公司 Jinxin Psychiatric*	Entity controlled by Chengdu Jinxin Investment	Rendering sanitizing and cleaning services by the related company (i)	(2,000)	(2,130)
		Provision of pathological examination services by the Group	3	–
		Sales of medicines, consumables and equipment by the Group	7	–
四川程欣物業管理有限公司 Sichuan Chengxin Property Management Company Limited*	Entity controlled by Chengdu Jinxin Investment	Rendering cleaning services by the related company	(110)	–
成都錦欣婦產科醫院有限公司 Chengdu Jinxin Obstetrics and Gynecology Hospital Limited*	Entity controlled by Chengdu Jinxin Investment	Rendering pathological examination services by the related company	(40)	(16)
		Sales of medicines, consumables and equipment by the Group	288	–
成都和雋科技有限公司 Hejun Technology*	Entity controlled by Chengdu Jinxin	Purchase of consumables by the Group	(22,380)	(1,070)
		Rendering storage services by the related company	(4,089)	(3,476)

44. RELATED PARTY DISCLOSURES *(Continued)*

Name of related company	Relationship	Nature of transactions	2021 RMB'000	2020 RMB'000
HRC Medical	Jointly controlled by certain shareholders of HRC Investment	Management service income	430,473	342,399
		PGS Testing income	3,310	11,504
		Ambulatory surgery centre facilities income	3,063	2,765
HRC Properties, LLC	Controlled by certain shareholders of HRC Investment	Repayment of lease liability (Note iii)	(1,689)	(4,492)
		Finance costs on lease liability	(659)	(3,203)
135 South Rosemead, LLC	Controlled by certain shareholders of HRC Investment	Repayment of lease liability (Note iv)	(1,366)	(1,049)
		Finance costs on lease liability	(285)	(355)
Gender Selection Australia Pty Ltd.	Controlled by a shareholder HRC investment	Marketing expense	(510)	(759)
Jinxin Investment Group Limited	Entity controlled by Jinxin Medical Investment Group Limited (ii)	Repayment of lease liability (Note v)	(3,713)	(2,772)
		Finance costs on lease liability	(529)	(765)
深圳市錦欣醫療科技創新中心有限公司 Jinxin Medical Innovation Research Center*	Entity controlled by Chengdu Jinxin Investment	Rendering consulting services by the related company	–	(30)
Chengdu Jinxin Investment	Entity controlled by 成都錦盛企業管理股份有限公司 (Chengdu Jinsheng Enterprise Management Co., Ltd), a member of sister group	Provision of consulting services by the Group	–	4,856
成都高新後美醫療美容醫院有限公司 Chengdu High Tech Houmei Medical Cosmetic Hospital*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	6	–

44. RELATED PARTY DISCLOSURES *(Continued)*

Name of related company	Relationship	Nature of transactions	2021 RMB'000	2020 RMB'000
成都高新錦欣艾嘉綜合門診部有限公司 Chengdu Gaoxin Jinxin Aijia General Outpatient Department*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	74	–
成都錦欣愛团醫院有限公司 Chengdu Jinxin Aijian Hospital*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	10,426	–
成都錦欣藏醫醫院有限公司 Chengdu Jinxin Tibetan Medical Hospital*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	19	–
成都錦欣橘米健康管理有限公司 Chengdu Jinxin Jumi Health Management*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	3	–
		Provision of consulting services by the Group	143	–
成都錦欣老年病醫院有限公司 Chengdu Jinxin Geriatric Hospital*	Entity controlled by Chengdu Jinxin Investment	Provision of pathological examination services by the Group	6	–
		Sales of medicines, consumables and equipment by the Group	1	–
成都錦欣沙河堡醫院有限責任公司 Chengdu Jinxin Shahebao Hospital*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	5	–
		Provision of consulting services by the Group	2	–
成都龍泉驛錦欣慢性病醫院有限公司 Chengdu Longquanyi Jinxin Chronic Disease Hospital*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	24	–
		Provision of pathological services by the Group	1	–

44. RELATED PARTY DISCLOSURES *(Continued)*

Name of related company	Relationship	Nature of transactions	2021 RMB'000	2020 RMB'000
成都市錦江區龍舟路社區衛生服務中心 Chengdu Jinjiang District Longzhou Road Community Health Service Center*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	7	–
		Provision of pathological services by the Group	1	–
成都青羊橘米診所有限公司 Chengdu Qingyang Jumi Clinic*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	1	–
成都市錦江區成龍路錦城逸景社區衛生服務中心 Chengdu Jinjiang District Chenglong Road Jincheng Yijing Community Health Service Center*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	4	–
		Provision of pathological services by the Group	13	–
成都市錦江區東大社區衛生服務中心 Chengdu Jinjiang District Dongda Community Health Service Center*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	13	–
		Provision of pathological services by the Group	83	–
成都市錦江區蓮新社區衛生服務中心 Chengdu Jinjiang District Lianxin Community Health Service Center*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	1	–
		Provision of pathological services by the Group	6	–
瀘州錦欣婦產醫院有限公司 Luzhou Jinxin Women and Children Hospital*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	186	–

44. RELATED PARTY DISCLOSURES *(Continued)*

Name of related company	Relationship	Nature of transactions	2021 RMB'000	2020 RMB'000
內江錦欣婦產醫院有限公司 Neijiang Jinxin Maternity Hospital*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	4,218	–
成都錦欣潤怡醫療管理有限公司 Chengdu Jinxin Runyi Medical Management Co., Ltd*	Entity controlled by Chengdu Jinxin Investment	Provision of management services by the Group	3,429	–
成都錦欣健康管理有限公司 Chengdu Jinxin Health Management Co., Ltd.*	Entity controlled by Jinxin Medical Investment Group Limited (ii)	Purchase of consumables by the Group	(2,747)	–
		Rendering pathological examination services by the related company (i)	(4,580)	–

Notes:

* English name is for identification only identification purpose only.

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

(ii) As a subsidiary of JINXIN Medical Management (BVI) Group Limited, the company was acquired in November 2021 and cease to be the related party to the Group. Details of the acquisition are set out in Note 40(a).

(iii) The amounts of lease liabilities as at 31 December 2021 is RMB24,554,000 (31 December 2020: Nil).

(iv) The amounts of lease liabilities as at 31 December 2021 is RMB5,730,000 (31 December 2020: RMB6,970,000).

(v) The amounts of lease liabilities as at 31 December 2021 is nil (31 December 2020: RMB12,048,000).

44. 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:

	2021 RMB'000	2020 RMB'000
Directors' fee	612	1,900
Salaries and allowances	12,658	9,744
Performance-related incentive payments	946	854
Retirement benefit schemes contributions	241	52
Share-based compensation benefits	37,424	32,579
	51,881	45,129

45. 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 34 and 36 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.

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at		
– Amortised cost	**2,676,421**	2,783,733
– FVTPL	**396,484**	63,000
– Investments in preferred shares measured at FVTPL	**169,930**	171,057
– FVTOCI	**5,279**	9,387
	3,248,114	3,027,177
Financial liabilities		
Financial liabilities at		
– Amortised cost	**2,356,603**	471,274
– FVTPL	**3,501**	11,904
	2,360,104	483,178
Lease liabilities	**433,074**	244,332

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instrument at FVTOCI, financial assets at FVTPL, accounts and other receivables, amounts due from associates, amounts due from/to other related parties, other financial assets at FVTPL, investments in preferred shares measured at FVTPL, time deposits, bank balances and cash, pledged bank deposits, accounts and other payables, bank borrowing, lease liabilities, other financial liabilities and convertible bonds. 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 time 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.

46. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk *(Continued)*

The carrying amounts of the Group's foreign bank balances, time deposits and convertible bonds at the reporting date are as follows:

	2021 RMB'000	2020 RMB'000
Assets		
US$	4,720	176,468
HK$	7,318	835,113
RMB	185,896	181,036

	2021 RMB'000	2020 RMB'000
Liabilities		
HK$	1,492,932	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the subsidiaries' functional currency against the relevant foreign currencies. 5% (2020: 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% (2020: 5%) change in foreign currency rates. A positive/negative number below indicates an increase/decrease in post-tax profit and other equity where the subsidiaries' functional currency weakening 5% (2020: 5%) against the relevant foreign currencies. For a 5% (2020: 5%) strengthen of the subsidiaries' functional currency against the relevant foreign currencies, there would be an equal and opposite/negative impact on the profit and other comprehensive income and the amounts below would be negative/positive.

	US$		HK$		RMB	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Profit or loss	177	6,618	(55,711)	31,317	6,971	6,789

46. FINANCIAL INSTRUMENTS *(Continued)*

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

***Market risk** (Continued)*

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate amount due from related parties and bank balances (see Notes 29 and 32 for details) and bank borrowing (see Note 36 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 other financial assets at FVTPL, fixed rate time bank deposits and fixed rate pledged bank deposits, is limited because the periods of these investment products and deposit are short, which ranged from 31 to 90 days.

The Group is also exposed to fair value interest rate risk in relation to lease liabilities and convertible bonds (see Notes 34 and 38 for details) and the Directors consider that the exposure of such interest rate risk arising from fixed rate lease liabilities is insignificant.

Other price risk

The Group is exposed to equity price risk through its investments in an unquoted equity investments measured at FVTOCI as disclosed in Note 24, investments in preferred shares measured at FVTPL as disclosed in Note 23a, financial assets at FVTPL as disclosed in Note 25 and other financial liabilities as disclosed in Note 37. 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% (2020: 5%) higher/lower, the other comprehensive income would increase/decrease by RMB264,000 (2020: RMB469,000). If the fair value of the respective unlisted investments had been 5% (2020: 5%) higher/lower, the post-tax profit would increase/decrease by RMB8,497,000 (2020: RMB8,553,000). If the fair value of financial assets at FVTPL had been 5% (2020: N/A) higher/lower, the past-tax profit would increase/decrease by RMB8,887,000 (2020: N/A). If the fair value of the other financial liabilities had been 5% (2020: 5%) higher/lower, the post-tax profit would decrease/increase by RMB175,000 (2020: RMB595,000).

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%.

46. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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 RMB64,330,000 (2020: RMB11,289,000) for the Group is considered insignificant.

For other receivables and refundable deposits, 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 year ended 31 December 2021 and 2020, the Group assessed the ECL for other receivables and refundable deposits are insignificant and thus no loss allowance is recognised.

The loss allowance of other receivables and refundable deposits are measured under 12m ECL which is considered insignificant in respect of other receivables and refundable deposits, amounting to RMB107,277,000 (2020: RMB38,486,000) as at 31 December 2021.

For the amounts due from associates and amounts due from other 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/or 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 RMB612,886,000 (2020: RMB142,999,000) as at 31 December 2021.

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 time deposits, bank balances, pledged bank deposits and interest receivables, of the Group amounting to RMB1,891,928,000 (2020: RMB2,590,959,000) as at 31 December 2021 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 2021 and 2020.

46. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

In addition, the following table details the Group's liquidity analysis for its financial liabilities and derivative financial instruments.

The tables include both interest, if any, and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021							
Accounts and other payables	–	284,786	–	–	–	284,786	284,786
Amounts due to related parties	–	415,139	–	–	–	415,139	415,139
Convertible bonds	0.75	–	1,832,853	–	–	1,832,853	1,492,932
Bank borrowing	3.5	45,371	57,053	72,644	–	175,068	163,746
Lease liabilities	4.66	75,846	100,116	189,355	153,575	518,892	433,074
		821,142	1,990,022	261,999	153,575	3,226,738	2,789,677
Derivatives – net settlement							
Other financial liabilities at FVTPL		3,501	–	–	–	3,501	3,501
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							
Other financial liabilities at FVTPL		11,904	–	–	–	11,904	11,904

46. 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 2021 are disclosed in Notes 23a, 24, 25, 31 and 37. 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 31 December 2021 RMB'000	Fair value as at 31 December 2020 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	5,279	9,387	Level 2	Discounted cash flows based on expected cash distribution from the investee (31 December 2020: Recent transaction price).	N/A	N/A
Other financial assets at FVTPL	218,737	63,000	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	3,501	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

46. 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 31 December 2021 RMB'000	Fair value as at 31 December 2020 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVTPL	177,747	–	Level 2	Market Approach Key input: enterprise value to sales multiple.	N/A	N/A
Investment in preferred shares measured at FVTPL	169,930	171,057	Level 3	Market Approach and Black-Scholes Option Pricing Model Key inputs: enterprise value to sales multiple, risk-free rate, expected volatility of the underlying share prices, time to liquidity event.	Expected volatility of the underlying share prices.	The significant unobservable input is the expected volatility of the underlying share prices of 50% (2020:50%). Change this unobservable input based on reasonable alternative assumptions would not significantly change the valuations of the preferred shares.

There were no transfer between levels during the years ended 31 December 2021 and 2020.

46. FINANCIAL INSTRUMENTS *(Continued)*

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

Reconciliation of level 3 fair value measurement

	Investments in preferred shares measured at FVTPL RMB'000
At 1 January 2021	–
Additions	152,851
Exchange realignment	18,206
At 31 December 2020 and 1 January 2021	171,057
Gains on fair value changes	3,979
Exchange realignment	(5,106)
At 31 December 2021	169,930

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.

47. 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:

	Dividends payable RMB'000	Lease liabilities RMB'000	Non-trade amounts due to related parties RMB'000	Bank borrowing RMB'000	Total RMB'000
At 1 January 2020	–	182,508	14,753	–	197,261
Financing cash flows	(162,472)	(38,295)	45,129	160,297	4,659
Non-cash changes:					
Dividends declared	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 40)	–	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
Financing cash flows	(16,603)	(49,622)	23,334	(4,383)	(47,274)
Non-cash changes:					
Arising from acquisition of subsidiaries (Note 40)	–	137,865	37,495	–	175,360
Consideration payable on acquisition of a subsidiary (Note 29)	–	–	302,518	–	302,518
Dividends declared	16,603	–	–	–	16,603
New leases entered	–	100,698	–	–	100,698
Settlement upon acquisition of a subsidiary	–	(9,008)	–	–	(9,008)
Covid-19 related rent concession	–	(2,008)	–	–	(2,008)
Interest expenses	–	15,178	–	5,589	20,767
Set off arrangement (Note 50)	–	–	(16,261)	–	(16,261)
Exchange realignment	–	(4,361)	(1,054)	–	(5,415)
At 31 December 2021	**–**	**433,074**	**405,914**	**163,746**	**1,002,734**

48. PARTICULARS OF SUBSIDIARIES

At the end of the reporting period, 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 2021	Attributable equity interest to the Group 2020	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
JINXIN Medical Management (BVI) Group Limited (Note vi)	BVI 13 October 2021	–	100%	N/A	Investment holding
Smiling Charm Limited (Note viii)	BVI 9 October 2019	US$50,000	100%	N/A	Investment holding
Indirectly held:					
Jinxin Fertility HK	Hong Kong 14 March 2018	HK$1	100%	100%	Investment holding
Sichuan Jinxin Fertility (Note vii)	PRC 12 September 2016	Registered capital RMB2,554,841,600	100%	100%	Investment holding
Chengdu Xinan Hospital (Notes i and vii)	PRC 1 September 2016	Registered capital RMB22,222,222	100%	100%	Assisted reproductive services and management services
Shenzhen Zhongshan Hospital (Notes i and vii)	PRC 18 May 2004	Registered capital RMB20,000,000	79.44%	79.44%	Assisted reproductive services and ancillary medical services
Chengdu Jinyi Enterprise Management Co., Ltd. (Note vii)	PRC 27 December 2018	Registered capital RMB1,000,000	100%	100%	Property investment
Shenzhen Yuji Property Services Co., Ltd. ("Yuji Property") (Note vii)*	PRC 16 September 2009	Registered capital RMB300,000	100%	100%	Property management services to group companies

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of establishment	Paid-up/share capital	Attributable equity interest to the Group 2021	2020	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 vii)*	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 vii)*	PRC 17 February 2006	Registered capital RMB80,000,000	75%	75%	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 vii)*	PRC 9 December 2020	Registered capital RMB1,000,000	100%	100%	Management consultancy
深圳市萊恩服務諮詢有限公司 Shenzhen Laien Service Consulting Co., Ltd (Note vii)*	PRC 3 April 2020	Registered capital RMB15,000,000	100%	100%	Management consultancy
JXR New Hope Limited	BVI 27 February 2020	US$1	100%	100%	Investment holding
錦瑞醫療中心 Jinrui Medical Center	Laos 20 March 2020	Registered capital Lao Kip25,000,000,000	100%	100%	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

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of establishment	Paid-up/share capital	Attributable equity interest to the Group 2021	Attributable equity interest to the Group 2020	Principal activities
Indirectly held: (Continued)					
Willsun US Delaware Newco Inc.	U.S.A. 7 May 2018	US$82,151,863	100%	100%	Investment holding
成都錦欣輝明企業管理有限公司 Chengdu Jinxin Huiming Enterprise Management Co., Ltd (Note vii)*	PRC 19 November 2021	Registered capital RMB1,100,000,000	100%	N/A	Management consultancy
Jinxin Women Wellness Limited (Note v)	BVI 1 July 2021	US$1,000	51%	N/A	Investment holding
Hong Kong Assisted Reproduction Centre Limited (Note v)	Hong Kong 3 May 2011	HK$10,000	51%	N/A	Assisted reproductive services
Hong Kong Reproductive Health Centre Limited (Note v)	Hong Kong 25 March 2020	HK$10,000	51%	N/A	Assisted reproductive services and ancillary medical services
JINXIN Hospital Management Group Limited (Note vi)	Cayman 31 January 2018	US$50,000	100%	N/A	Investment holding
Jinxin Global Medical Company Limited (Note vi)	BVI 11 April 2018	US$1	100%	N/A	Investment holding
Jinxin Investment Group Limited (Note vi)	Hong Kong 22 December 2017	HK$1	100%	N/A	Investment holding
錦欣醫療投資有限公司 Jinxin Medical Investment Company Ltd (Notes vi and vii)*	PRC 25 August 2015	Registered capital RMB504,238,258	100%	N/A	Investment holding
成都市錦邁創新實驗檢測有限公司 Chengdu Jinmai Innovative Testing Co., Ltd ("Chengdu Jinmai") (Notes vi and vii)*	PRC 17 June 2019	Registered capital RMB1,000,000	51%	N/A	Provision of laboratory testing and pathology-related testing services

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of establishment	Paid-up/share capital	Attributable equity interest to the Group 2021	Attributable equity interest to the Group 2020	Principal activities
Indirectly held: (Continued)					
成都錦欣健康管理有限公司 Chengdu Jinxin Health Management Co., Ltd (Notes vi and vii)*	PRC 24 December 2014	Registered capital RMB16,975,000	100%	N/A	Sales of medicines, consumables and equipment
四川錦欣婦女兒童醫院有限公司 Jinxin Women and Children Hospital (Notes vi and vii)*	PRC 09 December 2016	Registered capital RMB125,386,636	100%	N/A	Obstetrics, gynecology and pediatrics medical services
四川錦欣醫療管理有限公司 Sichuan Jinxin Medical Management Co., Ltd (Note vii)*	PRC 08 December 2021	Registered capital US$1,000,000	100%	N/A	Management consultancy
海南三亞錦舒企業管理有限公司 Hainan Sanya Jinshu Enterprise Management Co., Ltd ("Hainan Sanya") (Notes vii and viii)*	PRC 23 November 2021	Registered capital RMB1,500,000,000	100%	N/A	Real estate development and operation
Structured entity:					
成都錦潤福德醫療管理有限公司 Jinrun Fude (Note i)*	PRC 9 May 2018	Registered capital RMB300,000	100%	100%	Investment holding
成都錦逸弘康企業管理有限公司 Jinyi Hongkang (Note iii)*	PRC 5 February 2018	Registered capital RMB100,000	100%	N/A	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 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.

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

(ii) The entire registered capital of Meihua Management was not paid at 31 December 2021 and 2020, and date of this report.

(iii) The Group does not have direct or indirect legal ownership in equity of Jinyi Hongkang. Nevertheless, under certain contractual arrangements, including but not limited to, exclusive operation service agreement, option agreements, entrustment agreements and equity pledge arrangements entered into with Jinyi Hongkang and its registered owners in November 2021, the Group has rights to exercise power over Jinyi Hongkang and has the ability to affect those returns through its power over Jinyi Hongkang. As a result, Jinyi Hongkang presented as consolidated structured entity of the Group.

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

(v) In September 2021, the Group acquired 51% equity interest in Jinxin Women Group.

(vi) In November 2021, the Group acquired 100% equity interest in JINXIN Medical Management (BVI) Group Limited and its subsidiaries.

(vii) The company is a wholly foreign owned enterprise established in PRC.

(viii) In December 2021, the Group acquired 100% equity interest in Smiling Charm Limited and its subsidiary.

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	
		2021	2020	2021	2020	2021	2020
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Zhongshan Hospital	PRC	20.56	20.56	18,569	13,470	118,149	116,183
Wuhan Jinxin Hospital	PRC	25	25	(7,047)	(4,596)	56,236	63,283
Individually immaterial subsidiaries with non-controlling interests						33,016	–
						207,401	179,466

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

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 Hospital

	2021 RMB'000	2020 RMB'000
Current assets	**153,886**	162,698
Non-current assets	**762,607**	758,157
Current liabilities	**(149,207)**	(180,668)
Non-current liabilities	**(192,632)**	(192,742)
Equity attributable to owners of the Company	**(456,505)**	(431,262)
Non-controlling interests	**(118,149)**	(116,183)
Dividends to non-controlling interests	**(16,603)**	(12,797)

	2021 RMB'000	2020 RMB'000
Revenue recognised in profit or loss	**426,927**	299,909
Expenses recognised in profit or loss	**(336,612)**	(234,399)
Profit and total comprehensive income for the year	**90,315**	65,510
Profit and total comprehensive income for the year attributable to:		
– Owners of the Company	**71,746**	52,040
– Non-controlling interests	**18,569**	13,470
	90,315	65,510
Net cash inflow from operating activities	**124,820**	95,376
Net cash inflow (outflow) from investing activities	**14,222**	(23,206)
Net cash outflow from financing activities	**(136,465)**	(17,811)
Net cash inflow	**2,577**	54,359

48. PARTICULARS OF SUBSIDIARIES *(Continued)*

Wuhan Jinxin Hospital

	2021 RMB'000	2020 RMB'000
Current assets	**28,450**	5,787
Non-current assets	**488,422**	469,375
Current liabilities	**(184,893)**	(113,229)
Non-current liabilities	**(107,037)**	(108,802)
Equity attributable to owners of the Company	**(168,706)**	(189,848)
Non-controlling interests	**(56,236)**	(63,283)
Dividends to non-controlling interests	**–**	–

	2021 RMB'000	From acquisition date to 31 December 2020 RMB'000 (Note)
Revenue recognised in profit or loss	**54,903**	14,064
Expenses recognised in profit or loss	**(83,092)**	(32,446)
Loss and total comprehensive expenses for the year	**(28,189)**	(18,382)
Loss and total comprehensive expenses for the year attributable to:		
– Owners of the Company	**(21,142)**	(13,786)
– Non-controlling interests	**(7,047)**	(4,596)
	(28,189)	(18,382)
Net cash inflow (outflow) from operating activities	**5,564**	(22,545)
Net cash outflow from investing activities	**(41,080)**	(51,629)
Net cash inflow from financing activities	**38,432**	73,851
Net cash inflow (outflow)	**2,916**	(323)

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

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Interests in subsidiaries	8,674,740	4,080,204
Investments in preferred shares measured at FVTPL	169,930	171,057
Pledged bank deposits	180,000	180,000
Prepayments	23,526	–
Loan receivable	17,074	–
Amounts due from an associate	10,839	11,092
Amount due from other related party	10,201	–
	9,086,310	4,442,353
Current assets		
Prepayment and other receivables	2,832	24,034
Amounts due from subsidiaries	195,071	821,610
Time deposits	–	1,080,928
Bank balances and cash	51,738	261,128
	249,641	2,187,700
Current liabilities		
Other payables	2,831	883
Amounts due to subsidiaries	82,954	80,679
Amounts due to related parties	347,531	46,066
Other financial liabilities	3,501	11,904
	436,817	139,532
Net current (liabilities) assets	(187,176)	2,048,168
Total assets less current liabilities	8,899,134	6,490,521
Non-current liabilities		
Convertible bonds	1,492,932	–
	1,492,932	–
Net assets	7,406,202	6,490,521
Capital and Reserves		
Share capital (Note 39)	165	160
Reserves	7,406,037	6,490,361
Total equity	7,406,202	6,490,521

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

Movement in Company's reserve

	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 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 expense for the year	–	–	–	(8,566)	(428,374)	(436,940)
Share repurchased and cancelled (Note 39)	(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 41)	–	–	83,649	–	–	83,649
Exercise of restricted shares (Note 41)	18,249	–	(18,249)	–	–	–
At 31 December 2020	6,799,981	(2)	92,647	(85,737)	(316,528)	6,490,361
At 1 January 2021	6,799,981	(2)	92,647	(85,737)	(316,528)	6,490,361
Loss for the year	–	–	–	(67,138)	–	(67,138)
Other comprehensive expense	–	–	–	–	(95,861)	(95,861)
Total comprehensive expense for the year	–	–	–	(67,138)	(95,861)	(162,999)
Share cancelled (Note 39)	*	–	–	–	–	*
Shares repurchased (Note 39)	(40,953)	–	–	–	–	(40,953)
Issue of shares (Note 39)	1,055,605	–	–	–	–	1,055,605
Transaction costs attributable to issue of shares	(12,319)	–	–	–	–	(12,319)
Recognition of equity-settled share-bases payment (Note 41)	–	–	76,342	–	–	76,342
Exercise of restricted shares (Note 41)	88,601	–	(88,601)	–	–	–
At 31 December 2021	7,890,915	(2)	80,388	(152,875)	(412,389)	7,406,037

* The amount is less than RMB1,000.

50. 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 2021, the Group entered into several new lease agreements for the clinics in U.S.A. for 5 to 13.2 years without extension options, for a clinic in U.S.A. for 10.3 years with extension options, and for the offices in Wuhan for 12 years without extension options. On the lease commencements, the Group recognised RMB95,280,000 of right-of-use assets and RMB95,280,000 lease liabilities in the U.S.A. and RMB5,418,000 of right-of-use assets and RMB5,418,000 lease liabilities in Greater China, respectively.

During the year ended 31 December 2021, a set off arrangement has been effected between the Group's amounts due from and amounts due to Chengdu Jinsheng Enterprise Management Co., Ltd and its subsidiaries with corresponding total offset amount of RMB16,261,000.

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 Laos, respectively.

51. 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.

52. EVENTS AFTER THE REPORTING PERIOD

a. On 27 January 2022, Jinrun Fude, a structured entity of the Group, entered into an equity transfer agreement with Mr. Mei Hua to purchase his 15% equity interest in Shenzhen Zhongshan Hospital at a consideration of RMB288,682,500. Upon completion, Shenzhen Zhongshan Hospital will enter into a new contractual arrangements with Sichuan Jinxin Fertility and Jinrun Fude, the terms and conditions of which are substantially the same as those of the existing contractual arrangement, upon which the economic benefit in relation to the additional 15% of equity interest in Shenzhen Zhongshan Hospital held by Jinrun Fude will be consolidated into the Group's results. The Company will indirectly hold 70% equity interest in Shenzhen Zhongshan Hospital and control 24.44% equity interest in Shenzhen Zhongshan Hospital to be held by Junrun Fude (as to 18.98%) and Mr. Zeng Yong (as to 5.46%) by virtue of the contractual arrangements. Mr. Zeng Yong and Ms. Qian Minhui will hold the remaining 5.46% and 0.1% equity interest in Shenzhen Zhongshan Hospital, respectively. As such, Shenzhen Zhongshan Hospital will continue to be a non-wholly owned subsidiary of the Company and the financial results of Shenzhen Zhongshan Hospital will continue to be consolidated into the financial statements of the Group. For more details, please refer to the Company's announcement dated 27 January 2022 and 28 March 2022, respectively. Up to the date of issuance of the consolidated financial statement, this equity transfer has not completed and expect to be finalised before 31 May 2022.

b. On 4 February 2022, Hainan Sanya, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with certain independent third-party individuals to purchase their entire equity interests in Shenzhen Hengyu Lianxiang Investment Development Co., Ltd ("Shenzhen Hengyu") at a consideration of approximately RMB1,727 million. Shenzhen Hengyu undertaken construction and development of certain industrial research and development building located in Shenzhen with a total gross floor area of approximately 46,000 sq.m.. Upon completion of the construction, Shenzhen Hengyu will operate a new building to be used for the provision of medical services by Shenzhen Zhongshan Hospital. For more details, please refer to the Company's announcement dated 4 February 2022 and 15 February 2022, respectively. Up to the date of issuance of the consolidation financial statements, the Directors are still in the process of assessing the impact of the transaction.

Definitions

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

"2019 Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Sichuan Jinxin Fertility, the Jinrun Fude Registered Shareholders, Mr. Zeng Yong, Jinrun Fude, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"2021 Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Jinxin Medical Investment, the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang and Jinxin Women and Child Hospital, details of which are described in the Company's announcement dated November 26, 2021
"2022 Restricted Share Award Scheme"	the 2022 restricted share award scheme conditionally adopted by the Company on February 17, 2022, the principal terms of which are summarized in the announcement of the Company dated February 17, 2022
"AGM"	annual general meeting of the Company
"Amethyst Gem"	Amethyst Gem Holdings Limited, a limited (or its affiliates, where the context requires) liability company incorporated on September 13, 2016 under the laws of British Virgin Islands
"ARC"	Hong Kong Assisted Reproduction Centre Limited (香港輔助生育中心有限公司), a company established in Hong Kong with limited liability on June 14, 2007, the Group's indirect subsidiary
"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"	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 Aijian Hospital"	Chengdu Jinxin Aijian Hospital Co., Ltd. (成都錦欣愛囝醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on May 7, 2021, the Group's subsidiary that is a for-profit specialty hospital
"Chengdu Jinxin Investment"	Chengdu Jinxin Medical Investment Management Group Co., Ltd. (成都錦欣醫療投資管理集團有限公司), a company established in the PRC with limited liability on December 19, 2012, a subsidiary of Jinxin Geriatrics
"Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on November 10, 2015, the Group's subsidiary
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "we" or "our"	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 2019 Contractual Arrangements and the 2021 Contractual Arrangements
"COVID-19"	coronavirus disease of 2019
"Director(s)"	the director(s) of the Company
"ESOP"	collectively the RSU Scheme, the 2022 Restricted Share Award Scheme and the Share Option Scheme
"Group"	the Company and its subsidiaries

Definitions

"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 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
"HRC Management"	HRC Fertility Management, LLC, a limited liability company established under the laws of Delaware, the United States on November 3, 2015, the Group's indirect subsidiary
"HRC Medical"	Huntington Reproductive Center Medical Group, a professional corporation established under the laws of California, the United States on January 1, 1995, a connected person of the Company by virtue of being jointly owned by Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick, and the nine clinics and three IVF laboratories in California which it owns
"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 Contractual Arrangements
"Jinrun Fude Registered Shareholders"	two individual shareholders of Jinrun Fude, namely Ms. Yan Xiaoqing and Ms. Zhu Yujuan

"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 Shareholders"	the collective of Jinxin Fertility BVI, Jinxin Global BVI and Jinxin Fund, our controlling Shareholders prior to Listing and remained 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 Medical Group"	Jinxin Medical Management (BVI) Group Limited and its subsidiaries
"Jinxin Medical Investment"	Jinxin Medical Investment Company Limited* (錦欣醫療投資有限公司), a company established under the laws of the PRC with limited liability, the Group's subsidiary by virtue of the 2021 Contractual Arrangements
"Jinxin Ob-Gyn"	JINXIN Medical Investment Group Limited, a limited liability company established under the laws of the BVI on September 14, 2017, a member of the Sister Group
"Jinxin Women and Children Hospital"	Sichuan Jinxin Women and Children Hospital Co., Ltd (四川錦欣婦女兒童醫院有限公司), a company established under the laws of the PRC with limited liability on December 9, 2016 that is a for-profit women and children hospital, the fertility center of which was jointly managed by the Group
"Jinxin Women Group"	Jinxin Women Wellness Limited and its subsidiaries
"Jinxin Women Wellness Limited"	Jinxin Women Wellness Limited, a company established under the laws of BVI with limited liability on July 1, 2021, the Group's indirect subsidiary and wholly owns the RHC and the ARC
"Jinyi Hongkang"	Chengdu Jinyi Hongkang Corporate Management Co, Ltd.* (成都錦逸弘康企業管理有限公司), a limited liability company established under the laws of the PRC, the Group's subsidiary by virtue of the 2021 Contractual Arrangements

Definitions

"Jinyi Hongkang Registered Shareholders"	two individual shareholders of Jinyi Hongkang, namely Ms. Lyu Rong and Mr. Xu Jun
"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
"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
"Prospectus"	the prospectus issued by the Company dated June 13, 2019
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the twelve-month period from January 1, 2021 to December 31, 2021
"RHC"	Hong Kong Reproductive Health Centre Limited (香港生育康健中心有限公司), a company established in Hong Kong with limited liability on June 14, 2007, the Group's indirect subsidiary

"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
"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
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to the Prospectus
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"sq.m"	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"success rate"	the form of "clinical pregnancy rate" that has been adopted for discussion in the Prospectus and this annual report
"U.S.", "US", or "United States"	the United States of America
"U.S. dollar(s)" or "US$"	United States dollar(s), the lawful currency of the United States of America

Definitions

"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, Shenzhen Zhongshan Hospital and Jinxin Women and Children Hospital
"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
"Wuhan Jinxin Hospital"	Wuhan Jinxin Integrated Gynecology and Obstetrics Hospital Co,. Ltd (武漢錦欣中西醫結合婦產醫院有限公司), a company established in PRC with limited liability on February 17, 2006, the Group's indirect subsidiary

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.

* *For identification purpose only*