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
2022

* For identification purposes only

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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 the total market share in China, 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 endeavors 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, the Greater Bay Area, Yunnan Province and the Western United States, which contributes to the Group's leading position in the ARS markets in China and the United States. In 2021, the Group acquired the Jinxin Women and Children Hospital, RHC (brand name: Gratia Medical Center) and ARC to expand its footprint in Sichuan Province and the Greater Bay Area and diversified its service offerings to provide a full lifecycle of fertility services covering pregnancy preparation, IVF, prenatal, childbirth and postpartum. In the first half of 2022, by taking advantage of the Group's core business of ARS services, the Group further expanded its service offerings through integrating its ARS, obstetrics, gynaecology and paediatrics business to create synergies and increased its control in Shenzhen Zhongshan Hospital from 79.44% to 99.90%. The Group also acquired a new property in February 2022, which will be officially put into operation in early 2024 for our Shenzhen Zhongshan Hospital, with a view to capture the anticipated growth and increasing demand for ARS in Shenzhen and within the Greater Bay Area and expand its capacity. The Group also completed the acquisition of controlling interests in Jiuzhou Hospital and Hewanjia Hospital, thereby, further expanding the Company's market share and influence in Southwest China. In late 2022, the Group conducted an internal restructuring in November which completed in December to enable Jinxin Women and Children Hospital to further expand its scope of offerings and provide medical services involving Molecular Genetics Services in accordance with the applicable PRC laws. We expect the inclusion of Molecular Genetics Services, being the cutting-edge technology for pre-natal examination, to further strengthen the Group's competitiveness and reputation. Regarding our United States operations, we have further deepened our collaboration with USC Fertility where (i) 3 doctors from USC Fertility practiced and provided clinical services at the Pasadena Clinic under HRC; (ii) the number of physicians participating in USC's fellowship program increased from 4 to 6 with the support of HRC to nurture more physicians; and (iii) HRC and USC Fertility co-founded a research committee and collaborated on IVF-related clinical research to improve the quality of fertility treatment. 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 expects the penetration rate and market size for assisted reproductive services in China to significantly increase as the PRC government implements supportive policies and supportive measures to encourage fertility. 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 standards and technical specifications related to assisted reproductive technology in order to establish and improve legal egg donation and storage channel. In August 2022, 17 governmental authorities including the National Health Commission issued the "Guidelines on Further Improving and Implementing Supportive Measures for Active Fertility" (《關於進一步完善和落實積極生育支持措施的指導意見》) to guide local governments to consider the affordability of medical insurance (including maternity insurance) funds, relevant technical standards and other factors as a whole, and in accordance with the procedures, gradually list the labor analgesia and assisted reproductive technology programs in the coverage of such medical insurance funds.

Corporate Information

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. 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

Cricket Square, Hutchins Drive
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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 301, North Jingsha Road
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Matheson Street, Causeway Bay
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CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai
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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
Certified Public Accountants
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,				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Revenue	921,994	1,648,496	1,426,088	1,838,826	**2,364,479**
Gross profit	413,119	816,795	565,781	771,482	**874,319**
Profit before taxation	276,588	547,900	349,134	457,927	**154,324**
Net profit	212,124	420,677	260,496	353,697	**117,949**
Adjusted net profit	264,210	530,347	372,278	455,276	**274,136**
Profitability					
Gross margin	44.8%	49.5%	39.7%	42.0%	**37.0%**
Net profit margin	23.0%	25.5%	18.3%	19.2%	**5.0%**
Adjusted net profit margin	28.7%	32.2%	26.1%	24.8%	**11.6%**

	As at December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Financial position					
Total assets	6,558,308	8,941,145	9,163,227	12,825,390	**15,232,037**
Total equity	4,499,798	7,642,395	7,462,486	8,752,701	**8,735,128**
Total liabilities	2,058,510	1,298,750	1,700,741	4,072,689	**6,496,909**
Bank balances and cash	1,184,190	579,637	681,619	862,325	**1,316,549**

Dear all investors:

A new year is an opportunity to turn over a new leaf. 2022 was a year full of challenges and the recurrence of the COVID-19 pandemic restrictions have tested the operations of the Company.

Despite of the difficulties, the medical facilities under Jinxin Fertility managed to perform 26,125 IVF treatment cycles in 2022 and the success rate of our main hospitals in China increased from 54.5% in 2021 to 55.6% in 2022. The Company achieved a total revenue of RMB2,364 million in 2022, representing an increase of 28.6% compared to that of 2021. It is worth mentioning that the integration of our ARS business with our obstetrics, gynecology and pediatrics business by our medical facilities in Chengdu has achieved remarkable results. The obstetrics, gynecology and pediatrics segment of the Company has achieved excellent performance and growth in the number of childbirth delivered against the adverse market conditions, and generated an annual net profit of approximately RMB135 million, which exceeded our performance targets.

The COVID-19 pandemic lasted for three years, during which, Jinxin Fertility has faced various uncertainties both at home and abroad. In response, the Company has carried out a series of important and effective strategic measures in all respects in making the Company more resilient and risk-resistant compared to before the outbreak of COVID-19 pandemic. In regards to the optimization of the management team, we have built a pyramid-shaped management organization structure within the Company and aligned our interests with the management of our medical facilities in China by offering core management shareholding and equity incentive schemes to maximize the efficiency of management. Further, in view of its long-term development, we have completed a major organizational restructure to our management structure in the United States and have upgraded its doctor partnership model by establishing a scientific and structured talent management system and sufficient talent reserves. After having completed the iteration of the new and old management team, we are prepared to commence the second wave of our developments.

Benefiting from the support of a strong management team, Jinxin Fertility was able to optimize and enhance its capabilities in all aspects in 2022, including clinical standards, talent nurturing, scientific research and innovation, inventing new disciplines in the assisted reproduction industry and organization construction, and has undertaken a series of adjustments on the expansion of supply chain production capacity, adoption of new information systems and business integration, thus laying the foundation for business recovery and growth in the post-pandemic era.

According to statistics, the total number of assisted reproductive cycles performed in major developed countries continued to grow rapidly in recent years and there were numerous international mergers and acquisitions transactions in the assisted reproduction market. In view of the continuous decline of birth rate in China, the current condition and the trend of introducing new policies to promote fertility by governments at all levels, we believe that the assisted reproduction industry will soon enter into its prime and develop vigorously in the future.

As a leading enterprise in the global assisted reproduction industry, Jinxin Fertility has taken the lead in establishing strong industry barriers and is well-positioned to capture the anticipated growth of the global assisted reproduction industry.

Chairman's Statement

Based on macro-environmental factors such as market maturity, policy dividends, market compliance, Jinxin Fertility will continue to focus on the development of its operations in the two prime markets of China and the United States in the next five years. Moreover, Jinxin Fertility will continue to expand its business layout in the United States, the Guangdong-Hong Kong-Macao Greater Bay Area and Southeast Asia, build an integrated platform for cross-border assisted reproductive treatment, and increase its market share in the assisted reproduction business in both China and the United States. Through strategic mergers and acquisitions while optimizing the shareholder structure and incubation projects of the Group, the Company will continue to consolidate its leading position in the assisted reproduction industry, take steps to establish a long-term growth path and gradually strengthen its position in the global assisted reproduction market.

Just as every new year turns over a new leaf, every success is captured by taking actions. In 2023, we will continue to work together to write a new chapter on the development of Jinxin Fertility.

Jinxin Fertility Group Limited
Zhong Yong
Chairman

March 30, 2023

BUSINESS UPDATES

In 2022, the global economy continued to be affected by the COVID-19 pandemic, which slowed down its recovery, and the recurrence of the pandemic also posed greater challenges to our assisted reproductive business. In facing the impact of the pandemic on the business, the Company continued to optimize and enhance its capabilities from all aspects, including clinical standards, talent nurturing, scientific research and innovation, inventing new disciplines in the assisted reproduction industry, organization construction, supply chain management, production capacity expansion, adopting new information systems and business integration, thus laying the foundation for business recovery and growth in the post-pandemic era. In the past year, the Company has also achieved remarkable results in these areas.

In terms of our assisted reproductive business, we are committed to continuously improving the success rate of our fertility treatments, enhancing patient experience and strengthening our market reputation and influence in the ARS industry. In terms of talents, we have continued to strengthen the capabilities of our team of medical professionals through recruitment and internal training. In terms of scientific research, we have invested further in our research and development teams and research initiatives, enhanced the transferability of our scientific research into clinical applications, and promoted the improvement of clinical standards. In terms of specialities, we continued to strengthen our advantages through the construction of featured specialty hospitals and treatment of specific diseases. In terms of operations and management, we established refined and innovative measures to improve the operation and management efficiency of our hospitals. In terms of business expansion, we expanded the capacity of our existing hospitals on the one hand, and acquired new hospitals in regions with potential for the development of assisted reproductive business on the other hand, both capturing the growth potential of the industry. In terms of adopting new information systems, the Group, in collaboration with Jinxin Technology, actively promoted the construction of artificial intelligence ("**AI**") powered smart hospitals to improve the convenience of patients' medical treatment, and facilitate the operation and management of hospitals. These measures reinforced our leading edge and market leading position in assisted reproductive business in China and the United States.

Since successfully completing the acquisition of Jinxin Women and Children Hospital and other businesses specializing in obstetrics, gynecology and pediatrics medical services in November 2021, we continued to leverage our advantage in ARS and diversify our service offerings to provide a full lifecycle of fertility services covering pregnancy preparation, IVF, prenatal, childbirth and postpartum. The Group has also conducted an internal restructuring in November 2022 which completed in December 2022 to enable Jinxin Women and Children Hospital to further expand its scope of offerings and provide medical services involving Molecular Genetics Services in accordance with the applicable PRC laws. Jinxin Women and Children Hospital is the only private Class III Grade A obstetrics, gynaecology and paediatrics hospitals in Sichuan Province and also one of the largest private obstetrics, gynaecology and paediatrics hospitals in China. In 2022, we had integrated our ARS, obstetrics, gynaecology and paediatrics business to create synergies and produced positive results. In Chengdu, the number of patients who received ARS and became successfully pregnant through Chengdu Xinan Hospital and in turn sought for obstetrics services and maintained a clinical profile in the obstetrics department of Jinxin Women and Children Hospital in 2022 increased by 63% compared to 2021, and the number of patients who visited the infertility division of Jinxin Women and Children Hospital and in turn visited Chengdu Xinan Hospital for initial diagnosis of IVF in 2022 increased by 47% compared to 2021. Through leveraging on our advantages in ARS, and obstetrics, gynecology and pediatrics medical services, we were able to reinforce our specialities and capability to treat specific diseases, such as establishing obstetric clinics designated for IVF, and we expect that this will allow us to better attract and serve patients.

Chengdu operations

Chengdu Xinan Hospital

We always position our patients as our top priority and are committed to improving the success rate of IVF and enhancing the patient experience. Since our establishment, we have consistently provided our patients with quality medical services compliant with international standards and that our medical services are of high quality.

In order to provide patients with superior and personalized ARS treatment solutions, we classify our outpatient services at Chengdu Xinan Hospital into five specialized categories: (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 arrange “one-on-one consultants” for patients who have experienced IVF failure in order to better respond to their special needs both physically and psychologically and thus improve their success rate. In 2022, the success rate of IVF for our Chengdu Xinan Hospital and Jinjiang IVF Center reached 56.1%, increasing by 0.8% as compared to 2021.

We continuously monitor and develop our VIP services. Chengdu Xinan Hospital has successfully launched three VIP service packages to satisfy the diversified and personalized needs of its patients. In 2022, we actively explored and optimized the structure of our VIP service packages to cater for the needs of our patients who purchase our higher-end premium services, so as to increase the demand for such services. In 2022, the penetration rate of VIP services in Chengdu Xinan Hospital reached 8.4%.

We endeavour to enhance patient satisfaction. We have been adhering to using patient satisfaction as one of the key performance indicators (KPI) for our employees to provide better service and enhance our patients’ experience. In 2022, the satisfaction ratings of patients undergoing embryo transfers at Chengdu Xinan Hospital increased by 0.6% to 93.6% as compared to 93% in 2021. Doctors with high patient satisfaction ratings also enhanced the reputation of Chengdu Xinan Hospital in the ARS market.

We continue to expand our two-way referrals network and improve the utilization of high-quality medical technology and diversify our patient acquisition networks by leveraging on our leading position of Chengdu Xinan Hospital in the ARS market in Sichuan Province. In 2022, Chengdu Xinan Hospital cooperated with 86 medical institutions by way of two-way referrals or entering into specialty alliance cooperation agreements.

Jinxin Women and Children Hospital

We acquired Jinxin Women and Children Hospital in November 2021 and strategically developed ourselves into providing medical services that support the entire lifecycle of fertility and pregnancy with ARS as our core business. As the only private Class III Grade A obstetrics, gynecology and pediatrics hospital in Sichuan Province, Jinxin Women and Children Hospital possesses advantages in medical quality, service experience and reputation, which has enabled it to accelerate the establishment of an academic hospital integrated with production, academic and research in the region.

As part of the acquisition, the net profit after tax of JINXIN Medical Management (BVI) Group Limited (the “**Target Holdco**”) (being the holding company of Jinxin Women and Children Hospital) for the year ended December 31, 2021, shall be no less than an aggregate amount of RMB100,000,000 (equivalent to HK$120,980,400) (the “**Guaranteed Profit**”), failing which the vendor thereof shall compensate the Company with an amount in respect of the shortfall calculated according to the agreed formula stated in the announcement of the Company dated October 19, 2021. Such compensation amount (if any) shall be deducted from the balance payment payable by the Company in relation to the acquisition. In addition, the net profit after tax of the Target Holdco shall be no less than RMB130,000,000 (equivalent to approximately HK$157,274,520), failing which the lock-up period in respect of the conversion shares underlying the consideration convertible notes shall be further extended to September 30, 2023. Based on the information available to the Group, the Guaranteed Profit for the years ended December 31, 2021 and December 31, 2022 had been met.

In addition to the obstetrics business, other businesses such as pediatrics, gynecology and traditional Chinese medicine, as well as the newly launched ophthalmology and stomatology have also experienced rapid development, resulting in the formation of a business trend featuring obstetrics as a specialty and synergizing it with the other departments. In 2022, the obstetrics and neonatology departments of Jinxin Women and Children Hospital have become the key medical specialty development targets in Chengdu.

The Group will continue to educate and innovate the assisted reproductive industry. For the year ended December 31, 2022, Jinxin Women and Children Hospital continued to provide 22 medical education programs, of which, 3 were at the national level, 16 were at the provincial level, and 3 were at the municipal level. In 2022, Jinxin Women and Children Hospital has received the awards as a "Key Specialist of Neonatology in Chengdu City (成都市新生兒科重點專科)" and a "Key Specialist of Obstetrics in Chengdu City (成都市產科重點專科)". Going forward, Jinxin Women and Children Hospital intends to integrate its strengths in assisted reproductive services with obstetrics and gynecology to establish new collaborative and synergistic disciplines such as IVF obstetrics.

The Group has conducted an internal restructuring in November 2022 and completed in December 2022 to enable Jinxin Women and Children Hospital to further expand its scope of offerings and provide medical services involving Molecular Genetics Services in accordance with the applicable PRC laws. As of December 31, 2022, there were only 12 medical institutions in Sichuan Province qualified to provide pre-natal molecular genetics services and all of which are public hospitals. The inclusion of Molecular Genetics Services, being the cutting-edge technology for pre-natal examination, is vital to the Group's future development for its ability to diagnose birth defects during pregnancy term with higher accuracy, as compared to the use of cytogenetics. We expect the inclusion of Molecular Genetics Services to further strengthen the Group's competitiveness and reputation.

Chengdu Xinan Hospital and Jinxin Women and Children Hospital have built a very strong reputation among our patients and market influence in ARS, obstetrics, gynecology and pediatrics business, respectively, due to its excellent medical quality and superior service experience. We also actively strengthened the integration of ARS, obstetrics, gynecology and pediatrics business to promote the synergistic effects and we have achieved satisfactory results in 2022.

In 2022, the number of patients who received ARS and became successfully pregnant in Chengdu Xinan Hospital and in turn sought for obstetrics services and maintained a clinical profile in the obstetrics department of Jinxin Women and Children Hospital increased by 63% compared to 2021, and the number of patients who visited the infertility division at Jinxin Women and Children Hospital and in turn visited Chengdu Xinan Hospital for an initial diagnosis of IVF in 2022 increased by 47% compared to 2021. Through leveraging our advantages in ARS and obstetrics, gynecology and pediatrics medical services, we were able to reinforce our specialities and capability to treat specific diseases, such as establishing obstetric clinics designated for IVF, and we expect that this will allow us to better attract and serve patients.

Operations in Shenzhen and Greater Bay Area

Our Shenzhen operations faced relatively more challenges compared to our Chengdu operations from the pandemic and the prevention and control measures put in place to mitigate the spread of novel coronavirus during the Reporting Period. Shenzhen Zhongshan Hospital took various measures to minimize the impact of the COVID-19 pandemic on the business, and actively prepared for the construction and business planning of its new hospital building.

In 2022, we have further acquired equity interest and increased our control in Shenzhen Zhongshan Hospital from 79.44% to 99.90% effective shareholding interests. This will enable us to (i) enhance our control and influence over the management and operations 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.

To capture the anticipated growth and increasing demand for ARS in Shenzhen and within the Greater Bay Area in the coming future due to the projected increase in population and demand in the region, and given Shenzhen Zhongshan Hospital is almost operating at full capacity, we acquired a new property in February 2022, which will be officially put into operation in early 2024. The new property will allow Shenzhen Zhongshan Hospital to (i) further diversify its service offerings to provide various reproductive services covering ARS services, gynecology, andrology and immunology medical services; (ii) expand the VIP service to satisfy the multi-dimensional needs of our patients and enhance their 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.

In addition, Shenzhen Zhongshan Hospital values the driving force generated by scientific research towards clinical applications, encourages scientific innovation and transfers research to clinical applications. In 2022, the number of articles published by Shenzhen Innovation Center in the core journals under the Science Citation Index (SCI) ("**SCI Journals**") reached a record high, totaling 18 articles and the accumulated number of articles in SCI Journals published by Shenzhen Innovation Center has surpassed 100 articles as of the end of 2022. Amongst all, our research in relation to the analysis of endometrial receptivity has entered into clinical stage in the second half of 2022.

With the implementation of the national strategy of the Guangdong-Hong Kong-Macao Greater Bay Area, we will continue to deepen our strategic focus in the region and enhance our brand awareness and market share in the region. Accordingly, in the second half of 2021, we acquired RHC (brand name: Gratia Medical Center) and ARC to expand our footprint in Hong Kong and strengthen our presence in fertility services in the Greater Bay Area. We believe that following the opening of the borders between Hong Kong and the Mainland after the COVID-19 pandemic, Shenzhen Zhongshan Hospital and Hong Kong Gratia Medical Centre will benefit from the synergies created in customer acquisition, technical exchanges and complementary medical services.

Operations in Wuhan and Kunming

On August 31, 2022, Wuhan Jinxin Hospital has officially resumed its IVF license and recommenced its ARS operations. In July 2022, the Company completed the acquisition of controlling interests in Jiuzhou Hospital and Hewanjia Hospital, with our control in these hospitals increased to 96.50% effective shareholding interest, thereby further expanding the Company's market share and influence in Southwest China, and further collaborating with Jinrui Medical Center in Laos.

United States operations

While the COVID-19 pandemic significantly impacted the number of international patients visiting HRC Fertility for treatments, the local business has demonstrated sufficient resilience during the pandemic and continued to grow during the Reporting Period. Furthermore, we have successfully established new clinics and recruited new doctors with a view to increasing business capacity and reserving talents for business development and international business recovery in the future.

HRC Management continued to collaborate with the University of Southern California ("**USC**"), a leading private research university in the United States, and its fertility medicine practice of the reproductive and infertility endocrinology division at the Keck School of Medicine ("**USC Fertility**"). We have further deepened our collaboration with USC Fertility where (i) 3 doctors from USC Fertility practiced and provided clinical services at the Pasadena Clinic under HRC; (ii) the number of physicians participating in USC's fellowship program increased from 4 to 6 with the support of HRC to nurture more physicians; and (iii) HRC and USC Fertility co-founded a research committee and collaborated on IVF-related clinical research to improve the quality of fertility treatment.

During the Reporting Period, the San Diego campus of HRC Fertility completed its renovation and commenced business in August 2022. Since then, HRC Medical owns 4 core clinics and 6 satellite clinics in Los Angeles and San Diego in the Western United States, further magnifying its market influence in the region. Dr. Michael David Wittenberger, MD, FACOG ("**Dr. Wittenberger**") joined HRC Medical and attends the new clinic. Dr. Wittenberger is a member of each of the American College of Obstetricians and Gynecologists and the American Society for Reproductive Medicine. He has nearly 20 years of professional experience in the field of assisted reproduction, specializing in infertility treatment, restorative surgery and fertility preservation. Dr. Wittenberger is reputable among patients and has received many awards for his outstanding professional abilities.

Furthermore, Dr. Natalia C. Llarena joined HRC Medical at the end of August 2022, and practised at the Pasadena Clinic under HRC Medical. From August 2011 to May 2015, she obtained her doctoral degree in medicine from Feinberg School of Medicine at Northwestern University, Chicago, Illinois State. She was a resident of Cleveland Clinic Foundation in Cleveland, Ohio State, and was awarded Teaching Excellence Award by Cleveland Clinic Lerner College of Medicine.

Furthermore, Dr. Lawrence B. Werlin, MD ("**Dr. Werlin**") joined HRC Medical in 2022. Dr. Werlin was the founder and medical director of Coastal Fertility Medical Center, Irvine, California and from January 1986 to September 1995, he founded and served as a director of Hoag Memorial Hospital Fertility Services.

Dr. Werlin has been a professor in the division of reproductive endocrinology at the University of California, Irvine and has been a member of the clinical faculty since 1982. His credentials as a leader in the reproductive endocrinology and infertility earned Dr. Werlin the respect of his peers and patients. He pioneered the use of preimplantation genetic diagnosis in Southern California and is considered a nationally noted expert in this application. Among his many accomplishments, Dr. Werlin was honored as the recipient of the National Fellowship in Reproductive Medicine at the National Institutes of Health and also served as chairman of the Validation Committee for the Society for Assisted Reproductive Technologies.

With the recruitment of Dr. Wittenberger, Dr. Natalia C. Llarena, and Dr. Werlin, HRC Medical currently has a total of 19 physicians. We believe our excellent management ability and performance will attract more talented physicians to join us, thereby providing the most important asset for HRC Medical to expand its business in the Western United States and further to the entire United States.

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, 2021 and 2022:

	Year ended December 31,	
	2022	2021
Number of IVF treatment cycles	**26,125**	27,354
Overall success rate		
Chengdu Xinan Hospital and Jinjiang IVF Center	**56.1%**	55.3%
Shenzhen operations	**54.5%**	52.6%
United States operations	**57.1%**	56.2%

During the Reporting Period, the increase in success rate was mainly attributable to the further improvement in clinical and laboratory quality control, upgraded training system for the physicians and embryologists, and further investments into R&D. Success rate largely depends on the patient's age and the level of complication of each individual case and other factors.

OUTLOOK AND FUTURE

With the end of the pandemic, our businesses are expected to recover in 2023. The demand for assisted reproductive technology and services is still strong and has great potential in the global market. The growth of the ARS market in China is particularly promising 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. 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, the PRC government had implemented and is expected to continue to implement various policies and measures to encourage fertility, and the PRC government tends to encourage patients in need of ARS in treatment. We expect the penetration rate and market size for assisted reproductive technology will be significantly increased in China.

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 standards and technical specifications related to assisted reproductive technology in order to establish and improve legal egg donation and storage channel. In August 2022, 17 governmental authorities including the National Health Commission issued the "Guidelines on Further Improving and Implementing Supportive Measures for Active Fertility" (《關於進一步完善和落實積極生育支持措施的指導意見》) to guide local governments to consider the affordability of medical insurance (including maternity insurance) funds, relevant technical standards and other factors as a whole, and in accordance with the procedures, gradually list the labor analgesia and assisted reproductive technology programs in the coverage of such medical insurance funds.

As a leading ARS provider in China and the United States, we have established a competitive advantage in 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 contribute to our leading position in the ARS markets in China and the United States.

In addition, taking our Chengdu operations as a paradigm, we have started to build a one-stop integrated business, with ARS as our core services, to support the entire fertility and pregnancy lifecycle, covering pregnancy preparation, IVF, prenatal checkups, childbirth, postpartum and paediatrics to better serve patients and create value through industry chain integration. In the future, we will promote this strategy to our hospitals in other regions and leverage our advantage in the ARS market to accelerate new business development and create new sources of revenue growth.

In view of the aforesaid, we plan to pursue the following core strategies to drive continued growth in our core ARS business and fertility related services.

Increased productivity, capacity and market share

In the Greater Bay Area, with the implementation of the national strategy of the Guangdong-Hong Kong-Macao Greater Bay Area, we will continue to deepen our strategic focus in the area to capture in full the growth for ARS in the Greater Bay Area. Further in consideration that Shenzhen Zhongshan Hospital is operating almost at full capacity, we acquired a new property in February 2022 in anticipation of the future operation of Shenzhen Zhongshan Hospital. The new property, which is nearly five times the size of the existing property, is expected to officially commence operation in early 2024. The new property will allow Shenzhen Zhongshan Hospital to (i) further diversify its service offerings to provide various reproductive services covering ARS, gynecology, andrology and immunology medical services; (ii) expand the VIP service to satisfy the multi-dimensional needs of its patients and enhance their patients' 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.

In Yunnan Province, we increased our control in Jiuzhou Hospital and Hewanjia Hospital to approximately 96.50% effective shareholding interest in July 2022. At present, Jiuzhou Hospital and Hewanjia Hospital ranked second in Yunnan Province and first amongst private hospitals in terms of market share, and they can offer services to patients from Guizhou Province. Furthermore, the property where Jiuzhou Hospital situated is a self-owned property. We also plan to renovate Jiuzhou Hospital in the first half of 2023 with a view to optimize the service environment and expand its capacity in preparation for increasing market share in the future.

Expand our service offerings to provide comprehensive and integrated full fertility lifecycle services

We intend to continue expanding our service offerings to meet the patients' demand for high quality full-cycle services from pre-pregnancy, IVF, pre-natal, childbirth and postpartum, and reinforce the synergy between our ARS and obstetrics, gynecology and paediatrics medical services. In Chengdu, our acquisition of 100% equity interests in Jinxin Women and Children Hospital in November 2021 marked our first move in strategically deepening the aforementioned strategy and we will promote the same to our hospitals in the future.

Being the only private Class III Grade A obstetrics, gynecology and pediatrics hospital in Sichuan Province, Jinxin Women and Children Hospital possesses advantages in medical quality, service experience and reputation, which has enabled it to accelerate the establishment of an academic hospital integrated with production, academic and research in the region. Chengdu Xinan Hospital and Jinxin Women and Children Hospital have built a very strong reputation among our patients and market influence in ARS and obstetrics, gynecology and pediatrics business, respectively, due to their excellent medical quality and superior service experience. The Group has also conducted an internal restructuring in November 2022 to enable Jinxin Women and Children Hospital to further expand its scope of offerings and provide medical services involving Molecular Genetics Services in accordance with the applicable PRC laws, which will further enhance the Group's competitiveness and reputation. In 2022, the synergy resulting from the integration of assisted reproduction, obstetrics, gynecology and paediatrics businesses has been becoming prominent which included the expansion in the number and scale of service offerings to customers, costs synergies and improved efficiency, and specialty construction. We will continue to deepen the integration of assisted reproduction, obstetrics, gynecology and pediatrics businesses to create enhanced synergistic effects by various means such as online hospital, internal restructuring and specialty construction.

Expand our business network through all self-establishment or acquisitions

As a leading ARS and full lifecycle fertility services provider in China and the United States, we will continue to seek opportunities to expand our business network and adopt different expansion strategies to fit with the market environment in different countries or regions.

In China, we intend to enter markets with high growth potential through acquisitions, such as first-tier cities and cities with radiant effect. Aside from market potential, when conducting mergers and acquisitions in China, we will also take into account various important factors such as economic environment, target valuation and post-investment integration or consolidation to determine our merger and acquisition strategy, enabling a swift integration of resources post-mergers and acquisitions and assisting the new hospitals to rapidly improve in respect of medical quality, operation management, market share and others. We acquired the controlling interests in Jiuzhou Hospital and Hewanjia Hospital in July 2022, with our control in these hospitals increased to 96.50% effective shareholding interest. In the future, we will leverage our hospital network in Chengdu and Kunming and continue to expand the market share in Sichuan Province and Yunnan Province, and covering Guizhou Province, so as to enhance our influence in the entire southwest region of China.

In the United States, we seek to expand our business network in the United States, particularly the Western United States, by way of establishing or acquiring new clinics and recruiting physicians. In August 2022, the San Diego clinic established by HRC Fertility officially commenced business. Since then, HRC Medical owns 4 core clinics and 6 satellite clinics in Los Angeles and San Diego in the Western United States, further enhancing its market influence in the region. At the same time, Dr. Wittenberger joined HRC Medical and attended the new clinic. Dr. Wittenberger is a member of each of the American College of Obstetricians and Gynecologists and the American Society for Reproductive Medicine. He has nearly 20 years of professional experience in the field of assisted reproduction, specializing in infertility treatment, restorative surgery and fertility preservation.

Besides the Greater China and the United States, we are also actively exploring opportunities to conduct mergers and acquisitions in Southeast Asia. We are of the view that the region has significant growth potential in ARS. In March 2020, we acquired an assisted reproduction license and established Jinrui Medical Center in the Boten Special Economic Zone of Laos in Southeast Asia. However, Jinrui Medical Center has not commenced business owing to the border closure between China and Laos due to the COVID-19 pandemic. With the launch of the China-Laos railway between Kunming to Laos in late 2021, we anticipate that Jinrui Medical Center will quickly recover after the pandemic and become the outpost of the Group in Southeast Asia.

Improve scientific research levels and strengthen the transfer of clinical research into clinical applications

We reinforced and increased our investment in scientific research innovation and integrated with specialty construction, resulting in accelerated transfers of research to clinical applications, which enhanced our clinical quality to solve patients' chronic illness on the one hand and enhanced our competitiveness as well as created new sources of business growth on the other hand.

In the Greater Bay Area, we have included Jinxin Medical Innovation Research Center into the Group's network in January 2022 for more effective management of our scientific research. Jinxin Medical Innovation Research Center is committed to clinical-based scientific research innovation, and ultimately tackle clinical conundrum.

In 2022, the departments of obstetrics and neonatology of Jinxin Women and Children Hospital became a key medical specialty development target in Chengdu. Previously, the reproductive medicine department and andrology department of Chengdu Xinan Hospital have been rated as key medical specialties in Chengdu. We are actively utilizing the leading advantages of Chengdu Xinan Hospital and Jinxin Women and Children Hospital in ARS, obstetrics, gynecology and pediatrics medical services respectively, which will allow us to reinforce on our specialty construction, creation of featured specialties and treatment of specific diseases focusing on infertility, IVF obstetrics, pre-natal and maternal-fetal medicine.

In 2022, our hospitals in Chengdu and Shenzhen have published a total of 106 scientific papers, including 38 articles on SCI Journals and obtained 35 scientific research projects, of which, include 1 project at national-level, 7 projects at provincial level, and 27 projects at municipality level. Furthermore, our hospitals in Chengdu and Shenzhen also obtained 7 patents, of which, include 3 invention patents and 4 utility patents.

Amongst all, the research in relation to the analysis of endometrial receptivity independently developed by Shenzhen Zhongshan Hospital officially entered into clinical stage.

In the United States, we co-founded a research committee and collaborated on IVF-related clinical research with the USC in January 2022, with a view to further enhance the IVF clinical standard. In the future, we will further strengthen the research cooperation among various medical institutions within our network, and in compliance with the applicable laws, establish a multi-center seminar group and research group in order to accelerate scientific research innovation and transfers of research to clinical applications.

Talent recruitment and nurturing plan

We are committed to recruiting and retaining the best and most experienced medical professionals in the fields of assisted reproduction and obstetrics, gynecology and pediatrics and continuously improving our internal training system to provide a sufficient reserve of medical and management talents for our global business expansion.

We will continue to implement the “physician as partner” mechanism to grant outstanding physicians with equity ownership as partners of the Company, sharing the fruits from the development of the Company. We have adopted the 2022 Restricted Share Award Scheme in February 2022 and its purposes 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 retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to our employees. As of the date of this annual report, the Company has granted 65,853,241 Restricted Shares in aggregate to employees, Directors and Subsidiary Directors. For further details, please refer to the section headed “Events After The Reporting Period” in this annual report.

We will continue to introduce and recruit excellent physicians to join the Company, and cooperate with well-known universities to nurture young physicians. HRC Management continued to collaborate with the USC, and the number of physicians participating in USC's fellowship program increased from 4 to 6 with the support of HRC Management to nurture more physicians.

We also established the "Jinxin Academy" and invited renowned experts to give public lectures, aiming to (i) attract young physicians who are interested in assisted reproductive technology and improve their professional skills; and (ii) reserve talents for the expansion of the Company and the industry. As of December 2022, 1,422 people signed up for the new term of training at the Jinxin Academy, involving 743 hospitals or medical institutions, and 86% of them were not from our Group. For the year ended December 31, 2022, we provided training courses on assisted reproductive technology to 1,378 clinical staff.

Embrace the digital transformation and adoption of AI technology in its hospitals

In 2022 in collaboration with Jinxin Technology, we have self-developed and established a service platform "Jinxin Members (錦欣會員)" and began its pilot testing on our operations in Chengdu City with an accumulated number of 39,641 members as of December 31, 2022. Furthermore, we have also established a digital platform for our customers which digitizes their appointment making and consultation payment process. By integrating medical resources of our hospitals over digital platforms, we offer a continuum of online and offline integrated healthcare services before, during and after medical consultations. Also, this allows our hospital to facilitate a more efficient and pleasant hospital visit for our patients and improve its overall hospital operations.

The digital platforms have an online hospital service module that covers the whole cycle of reproductive healthcare. It has administrative functions which allows for patients to make appointments and pay for consultations, and has a consultation system which allows for online consultations, follow-up consultations, prescription processing and providing information on reproductive services.

Due to our self-development of several new technologies and online applications, we have introduced a new number of information systems to business and subsequently applied for 1 patent and 17 software copyrights in 2022.

Environmental, Social and Governance (ESG)

We have dedicated ourselves to enhancing our ESG initiatives in many ways. On the one hand, we believe, through our efforts in ESG, we will continue to create value for the society and gain recognition from the society and patients. In 2022, we insisted on the strategic position of constructing new disciplines of assisted reproduction, actively promoting the new disciplines in each hospital and carrying out scientific research and innovation. We have combined our own physician training model and business experience to develop professional courses for internal staff and industry talents, empower the growth of industry medical and nursing staff, and steadily improve medical quality and medical standards. During the Reporting Period, we obtained a total of 7 patents and published 106 academic articles, including 38 articles published on SCI Journals. Meanwhile, we insist on being patient-oriented, promote digital transformation of our hospitals, strengthen the medical quality management of our hospitals, provide patients with quality medical services throughout the lifecycle of their fertility treatment, establish a perfect patient communication mechanism and take multiple measures to continuously ensure patient safety.

On the other hand, we will continue to aid the Company in realizing a healthy and sustainable development in the future. We actively promote the accessibility of healthcare, enabling more families to benefit from the achievements of modern medicine through free and charitable clinics, charity medicine donations and training to primary care institutions. Meanwhile, we insist on green operations, promote energy saving and consumption reduction initiatives in all hospitals, actively address climate change and help create an environment-friendly community. In particular with the resurgence of the pandemic in China, we acted promptly to support pandemic prevention and control in 2022. As of December 31, 2022, the Group and its related entities sent 16,616 nucleic acid sampling personnel and completed 7,810,755 nucleic acid sampling.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 28.6% from approximately RMB1,838.8 million for the year ended December 31, 2021 to approximately RMB2,364.5 million for the year ended December 31, 2022. The overall increase was primarily attributable to an increase in revenue due to the consolidation of Jinxin Women and Children Hospital into our Group since November 26, 2021 and Jiuzhou Hospital and Hewanjia Hospital since July 13, 2022, which was partially offset by (i) decrease in revenue generated by our ARS in Chengdu and our Shenzhen operations resulting from the impact of the pandemic in 2022; and (ii) a decrease in revenue generated by our Wuhan operation resulting from temporary suspension of its ARS business, which officially resumed its ARS operations on August 31, 2022.

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 Group's revenue is contributed from its operations in the Greater China and the United States. The following table sets forth a breakdown of the Group's revenue for each service category by region:

	Year ended December 31,			
	2022		2021	
	RMB'000	%	*RMB'000*	%
Chengdu Operations				
ARS	656,870	27.8%	729,476	39.7%
Management service fee	147,285	6.2%	95,980	5.2%
Obstetrics, gynecology, pediatrics medical services and sales of medicines, consumables and equipment	580,695	24.6%	55,586	3.0%
Sub-total	1,384,850	58.6%	881,042	47.9%
Shenzhen operations				
ARS	311,866	13.2%	379,617	20.6%
Ancillary medical services	36,426	1.5%	47,310	2.6%
Sub-total	348,292	14.7%	426,927	23.2%
Yunnan Operations				
ARS	51,488	2.2%	–	–
Ancillary medical services	40,937	1.7%	–	–
Sub-total	92,425	3.9%	–	–
Wuhan operations				
ARS	5,112	0.2%	43,182	2.3%
Ancillary medical services	11,876	0.5%	11,721	0.6%
Sub-total	16,988	0.7%	54,903	3.0%
Hong Kong operations				
ARS	28,440	1.2%	8,186	0.4%
Ancillary medical services	31,040	1.3%	8,484	0.5%
Sub-total	59,480	2.5%	16,670	0.9%
United States operations				
Management service fee	355,552	15.1%	432,239	23.5%
Ancillary medical services(1)	106,892	4.5%	27,045	1.5%
Sub-total	462,444	19.6%	459,284	25.0%
Total	2,364,479	100.0%	1,838,826	100.0%

Note:

(1) Ancillary medical services provided by HRC Management include ambulatory surgery centre facility services and PGT (preimplantation genetic testing) services. HRC Medical reclassified revenue generated from procedures, such as egg retrieval and biopsy, from management service fee into ancillary medical services, thus increasing revenue generated from ancillary medical services and decreasing revenue generated from management service fee in 2022.

Chengdu operations

The revenue contributed by the operations in Chengdu increased by 57.2% from approximately RMB881 million for the year ended December 31, 2021 to approximately RMB1,384.9 million for the year ended December 31, 2022, primarily due to (i) the revenue contributed by Jinxin Women and Children Hospital being consolidated to our Group since November 26, 2021; and (ii) an increase in management service fees charged to Jinjiang IVF Center.

The revenue from ARS provided at Chengdu Xinan Hospital decreased by 10% from approximately RMB729.5 million for the year ended December 31, 2021 to approximately RMB656.9 million for the year ended December 31, 2022, primarily due to a decrease in IVF treatment cycles resulting from the impact of the pandemic in 2022, together with a slight decrease in the average spending per IVF treatment cycle performed at Chengdu Xinan Hospital resulted from the decrease in VIP cycles performed in Chengdu Xinan Hospital. We explored to optimize our VIP packages to cater the diversified needs of our patients by way of restructuring our VIP packages, which led to a slight decrease in VIP penetration rate in 2022.

Revenue from management services provided in Chengdu increased by 53.5% from approximately RMB96 million for the year ended December 31, 2021 to approximately RMB147.3 million for the year ended December 31, 2022, 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 act as the president of Jinjiang IVF Center in June 2021, which attributed to the significant increase of IVF treatment cycles at Jinjiang IVF Center.

Our Chengdu operations were affected by the pandemic during the Reporting Period, and the total revenue generated from Chengdu Xinan Hospital including both ARS revenue and management service fees decreased by 7.2% from approximately RMB822 million for the year ended December 31, 2021 to approximately RMB763.1 million for the year ended December 31, 2022.

Shenzhen operations

The revenue contributed by the Group's Shenzhen operations decreased by 18.4% from approximately RMB426.9 million for the year ended December 31, 2021 to approximately RMB348.3 million for the year ended December 31, 2022, primarily due to the impact of the pandemic in Shenzhen, considering that our Shenzhen operations are located in the most severely impacted district by COVID-19 during the Reporting Period.

Wuhan operations

The revenue contributed by the Group's Wuhan operations decreased by 69.1% from approximately RMB54.9 million for the year ended December 31, 2021 to approximately RMB17.0 million for the year ended December 31, 2022, primarily due to the temporary suspension of ARS business in November 26, 2021, which have officially resumed its ARS operations on August 31, 2022.

Hong Kong operations

The revenue contributed by Jinxin Women Group increased by 256.8% from approximately RMB16.7 million for the year ended December 31, 2021 to approximately RMB59.5 million for the year ended December 31, 2022, primarily due to the consolidation of revenue generated from Jinxin Women Wellness into our Group since September 5, 2021.

United States operations

The revenue contributed by the Group's United States operations increased by 0.7% from approximately RMB459.3 million for the year ended December 31, 2021 to approximately RMB462.4 million for the year ended December 31, 2022, primarily due to the increase in aggregated IVF treatment cycles performed at HRC and USC Fertility Center with which HRC entered into management service agreement in August 2021.

Ancillary medical services provided by HRC Management include ambulatory surgery center facility services and preimplantation genetic testing (PGT) services. Revenue contributed by such ancillary medical services increased by 295.2% from approximately RMB27.0 million for the year ended December 31, 2021 to approximately RMB106.9 million for the year ended December 31, 2022, primarily due to reclassifying of the revenue generated from procedures such as egg retrieval and biopsy conducted as part of the IVF treatments being reclassified as ancillary medical services since April 2022.

Cost of Revenue

Cost of revenue of the Group increased by 39.6% from approximately RMB1,067.3 million for the year ended December 31, 2021 to approximately RMB1,490.2 million for the year ended December 31, 2022. The increase of the cost of revenue was mainly attributed to the consolidation of Jinxin Women and Children Hospital into our Group since November 26, 2021 and Jiuzhou Hospital and Hewanjia Hospital since July 13, 2022.

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 13.3% from approximately RMB771.5 million for the year ended December 31, 2021 to approximately RMB874.3 million for the year ended December 31, 2022. The increase was mainly attributed to the consolidation of Jinxin Women and Children Hospital into our Group since November 26, 2021 and Jiuzhou Hospital and Hewanjia Hospital since July 13, 2022. The Group's gross profit margin decreased from 42.0% for the year ended December 31, 2021 to 37.0% for the year ended December 31, 2022. The decrease in the gross profit margin was due to (i) the one-off loss incurred by Wuhan Jinxin Hospital due to the temporary suspension of ARS business, which officially resumed its ARS operation on August 31, 2022; (ii) the consolidation of Jinxin Women and Children Hospital , Jiuzhou Hospital and Hewanjia Hospital which have slightly lower gross profit margins than the Group's existing businesses; and (iii) the slight decrease in gross profit margin of the existing businesses of the Group, including Chengdu, Shenzhen and US operations, resulting from impact of the pandemic on their profitability.

Other Income

Other income of the Group decreased by 10.4% from approximately RMB56.0 million for the year ended December 31, 2021 to approximately RMB50.2 million for the year ended December 31, 2022, primarily due to the decrease in the interests income from time deposits.

Other income consists primarily of interest income from time deposits and bank balances and government grants.

Other Gains and Losses

Other gains and losses primarily represent gains and losses on fair value change of financial assets/ investment at fair value at fair value through profit or loss ("**FVTL**"), on disposal of assets/ investments, and on net exchange. The Group recorded other gains and losses, net, of approximately RMB58.1 million for the year ended December 31, 2022, primarily resulting from the disposal of Kangseed Investment and the Eden Assets.

Research and Development Expenses

Research and development expenses of the Group increased by 64.1% from approximately RMB10.7 million for the year ended December 31, 2021 to approximately RMB17.5 million for the year ended December 31, 2022, primarily due to an increase in the number of R&D staff and the cost of materials and equipment used by the Group's R&D institutions.

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 145.4% from approximately RMB61.7 million for the year ended December 31, 2021 to approximately RMB151.4 million for the year ended December 31, 2022, primarily due to (i) an increase in marketing expenses and agency fees incurred by HRC Management in connection with the preparations made to cater for recovery of both local and international businesses from the COVID-19 pandemic in 2023, and (ii) the promotion of Jiuzhou Hospital and Hewanjia Hospital which used to invest heavily on marketing activities. As part of the integration with the rest of our Group, we are expecting to optimize patient recruitment for Jiuzhou Hospital and Hewanjia Hospital and decrease the marketing expenses in the future.

Administrative Expenses

Administrative expenses primarily consist of staff costs, including ESOP expenses, depreciation and amortization, repairment and maintenance expenses, property-related expenses and others. Administrative expenses of the Group increased by 40% from approximately RMB327.7 million for the year ended December 31, 2021 to approximately RMB458.9 million for the year ended December 31, 2022, primarily due to the (i) the consolidation of Jinxin Women and Children Hospital into our Group since November 26, 2021 and Jiuzhou Hospital and Hewanjia Hospital since July 13, 2022; (ii) an increase in staff costs resulting from inflation in the United States; and (iii) an increase in expense incurred in connection with the relocation of two satellite clinics and establishment of San Diego clinic under HRC Management operations.

Finance Costs

Finance costs of the Group increased from approximately RMB21.1 million for the year ended December 31, 2021 to approximately RMB71.9 million for the year ended December 31, 2022, mainly due to the interest incurred for the syndicated bank facility amounting to US$300 million which was drawn down in full in March 2022.

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 decreased by 65.1% from approximately RMB104.2 million for the year ended December 31, 2021 to approximately RMB36.4 million for the year ended December 31, 2022, primarily due to the decrease in the Group's profit before taxation.

The effective tax rate of the Group increased from 22.8% for the year ended December 31, 2021 to 23.6% for the year ended December 31, 2022, primarily due to the increase in tax losses not deductible from our offshore holding companies.

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, 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Profit for the year	**117,949**	353,697
Add:		
ESOP expenses(1)	**33,024**	76,342
Amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from acquisitions(2)	**44,127**	27,556
Imputed interest income from related parties(3)	**(196)**	(2,319)
One-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business(4)	**38,809**	–
One-off loss made by disposal of Kangseed Investment(5)	**40,423**	–
Non-IFRS adjusted net profit	**274,136**	455,276
Non-IFRS EBITDA	**366,997**	548,493
Add:		
ESOP expenses(1)	**33,024**	76,342
Imputed interest income from related parties(3)	**(196)**	(2,319)
One-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business(4)	**38,809**	–
One-off loss made by disposal of Kangseed Investment(5)	**40,423**	–
Non-IFRS adjusted EBITDA	**479,057**	622,516

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 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) One-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business: this loss was mainly attributable to the temporary suspension of ARS business at Wuhan Jinxin Hospital which recommenced its ARS operations on August 31, 2022.

(5) One-off loss from the disposal of Kangseed Investment: this loss was deemed from the disposal of Kangseed Investment.

Net Profit and Net Profit Margin

As a result of the foregoing, net profit of the Group decreased by 66.7% from approximately RMB353.7 million for the year ended December 31, 2021 to approximately RMB117.9 million for the year ended December 31, 2022. Net profit margin of the Group for the year ended December 31, 2022 was 5%, compared to 19.2% for the year ended December 31, 2021. The lower net profit margin compared to the year ended December 31, 2021 was primarily due to, as presented in the foregoing, the (i) one-off loss incurred by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business that resumed operations on August 31 2022; (ii) an increase in finance cost due to interest incurred for the syndicated bank facility amounting to US$300 million which was drawn down in full in March 2022; (iii) an increase in operating expenses in HRC Management due to inflation, relocation of two clinics and establishment of a new clinic; and (iv) losses from the disposal of Kangseed Investment and the Eden Assets.

Profit attributable to owners of the parent decreased by 64.4% from approximately RMB339.9 million for the year ended December 31, 2021 to approximately RMB121.1 million for the year ended December 31, 2022.

Non-IFRS adjusted net profit[1] of the Group decreased by 39.8% from approximately RMB455.3 million for the year ended December 31, 2021 to approximately RMB274.1 million for the year ended December 31, 2022. The non-IFRS adjusted net profit margin of the Group for the year ended December 31, 2021 was 24.8%, compared to 11.6% for the year ended December 31, 2022. The lower non-IFRS adjusted net profit margin of the Group for the year ended December 31, 2022 was primarily due to, as presented in the foregoing, (i) an increase in finance cost due to interest incurred for the syndicated bank facility amounting to US$300 million which was drawn down in full in March 2022; (ii) an increase in operating expenses in HRC Management due to inflation, relocation of two clinics and establishment of a new clinic; and (iii) losses from disposal of the Eden Assets purchased by HRC Management in 2020.

Non-IFRS adjusted net profit attributable to owners of the parent decreased by 37.2% from RMB441.5 million for the year ended December 31, 2021 to approximately RMB277.3 million for the year ended December 31, 2022.

Non-IFRS EBITDA

Non-IFRS EBITDA[2] of the Group decreased by 33.1% from approximately RMB548.5 million for the year ended December 31, 2021 to approximately RMB367 million for the year ended December 31, 2022. The non-IFRS EBITDA margin of the Group for the year ended December 31, 2022 was 15.5%, compared to 29.8% for the year ended December 31, 2021. The lower non-IFRS EBITDA margin of the Group for the year ended December 31, 2022 was mainly due to (i) one-off loss incurred by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business, which has been resumed on August 31 2022; (ii) an increase in operating expenses in HRC Management due to inflation, relocation of two clinics and establishment of a new clinic; and (iii) losses arising from the disposal of Kangseed Investment and the Eden Assets.

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 acquisitions; (iii) imputed interest income from related parties; (iv) one-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business, which officially resumed its ARS operations on August 31, 2022; and (v) one-off loss from the disposal of Kangseed Investment, 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 income from related parties.

Non-IFRS adjusted EBITDA[3] of the Group decreased by 23% from approximately RMB622.5 million for the year ended December 31, 2021 to approximately RMB479.1 million for the year ended December 31, 2022. The non-IFRS adjusted EBITDA margin of the Group for the year ended December 31, 2022 was 20.3%, compared to 33.9% for the year ended December 31, 2021. The lower non-IFRS adjusted EBITDA margin of the Group for the year ended December 31, 2022 was mainly due to a decrease in adjusted EBITDA margin of HRC operations as a result of the foregoing.

Basic and Diluted Earnings per Share

The basic and diluted earnings per share of the Group for the year ended December 31, 2022 amounted to RMB0.05 and RMB0.05, respectively, as compared with RMB0.14 and RMB0.14, respectively, as that for the year ended December 31, 2021. 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, 2022 amounted to RMB0.11, as compared with RMB0.18 as that for the year ended December 31, 2021.

Inventories

Inventories of the Group increased by 33.6% from approximately RMB46.8 million as at December 31, 2021 to approximately RMB62.5 million as at December 31, 2022, which was primarily due to the consolidation of Jiuzhou Hospital and Hewanjia Hospital.

Accounts and Other Receivables

Accounts and other receivables of the Group increased by 32.2% from approximately RMB142.7 million as at December 31, 2021 to approximately RMB188.7 million as at December 31, 2022, which was consistent with our revenue growth.

Goodwill

Goodwill of the Group increased by 28.1% from approximately RMB2,719.7 million as at December 31, 2021 to approximately RMB3,484.7 million as at December 31, 2022, primarily due to the consolidation of Jiuzhou Hospital and Hewanjia Hospital.

Accounts and Other Payables

Accounts and other payables of the Group increased by 105.8% from approximately RMB445.5 million as at December 31, 2021 to approximately RMB916.9 million as at December 31, 2022, primarily due to the increase in dividend payables of RMB10.5 million and increase in payable of RMB290.5 million associated with the acquisition of the new property, being the new hospital building of Shenzhen Zhongshan Hospital.

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; (iii) one-off loss incurred by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business, which officially resumed its ARS operation on August 31, 2022; and (iv) one-off loss from the disposal of Kangseed Investment, to better reflect the Company's current business and operations.

Liquidity and Capital Resources

The business operations and expansion plans of the Group require a significant amount of capital, including upgrading the Group's existing medical facilities and establishing and acquiring new medical institutions and other working capital requirements. In June 2019, the Group received total proceeds of approximately HK$2,808.1 million from the Listing, after deducting the underwriting fees, commissions and related Listing expenses. In February 2021, the Group received total net proceeds of approximately HK$1,253.5 million from the Placing (as defined hereinafter). The Group also obtained additional funding from syndicated loan facilities of up to US$300 million in 2021 and a drawdown in full of such bank facilities in March 2022. The net proceeds and the loan facilities would be used to fund the capital requirements of the Group. There was no change in the capital structure of the Group during the Reporting Period. The share capital of the Company only comprises ordinary shares. As of the date of this annual report, the authorized share capital of the Company was US$50,000 divided into 5,000,000,000 Shares. The capital structure of the Group was 42.7% debt and 57.3% equity as at December 31, 2022, compared with 31.8% debt and 68.2% equity as at December 31, 2021. 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 statement 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,	
	2022	2021
	RMB'000	*RMB'000*
Net cash generated from operating activities	**541,740**	343,452
Net cash used in investing activities	**(1,377,837)**	(1,566,182)
Net cash from financing activities	**460,142**	955,054
Cash and cash equivalents at beginning of the year	**1,689,284**	1,964,516
Effect of foreign exchange rate changes	**16,619**	(7,556)
Cash and cash equivalents at end of the year	**1,329,948**	1,689,284

Capital Commitments

The principal capital expenditures of the Group relate primarily to purchases of property, plant and equipment. The following table sets forth a breakdown of the Group's capital expenditures for the years indicated:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**82,739**	5,306

Significant Investments, Material Acquisitions and Disposals

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), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with certain independent third-party individuals to purchase their equity interests in Shenzhen Hengyu Lianxiang Investment Development Co., Ltd. (深圳市恒裕聯翔投資發展有限公司) at cash consideration of approximately RMB37,234,000.

On July 13, 2022, the acquisition of 90.00% equity interests in Kangzhi Hospital Company, 89.7959% equity interests in Guangzhou Yunzhicai and 89.7959% in Guangzhou Hejia has been completed. Details in relation to the acquisition were set out in the announcements of the Company dated April 21, 2022 and July 13, 2022, respectively.

Save as disclosed in this annual report, as of December 31, 2022, there were no significant investments held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans on Material Investments or Capital Assets

Save as disclosed above, for the year ended December 31, 2022, the Group did not have any immediate plan for material investments or acquisition of material capital assets.

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, 2022, the Group, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB439.2 million. The lease liabilities represent payment for right of using underlying assets.

Borrowings

As of December 31, 2022, the Group had bank borrowings of RMB2,089.3 million (December 31, 2021: RMB163.7 million).

Pledge of Assets

As of December 31, 2021, bank deposits of RMB180 million were pledged to secure a bank loan of even amount. The pledged bank deposits have been released upon the settlement of the relevant bank borrowing in 2022. Save as disclosed, the Group did not pledge any other assets.

Contingent Liabilities and Guarantees

As of December 31, 2022, the Group did not have any material contingent liabilities or guarantees.

Contractual Obligations

As of December 31, 2022, 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 at the end of such year and multiplied by 100%. As of December 31, 2022, the Group's gearing ratio is 23.9% (as of December 31, 2021: 1.87%).

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2022, the Group and the medical facilities in its network had a total of 3,158 employees, of whom 2,761 were located in China and 397 were located in the United States. The staff costs, including Directors' emoluments were approximately RMB674.9 million for the year ended December 31, 2022, as compared to approximately RMB457.9 million for the year ended December 31, 2021.

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

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 is set out in the section headed "Statutory and General Information — D. RSU Scheme" in Appendix V to the Prospectus and the section headed "RSU Scheme" in this annual report. 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 and the section headed "2022 Restricted Share Award Scheme" in this annual report. The Group has not granted any award shares since the adoption of the 2022 Restricted Share Award Scheme and up to December 31, 2022. In January 2023, the Group has granted 65,853,241 Restricted Shares in aggregate to its employees, Directors and Subsidiary Directors. For further details, please refer to the section headed "Events After The Reporting Period" in this annual report.

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 and the section headed "Share Option Scheme" in this annual report. As of December 31, 2022, no option has been granted pursuant to the Share Option Scheme.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended December 31, 2022 (for the year ended December 31, 2021: HK$7.38 cents per Share).

EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to December 31, 2022:

a. On January 5, 2023, an aggregate of 175,000,000 placing shares have been placed by the Company to not less than six placees at the placing price of HK$6.725 per placing share and the Company received total net proceeds of approximately HK$1,162,310,000 (equivalent to approximately RMB999,098,000). The placees, together with their respective ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons. None of the placees has become a substantial shareholder of the Company immediately upon completion of the placing. The placing has been completed on January 16, 2023. Details of the placing are set out in the Company's announcements dated January 5, 2023 and January 16, 2023.

b. On January 18, 2023, the Board of Directors approved the grant of 65,853,241 restricted shares in aggregate to grantees under the 2022 restricted share award scheme adopted on February 17, 2022. 29,060,994 restricted shares are granted to 159 employees of the Company (who to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company). 36,792,247 restricted shares are proposed to be granted to 5 directors of the Company and 10 directors of the Company's subsidiaries (who are connected persons of the Company). The restricted shares are subject to the acceptance from grantees and other conditions as may be determined by the Board of Directors. Details of the grant are set out in the Company's announcement dated January 18, 2023.

c. On March 31, 2023, the Company redeemed the convertible bonds in the principal amount of HK$1,814,706,000 in whole upon its maturity date (i.e. March 31, 2023). Details of the convertible bonds are set out in the Company' announcement dated October 19, 2021.

DIRECTORS

Executive Directors

Mr. Zhong Yong (鍾勇), aged 51, is the Chairman of the Board and has been an executive Director of the Company since June 29, 2020. He joined our Group in June 2017 and was appointed as a Co-chief Executive Officer on September 12, 2018, re-designated to the Vice Chairman of the Board on June 29, 2020 and the Chairman of the Board on March 28, 2021. He is mainly responsible for the overall management of the Company's daily operations and implementing mergers and acquisitions strategies. Furthermore, Mr. Zhong has over 20 years of experience in investment.

Since April 2020, Mr. Zhong has been the chairman of the board of Sichuan Jincheng Industrial Development Co., Ltd. (四川錦城實業發展公司). From October 2016 to January 2019, Mr. Zhong was the general manager of Willsun AM and from October 2016 to December 2018, he was the chairman of Tibet Taisheng Venture Capital Co., Ltd. (西藏泰昇創業投資管理有限公司). From October 2015 to September 2016, he was employed as the deputy general manager of Hainan Haide Industry Co., Ltd. (海南海德實業股份有限公司) (SZSE stock code: 000567), and from April 2013 to October 2015, he was the leader of the trust team of Sichuan Development Holding Co., Ltd. Furthermore, from March 2009 to April 2013, he served as the chairman of Sichuan Shuxiang Venture Capital Co., Ltd. (四川蜀祥創業投資有限公司).

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

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

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

Dr. John G. Wilcox, *M.D., FACOG*, aged 60, has been an executive Director of the Company since December 25, 2018. He is primarily responsible for the management of clinical operations and business development in North America. Dr. Wilcox has been working as a physician at HRC Medical since July 1996. From 2002 to 2008, he served successively as a member of the voluntary faculty member of Keck School of Medicine at the University of Southern California, an assistant clinical professor at the department of obstetrics and gynecology of University of Southern California School of Medicine, and a member of the medical staff of Healthcare Network at the University of Southern California.

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

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

Mr. Dong Yang (董陽), aged 36, is the Chief Executive Officer and has been an executive Director of the Company since June 29, 2020. He was appointed as a non-executive Director of the Company on May 3, 2018. He was appointed as a Co-chief Executive Officer on June 29, 2020 and re-designated to the Chief Executive Officer on March 28, 2021. He is primarily responsible for providing guidance on financial management and business development to our Group. Since October 2017, he has been the chief financial officer of Jinxin Medical Investment Co., Ltd. (錦欣醫療投資有限公司). Since December 2018, he has been the director of Jinxin Hospital Management Group Limited. Since September 2018, he has been the chief financial officer of Jinxin Investment Limited and Jinxin Hospital Management Group Limited. Prior to joining our group, between July 2017 and November 2017, he was a director of the asset management department at Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券(香港)金融控股有限公司). Before that, from October 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 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 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 42, 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 chief executive officer 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 further obtained a doctoral degree in business administration from The University of Information Technology and Management in Rzeszow in Poland in March 2022.

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

Dr. Geng Lihong (耿麗紅), aged 54, 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 is 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 Subcommittee 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 "Excellent 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 49, 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 53, 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 49, 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 is a juris doctor and has been 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 Shangshui 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 47, 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 52, 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 director of NWTN Inc. (NASDAQ stock code: NWTN) since November 2022, an independent director of VNET Group Limited (NASDAQ stock code: VNET) since August 2022, 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) between December 2018 and September 2022, 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

Mr. Duan Tao (段濤), aged 58, has 30 years of experience in the medical industry. He has been serving as the president of Sichuan Jinxin Women and Children Hospital (四川錦欣婦女兒童醫院) since May 2021 and the chief strategy officer of the Group since December 2021. Mr. Duan was the co-chief executive officer of Jinxin Medical Investment Co., Ltd. from May 2020 to November 2021.

Prior to that, Mr. Duan served at the Shanghai First Maternity and Infant Hospital (上海市第一婦嬰保健院) in several positions including its president and chief physician from September 2008 to January 2017 and, its vice president and chief physician from September 2000 to September 2008.

In addition to his work experiences, Mr. Duan has held a number of positions in medical associations throughout his career. He has been serving as the honorary chairman of the obstetrics and gynecology branch at the Shanghai Medical Association (上海市醫學會) since March 2019, the chairman of the Asia Pacific Association of Maternal-Fetal Medicine Experts (亞太母胎醫學專家聯盟) since September 2014 and the chairman of the perinatal medicine branch at the Chinese Medical Association (中華醫學會) since November 2009. Between August 2012 and December 2015, Mr. Duan was also the chairman of the obstetrics and gynecology branch at the Shanghai Medical Association.

Mr. Duan obtained a bachelor's degree from the School of Medicine of the Shandong Medical University (山東大學醫學院) in July 1987 and a doctoral degree from the Shanghai Medical College of Fudan University (復旦大學上海醫學院) in July 1992.

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 (成都錦江區龍舟路／蓮新路／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.) (HKEx 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, 2022 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 region.

- 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 2022 Environmental, Social and Governance Report of the Company which will be published and made available at the same time as the publication of this annual report on the websites of the Stock Exchange and the Company.

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, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 112 and 113 of this annual report.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended December 31, 2022 (for the year ended December 31, 2021: HK$7.38 cents per Share).

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 6 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 as of December 31, 2022 were kept at the bank accounts of the Group.

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, 2022:

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceeds	Actual usage up to December 31, 2022 *(HK$ million)*	Net proceeds brought forward for the Reporting Period *(HK$ million)*	Unutilized net proceeds as at December 31, 2022 *(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(1)	702.0(1)	25.0%(1)	702.0	671.2	–	By December 2022
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	–	–	By December 2021
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%	92.8	230.1	188.0	By December 2025
For the potential acquisitions of ARS service providers and businesses along the ARS service chain(4)	561.6	20.0%	561.6	–	–	By December 2021
To improve brand awareness and general ARS awareness in both China and the United States	421.2	15.0%	161.4	384.4	259.8	By December 2025
For the Group's working capital and general corporate purposes(5)	280.9	10.0%	280.9	103.2	–	By June 2022
Total	2,808.1	100%	2,360.3	1,388.9	447.8	

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 support staff, including new 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 were approximately HK$1,253.5 million, which 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, 2022:

	Planned applications *(HK$ million)*	Percentage of total net proceeds	Actual usage up to December 31, 2022 *(HK$ million)*	Net proceeds brought forward for the Reporting Period *(HK$ million)*	Unutilized net proceeds as at December 31, 2022 *(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	1,002.8	80.0%	1,002.8	–	–	By December 2021
To fund potential merger and acquisition opportunities of ARS-licensed providers located outside the PRC, such as Southeast Asia and other Asia-pacific countries	188.0	15.0%	–	188.0	188.0	By June 2023
For general corporate and working capital purposes	62.7	5.0%	62.7	62.7	–	By June 2022
Total	1,253.5	100%	1,065.5	250.7	188.0	

Note:

(1) The expected timeline for utilizing the remaining proceeds was 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, 2022, the Group's sales to its five largest customers accounted for 22.5% (2021: 29.4%) of the Group's total revenue and our single largest customer accounted for 14.9% (2021: 23.8%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2022, the Group's five largest suppliers accounted for 42.1% (2021: 50.5%) of the Group's total purchases and our single largest supplier accounted for 18.3% (2021: 21.2%) 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 of the Company) had any interest in the Group's five largest customers and suppliers.

Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, medical experts, patients, customers, suppliers and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, educating, collaborating, and cultivating strong relationships with them. The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group's workforce, the Group provides the employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations. The Group conducts academic marketing activities to establish and maintain relationships with key opinion leaders in the national medical system. The Group provides these experts with detailed information on its products and helps them make independent comparison among competing products in the market. The Group also maintains long-term cooperative relationships with medical experts to help raise the Group's profile, enhance awareness of Group's products in the medical community and among patients, provide it with valuable clinical data to improve the Group's products, and collect feedback from the real world clinical practices and support on the patients group and comply with physicians to manage the side effects. For details of an account of the Company's key relationships with its main stakeholders, please see the 2022 Environmental, Social and Governance Report of the Company.

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, 2022 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 December 31, 2022 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, 2022 are set out on pages 116 to 118 in the consolidated statement of changes in equity and note 49 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company's reserves available for distribution, amounted to approximately RMB7,607 million (as of December 31, 2021: RMB7,738 million).

TAXATION

Tax position of the Company for the year ended December 31, 2022 is set forth in note 11 to the consolidated financial statements.

TAX RELIEF

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

BANK BORROWINGS

Particulars of bank borrowings of the Company and the Group as of December 31, 2022 are set out in note 37 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 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

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, Dr. Geng Lihong, Ms. Yan Xiaoqing, Dr. Chong Yat Keung and Mr. Wang Xiaobo shall retire by rotation as Directors at the AGM and, being eligible, will offer themselves for re-election at the AGM.

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

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 34 to 44 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, including those to be re-elected at the forthcoming AGM, 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.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises salaries, allowances, benefits in kind, performance-related bonuses and pension scheme contributions. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

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

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 the mainland China, Hong Kong, and the United States with its transactions settled in Renminbi, Hong Kong dollars 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 time deposit to be limited because the tenor of such instruments are short, ranging from 62 to 182 days or can be redeemable on demand.

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.

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

As of December 31, 2022, 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 had 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 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	4,300,500	0.17%	Long position
Mr. Dong Yang	Beneficial owner	3,475,000	0.14%	Long position
Ms. Lyu Rong	Beneficial owner	5,504,000	0.22%	Long position
Ms. Yan Xiaoqing	Beneficial owner	2,216,000	0.09%	Long position

Note:

(1) The calculation is based on the total number of 2,516,852,802 Shares in issue as of December 31, 2022.

(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)

Notes:

(1) Ms. Lyu Rong, one of the registered shareholders of Jinyi Hongkang, holds 51% of the equity interest in Jinyi Hongkang. Jinyi Hongkang is a subsidiary of the Company by virtue of the series of contractual arrangements entered into to allow the Company to receive the economic benefits of its VIE entities.

(2) Ms. Yan Xiaoqing, one of the registered shareholders of Jinrun Fude, holds 51% of the equity interest in Jinrun Fude. Jinrun Fude is a subsidiary of the Company by virtue of the series of contractual arrangements entered into to allow the Company to receive the economic benefits of its VIE entities.

Save as disclosed above, as of December 31, 2022, 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 of December 31, 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares Approximate	Percentage of Shareholding in the Company	Long position/ Short position/ Lending pool
JINXIN Fertility Investment Group Limited[1]	Beneficial owner	319,471,061	12.69%	Long position
HRC Investment Holding, LLC	Beneficial owner	296,923,575	11.80%	Long position
HHLR Advisors, Ltd. (previously known as Hillhouse Capital Advisors, Ltd.)[2]	Investment manager	186,863,349	7.42%	Long position
HHLR Fund, L.P. (previously known as Gaoling Fund, L.P.)[2]	Beneficial owner	161,915,349	6.43%	Long position

Notes:

(1) JINXIN Fertility Investment Group Limited 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 the listing of the Company and remain as one of the Company's substantial Shareholders upon the listing of the Company and as of December 31, 2022.

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

(3) The calculation is based on the total number of 2,516,852,802 Shares in issue as of December 31, 2022.

Save as disclosed above, as of December 31, 2022, 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 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 was approved and conditionally adopted by the Shareholders by way of written resolutions on June 3, 2019 (the "**Adoption Date**"). As of December 31, 2022, no option was granted, and thus no option had been exercised, cancelled or lapsed pursuant to the Share Option Scheme. The Board has not specified any performance target that must be achieved before options can be exercised. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(1) *Purpose of the Share Option Scheme*

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.

(2) *Participants*

Eligible participants under the Share Option Schemes include any persons belonging to any of the following classes of participants: (a) any of our employees or employees of our subsidiaries or any entity (the "**Managed Entity**") in which our Group holds any equity interest, including any executive Director of our Company, its subsidiaries or Managed Entity; (b) any of non-executive Director or independent non-executive Director of our Company, its subsidiaries or Managed Entity; and (c) any senior management of our Company, its subsidiaries or Managed Entity.

(3) *Total number of Shares to be issued*

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 our Company must not in aggregate exceed 238,081,580 Shares, being 10% (the "**Scheme Mandate Limit**") of the total issued shares as of the Listing Date, and representing approximately 8.75% of the Shares in issue as of the date of this annual report. 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. As a result, the total number of Shares available for grant under the Share Option Scheme was 238,081,580 Shares as of January 1, 2022 and December 31, 2022 respectively.

(4) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised or outstanding options) to each Eligible Person in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such Eligible Person and its associates abstaining from voting.

(5) *Grant of options and acceptance of offers*

Share options may be accepted by a grantee within a certain number of days from the date of the offer of the grant as indicated in the offer letter. The options under the Share Option Scheme were granted to the grantees as HK$1.00.

An option may be accepted by an Eligible Person within 28 days from the date of the offer of grant of the option.

(6) *Period within which options may be exercised*

An option may be exercised, in accordance with the terms of the Share Option Scheme, one year after the date on which the option is granted and shall expire on the earlier of the last day of (i) a ten year period from the date of such grant for each corresponding grantee as set out in their respective offer letters and (ii) the expiration of the Share Option Scheme.

(7) *Vesting Period*

Options granted generally vest over a period ranging from 2 to 5 years. The vesting schedule of the options will be in equal yearly installments over the vesting period for each corresponding grantee on the respective anniversary dates of the grant.

(8) *Basis of determination of Subscription Price*

The subscription price (the "**Subscription Price**") for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

(9) *Life of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing from the Adoption Date. As such, as of December 31, 2022, the remaining life of the Share Option Scheme was approximately 6 years.

RSU SCHEME

The RSU Scheme was approved and adopted by the Board on February 15, 2019 (the "**RSU Adoption Date**"). The following is a summary of the principal terms of the RSU Scheme but does not form part of, nor was it intended to be, the RSU Scheme nor should it be taken as affecting the interpretation of the rules of the RSU Scheme:

(1) Purpose of 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 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, reward, remunerating, compensating and/or providing benefits to the Selected Participants.

(2) Selected Participants of the RSU Scheme

Persons eligible to receive RSUs under the RSU Scheme are any employee, director, officer, consultant or advisor of any member of the Group, or any entity which is managed by any member of the Group (the "**Managed Entity**") whom the Board considers, in its sole discretion, to have contributed or will contribute to the growth and development of the Group or any Managed Entity.

(3) Total number of Shares to be granted

The total number of the RSUs which may be issued upon exercise of all grants made pursuant to the RSU Scheme shall not exceed in 32,981,388 Shares, representing approximately 1.66% of the Company's issued share capital as of the RSU Adoption Date (the "**RSU Scheme Limit**"), and representing approximately 1.21% of the Shares in issue as of the date of this annual report. As of the date of this annual report, the total number of Shares available for issue in respect of which RSUs may be granted under the RSU Scheme is 1,737,694 Shares, representing approximately 0.06% of the Shares in issue as of that date. During the Reporting Period, the number of Shares underlying the RSUs that granted under the RSU Scheme divided by the weighted average number of total Shares issue during the Reporting Period is 0.14%.

(4) Maximum entitlement of each Selected Participant

The maximum entitlement of each participant under the RSU Scheme shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force. Any further grant of RSUs to any one participant in excess of such imposed limit shall be subject to the Shareholders' approval in general meeting with such participant and his associates abstaining from voting.

(5) Vesting Period of RSUs under the RSU Scheme

RSUs granted generally vest over a period ranging from 1 month to 5 years. The vesting schedule of the RSUs will be in equal installments over the vesting period for each corresponding Selected Participant upon satisfaction of the respective performance target on the respective anniversary dates of the vesting commencement date.

(6) Grant of RSUs and acceptance of offers

RSUs may be accepted by a grantee within a certain number of days from the date of the offer of the grant of the RSUs as indicated in the offer letter. The RSUs under the RSU Scheme were granted to the Selected Participants at nil consideration and were or will be transferred to the Selected Participants upon vesting at nil consideration.

(7) Life of the RSU Scheme

The RSU Scheme commences on the RSU 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. As such, as of December 31, 2022, the remaining life of the RSU Scheme was approximately six years.

During the Reporting Period, a total of 3,584,210 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 condensed consolidated financial statements of this annual report.

The total number of Shares available for grant under the RSU Scheme as at January 1, 2022 and December 31, 2022 was 5,070,239 Shares and 1,737,694 Shares respectively.

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

Name of Participant or Category of Participant	Date of grant	Vesting Period[(1)]	Closing price of shares immediately before the date on which the RSUs were granted (HK$)	Number of RSUs held at January 1, 2022	Number of RSUs granted during the Reporting Period	Number of RSUs lapsed and cancelled	Number of RSUs vested	Number of RSUs held at December 31, 2022	Weighted average closing price of the shares immediately before the dates on which the RSUs were vested (HK$)	Fair value of RSUs at the date of grant (HK$)
Related entity participants or service provider with options or awards granted and to be granted in any 12-month period exceeding 0.1% individual limit										
Dr. John Matthew Norian	February 15, 2019	1–5 years	5.25	2,353,020	—	—	784,340	1,568,680	7.69	5.25
Other employee participants and related entity participants										
	February 15, 2019	3–4 years	5.25	3,251,494	—	—	3,251,494	—	12.04	5.25
	January 6, 2020	1–3 years	10.82	5,121,547	—	251,665	2,307,905	2,561,977	11.79	11.01
	January 10, 2021	6 months-3 years	15.18	1,986,512	—	—	620,593	1,365,919	10.40	15.18
	June 1, 2021	8 months-3 years	21.25	500,000	—	—	125,000	375,000	7.87	21.25
	January 1, 2022	1 month-2 years	8.71	—	100,000	—	33,333	66,667	7.69	8.71
	January 31, 2022	1 month-5 years	7.76	—	3,384,210	—	139,350	3,244,860	7.69	7.76
	March 1, 2022	10 months-3 years	8.89	—	100,000	—	—	100,000	—	8.94
Total				**13,212,573**	**3,584,210**	**251,665**	**7,262,015**	**9,283,103**		

Note:

(1) The vesting of the RSUs shall be subject to certain vesting conditions based on a set of indicators that are linked with, and subject to, the results of individual performance assessments carried out by the Group and the achievement of the overall performance targets of the relevant hospitals and members of the Group as well as the results of individual performance assessments carried out by the Group for each corresponding Selected Participant.

2022 RESTRICTED SHARE AWARD SCHEME

The 2022 Restricted Share Award Scheme was approved and adopted by the Board on February 17, 2022 (the "**Award Adoption Date**"). The following is a summary of the principal terms of the 2022 Restricted Share Award Scheme but does not form part of, nor was it intended to be, the 2022 Restricted Share Award Scheme nor should it be taken as affecting the interpretation of the rules of the 2022 Restricted Share Award Scheme:

(1) *Purpose of the 2022 Restricted Share Award Scheme*

The purposes of the 2022 Restricted Share Award Scheme are to (i) provide the selected participants of the 2022 Restricted Share Award Scheme (the "**Award Selected Participants**") with the opportunity to acquire proprietary interests in the Company; (ii) encourage the Award Selected Participants 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, reward, remunerating, compensating and/or providing benefits to the Award Selected Participants.

(2) *Selected Participants of the 2022 Restricted Share Award Scheme*

Persons eligible to receive restricted Shares under the 2022 Restricted Share Award Scheme are any employee, director, officer, consultant or advisor of any member of the Group, or any entity which is managed by any member of the Group (the "**Managed Entity**") whom the Board considers, in its sole discretion, to have contributed or will contribute to the growth and development of the Group or any Managed Entity.

(3) *Total number of Shares to be granted*

The total number of the restricted Shares which may be issued upon exercise of all grants made pursuant to the 2022 Restricted Share Award Scheme shall not exceed in 75,227,514 Shares, representing approximately 3% of the Company's issued share capital as of the Award Adoption Date (the "**Award Limit**"), and representing approximately 2.76% of the Shares in issue as of the date of this annual report, provided that no account shall be taken into the calculation of the Award Limit of any Shares where the right to acquire such Shares has been released, lapsed or vested in accordance with the 2022 Restricted Share Award Scheme. As of the date of this annual report, the total number of Shares available for issue in respect of which restricted Shares may be granted under the 2022 Restricted Share Award Scheme is 9,374,273 restricted Shares, representing approximately 0.34% of the Shares in issue as of that date.

(4) *Maximum entitlement of each Selected Participant*

The maximum entitlement of each participant under the 2022 Restricted Share Award Scheme shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force. Any further grant of Share Awards to any one participant in excess of such imposed limit shall be subject to the Shareholders' approval in general meeting with such participant and his associates abstaining from voting.

(5) Vesting Period of restricted Shares under the 2022 Restricted Share Award Scheme

Restricted Shares granted generally vest over a five-year period. The vesting schedule of the restricted Shares will be in equal yearly installments over the vesting period for each corresponding grantee upon satisfaction of the relevant performance targets on the respective anniversary dates of the grant.

(6) Grant of restricted Shares and acceptance of offers

Restricted Shares may be accepted by a grantee within a certain number of days from the date of the offer of the grant of the restricted Shares as indicated in the offer letter. The restricted Shares under the 2022 Restricted Share Award Scheme were granted to the Award Selected Participants at nil consideration and were or will be transferred to the Award Selected Participants upon vesting at nil consideration.

(7) Life of the 2022 Restricted Share Award Scheme

The 2022 Restricted Share Award Scheme commences on the Award 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. As such, as of December 31, 2022, the remaining life of the 2022 Restricted Share Award Scheme is approximately nine years.

The Group has not granted any restricted shares under the 2022 Restricted Share Award Scheme since its adoption and up to December 31, 2022. Thus, no restricted shares had been exercised, cancelled or lapsed under the 2022 Restricted Share Award Scheme. The total number of Shares available for grant under the 2022 Restricted Share Award Scheme was 75,227,514 as of January 1, 2022 and December 31, 2022 respectively. In January 2023, the Group has granted 65,853,241 restricted Shares in aggregate to its employees, Directors and Subsidiary Directors. For further details, please refer to the section headed "Events After The Reporting Period" in this annual report.

EQUITY-LINKED AGREEMENTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as of December 31, 2022, 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 AND ONE-OFF CONNECTED TRANSACTIONS

For the year ended December 31, 2022, the Group had entered into certain non-exempt continuing connected transactions and one-off 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 announcements of the Company dated November 26, 2021, April 12, 2022, July 13, 2022, August 26, 2022, November 7, 2022 and December 30, 2022, respectively. For details of such one-off connected transactions, please refer to the announcements of the Company dated April 13, 2022 and August 26, 2022, respectively.

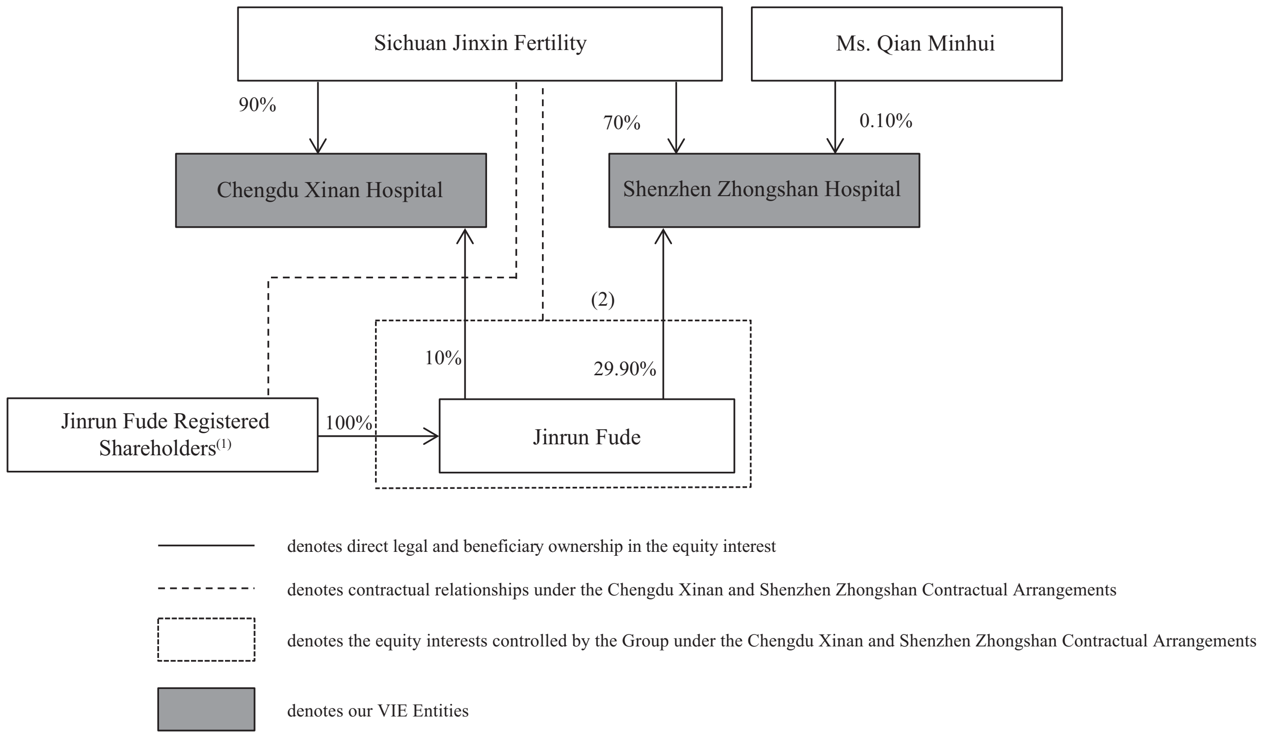
Non-exempt Continuing Connected Transactions

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 (i) 10.00%, (ii) 29.90%, (iii) 30.00% and (iv) 100.00% equity interests in (a) Chengdu Xinan Hospital, (b) Shenzhen Zhongshan Hospital, (c) Jiuzhou Hospital and Hewanjia Hospital and (d) Jinxin Women and Children Hospital, respectively.

a. *Chengdu Xinan and Shenzhen Zhongshan 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 Chengdu Xinan and Shenzhen Zhongshan 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 Chengdu Xinan and Shenzhen Zhongshan Exclusive Operation Services Agreements, Chengdu Xinan and Shenzhen Zhongshan Exclusive Option Agreements, Chengdu Xinan and Shenzhen Zhongshan Powers of Attorney, Chengdu Xinan and Shenzhen Zhongshan Equity Pledge Agreements and Spouse Undertakings together form the legal relationship under the Chengdu Xinan and Shenzhen Zhongshan Contractual Arrangements.

A brief description of the specific agreements that comprise the Chengdu Xinan and Shenzhen Zhongshan Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" of the Prospectus and the announcements of the Company dated January 27, 2022 and April 13, 2022.

(1) Chengdu Xinan and Shenzhen Zhongshan Exclusive Operation Services Agreements

The Jinrun Fude Registered Shareholders, Jinrun Fude and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital have entered into the Chengdu Xinan and Shenzhen Zhongshan Exclusive Operation Services Agreements with Sichuan Jinxin Fertility on December 23, 2018, February 2, 2019, April 12, 2022 and August 26, 2022, pursuant to which, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital and Jinrun Fude 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 Chengdu Xinan and Shenzhen Zhongshan 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 Chengdu Xinan and Shenzhen Zhongshan 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 Chengdu Xinan and Shenzhen Zhongshan Exclusive Operation Services Agreements.

Under the Chengdu Xinan and Shenzhen Zhongshan Exclusive Operation Services Agreements, the service fee shall be an amount equal to 10% of the distributable net profit of Chengdu Xinan Hospital and 29.90% 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, 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, 2022, the service fee in relation to 10% of the distributable net profit of Chengdu Xinan Hospital is RMB26,467,000. In relation to Shenzhen Zhongshan Hospital, the service fee in relation to (i) 9.44% of its distributable net profit from January 1, 2022 to April 11, 2022 is RMB1,660,000; (ii) 24.44% of its distributable net profit from April 12, 2022 to August 24, 2022 is RMB7,163,000; and (iii) 29.90% of its distributable net profit from August 25, 2022 to December 31, 2022 is RMB7,010,000.

(2) Chengdu Xinan and Shenzhen Zhongshan Exclusive Option Agreements

On December 23, 2018, February 2, 2019, April 12, 2022 and August 26, 2022, Sichuan Jinxin Fertility, the Jinrun Fude Registered Shareholders, Jinrun Fude, Mr. Zeng Yong and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital entered the Chengdu Xinan and Shenzhen Zhongshan Exclusive Option Agreements.

Pursuant to the Chengdu Xinan and Shenzhen Zhongshan 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) 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 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) Chengdu Xinan and Shenzhen Zhongshan Shareholders' Rights Entrustment Agreements and Chengdu Xinan and Shenzhen Zhongshan Powers of Attorney

On December 23, 2018, February 2, 2019, April 12, 2022 and August 26, 2022, Sichuan Jinxin Fertility, Jinrun Fude and the Jinrun Fude Registered Shareholders and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital entered into the Chengdu Xinan and Shenzhen Zhongshan Shareholders' Rights Entrustment Agreement and the 2019 Powers of Attorney executed by the Jinrun Fude Registered Shareholders and Jinrun Fude in favor of Sichuan Jinxin Fertility (and its successors or liquidators) or a natural person designated by Sichuan Jinxin Fertility (the "**Chengdu Xinan and Shenzhen Zhongshan Attorney**").

Pursuant to the Chengdu Xinan and Shenzhen Zhongshan Shareholders' Rights Entrustment Agreements and the Chengdu Xinan and Shenzhen Zhongshan 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) and (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 29.90% equity interests. As Sichuan Jinxin Fertility is a subsidiary of the Company, the terms of the Chengdu Xinan and Shenzhen Zhongshan Shareholders' Rights Entrustment Agreements and the Chengdu Xinan and Shenzhen Zhongshan 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 99.90% equity interests of Shenzhen Zhongshan Hospital.

(4) Chengdu Xinan and Shenzhen Zhongshan Equity Pledge Agreements

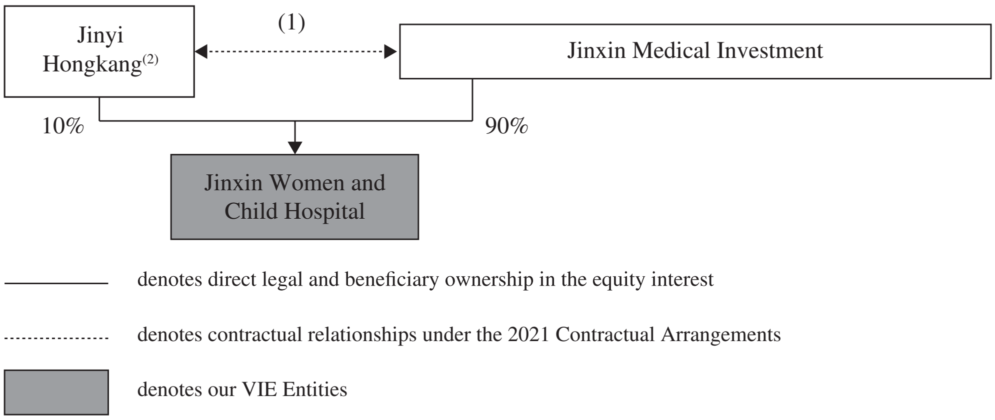
On December 23, 2018, February 2, 2019, April 12, 2022 and August 26, 2022, Jinrun Fude, Sichuan Jinxin Fertility, the Jinrun Fude Registered Shareholders and Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital entered into the Chengdu Xinan and Shenzhen Zhongshan Equity Pledge Agreements. Pursuant to the Chengdu Xinan and Shenzhen Zhongshan Equity Pledge Agreements, (i) the Jinrun Fude Registered Shareholders agree to pledge all of their respective equity interests in Jinrun Fude and (ii) Jinrun Fude agrees to pledge all of its equity interests in Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital to Sichuan Jinxin Fertility to secure performance of all their obligations and the obligations of Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital under the Chengdu Xinan and Shenzhen Zhongshan Exclusive Option Agreements, the Chengdu Xinan and Shenzhen Zhongshan Powers of Attorney and the Chengdu Xinan and Shenzhen Zhongshan Equity Pledge Agreements underlying the Chengdu Xinan and Shenzhen Zhongshan Contractual Arrangements.

(5) Spouse Undertakings

The spouses of each of the Jinrun Fude Registered Shareholders (as applicable) has signed an spouse undertakings to the effect that (i) 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 (ii) 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 Children Hospital to the Group as stipulated under the 2021 Contractual Arrangements:



Notes:

(1) The 2021 Exclusive Operations Service Agreement, 2021 Exclusive Option Agreements, 2021 Powers of Attorney, 2021 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 Children Hospital have entered into the 2021 Exclusive Operation Services Agreement with Jinxin Medical Investment on November 26, 2021, pursuant to which, Jinxin Women and Children 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 Children Hospital free of charge and without any conditions. Jinyi Hongkang and Jinxin Women and Children 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 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 Children 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 Children 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, 2022, the service fee in relation to 10% of the distributable net profit of Jinxin Women and Children Hospital is RMB11,284,000.

(2) 2021 Exclusive Option Agreements

On November 26, 2021, Jinxin Medical Investment, the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang and/or Jinxin Women and Children 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 Children Hospital from Jinyi Hongkang itself or through its designated person(s); and (iv) Jinxin Women and Children 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 Children Hospital attributable to Jinyi Hongkang from Jinxin Women and Children 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 Children 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 Children 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 Children 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 Children Hospital and 100% equity interest of Jinyi Hongkang and Jinxin Women and Children Hospital.

(4) 2021 Equity Pledge Agreements

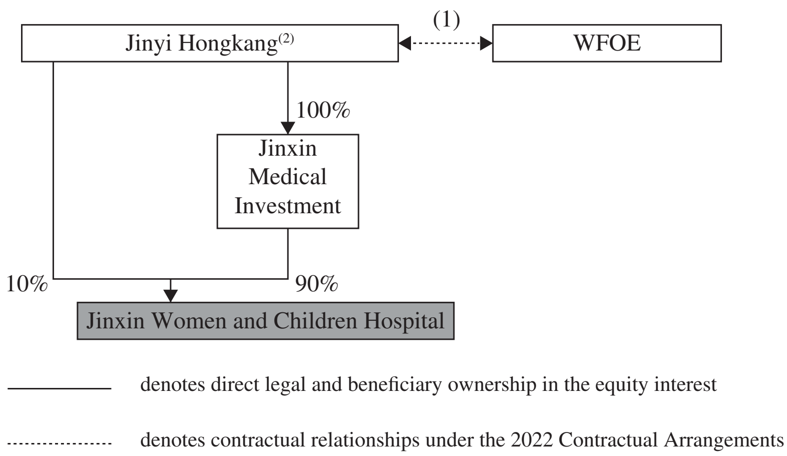
On November 26, 2021, Jinxin Medical Investment, the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang, and/or Jinxin Women and Children Hospital have entered into the 2021 Equity Pledge Agreements. Pursuant to the Equity Pledge Agreements, (i) the Jinyi Hongkang Registered Shareholders agree to 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 Children Hospital to Jinxin Medical Investment to secure performance of all their obligations and the obligations of Jinxin Women and Children Hospital under the Exclusive Option Agreement, the 2021 Powers of Attorney and the Equity Pledge Agreements underlying the New 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.

c. *2022 Contractual Arrangements*

On December 30, 2022, the Company had terminated the 2021 Contractual Arrangements and entered into the 2022 Contractual Arrangements in regards to the entire equity interest Jinxin Women and Children Hospital. The following simplified diagram illustrates the flow of economic benefits from Jinxin Women and Children Hospital to the Group as stipulated under the 2022 Contractual Arrangements:



Notes:

(1) The 2022 exclusive Operation Services Agreement, 2022 Exclusive Option Agreements, 2022 Powers of Attorney, 2022 Equity Pledge Agreements and Spouse Undertakings together form the legal relationship under the 2022 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 2022 Contractual Arrangements is set out below. For details of the specific agreements, please refer to the Company's announcement dated November 7, 2022.

(1) 2022 Exclusive Operation Services Agreement

On December 30, 2022, Jinxin Women and Children Hospital have entered into the 2022 Exclusive Operation Services Agreement with the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang, Jinxin Medical Investment and Sichuan Jinxin Medical Management, pursuant to which, Jinxin Women and Children Hospital, Jinxin Medical Investment and Jinyi Hongkang each agreed to engage Sichuan Jinxin Medical Management as their exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Under the 2022 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. Sichuan Jinxin Medical Management has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the 2022 Exclusive Operation Services Agreement, Sichuan Jinxin Medical Management may use the intellectual property rights owned by Jinyi Hongkang, Jinxin Medical Investment and Jinxin Women and Children Hospital free of charge and without any conditions. Jinyi Hongkang, Jinxin Medical Investment and Jinxin Women and Children Hospital may also use the intellectual property work created by Sichuan Jinxin Medical Management from the services performed by Sichuan Jinxin Medical Management in accordance with the 2022 Exclusive Operation Services Agreement.

Under the 2022 Exclusive Operation Services Agreement, the service fee shall be an amount equal to 100% of the distributable net profit of each Jinxin Women and Children 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, Jinxin Medical Investment and Jinxin Women and Children Hospital shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Sichuan Jinxin Medical Management in connection with the performance of the 2022 Exclusive Operation Services Agreement and provision of services.

In addition, absence of a prior written consent of Sichuan Jinxin Medical Management, during the term of the 2022 Exclusive Operation Services Agreement, the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang, Jinxin Medical Investment and Jinxin Women and Children Hospital shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar cooperation relationships with any third party. Sichuan Jinxin Medical Management has the right to appoint any third party to provide any or all of the services, or to fulfill its obligations under the 2022 Exclusive Operation Services Agreement.

(2) 2022 Exclusive Option Agreements

On December 30, 2022, Sichuan Jinxin Medical Management have entered into the 2022 Exclusive Option Agreements with the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang, Jinxin Medical Investment and Jinxin Women and Children Hospital.

Pursuant to the 2022 Exclusive Option Agreements, (i) each of the Jinyi Hongkang Registered Shareholders irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Medical Management which entitles Sichuan Jinxin Medical Management 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 Sichuan Jinxin Medical Management which entitles Sichuan Jinxin Medical Management 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 and Jinxin Medical Investment irrevocably and unconditionally grant an exclusive option to Sichuan Jinxin Medical Management which entitles Sichuan Jinxin Medical Management 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 Children Hospital from Jinyi Hongkang and Jinxin Medical Investment itself or through its designated person(s); and (iv) Jinxin

Women and Children Hospital irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Medical Management which entitles Sichuan Jinxin Medical Management 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 Children Hospital attributable to Jinyi Hongkang and Jinxin Medical Investment from Jinxin Women and Children 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, Jinxin Medical Investment and Jinxin Women and Children 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 Sichuan Jinxin Medical Management.

(3) 2022 Shareholders' Rights Entrustment Agreements and 2022 Powers of Attorney

On December 30, 2022, Sichuan Jinxin Medical Management have entered into the 2022 Shareholders' Rights Entrustment Agreements with Jinxin Women and Children Hospital, Jinyi Hongkang, Jinxin Medical Investment and the Jinyi Hongkang Registered Shareholders and the 2022 Powers of Attorney executed by the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang and Jinxin Medical Investment in favor of Sichuan Jinxin Medical Management (and its successors or liquidators) or a natural person designated by Sichuan Jinxin Medical Management (the "**2022 Attorney**").

Pursuant to the 2022 Shareholders' Rights Entrustment Agreements and the 2022 Powers of Attorney, (i) the Jinyi Hongkang Registered Shareholders irrevocably agree to authorize the 2022 Attorney to exercise all of their rights and powers as a shareholder of Jinyi Hongkang (as applicable); and (ii) Jinyi Hongkang and Jinxin Medical Investment irrevocably agree to authorize the 2022 Attorney to exercise all of its rights and powers of a shareholder in Jinxin Women and Children Hospital with 100% equity interest, including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. As Sichuan Jinxin Medical Management is a subsidiary of the Company, the terms of the 2022 Shareholders' Rights Entrustment Agreements and the 2022 Powers of Attorney will give the Company control over all corporate decisions in Jinxin Women and Children Hospital and 100% effective shareholding interest in Jinxin Women and Children Hospital.

(4) 2022 Equity Pledge Agreements

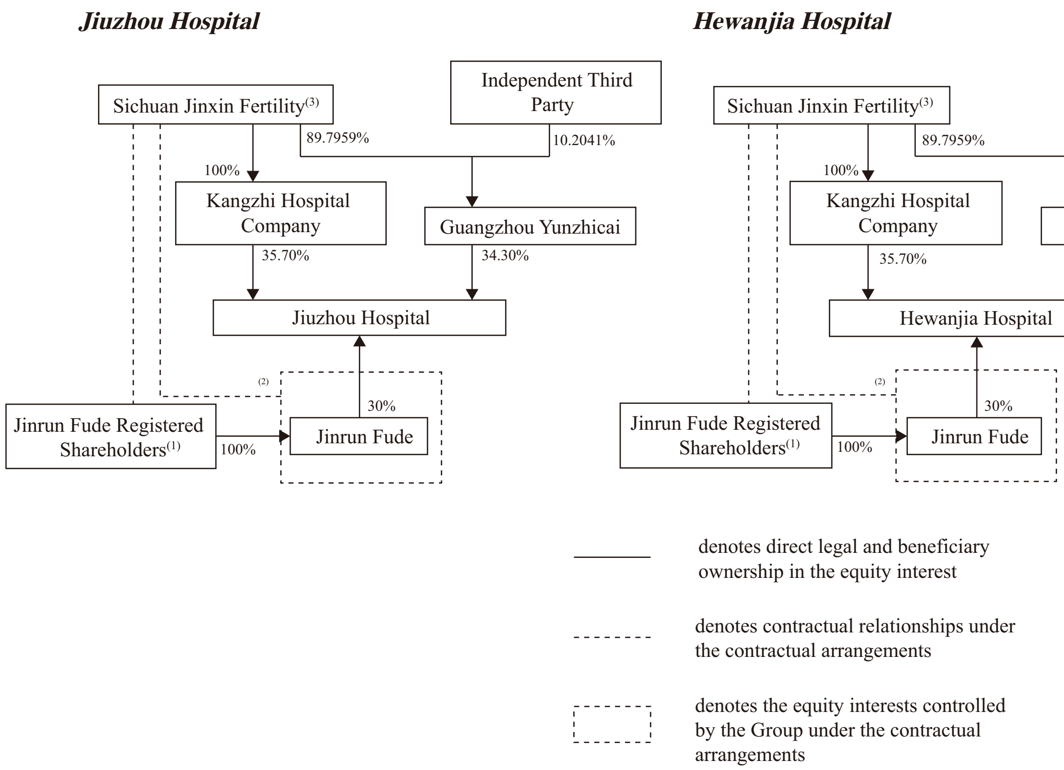
On December 30, 2022, Sichuan Jinxin Medical Management have entered into the 2022 Equity Pledge Agreements with Jinxin Women and Children Hospital, the Jinyi Hongkang Registered Shareholders, Jinyi Hongkang and Jinxin Medical Investment. Pursuant to the 2022 Equity Pledge Agreements, (i) the Jinyi Hongkang Registered Shareholders agree to pledge all of their respective equity interest in Jinyi Hongkang; and (ii) Jinyi Hongkang and Jinxin Medical Investment agree to pledge all of its equity interest in Jinxin Women and Children Hospital to Sichuan Jinxin Medical Management to secure performance of all their obligations and the obligations in Jinxin Women and Children Hospital under the 2022 Exclusive Option Agreements, the 2022 Powers of Attorney and the 2022 Equity Pledge Agreements underlying the 2022 New Contractual Arrangements.

(5) 2022 Spouse Undertakings

The spouses of each of the Jinyi Hongkang Registered Shareholders will sign 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.

d. *Jiuzhou Hospital and Hewanjia Hospital Contractual Arrangements*

The following simplified diagram illustrates the flow of economic benefits from Jiuzhou Hospital and Hewanjia Hospital to the Group as stipulated under the Jiuzhou Hospital and Hewanjia Hospital 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 Jiuzhou Hospital and Hewanjia Hospital Exclusive Operations Service Agreement, Jiuzhou Hospital and Hewanjia Hospital Exclusive Option Agreement, Jiuzhou Hospital and Hewanjia Hospital Powers of Attorney, Jiuzhou Hospital and Hewanjia Hospital Equity Pledge Agreement and Spouse Undertaking together form the legal relationship under the Jiuzhou Hospital and Hewanjia Hospital Contractual Arrangements.

3) Sichuan Jinxin Fertility may hold the equity rights in Kangzhi Hospital Company directly and/or indirectly through its subsidiaries or entities controlled by it.

A brief description of the specific agreements that comprise the Jiuzhou Hospital and Hewanjia Hospital Contractual Arrangements is set out below. For details of the specific agreements, please refer to the Company's announcement dated July 13, 2022.

(1) Jiuzhou Hospital and Hewanjia Hospital Exclusive Operation Services Agreement

Each of Jiuzhou Hospital and Hewanjia Hospital have, respectively, entered into an exclusive operation services agreement with the Jinrun Fude Registered Shareholders, Jinrun Fude and Sichuan Jinxin Fertility (the "**Jiuzhou Hospital and Hewanjia Hospital Exclusive Operation Services Agreements**"), pursuant to which, Jiuzhou Hospital, Hewanjia Hospital and Jinrun Fude each 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 Jiuzhou Hospital and Hewanjia Hospital 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 Jiuzhou Hospital and Hewanjia Hospital Exclusive Operation Service Agreements, Sichuan Jinxin Fertility may use the intellectual property rights owned by Jinrun Fude, Jiuzhou Hospital and Hewanjia Hospital free of charge and without any conditions. Jinrun Fude, Jiuzhou Hospital and Hewanjia 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 Jiuzhou Hospital and Hewanjia Hospital Exclusive Operation Service Agreements.

Under the Jiuzhou Hospital and Hewanjia Hospital Exclusive Operation Services Agreements, the service fee shall be an amount equal to 30.00% of the distributable net profit of each Jiuzhou Hospital and Hewanjia 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, Jinrun Fude, Jiuzhou Hospital and Hewanjia 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 Jiuzhou Hospital and Hewanjia Hospital Exclusive Operation Services Agreements and provision of services. For the period between April 20, 2022 and December 31, 2022, the service fee in relation to 30% of the distributable net profit of each Jiuzhou Hospital and Hewanjia Hospital is RMB2,547,000.

(2) Jiuzhou Hospital and Hewanjia Hospital Exclusive Option Agreements

On July 13, 2022, each of Jiuzhou Hospital and Hewanjia Hospital have, respectively, entered into exclusive option agreements (the "**Jiuzhou Hospital and Hewanjia Hospital Exclusive Option Agreements**") with Sichuan Jinxin Fertility, the Jinrun Fude Registered Shareholders and Jinrun Fude.

Pursuant to the Jiuzhou Hospital and Hewanjia Hospital 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 interest in Jiuzhou Hospital and Hewanjia Hospital from Jinrun Fude itself or through its designated person(s); and (iv) each of Jiuzhou Hospital and Hewanjia Hospital 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 Jiuzhou Hospital and Hewanjia Hospital attributable to Jinrun Fude from Jiuzhou Hospital and Hewanjia 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 Jinrun Fude Registered Shareholders, Jinrun Fude, Jiuzhou Hospital and Hewanjia 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 Sichuan Jinxin Fertility.

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

On July 13, 2022, each of Jiuzhou Hospital and Hewanjia Hospital have, respectively, entered into the shareholders' rights entrustment agreements (the "**Jiuzhou Hospital and Hewanjia Hospital Shareholders' Rights Entrustment Agreements**") with Sichuan Jinxin Fertility, Jinrun Fude and/or the Jinrun Fude Registered Shareholders and the powers of attorney executed by the Jinrun Fude Registered Shareholders and Jinrun Fude (the "**Jiuzhou Hospital and Hewanjia Hospital Powers of Attorney**") in favor of Sichuan Jinxin Fertility (and its successors or liquidators) or a natural person designated by Sichuan Jinxin Fertility (the "**Jiuzhou Hospital and Hewanjia Hospital Attorney**").

Pursuant to the Jiuzhou Hospital and Hewanjia Hospital Shareholders' Rights Entrustment Agreements and the Jiuzhou Hospital and Hewanjia Hospital Powers of Attorney, (i) the Jinrun Fude Registered Shareholders irrevocably agree to authorize the Attorney to exercise all of their rights and powers as a shareholder of Jinrun Fude (as applicable); and (ii) Jinrun Fude irrevocably agrees to authorize the Attorney to exercise all of its rights and powers of a shareholder in each of Jiuzhou Hospital and Hewanjia Hospital with 30.00% equity interest, 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 Jiuzhou Hospital and Hewanjia Hospital Shareholders' Rights Entrustment Agreements and the Jiuzhou Hospital and Hewanjia Hospital Powers of Attorney will give the Company control over all corporate decisions in each of the Target Hospitals and 96.50% effective shareholding interest in each of Jiuzhou Hospital and Hewanjia Hospital.

(4) Jiuzhou Hospital and Hewanjia Hospital Equity Pledge Agreements

On July 13, 2022, each of Jiuzhou Hospital and Hewanjia Hospital have, respectively, entered into the equity pledge agreements (the "**Jiuzhou Hospital and Hewanjia Hospital Equity Pledge Agreements**") with Sichuan Jinxin Fertility, the Jinrun Fude Registered Shareholders and Jinrun Fude. Pursuant to the Equity Pledge Agreements, (i) the Jinrun Fude Registered Shareholders agree to pledge all of their respective equity interest in Jinrun Fude; and (ii) Jinrun Fude agrees to pledge all of its equity interest in Jiuzhou Hospital and Hewanjia Hospital to Sichuan Jinxin Fertility to secure performance of all their obligations and the obligations in each of Jiuzhou Hospital and Hewanjia Hospital under the Jiuzhou Hospital and Hewanjia Hospital Exclusive Option Agreements, the Jiuzhou Hospital and Hewanjia Hospital Powers of Attorney and the Jiuzhou Hospital and Hewanjia Hospital Equity Pledge Agreements underlying the Jiuzhou Hospital and Hewanjia Hospital Contractual Arrangements.

(5) Jiuzhou Hospital and Hewanjia Hospital Spouse Undertaking

The spouses of each of the Jinrun Fude Registered Shareholders has signed an undertaking to the effect that 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 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, 2022, 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 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%, 70.00% and 70.00% of the equity interests in any medical institution in Chengdu, Shenzhen and Kunming, respectively, and not hold any equity interest in medical institutions offering Genetics Molecular Services in the PRC (the "**Foreign Ownership Restriction**"). As such, the Company, through Sichuan Jinxin Fertility and Jinxin Medical Investment, currently holds 90.00%, 70.00%, 66.50% and nil equity interests in (i) Chengdu Xinan Hospital, (ii) Shenzhen Zhongshan Hospital (iii) Jiuzhou Hospital and Hewanjia Hospital and (iv) Jinxin Women and Children Hospital, respectively. Jinrun Fude holds 10.00% equity interests in Chengdu Xinan Hospital, 29.90% in Shenzhen Zhongshan Hospital and 30.00% equity interest in Jiuzhou Hospital and Hewanjia Hospital. Ms. Qian Minhui holds the remaining 0.1% equity interests in Shenzhen Zhongshan Hospital. Jinyi Hongkang holds 100% equity interests in Jinxin Women and Children 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 exercise 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 New 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, an executive Director 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 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, 2022, 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$47,901,000 and US$1,000 per Physician Shareholders (US$0 to Dr. John G. Wilcox who was appointed on November 23, 2022), respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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, 2022 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, 2022 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, 2022 had been duly reviewed and approved by the Board (including the independent non-executive Directors).

Annual Review and Confirmation by the Auditor of the Company

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the 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, 2022 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.

Non-exempt One-off Connected Transactions

Acquisition of 15% Equity Interest in Shenzhen Zhongshan Hospital

On January 27, 2022, Jinrun Fude (a subsidiary of the Company by virtue of the Existing Contractual Arrangements) has entered into the equity transfer agreement (the "**15% Equity Transfer Agreement**") with Mr. Mei Hua, pursuant to which Jinrun Fude agreed to purchase, and Mr. Mei Hua agreed to sell 15% equity interest in Shenzhen Zhongshan Hospital at the consideration of RMB288,682,500 in accordance with the terms and conditions thereof. The payment of the consideration was funded by the internal resources of the Group.

Upon completion of the acquisition, Shenzhen Zhongshan Hospital has entered into the new contractual arrangements with Sichuan Jinxin Fertility Medical Investment Management Co., Ltd. (四川錦欣生殖醫療投資管理有限公司) and Jinrun Fude, the terms and conditions of which shall be the same as the Existing Contractual Arrangements in all material respects, upon which the economic benefit in relation to the Target Equity Interest in Shenzhen Zhongshan Hospital held by the Jinrun Fude will be consolidated into the Group's results. For details of the new contractual arrangements, please refer to the section headed "Non-exempt Continuing Connected Transactions" in this annual report.

The acquisition of 15% equity interest in Shenzhen Zhongshan Hospital will enable the Group to increase its control in the equity interest in Shenzhen Zhongshan Hospital to approximately 94.44%, thereby enabling the Group to (i) enhance its control and influence over the management and operation of Shenzhen Zhongshan Hospital, (ii) increase its share of economic benefits generated by Shenzhen Zhongshan Hospital, and (iii) have greater flexibility in the formulation of business strategies in Shenzhen Zhongshan Hospital to the Group.

Listing Rules Implications under the Acquisition of 15% Equity Interest in Shenzhen Zhongshan Hospital

Shenzhen Zhongshan Hospital is an indirect non-wholly owned subsidiary of the Company. As of the date of this annual report, Mr. Mei Hua is a substantial shareholder and a director of Shenzhen Zhongshan Hospital and hence a connected person of the Company at the subsidiary level. Accordingly, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Acquisition of 5.46% Equity Interest in Shenzhen Zhongshan Hospital and Subscription of New Shares by Connected Person under Specific Mandate

On April 13, 2022, Jinrun Fude (a subsidiary of the Company by virtue of the Existing Contractual Arrangements) has entered into the equity transfer agreement with Mr. Zeng Yong ("**Mr. Zeng**") (the "**5.46% Equity Transfer Agreement**"), pursuant to which, Jinrun Fude agreed to purchase and Mr. Zeng agreed to sell the 5.46% equity interest (the "**Target Equity Interest**") in Shenzhen Zhongshan Hospital at the consideration of HK$157,500,000 in accordance with the terms and conditions thereof. Pursuant to the 5.46% Equity Transfer Agreement, the total amount of the consideration shall be paid in cash to Mr. Zeng and such payments shall be funded by the internal resources of the Group.

Upon completion of the acquisition, Shenzhen Zhongshan Hospital has entered into the new contractual arrangements with Sichuan Jinxin Fertility Medical Investment Management Co., Ltd. (四川錦欣生殖醫療投資管理有限公司) and Jinrun Fude, the terms and conditions of which shall be the same as the Existing Contractual Arrangements in all material respects, upon which the economic benefit in relation to the Target Equity Interest in Shenzhen Zhongshan Hospital held by the Jinrun Fude will be consolidated into the Group's results. For details of the new contractual arrangements, please refer to the section headed "Non-exempt Continuing Connected Transactions" in this annual report.

On even date, the Company has entered into a subscription agreement (the "**Subscription Agreement**") with Mr. Zeng, pursuant to which the Company conditionally agreed to allot and issue, and Mr. Zeng conditionally agreed to subscribed for 15,000,000 subscription Shares at the subscription price of HK$6.50 per subscription Share for a total consideration of HK$97,500,000.

This acquisition together with the prior acquisition of 15.00% equity interest in Shenzhen Zhongshan Hospital enables the Group to further increase its control in the equity interest in Shenzhen Zhongshan Hospital to approximately 99.90%, thereby enabling the Group to (i) enhance its control and influence over the management and operation of Shenzhen Zhongshan Hospital, (ii) increase its share of economic benefits generated by Shenzhen Zhongshan Hospital, and (iii) have greater flexibility in the formulation of business strategies in Shenzhen Zhongshan Hospital to the Group.

Shenzhen Zhongshan Hospital contributes significantly to the Group's revenue and plays a pivotal role in the long-term strategic development of the Group's business operations. Since its establishment, Mr. Zeng has been working at Shenzhen Zhongshan Hospital and is currently the president of Shenzhen Zhongshan Hospital and is responsible for its overall management and development. The Company believes that the subscription will further reinforce the commitment of Mr. Zeng to the Group by aligning his interests to the Shareholders through ownership of the Shares and his continuing support would be beneficial to the long-term business development and increasing the value of the Group.

Listing Rules Implications under the Acquisition of 5.46% Equity Interest in Shenzhen Zhongshan Hospital and Subscription of New Shares by Connected Person under Specific Mandate

Shenzhen Zhongshan Hospital is an indirect non-wholly owned subsidiary of the Company. On the transaction date, Mr. Zeng was a director of Shenzhen Zhongshan Hospital and hence, a connected person of the Company at the subsidiary level. Accordingly, each of the acquisition and the subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Save as disclosed above, the related party transactions as disclosed in note 44 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, and except the continuing connected transactions and connected transactions that were granted full exemptions on the requirements under Chapter 14A of the Listing Rules by the Stock Exchange, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules. In respect of the connected transactions and the continuing connected transactions entered into by the Company during the year of 2022, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules (as amended from time to time).

DONATIONS

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

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2022, 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, 2022.

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 90 to 106 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, 2022. The accompanying financial statements prepared in accordance with IFRSs have been audited by Deloitte Touche Tohmatsu.

There was no change in the auditor of the Company since the Listing Date.

On behalf of the Board

Zhong Yong
Chairman and Executive Director

Hong Kong, March 30, 2023

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2022.

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 and principles under the CG Code during the year ended December 31, 2022 to enable the Shareholders to evaluate how the principles of corporate governance have been applied.

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

THE BOARD

Responsibilities, Accountabilities and Contributions of the Board and Management

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.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management of the Group. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

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

Board Composition

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

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

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.

During the year ended December 31, 2022, 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, 2022, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

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

Board Independence

During the Reporting Period, the Company has in place various measures and mechanisms underpinning a strong independent Board and that independent views and input are conveyed to the Board. The measures and mechanisms are kept under annual review to ensure their effectiveness and to uphold good corporate governance. The Board reviewed and considered that such mechanisms were properly implemented during 2022 and were effective, they are as follows:

- **Board and Committees' structure.** The Company has been steered by a Board, comprising a majority of non-executive Directors. The Board comprises a majority of non-executive Directors and independent non-executive Directors. The Chief Executive Officer is the only executive Director on the Board, and all the remaining 7 Directors, including the Chairman, are non-executive Directors or independent non-executive Directors. Separation of the role of the Chairman and the Chief Executive Officer ensures that there is a balance of power and authority. Members of all governance related committees are non-executive Directors or independent non-executive Directors.

- **Appointment of Directors.** In assessing suitability of the candidates, the Nomination Committee will review their character and integrity; qualifications including professional experience, skills and knowledge; diversity in all aspects, including but not limited to gender, age, cultural and educational background; having regard to the Board's composition, the selection criteria approved by the Board, the nomination policy and the board diversity policy.

- **Annual review of Directors' commitment and independence.** The Nomination Committee reviews annually each Director's time commitment to the Group's business. Each independent non-executive Director is required to inform the Stock Exchange as soon as practicable if there is any change in his or her personal particulars that may affect his or her independence. No such notification was received during the year ended December 31, 2022. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

- **Conflict management.** A Director who has a material interest in any transaction, contract or arrangement shall not vote (nor shall be counted in the quorum) on any Board resolution approving the same.

- **Professional advice.** To facilitate proper discharge of their duties, all Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses.

- **Board evaluation.** The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance.

Board Diversity Policy

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

The Directors have a balanced mix of knowledge and skills, including in management, strategic development, business development, sales, research and development, medical research, investment management, finance, risk management, science, medical and the ARS industry. They obtained degrees in various areas including economics, business administration, medicine, law, bioengineering, international finance, management, computer science, literature and journalism. The age of the Directors range from 36 years old to 60 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.

As of December 31, 2022, the Board was comprised of four female Directors and eight male Directors. The Board is of the view that the existing gender diversity in respect of the Board is sufficient. The Company will continue to devote efforts in integrating the principle of gender diversity into its recruitment processes and maintaining at least one-third of the Group's management roles be held by women, with a view to create a promising career path for the Group's outstanding female management personnel and to nurture potential female successors to the Board in the future.

As of December 31, 2022, we had a total of 3,158 employees and the share of female employees (including senior management) and male employees at the Group is 85.5% and 14.5%, respectively. Accordingly, the Company considers that gender diversity is also achieved in its workforce in a satisfactory manner.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy annually to ensure its continued effectiveness.

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 during the year ended December 31, 2022 is as follows:

Name of Directors	Nature of Continuous Professional Development Programme[(1)]
Executive Directors	
Mr. Zhong Yong *(Chairman)*	A&B
Dr. John G. Wilcox	A&B
Mr. Dong Yang *(Chief Executive Officer)*	A&B
Ms. Lyu Rong *(Co-chief Executive Officer)*	A&B
Dr. Geng Lihong	A&B
Non-executive Directors	
Mr. Fang Min	A&B
Ms. Hu Zhe	A&B
Ms. Yan Xiaoqing	A&B
Independent Non-executive Directors	
Dr. Chong Yat Keung	A&B
Mr. Li Jianwei	A&B
Mr. Wang Xiaobo	A&B
Mr. Ye Changqing	A&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 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 was Mr. Zhong Yong and the offices of the chief executive officers were separately co-held by Mr. Dong Yang and Ms. Lyu Rong with clear distinction in responsibilities with the Chairman. The Chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the chief executive officers of the Group 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 board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries with copies circulated to all Directors for information and records.

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

During the Reporting Period, four Board meetings and three general meetings 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 Yong *(Chairman)*	4/4	3/3
Dr. John G. Wilcox	4/4	3/3
Mr. Dong Yang *(Chief Executive Officer)*	4/4	3/3
Ms. Lyu Rong *(Co-chief Executive Officer)*	4/4	3/3
Dr. Geng Lihong	4/4	3/3
Non-executive Directors		
Mr. Fang Min	4/4	3/3
Ms. Hu Zhe	4/4	3/3
Ms. Yan Xiaoqing	4/4	3/3
Independent Non-executive Directors		
Dr. Chong Yat Keung	4/4	3/3
Mr. Li Jianwei	4/4	3/3
Mr. Wang Xiaobo	4/4	3/3
Mr. Ye Changqing	4/4	3/3

Model Code for Securities Transactions

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code 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 request to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

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

Corporate Governance Function

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

1. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

4. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

6. to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit and Risk Management Committee

During the Reporting Period, the Audit and Risk Management Committee comprises five members and is chaired by an independent non-executive Director, Mr. Ye Changqing, and consists of another two independent non-executive Directors, Dr. Chong Yat Keung and Mr. Wang Xiaobo, and two non-executive Directors, Mr. 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, 2022, three meetings of the Audit and Risk Management Committee were held to discuss and consider the following matters:

- reviewed annual results of the Company and its subsidiaries for the year ended December 31, 2022;

- reviewed interim results of the Company and its subsidiaries for the six months ended June 30, 2022; 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)*	3/3
Dr. Chong Yat Keung	3/3
Mr. Fang Min	3/3
Ms. Hu Zhe	3/3
Mr. Wang Xiaobo	3/3

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

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

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

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

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

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

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

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

- considered the globalized recruitment and training mechanism of the Group

- confirmed the independence of the independent non-executive Directors

- considered the nomination of Director for election at the AGM

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

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

Remuneration Committee

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

6. reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and

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

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

During the year ended December 31, 2022, 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 2023

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, 2022, are set out below:

Remuneration bands (RMB)	Number of persons
5,000,001–10,000,000	1
1,000,001–5,000,000	7
0–1,000,000	2
Total	10

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises salaries, allowances, benefits in kind, performance-related bonuses and pension scheme contributions. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

For additional information on the Directors' remuneration for the year ended December 31, 2022, 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, 2022 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 107 to 111 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

– adopted various measures and procedures regarding each aspect of our business operation, such as company code of conduct, anti-corruption and whistleblowing, policies of protection of intellectual property, environmental protection, legal and compliance, pharmacovigilance, product quality and safety, and occupational health and safety, etc;

— a sound risk management procedure, requiring all relevant departments to accurately identify, carefully assess, dynamically monitor and timely respond to risks within the scope of their duties, and perform their responsibility of risk control;

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

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

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

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

The Group has established rules regulating information disclosures which stipulates the handling and disclosure procedures of inside information. The Group uses annual reports, interim reports, and results announcements and other announcements as required by the Listing Rules to disclose information to investors and the public to ensure timely disclosure of information in accordance with the Listing Rules and SFO. The Group strictly prohibits unauthorized use or dissemination of confidential or inside information.

During the Reporting Period, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems to be effective and adequate. The Board also believes that the Company has sufficient resources, staff qualifications and experience, training programme and budget of accounting, internal audit and financial reporting functions, as well as those relating to the ESG performance and reporting. 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, budget management, and market activities, 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 for the year ended December 31, 2022 was approximately as follows:

Type of Services	**Amount** *(RMB)*
Audit services	4,336,000
Non-audit services — Interim review	1,124,000
Total	5,460,000

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.

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, 2022, 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 of the Company will attend the AGMs to answer Shareholders' questions. The Company's auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

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

During the Reporting Period, the Board has reviewed the implementation and effectiveness of the Shareholders' communication policy, including the multiple communication channels for Shareholders in place and the steps taken to handle Shareholders' enquiries, and considered that the Shareholders' communication policy has been properly implemented and effective.

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 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.

As of December 31, 2022, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

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 of 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 or requisitions 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, 2022, the said amended and restated memorandum and articles of association did not have any change.

The Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for Shareholder protections for issuers regardless of their place of incorporation (the "**Core Standards**") as set out in the amended Appendix 3 to the Listing Rules. The Board proposes to amend the existing Articles of Association in order to conform to the Core Standards and make some other housekeeping amendments. The proposed amendments to the Articles of Association will be proposed to the Shareholders for approval as a special resolution at the forthcoming AGM.

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 112 to 261, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 MATTER

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

KEY AUDIT MATTER (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets 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, including but not limited to Covid-19 impact, and their significance to the consolidated financial statements as a whole. Determining whether goodwill and these intangible assets are impaired requires management's estimation when preparing the value-in-use of the relevant cash generating unit ("CGU") to which it has been allocated. The Group's management, with the support of 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 RMB612,311,000, RMB1,963,321,000 and RMB1,089,928,000, respectively, as at 31 December 2022 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: • Understanding the Group's process relating to the preparation of cash flow forecasts and impairment assessment; • 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; • Leveraging internal valuation expert to assess the appropriateness of the impairment assessment model and the discount rate adopted by benchmarking the discount rate 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 cash flow forecasts prepared by the management by comparing the historical forecast with the actual performance in the current year.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

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 risk 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.

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

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.

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 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5	**2,364,479**	1,838,826
Cost of revenue		**(1,490,160)**	(1,067,344)
Gross profit		**874,319**	771,482
Other income	6	**50,152**	55,966
Other expenses	7	**(8,110)**	(605)
Other gains and losses, net	8	**(58,052)**	62,440
Research and development expenses		**(17,474)**	(10,651)
Selling and distribution expenses		**(151,435)**	(61,716)
Administrative expenses		**(458,853)**	(327,730)
Share of results of associates		**(4,414)**	(6,823)
Share of result of a joint venture		**44**	(3,290)
Finance costs	9	**(71,853)**	(21,146)
Profit before taxation	10	**154,324**	457,927
Income tax expenses	11	**(36,375)**	(104,230)
Profit for the year		**117,949**	353,697
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**899,187**	(233,406)
Fair value gain (loss) on equity instrument at fair value through other comprehensive income ("FVTOCI")		**1,930**	(3,891)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(571,468)**	80,522
Other comprehensive income (expense) for the year		**329,649**	(156,775)
Total comprehensive income for the year		**447,598**	196,922
Profit (loss) for the year attributable to:			
– Owners of the Company		**121,124**	339,901
– Non-controlling interests		**(3,175)**	13,796
		117,949	353,697

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**447,949**	183,600
– Non-controlling interests		**(351)**	13,322
		447,598	196,922
Earnings per share:	14		
– Basic (RMB)		**0.05**	0.14
– Diluted (RMB)		**0.05**	0.14

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	15	2,529,756	1,092,059
Right-of-use assets	16	565,425	400,928
Goodwill	17	3,484,725	2,719,747
Licenses	18	1,576,176	1,238,186
Non-compete agreement	19	20,312	19,828
Contractual right to provide management services	20	1,963,321	1,797,310
Trademarks	21	2,644,863	2,151,480
Investments in preferred shares measured at fair value through profit or loss ("FVTPL")	23a	105,743	169,930
Interests in associates accounted for using equity method	23b	–	–
Interest in a joint venture	26	25,254	210
Equity instrument at FVTOCI	24	–	5,279
Loan receivable	28	6,699	17,074
Financial assets at FVTPL	25	–	177,747
Pledged bank deposits	33	–	180,000
Refundable deposits		58,912	65,610
Prepayments	28	203,506	47,417
Deferred tax assets	36	88,516	7,020
Life insurance policy	30	22,452	–
Amounts due from associates	23b	32,503	129,959
Amounts due from other related parties	29	–	62,474
		13,328,163	10,282,258
Current assets			
Inventories	27	62,545	46,807
Accounts and other receivables	28	188,680	142,685
Amounts due from other related parties	29	211,338	420,453
Tax recoverable		40,063	5,166
Time deposits	31	13,399	846,959
Other financial assets at FVTPL	32	71,300	218,737
Bank balances and cash	33	1,316,549	862,325
		1,903,874	2,543,132
Current liabilities			
Accounts and other payables	34	916,929	445,518
Amounts due to related parties	29	47,528	415,139
Lease liabilities	35	63,256	62,180
Tax payables		81,581	107,438
Bank borrowing	37	18,618	37,746
Convertible bonds	38	1,636,059	–
Other financial liabilities		–	3,501
		2,763,971	1,071,522
Net current (liabilities) assets		(860,097)	1,471,610
Total assets less current liabilities		12,468,066	11,753,868

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	*35*	**375,986**	370,894
Deferred tax liabilities	*36*	**1,186,363**	1,011,341
Bank borrowing	*37*	**2,070,678**	126,000
Loan payables	*34*	**99,911**	–
Convertible bonds	*38*	**–**	1,492,932
		3,732,938	3,001,167
Net assets		**8,735,128**	8,752,701
Capital and reserves			
Share capital	*39*	**166**	165
Reserves		**8,639,577**	8,545,135
Equity attributable to owners of the Company		**8,639,743**	8,545,300
Non-controlling interests		**95,385**	207,401
Total equity		**8,735,128**	8,752,701

The consolidated financial statements on pages 112 to 261 were approved and authorised for issue by the board of directors on 30 March 2023 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 2022

	Attributable to owners of the Company											
	Share capital	Share premium	Shares held for restricted share award scheme	Capital reserve	Translation reserve	Statutory reserve	Equity-settled share-based payment reserve	Equity instrument at FVTOCI revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note 41b)	*(Note a)*		*(Note b)*						
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 *(Note 41)*	–	88,601	–	–	–	–	(88,601)	–	–	–	–	–
Acquisitions of subsidiaries *(Note 40)*	–	–	–	–	–	–	–	–	–	–	31,216	31,216
Dividends to non-controlling Interests *(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	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, 2022	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
Profit for the year	–	–	–	–	–	–	–	–	121,124	121,124	(3,175)	117,949
Other comprehensive income for the year	–	–	–	–	324,895	–	–	1,930	–	326,825	2,824	329,649
Total comprehensive income (expense) for the year	–	–	–	–	324,895	–	–	1,930	121,124	447,949	(351)	447,598
Share cancelled *(Note 39)*	*	*	–	–	–	–	–	–	–	–	–	–
Issue of shares *(Note 39)*	1	83,771	–	–	–	–	–	–	–	83,772	–	83,772
Transaction costs attributable to issue of shares	–	(809)	–	–	–	–	–	–	–	(809)	–	(809)
Dividends recognised as distribution *(Note 13)*	–	(150,000)	–	–	–	–	–	–	–	(150,000)	–	(150,000)
Recognition of equity-settled share-based payment *(Note 41)*	–	–	–	–	–	–	33,024	–	–	33,024	–	33,024
Vesting of restricted shares *(Note 41)*	–	54,234	2	–	–	–	(54,236)	–	–	–	–	–
Acquisitions of a subsidiary *(Note 40)*	–	–	–	–	–	–	–	–	–	–	19,455	19,455
Capital injection from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	1,470	1,470
Acquisition of non-controlling interests *(Note a)*	–	–	–	(319,493)	–	–	–	–	–	(319,493)	(101,647)	(421,140)
Dividends to non-controlling Interests *(Note c)*	–	–	–	–	–	–	–	–	–	–	(30,943)	(30,943)
Disposal of an equity instrument at FVTOCI *(Note 24)*	–	–	–	–	–	–	–	1,961	(1,961)	–	–	–
Transfer to reserve *(Note b)*	–	–	–	–	–	101,348	–	–	(101,348)	–	–	–
At December 31, 2022	166	7,878,111	*	(402,668)	(129,470)	115,343	59,176	–	1,119,085	8,639,743	95,385	8,735,128

* The amount is less than RMB1,000.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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 owners of the Company as a result of the deemed disposal of partial interests in subsidiaries upon contributions from the non-controlling shareholders; (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; and (iv) RMB319,493,000 debit reserve arising from the further acquisition of 15% equity interests in Shenzhen Zhongshan Urological Hospital ("Shenzhen Zhongshan Hospital") of RMB86,873,000 at cash consideration of RMB288,683,000 on 12 April 2022 and 5.46% equity interests in Shenzhen Zhongshan Hospital of RMB14,774,000 at cash consideration of RMB132,457,000 on 25 August 2022, by virtue of contractual arrangement of Chengdu Jinrun Fude Medical Management Company Limited ("Jinrun Fude"), a subsidiary of the Group. Upon completion, the Company indirectly holds 70% equity interests in Shenzhen Zhongshan Hospital and controls 29.9% equity interests in Shenzhen Zhongshan Hospital by virtue of contractual arrangements.

(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 year ended 31 December 2022, Shenzhen Zhongshan Hospital, Chengdu Jinxin Chankang Health Management Consulting Co., Ltd and Jinxin Women Wellness Limited declared dividends amounted to RMB20,439,000, RMB284,000 and RMB10,220,000 (2021: RMB16,603,000, nil, nil) to the non-controlling shareholders, respectively.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Operating activities			
Profit before taxation		**154,324**	457,927
Adjustments for:			
Depreciation of property, plant and equipment		**150,422**	98,585
Depreciation of right-of-use assets		**70,545**	46,927
Amortisation of licenses		**39,034**	23,662
Amortisation of non-compete agreement		**1,393**	448
Exchange gain, net		**(9,422)**	(13,122)
Interest income from banks		**(16,814)**	(7,838)
Interest income from time deposits		**(9,182)**	(22,405)
Interest income from pledged bank deposits		**(2,153)**	(1,886)
Imputed interest income from related parties		**(196)**	(2,319)
Covid-19 related rent concessions		**(546)**	(2,008)
Interest expenses		**71,853**	21,146
Loss on disposal/write-off of property, plant and equipment		**34,543**	2
Share of post-acquisition loss reversed upon disposal of an associate	23b	**(4,348)**	–
Share-based payment expense		**33,024**	76,342
Gain on fair value change of other financial assets at FVTPL		**(6,205)**	(6,856)
Loss (gain) on fair value changes of financial assets at FVTPL		**5,526**	(30,026)
Loss (gain) on fair value changes of investments in preferred shares measured at FVTPL		**76,733**	(3,979)
Gain on deemed disposal of partial investments in preferred shares measured at FVTPL	23a	**(36,310)**	–
Gain on early termination of leases		**(203)**	–
Gain on fair value change of other financial liabilities at FVTPL		**(3,501)**	(8,362)
Net loss on a life insurance policy		**59**	–
Share of results of associates		**4,414**	6,823
Share of result of a joint venture		**(44)**	3,290
Operating cash flows before movements in working capital		**552,946**	636,351
Increase in inventories		**(7,236)**	(4,715)
Increase in accounts and other receivables		**(45,158)**	(61,199)
Decrease (increase) in amounts due from other related parties		**77,676**	(130,356)
Increase (decrease) in accounts and other payables		**75,829**	(45,567)
Increase (decrease) in amounts due to other related parties		**9,883**	(3,964)
Cash generated from operations		**663,940**	390,550
Income tax paid		**(122,200)**	(47,098)
Net cash from operating activities		**541,740**	343,452

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Investing activities			
Interest received from banks		16,814	7,838
Interest received from time deposits		11,443	24,534
Interest received from pledged bank deposits		2,153	1,886
Capital injection of investment in a joint venture		(25,000)	(3,500)
Purchase of property, plant and equipment		(959,393)	(71,773)
Prepayments for purchase of property, plant and equipment		–	(8,060)
Purchase of financial assets at FVTPL		–	(130,762)
Proceeds from disposal of financial assets at FVTPL		108,838	–
Proceeds from disposal of equity instrument at FVTOCI		7,289	–
Purchase of a life insurance policy		(21,681)	–
Purchase of other financial assets at FVTPL		(1,152,660)	(1,191,230)
Proceeds from disposal of other financial assets at FVTPL		1,325,336	1,042,349
Proceeds from disposal of property, plant and equipment		350	2,191
Net cash outflow on acquisitions of subsidiaries	40	(874,278)	(1,227,160)
Repayment from related parties		29,898	260,008
Advances to related parties		(25,396)	(437,058)
Settlement of consideration payables on acquisition of a subsidiary in prior year		–	(32,250)
Placement of time deposits		(7,749,186)	(6,715,625)
Withdrawal of time deposits		7,778,902	7,091,932
Withdrawal of pledged bank deposits		180,000	–
Repayment from associates		201	–
Advances to associates		(31,467)	(107,375)
Deposit paid for equity investments		–	(72,127)
Net cash used in investing activities		(1,377,837)	(1,566,182)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
Financing activities		
New bank borrowings raised	1,900,186	17,460
Repayment of bank borrowing	(353,957)	(16,254)
Interest paid	(63,880)	(5,599)
Proceeds from issue of shares	83,772	1,055,610
Transaction costs attributable to issue of shares	(809)	(12,319)
Payment on repurchase of shares	–	(40,953)
Advances from other related parties	4,177	41,437
Repayments to other related parties	(342,881)	(18,103)
Dividends paid	(158,676)	–
Repayments of loan payables	(191,917)	–
Interest paid on loan payables	(2,175)	–
Repayments of lease liabilities	(37,824)	(34,444)
Interest paid for lease liabilities	(21,880)	(15,178)
Capital injection from a non-controlling shareholder	980	–
Net cash outflow for purchase of non-controlling interests	(334,535)	–
Dividends paid to non-controlling interests	(20,439)	(16,603)
Net cash from financing activities	460,142	955,054
Net decrease in cash and cash equivalents	(375,955)	(267,676)
Cash and cash equivalents at beginning of the year	1,689,284	1,964,516
Effect of foreign exchange rate changes	16,619	(7,556)
Cash and cash equivalents at end of the year	1,329,948	1,689,284
Bank balances and cash	1,316,549	862,325
Add: time deposits with original maturity of less than three months	13,399	826,959
	1,329,948	1,689,284

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020

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 application of Amendment to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. 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 events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the 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 application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

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

3 Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to IFRSs mentioned below, the directors of the company (the "Directors") anticipate that the application of all 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 IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 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:

- 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.*

- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

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 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.

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.

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.

In preparing the Group's consolidated financial statements, the directors of the Company have carefully considered the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB860,097,000 and the Group's current liabilities primarily comprise of convertible bonds which are due on 31 March 2023 of RMB1,636,059,000 as at 31 December 2022.

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern for a period of not less than twelve months from 31 December 2022.

In January 2023, an aggregate of 175,000,000 placing shares have been placed by the Company to independent third parties at the placing price of Hong Kong dollar ("HK$") 6.725 per placing share pursuant to the term and conditions of the placing agreement dated 5 January 2023 and the Company received total net proceeds of approximately HK$1,162,310,000 (equivalent to approximately RMB999,098,000). Details of the placing are set out in the Company's announcement dated 5 January 2023 and 16 January 2023.

Together with the consideration that the Group has undrawn facility form the bank facility agreements amounting to RMB589,612,000 as at 31 December 2022, the directors of the Company reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2022, and have a reasonable expectation that the Group will have sufficient liquidity to meet its financial obligations that will be due in the coming twelve months from 31 December 2022. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

3.1 Basis of preparation of consolidated financial statements (Continued)

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

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)

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

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

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

(ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company.

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

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)

Asset acquisitions

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 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 interests in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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)

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.

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measure under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interests.

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

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.

When a group entity transacts with an associate or a joint venture of the Group, 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.

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.

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)

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 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.

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.

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.

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 (Continued)

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.

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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.

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)

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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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

3.2 *Significant accounting policies* (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains 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.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payment is economically equivalent to the previous basis (i.e. the basis immediately preceding 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)

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, including costs of testing whether the related assets is functioning properly 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.

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 (Continued)

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.

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.

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

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

3.2 *Significant accounting policies* (Continued)

Bank balances and cash

Bank balances and cash presented on the consolidated statement of financial position include cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above and time deposits with originally maturity of three months or less.

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.

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 FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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

3.2 *Significant accounting policies* (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

(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.

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)

(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 equity instrument at FVTOCI revaluation 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 be transferred to retained profits.

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under IFRS 9

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.

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 subject to impairment assessment under IFRS 9 (Continued)

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;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

3.2 *Significant accounting policies* (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

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

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

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

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

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 equity instrument at FVTOCI revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

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

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)

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.

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.

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)

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, loan 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.

Derecognition of financial liabilities

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

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

3.2 Significant accounting policies (Continued)

Borrowing costs

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income included in accounts and other payables 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.

Taxation

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

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

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

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

3.2 *Significant accounting policies* (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in a joint venture, 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to as a whole. Temporary differences relating right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

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

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

3.2 *Significant accounting policies* (Continued)

Provisions

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

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

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, Sichuan Jinxin Women and Children Hospital Co., Ltd. ("Jinxin Women and Children Hospital"), Yunnan Jinxin Jiuzhou Hospital Co., Ltd ("Yunan Jiuzhou Hospital"), and Kunming Jinxin Hewanjia Obstetrics and Gynecology Hospital Co., Ltd. ("Kunming Hewanjia Hospital") (collectively referred to as "VIE Entities") were established under the laws of the PRC. The Group does not directly own 100% equity interests in the VIE Entities. Chengdu Xinan Hospital is currently held by Sichuan Jinxin Fertility as to 90% and Jinrun Fude as to 10%. Shenzhen Zhongshan Hospital is currently held by Sichuan Jinxin Fertility as to 70%, Jinrun Fude as to 29.90% and other shareholders for the remaining. Jinxin Women and Children Hospital is currently held by Chengdu Jinyi Hongkang Corporate Management Co., Ltd. ("Jinyi Hongkang") as to 100%. Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital is currently held by Sichuan Jinxin Fertility as to 66.50% and Jinrun Fude as to 30% respectively and other shareholders for the remaining.

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

Critical judgement in applying accounting policies (Continued)

Contractual arrangements (Continued)

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; (ii) effective control over the financial and operational policies of Shenzhen Zhongshan Hospital and has become entitled to 99.90% of the economic benefits from its operations; (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; and (iv) effective control over the financial and operational policies of Yunnan Jiuzhou and Kunming Hewanjia Hospital and become entitled to 96.50% of the economic benefits from each operation. The Directors believe that the contractual arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC.

Control over the IVF fertility centers and clinics under IVF specialty collaboration agreements and management services agreement ("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, Huntington Reproductive Centre Medical Group ("HRC Medical") and University of Southern California ("USC"), 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"), the trademarks for JINXIN Medical Management (BVI) Group Limited and its subsidiaries (collectively referred to as the "Jinxin Medical Group"), and the trademarks for Guangzhou Yunzhicai Technology Co., Ltd. ("Guangzhou Yunzhicai"), Guangdong Kangzhi Hospital Management Co., Ltd. ("Guangdong Kangzhi"), Guangzhou Hejia Management Consulting Co., Ltd. ("Guangzhou Hejia") and their subsidiaries (collectively refer to as "Kunming Group") to be indefinite considering the nature of the renewal process and additional economic sacrifices, if any, required when renewing the trademarks.

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

Critical judgement in applying accounting policies (Continued)

Useful life of trademarks and contractual right to provide management services (Continued)

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 2022, the carrying amount of the trademarks are RMB2,644,863,000 (31 December 2021: RMB2,151,480,000), 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 2022, the carrying amount of the contractual right to provide management services is RMB1,963,321,000 (31 December 2021: RMB1,797,310,000), with details set out in Note 20.

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 2022, the carrying amount of the license is RMB40,166,000 (31 December 2021: 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.

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

Critical judgement in applying accounting policies (Continued)

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

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

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

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

Key sources of estimation uncertainty

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

Estimated impairment of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets comprising contractual right to provide management services, 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 Group's management, with the support of an independent valuer, to establish the impairment assessment model and prepare a value-in-use calculation 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. Furthermore, the estimated cash flow is subject to high degree of estimation uncertainties due to uncertainty on how the Covid-19 pandemic may evolve. As at 31 December 2022, the carrying amount of goodwill is RMB3,484,725,000 (31 December 2021: RMB2,719,747,000) and that of intangible assets comprising (i) contractual right to provide management services is RMB1,963,321,000 (31 December 2021: RMB1,797,310,000), (ii) trademarks of RMB2,644,863,000 (31 December 2021: RMB2,151,480,000) and (iii) license of RMB40,166,000 (31 December 2021: RMB40,166,000). Details are set out in Note 22.

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

Key sources of estimation uncertainty (Continued)

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 2022, the carrying amount of property, plant and equipment is RMB2,529,756,000 (31 December 2021: RMB1,092,059,000), net of accumulated depreciation of RMB421,055,000 (31 December 2021: RMB269,051,000). Details are set out in Note 15.

As at 31 December 2022, the carrying amount of licenses with finite lives was RMB1,536,010,000 (31 December 2021: RMB1,198,020,000), net of accumulated amortisation of RMB118,811,000 (31 December 2021: RMB79,777,000). Details are set out in Note 18.

As at 31 December 2022, the carrying amount of non-compete agreement with finite lives was RMB20,312,000 (31 December 2021: RMB19,828,000), net of accumulated amortisation of RMB1,841,000 (31 December 2021: RMB448,000). 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 RMB105,743,000 (2021: RMB169,930,000) and financial assets at FVTPL is nil (2021: RMB177,747,000). 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 2022, the Group's revenue is mainly contributed from its operations in Chengdu, Shenzhen, Wuhan, Kunming, the U.S.A. and Hong Kong special administrative region ("Hong Kong") (2021: Chengdu, Shenzhen, Wuhan, the U.S.A. and Hong Kong). The Group acquired a new operation in Kunming during the year ended 31 December 2022 as a result from acquisition of Kunming Group as disclosed in Note 40(a).

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 years ended 31 December 2022 and 2021. The following is an analysis of the Group's revenue and results by operating and reportable segments.

5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2022:

	Greater China *RMB'000*	U.S.A. *RMB'000*	Consolidated *RMB'000*
Revenue			
Segment revenue from external customers	**1,902,035**	**462,444**	**2,364,479**
Segment profit	**428,372**	**(79,756)**	**348,616**
Unallocated administrative expenses			**(87,437)**
Share-based compensation benefits			**(33,024)**
Loss on fair value changes of investments in preferred shares measured at FVTPL			**(76,733)**
Gain on deemed disposal of partial investments in preferred shares measured at FVTPL			**36,310**
Certain loss on fair value changes of financial assets at FVTPL			**(13,505)**
Certain gains on fair value changes of other financial assets at FVTPL			**2,851**
Gain on fair value change of other financial liabilities at FVTPL			**3,501**
Certain exchange gain, net			**8,784**
Certain interest income from banks			**866**
Certain interest income from time deposits			**9,177**
Interest income from pledged bank deposits			**2,153**
Share of result of associates			**(4,414)**
Gain on disposal of an associate			**4,348**
Interest on convertible bonds			**(4,710)**
Certain interest on bank borrowing			**(42,459)**
Profit before taxation			**154,324**

5. REVENUE AND SEGMENT INFORMATION (Continued)

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	419,514	80,809	500,323
Unallocated administrative expenses			(33,182)
Share-based compensation benefits			(76,342)
Gain on fair value changes of investments in preferred shares measured at FVTPL			3,979
Certain gain on fair value changes of financial assets at FVTPL			22,506
Gain on fair value change of other financial liabilities at FVTPL			8,362
Certain exchange gain, net			12,965
Certain imputed interest income from related parties			461
Certain interest income from banks			1,599
Certain interest income from time deposits			22,193
Interest income from pledged bank deposits			1,886
Share of result of associates			(6,823)
Profit before taxation			457,927

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, loss on fair value changes of investments in preferred shares measured at FVTPL, gain on deemed disposal of partial investments in preferred shares measured at FVTPL, certain loss on fair value change of financial assets at FVTPL, certain gains on fair value changes of other financial assets at FVTPL, gain on fair value change of other financial liabilities at FVTPL, certain net exchange gain, certain imputed interest income from related parties, certain interest income resulted from the corporate bank balances (including pledged bank deposits and time deposits), share of result of associates, gain on disposal of an associate, interest on convertible bonds, and certain interest on bank borrowing (2021: excluding unallocated administrative expenses (including the corporate expenses), share-based compensation benefits, gain on fair value changes of investments in preferred shares measured at FVTPL, certain gain on fair value changes of financial assets at FVTPL, gain on fair value change of other financial liabilities at FVTPL, certain net exchange gain, certain imputed interest income from related parties, certain interest income resulted from the corporate bank balances (including pledged bank deposits and time deposits), and share of result of associates).

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:

	2022 *RMB'000*	2021 *RMB'000*
Segment assets		
Greater China	10,579,560	7,382,524
U.S.A.	4,291,280	3,918,470
Total segment assets	14,870,840	11,300,994
Equity instrument at FVTOCI	–	5,279
Corporate time deposits	–	826,959
Corporate bank balances and cash	106,720	73,390
Pledged bank deposits	–	180,000
Investments in preferred shares measured at FVTPL	105,743	169,930
Corporate financial assets at FVTPL	–	140,007
Corporate amounts due from an associate	15,434	13,348
Life insurance policy	22,452	–
Unallocated (other assets)	110,848	115,483
Total	15,232,037	12,825,390

	2022 *RMB'000*	2021 *RMB'000*
Segment liabilities		
Greater China	2,968,337	1,381,690
U.S.A.	932,351	809,314
Total segment liabilities	3,900,688	2,191,004
Convertible bonds	1,636,059	1,492,932
Consideration payable for acquisition of Jinxin Medical Group *(Note 40(c))*	–	302,518
Corporate bank borrowing	930,678	–
Unallocated (other liabilities)	29,484	86,235
Total	6,496,909	4,072,689

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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, corporate financial assets at FVTPL, corporate amounts due from an associate, life insurance policy 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, corporate bank borrowing and other unallocated corporate liabilities.

For the year ended 31 December 2022

	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)*	**312,553**	**152,813**	**24,787**	**490,153**
Addition to non-current assets through acquisitions of subsidiaries *(Notes 15, 16, 17 & 40)*	**2,791,152**	**–**	**–**	**2,791,152**
Depreciation and amortisation	**207,386**	**52,753**	**3,423**	**263,562**
Loss on disposal of property, plant and equipment	**25**	**34,518**	**–**	**34,543**

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.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers

	Notes	2022 RMB'000	2021 RMB'000
Types of services			
Assisted reproductive services — Greater China			
A point in time recognition	(i)	659,620	687,567
Over time recognition	(i)	394,156	472,894
		1,053,776	1,160,461
Management services — Over time recognition			
– U.S.A.	(ii), (iii)	355,552	432,239
– Greater China	(i)	147,285	95,980
		502,837	528,219
Ambulatory surgery centre facilities services — U.S.A.			
– A point in time recognition	(ii)	76,215	23,735
Ancillary medical services			
A point in time recognition			
– U.S.A.	(ii)	30,677	3,310
– Greater China	(i)	93,790	48,785
		124,467	52,095
Ancillary medical services — Greater China			
Over time recognition	(i)	26,489	18,730
		150,956	70,825
Obstetrics, gynecology and pediatrics medical services — Greater China			
A point in time recognition	(i)	312,390	23,340
Over time recognition	(i)	158,686	10,958
		471,076	34,298
Sales of medicines, consumables and equipment — Greater China			
A point in time recognition	(i)	109,619	21,288
Total		2,364,479	1,838,826

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 RMB1,902,035,000 (31 December 2021: RMB1,379,542,000).

(ii) Revenue generated in the U.S.A. which amounted to RMB462,444,000 (31 December 2021: RMB459,284,000).

(iii) Management services fee under the MSA for the year ended 31 December 2022 amounted to RMB405,004,000 (31 December 2021: RMB491,460,000), net of cost reimbursed of RMB49,452,000 (31 December 2021: RMB59,221,000) as purchasing agent for pharmaceuticals procurement pursuant to HRC Medical's and USC'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 2022, the non-current assets located in the Greater China, the U.S.A., and Lao People's Democratic Republic ("Laos") amounted to RMB8,936,931,000, RMB4,152,246,000, and RMB52,356,000, respectively (31 December 2021: RMB5,797,857,000, RMB3,785,893,000, and RMB53,345,000, respectively). Non-current assets as at 31 December 2022 and 2021 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:

	2022	2021
	RMB'000	*RMB'000*
HRC Medical	**351,142**	436,846

6. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Imputed interest income from related parties	**196**	2,319
Interest income from banks	**16,814**	7,838
Interest income from time deposits	**9,182**	22,405
Interest income from pledged bank deposits	**2,153**	1,886
Government grants *(Note)*	**6,990**	6,921
Consulting service income	**2,561**	6,834
Others	**12,256**	7,763
	50,152	55,966

Note: Government grants mainly represented amounts received by Jinxin Women and Children Hospital for its newly granted Class Three Grade A qualification as private hospital and grants on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions (2021: the grants on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions).

7. OTHER EXPENSES

	2022 RMB'000	2021 RMB'000
Donations	**3,411**	–
Compensation to patients	**3,360**	272
Others	**1,339**	333
	8,110	605

8. OTHER GAINS AND LOSSES, NET

	2022 RMB'000	2021 RMB'000
Loss on disposal/write-off of property, plant and equipment	**(34,543)**	(2)
Exchange gain, net	**9,422**	13,122
Fair value change of other financial assets at FVTPL	**6,205**	6,856
Fair value change of investments in preferred shares measured at FVTPL	**(76,733)**	3,979
Gain on deemed disposal of partial investments in preferred shares measured at FVTPL	**36,310**	–
Fair value change of financial assets at FVTPL	**(5,526)**	30,026
Fair value change of other financial liabilities at FVTPL	**3,501**	8,362
Gains on early termination of leases	**203**	–
Gain on disposal of investments in an associate	**4,348**	–
Others	**(1,239)**	97
	(58,052)	62,440

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings *(Note)*	**45,263**	5,589
Interest on convertible bonds	**4,710**	379
Interest on lease liabilities	**21,880**	15,178
	71,853	21,146

Note:

	2022 RMB'000	2021 RMB'000
Total borrowing cost	**81,688**	5,589
Less: amounts capitalised in construction in progress	**(36,425)**	–
	45,263	5,589

Borrowing costs capitalised during the year arose on the specific borrowings.

10. PROFIT BEFORE TAXATION

	2022 RMB'000	2021 RMB'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**4,336**	3,200
Directors' remuneration *(Note 12)*	**12,942**	8,242
Other staff costs		
– salaries, allowances and other benefits	**661,964**	449,669
– retirement benefit schemes contributions for other staff	**65,989**	32,507
– share-based compensation benefits	**33,024**	76,342
Total staff costs	**773,919**	566,760
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	**650,928**	513,785
Amortisation of licenses (included in administrative expenses)	**39,034**	23,662
Amortisation of non-compete agreement (included in administrative expenses)	**1,393**	448
Depreciation of property, plant and equipment	**150,422**	98,585
Depreciation of right-of use assets	**72,713**	46,927
Less: capitalised in building under construction	**(2,168)**	–
Depreciation of right-of-use assets recognised in profit and loss	**70,545**	46,927

11. INCOME TAX EXPENSES

	2022 RMB'000	2021 RMB'000
Current tax:		
PRC EIT	**91,962**	89,151
Hong Kong Profits Tax	**4,046**	1,890
U.S.A. Federal Income Tax	**–**	612
U.S.A. State Income Tax	**235**	1,656
	96,243	93,309
Deferred tax:		
Current year *(Note 36)*	**(59,868)**	10,921
	36,375	104,230

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 2022 and 2021.

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 2022 and 2021 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 RMB784,026,000 as at 31 December 2022 (31 December 2021: RMB646,109,000), 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:

	2022	2021
	RMB'000	*RMB'000*
Profit before taxation	**154,324**	457,927
Tax at PRC EIT rate of 25%	**38,581**	114,482
Tax effect of share of results of associates	**1,104**	1,706
Tax effect of share of results of a joint venture	**(11)**	823
Tax effect of expenses not deductible for tax purposes	**1,547**	1,311
Tax effect of income not taxable for tax purpose	**(4,977)**	(16,722)
Tax effect of R&D expense additional deduction	**(1,801)**	(1,992)
Effect of tax exemption and concessions granted to PRC subsidiaries	**(44,483)**	(35,726)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,946)**	1,631
Tax effect of tax loss not recognised	**48,361**	38,717
Income tax expenses	**36,375**	104,230

At the end of the reporting period, the Group has accumulated unused tax losses of RMB627,256,000 (2021: RMB95,080,000), subject to approval of relevant tax authorities, available for offset against future profits and recognised accumulated tax losses of RMB338,732,000 (2021: RMB28,080,000) as deferred tax asset. The unrecognised tax losses of RMB53,607,000 (2021: RMB18,272,000) will expire in various years before 2027 (2021: 2026) and other unrecognised tax losses may be carried forward indefinitely.

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 2022 and 2021 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)
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
Ms. Yan Xiaoqing (嚴曉晴)	Non-executive director	28 March 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.

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 2022					
Chairman and executive director:					
Mr. Zhong Yong (鍾勇)	–	1,598	2,128	15	3,741
Executive directors:					
Mr. Zhong Ying (鍾影)	–	–	–	–	–
Dr. Geng Lihong (耿麗紅)	–	1,431	–	77	1,508
Dr. John G. Wilcox	–	–	–	–	–
Mr. Dong Yang (董陽)	–	2,668	–	25	2,693
Ms. Lyu Rong (呂蓉)	–	2,217	1,016	75	3,308
Non-executive directors:					
Mr. Fang Min (方敏)	–	–	–	–	–
Ms. Hu Zhe (胡喆)	–	–	–	–	–
Ms. Yan Xiaoqing (嚴曉晴)	600	1	–	15	616
Independent non-executive directors:					
Mr. Ye Changqing (葉長青)	269	–	–	–	269
Mr. Wang Xiaobo (王嘯波)	269	–	–	–	269
Dr. Chong Yat Keung (莊一強)	269	–	–	–	269
Mr. Li Jianwei (李建偉)	269	–	–	–	269
	1,676	7,915	3,144	207	12,942

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 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

* Performance-related incentive payments is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as Directors and its subsidiaries, if applicable. The independent non-executive directors' emoluments shown above were for their services as Directors.

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

12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Employees

The five highest paid individuals of the Group during the year included one director for the year ended 31 December 2022 (2021: two directors). Details of the remuneration for the year of the remaining four (2021: three) who are neither a director nor chief executive of the Company are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries and allowances	**10,067**	4,594
Performance-related incentive payments	**2,008**	–
Retirement benefit schemes contributions	**110**	95
Share-based compensation benefits	**4,705**	37,019
	16,890	41,708

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

	2022	2021
Hong Kong dollars ("HK$") 2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**3**	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**	1
HK$11,000,001 to HK$11,500,000	**–**	–
HK$29,500,001 to HK$30,000,000	**–**	–
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

	2022 *RMB'000*	2021 *RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 final — HK7.38 cents (2021: 2020 final — Nil) *(Note)*	**150,000**	–

Note: A final cash dividend in respect of the year ended 31 December 2021 of HK7.38 cents (equivalent to RMB0.06) per ordinary share, in an aggregate amount of RMB150,000,000 (2021: Nil), has been proposed by the Directors and approved by the shareholders in the annual general meeting held on 28 June 2022.

Except for the final dividend in respect of the year ended 31 December 2021, no other dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2022 *RMB'000*	2021 *RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**121,124**	339,901
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**4,710**	379
– Exchange loss on convertible bonds	**294**	–
Earnings for the purpose of diluted earnings per share (profit for the year attributable to owners of the Company)	**126,128**	340,280

14. EARNINGS PER SHARE (Continued)

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,496,257**	2,478,210
Effect of dilutive potential ordinary shares:		
– Restricted Shares Units ("RSUs") issued by the Company	**7,232**	14,190
– Convertible bonds issued by the Company	**120,980**	11,932
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,624,469**	2,504,332

For the year ended 31 December 2022, 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 by the Company as described in Note 39 (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 and the effect of the ordinary shares issued and repurchased by the Company).

For the years ended 31 December 2022 and 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.

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 2021	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
Additions	–	49,999	30,057	26,709	1,110	72,444	180,319
Disposals/write-off	–	(34,196)	(6,061)	(1,140)	(78)	(255)	(41,730)
Reclassification	–	1,276	–	213	–	(1,489)	–
Acquisitions of subsidiaries *(Note 40 and Note)*	3,952	6,332	12,766	28,888	267	1,376,879	1,429,084
Exchange realignment	–	12,880	4,550	2,919	–	1,679	22,028
At 31 December 2022	**813,043**	**306,259**	**244,388**	**119,373**	**7,863**	**1,459,885**	**2,950,811**
DEPRECIATION							
At 1 January 2021	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
Provided for the year	42,640	40,119	44,827	20,958	1,878	–	150,422
Eliminated on disposals/write-off	–	(1,210)	(4,912)	(692)	(23)	–	(6,837)
Exchange realignment	–	4,409	2,542	1,468	–	–	8,419
At 31 December 2022	**160,084**	**89,338**	**126,302**	**42,109**	**3,222**	**–**	**421,055**
CARRYING VALUES							
At 31 December 2021	691,647	223,948	119,231	41,409	5,197	10,627	1,092,059
At 31 December 2022	**652,959**	**216,921**	**118,086**	**77,264**	**4,641**	**1,459,885**	**2,529,756**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: On 4 February 2022, 海南三亞錦舒企業管理有限公司 (Hainan Sanya Jinshu Enterprise Management Co., Ltd), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with certain independent third-party individuals to purchase their 100% equity interests in 深圳市恒裕聯翔投資發展有限公司 (Shenzhen Hengyu Lianxiang Investment Development Co., Ltd, "Shenzhen Hengyu") at cash consideration of approximately RMB37,234,000. Shenzhen Hengyu owns an industrial research and development building located in Shenzhen which is now under construction and amounting to RMB1,549,385,000 (including property, plant and equipment amounting to RMB1,376,666,000 and right-of-use assets amounting to RMB172,719,000 (Note 16)) at the date of acquisition. The total investment amounts of the industrial research and development building is estimated to be approximately RMB1,727,063,000 upon completion. The acquisition has been accounted for as assets acquisition and was completed on 25 May 2022. The industrial research and development building will be used for the provision of medical services by Shenzhen Zhongshan Hospital. For more details of the transaction, please refer to Note 40 to the consolidated financial statements and the Company's announcements dated 4 February 2022 and 15 February 2022.

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 15%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

16. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Leased properties *RMB'000*	Equipment *RMB'000*	Total *RMB'000*
As at 1 January 2022				
Carrying amount	–	400,508	420	400,928
As at 31 December 2022				
Carrying amount	**170,551**	**385,606**	**9,268**	**565,425**
For the year ended 31 December 2022				
Depreciation charge	**2,168**	**69,399**	**1,146**	**72,713**
For the year ended 31 December 2021				
Depreciation charge	–	44,864	2,063	46,927

16. RIGHT-OF-USE ASSETS (Continued)

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**924**	2,377
Expense relating to lease of low-value assets, excluding short-term leases of low-value assets	**239**	8
Total cash outflow for leases	**60,867**	52,007
Additions to right-of-use assets	**50,718**	100,698
Additions to right-of-use assets through acquisitions of a subsidiary *(Note 40)*	**172,719**	137,865

During the year ended 31 December 2022, the Group leases various clinics, offices, hospital, equipment and land use right (2021: various clinics, offices, hospital and equipment) for its operations. Lease contracts are entered into for fixed term of 2 to 50 years (2021: 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.

The Group regularly entered into short-term leases for property. As at 31 December 2022 and 2021, 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 2022, the Group early terminated one lease in PRC and one lease in U.S.A. which right-of-use assets of approximately RMB7,346,000 has been de-recognised.

Rent concessions

During the year ended 31 December 2022, lessors of properties provided rent concessions to the Group through rent reductions of 100% over six months (2021: ranging from 20% to 100% over two to twelve 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 2022, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB546,000 (2021: RMB2,008,000) were recognised as negative variable lease payments.

16. RIGHT-OF-USE ASSETS (Continued)

Extension options

The Group has extension options in a number of leases for leased properties in the U.S.A.. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarised below:

	Lease liabilities recognised as at 2022	**Potential future lease payments not included in lease liabilities (undiscounted) 2022**	Lease liabilities recognised as at 2021	Potential future lease payments not included in lease liabilities (undiscounted) 2021
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Clinics — U.S.A.	**88,545**	**145,309**	90,504	133,022
Office — U.S.A.	**16,085**	**26,861**	5,730	15,980

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 2022 and 2021, there is no such triggering event.

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 2022, all leases have been commenced.

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 35.

17. GOODWILL

	RMB'000
COST	
At 1 January 2021	889,642
Arising from acquisitions of subsidiaries *(Note 40)*	1,849,102
Exchange realignment	(18,997)
At 31 December 2021	2,719,747
Arising from acquisitions of subsidiaries *(Notes 22 & 40)*	542,941
Exchange realignment	222,037
At 31 December 2022	**3,484,725**

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

18. LICENSES

	RMB'000
COST	
At 1 January 2021 *(Note a, Note b and Note c)*	842,098
Arising from acquisitions of subsidiaries *(Note d and Note 40)*	477,200
Exchange realignment	(1,335)
At 31 December 2021	1,317,963
Arising from acquisition of subsidiaries *(Note e and Note 40)*	333,070
Exchange realignment	43,954
At 31 December 2022	**1,694,987**
AMORTISATION	
At 1 January 2021	56,115
Provided for the year	23,662
Exchange realignment	*
At 31 December 2021	79,777
Provided for the year	39,034
Exchange realignment	*
At 31 December 2022	**118,811**
CARRYING VALUES	
At 31 December 2021	1,238,186
At 31 December 2022	**1,576,176**

* The amount is less than RMB1,000.

18. LICENSES (Continued)

At 31 December 2022, the carrying amount of RMB1,576,176,000 (2021: RMB1,238,186,000) of licenses mainly comprises of licenses in Shenzhen, Laos, Wuhan, Chengdu and Kunming (2021: Shenzhen, Laos, Wuhan and Chengdu).

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.

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.

18. LICENSES (Continued)

Notes: (Continued)

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.

e. License with finite useful life in Kunming

The acquisition-date fair value of the Medical Practice License was recognised upon the acquisition of Kunming Group on 13 July 2022. 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 Kunming Group for a period of 36 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 Kunming 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 6 years at date of acquisition and is renewable every 15 years, and hence an estimated useful life of 36 years at its acquisition in July 2022.

19. NON-COMPETE AGREEMENT

	RMB'000
COST	
At 1 January 2021	–
Arising from acquisition of a subsidiary *(Note and Note 40)*	20,591
Exchange realignment	(315)
At 31 December 2021	20,276
Exchange realignment	1,877
At 31 December 2022	**22,153**
AMORTISATION	
At 1 January 2021	–
Provided for the year	448
Exchange realignment	*
At 31 December 2021	448
Provided for the year	1,393
Exchange realignment	*
At 31 December 2022	**1,841**
CARRYING VALUES	
At 31 December 2021	19,828
At 31 December 2022	**20,312**

* 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 2021	1,839,369
Exchange realignment	(42,059)
At 31 December 2021	1,797,310
Exchange realignment	166,011
At 31 December 2022	**1,963,321**

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 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 2021 *(Note a)*	1,255,735
Arising from acquisitions of subsidiaries *(Note 40 and Note b)*	917,717
Exchange realignment	(21,972)
At 31 December 2021	2,151,480
Arising from acquisition of subsidiaries *(Note 40 and Note c)*	309,096
Exchange realignment	184,287
At 31 December 2022	**2,644,863**

Notes:

a. The Group's trademarks as at 1 January 2021 were acquired through the acquisition of Shenzhen Zhongshan Hospital, HRC Management Group and an asset acquisition in the U.S.A on 31 January 2017, 24 December 2018 and 25 September 2020. The trademark acquired from Shenzhen Zhongshan Hospital has a legal life of 10 years but is renewable every 10 years at minimal cost, 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, while the trademark acquired from an asset acquisition in the U.S.A. for the use of HRC Management Group has 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 the 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 the trademarks acquired from Shenzhen Zhongshan Hospital, HRC Management Group and an asset acquisition in U.S.A. are disclosed in Note 22.

b. 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.

c. During the year ended 31 December 2022, the Group acquired Kunming Group on 13 July 2022. Trademarks acquired from Kunming 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 the 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. The trademarks are tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing of the trademarks acquired from Kunming 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 eight (2021: six) individual CGUs and a group of CGUs (2021: N/A). The carrying amounts of goodwill, contractual right to provide management services, trademarks, licenses and non-compete agreement as at 31 December 2022 and 2021 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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Shenzhen Zhongshan Hospital	197,123	197,123	–	–	246,900	246,900	348,664	361,819	–	–
HRC Management Group	612,311	560,535	1,963,321	1,797,310	1,089,928	990,117	–	–	–	–
Wuhan Jinxin Hospital	118,865	118,865	–	–	–	–	351,833	361,338	–	–
Jinrui Medical Center	–	–	–	–	–	–	40,166	40,166	–	–
Jinxin Women Group	60,422	55,304	–	–	58,866	53,879	–	–	20,312	19,828
Jinxin Medical Group	1,953,063	1,787,920	–	–	940,073	860,584	506,298	474,863	–	–
Shenzhen Innovation Group	24,517	–	–	–	–	–	–	–	–	–
Kunming Group	470,973	–	–	–	309,096	–	329,215	–	–	–
Chengdu Yongshenghengfu Business Management Co., Ltd ("Yongshenghengfu")*	47,451	–	–	–	–	–	–	–	–	–
	3,484,725	2,719,747	1,963,321	1,797,310	2,644,863	2,151,480	1,576,176	1,238,186	20,312	19,828

* The goodwill acquired by the Group during the business combination of Yongshenghengfu on 22 December 2022 has, from the acquisition date, been allocated to a group of CGUs that are expected to benefit from the synergies of the business combination. The group of CGUs includes Jinxin Medical Group and Chengdu Xinan Hospital (collectively refer to "Chengdu Group").

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.

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 20.0%, and declining growth rates of 33.0% to 10.0% for Shenzhen Zhongshan Hospital at 31 December 2022 (2021: a five-year period, a pre-tax discount rate of 20%, and declining growth rates of 21.2% to 10.4%). 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 2022 (2021: a one-year period using declining growth rate 6%), and then a steady 3% growth rate for the units thereafter (2021: 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 18.5%, and declining growth rates of 28.1% to 20.3% to for HRC Management Group at 31 December 2022 (2021: a five-year period, a pre-tax discount rate of 18.1%, and declining growth rates of 44.3% to 20%). The remaining forecast cash flows beyond that five-year period are extrapolated for a two-year period from 16.8% to 9.8% for HRC Management Group at 31 December 2022 (2021: a two-year period from 15% to 3%), and then a steady 3% growth rate for the units thereafter (2021: 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 224.7% to 8% for Wuhan Jinxin Hospital at 31 December 2022 (2021: a five-year period, a pre-tax discount rate of 18.7%, and declining growth rates of 131.3% to 10.1%). 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 2022 (2021: a three-year period using declining growth rates from 6% to 3%), and then a steady 3% growth rate for the units thereafter (2021: 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 42.1%, and declining growth rates of 143.9% (one year after commencement of operations) to 12.3% for Jinrui Medical Center at 31 December 2022 (2021: a ten-year period, a pre-tax discount rate of 35.8%, and declining growth rates of 139.6% to 12.4%), and then a steady 4.9% growth rate for the units thereafter (2021: 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 5% to 4% for Jinxin Women Group at 31 December 2022 (2021: a five-year period, a pre-tax discount rate of 17.4%, and declining growth rates of 18.2% to 4%), and then a steady 3% growth rate for the units thereafter (2021: 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 15.3%, and declining growth rates of 15.3% to 7% for Jinxin Medical Group at 31 December 2022, except for the decrease rate of 8% for the year ending 31 December 2023 (2021: a five-year period, a pre-tax discount rate of 15.3%, and declining growth rates of 17.3% to 10.6%). The remaining forecast cash flows beyond that five-year period are extrapolated for a three-year period using declining growth rates from 9.6% to 7% for Jinxin Medical Group at 31 December 2022 (2021: a three-year period using declining growth rates from 9.1% to 7%), and then a steady 3% growth rate for the units thereafter (2021: 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 24%, and declining growth rates of 100% (one year after commencement of operations) to 24% for Shenzhen Innovation Group at 31 December 2022 (2021: N/A). The remaining forecast cash flows beyond that five-year period are extrapolated for a three-year period using declining growth rates from 14% to 6% for Shenzhen Innovation Group at 31 December 2022 (2021: N/A), and then a steady 3% growth rate for the units thereafter (2021: N/A).

The calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, a pre-tax discount rate of 16%, and declining growth rates of 21.8% to 18.8% for Kunming Group at 31 December 2022 (2021: N/A). The remaining forecast cash flows beyond that five-year period are extrapolated for a five-year period using declining growth rates from 15.5% to 8.4% for Kunming Group at 31 December 2022 (2021: N/A), and then a steady 3% growth rate for the units thereafter (2021: 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 12.6% to 11.2% for Chengdu Group at 31 December 2022 (2021: N/A), The remaining forecast cash flows beyond that five-year period are extrapolated for a three-year period using declining growth rates from 8% to 4% for Chengdu Group at 31 December 2022 (2021: N/A), and then a steady 3% growth rate for the units thereafter (2021: 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. For the financial forecasts used for the value in use calculation of Shenzhen Zhongshan Hospital, HRC Management Group, Wuhan Jinxin Hospital, Jinrui Medical Center, Jinxin Medical Group, Shenzhen Innovation Group, Kunming Group and Chengdu Group are over five-year period as the Group is confident that these projections are reliable and they can demonstrate its ability, based on past experience, to forecast cash flows accurately over the respective extrapolated periods.

As at 31 December 2022 and 2021, 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, Jinxin Medical Group, Shenzhen Innovation Group, Kunming Group and Chengdu Group exceeds its carrying amount by RMB153,639,000, RMB172,792,000, RMB97,718,000, RMB888,000, RMB7,179,000, RMB18,281,000, RMB35,035,000, RMB109,987,000 and RMB3,070,398,000 as at 31 December 2022 (2021: RMB1,511,543,000, RMB1,130,841,000, RMB11,744,000, RMB669,000, RMB3,628,000, RMB31,446,000, N/A, 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 2022 and 2021; 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, Jinxin Medical Group, Shenzhen Innovation Group, Kunming Group, and Chengdu Group:

Shenzhen Zhongshan Hospital

At 31 December 2022

Key assumption	Base case	Changes in key assumption	Surplus (deficits) of recoverable amount of the CGU over/below its carrying amounts *RMB'000*
Annual growth rate of revenue	33% to 3%	Decrease by 1%	(12,361)
		Decrease by 2%	(170,361)
Gross margin rate	42.8% to 49.3%	Decrease by 1%	98,639
		Decrease by 2%	43,639
Pre-tax discount rate	20%	Increase by 0.5%	124,639
		Increase by 1%	97,639

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 3%	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

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

(Continued)

HRC Management Group

At 31 December 2022

Key assumption	Base case	Changes in key assumption	Surplus (deficits) of recoverable amount of the CGU over/below its carrying amounts *RMB'000*
Annual growth rate of revenue	28.1% to 3%	Decrease by 1%	(62,717)
		Decrease by 2%	(252,837)
Gross margin rate	37.5% to 50.5%	Decrease by 1%	80,326
		Decrease by 2%	(12,140)
Pre-tax discount rate	18.5%	Increase by 0.5%	36,857
		Increase by 1%	(89,993)

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

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

(Continued)

Wuhan Jinxin Hospital

At 31 December 2022

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	224.7% to 3%	Decrease by 1%	70,992
		Decrease by 2%	45,431
Gross margin rate	-10.5% to 44.7%	Decrease by 1%	79,735
		Decrease by 2%	61,751
Pre-tax discount rate	18.7%	Increase by 0.5%	74,497
		Increase by 1%	52,846

At 31 December 2021

Key assumption	Base case	Changes in key assumption	Surplus (deficits) of recoverable amount of the CGU over/below 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)

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

(Continued)

Jinrui Medical Center

At 31 December 2022

Key assumption	Base case	Changes in key assumption	Deficits of recoverable amount of the CGU below its carrying amounts *RMB'000*
Annual growth rate of revenue	143.9% to 4.9%	Decrease by 1%	(2,509)
		Decrease by 2%	(5,762)
Gross margin rate	22.8% to 70.8%	Decrease by 1%	(104)
		Decrease by 2%	(1,095)
Pre-tax discount rate	42.1%	Increase by 0.5%	(351)
		Increase by 1%	(1,543)

At 31 December 2021

Key assumption	Base case	Changes in key assumption	Surplus (deficits) of recoverable amount of the CGU over/below its carrying amounts *RMB'000*
Annual growth rate of revenue	139.6% to 4.9%	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)

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

(Continued)

Jinxin Women Group

At 31 December 2022

Key assumption	Base case	Changes in key assumption	Surplus (deficits) of recoverable amount of the CGU over/below its carrying amounts *RMB'000*
Annual growth rate of revenue	5% to 3%	Decrease by 1%	(3,040)
		Decrease by 2%	(4,641)
Gross margin rate	51%	Decrease by 1%	2,137
		Decrease by 2%	(2,904)
Pre-tax discount rate	17.40%	Increase by 0.5%	750
		Increase by 1%	(5,245)

At 31 December 2021

Key assumption	Base case	Changes in key assumption	Deficits of recoverable amount of the CGU below its carrying amounts *RMB'000*
Annual growth rate of revenue	18.2% to 3%	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)

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

Jinxin Medical Group

At 31 December 2022

Key assumption	Base case	Changes in key assumption	Deficits of recoverable amount of the CGU below its carrying amounts *RMB'000*
Annual growth rate of revenue	-8% to 3%	Decrease by 1%	(469,393)
		Decrease by 2%	(928,204)
Gross margin rate	37.1% to 43.1%	Decrease by 1%	(73,244)
		Decrease by 2%	(164,804)
Pre-tax discount rate	15.3%	Increase by 0.5%	(106,491)
		Increase by 1%	(235,582)

At 31 December 2021

Key assumption	Base case	Changes in key assumption	Deficits of recoverable amount of the CGU below its carrying amounts *RMB'000*
Annual growth rate of revenue	17.3% to 3%	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)

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

(Continued)

Shenzhen Innovation Group

At 31 December 2022

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	100% to 3%	Decrease by 1%	17,732
		Decrease by 2%	1,022
Gross margin rate	41% to 13.1%	Decrease by 1%	18,401
		Decrease by 2%	1,767
Pre-tax discount rate	24%	Increase by 0.5%	32,097
		Increase by 1%	29,294

Kunming Group

At 31 December 2022

Key assumption	Base case	Changes in key assumption	Surplus (deficits) of recoverable amount of the CGU over/below its carrying amounts *RMB'000*
Annual growth rate of revenue	21.8% to 3%	Decrease by 1%	(150,781)
		Decrease by 2%	(394,008)
Gross margin rate	39% to 50.1%	Decrease by 1%	68,727
		Decrease by 2%	27,467
Pre-tax discount rate	16%	Increase by 0.5%	50,807
		Increase by 1%	(3,770)

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

(Continued)

Chengdu Group

At 31 December 2022

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	12.6% to 3%	Decrease by 1%	2,945,815
		Decrease by 2%	2,824,306
Gross margin rate	39.6% to 43.5%	Decrease by 1%	2,914,615
		Decrease by 2%	2,758,832
Pre-tax discount rate	15.3%	Increase by 0.5%	2,826,268
		Increase by 1%	2,393,457

23. INTERESTS IN ASSOCIATES

a. Investments in preferred shares measured at FVTPL

	RMB'000
At 1 January 2021	171,057
Gains on fair value change	3,979
Exchange realignment	(5,106)
At 31 December 2021	169,930
Deemed disposal of partial preferred shares *(Note 23(b)(ii))*	(1,717)
Loss on fair value change	(76,733)
Exchange realignment	14,263
At 31 December 2022	**105,743**

23. INTERESTS IN ASSOCIATES (Continued)

b. Interests in associates accounted for using equity method

	2022 RMB'000	2021 RMB'000
Cost of interests in associates applying the equity method	–	2,691
Less: Share of post-acquisition loss	–	(2,691)
	–	–
Amounts due from associates *(Note)*	39,392	136,782
Less: Share of post-acquisition loss that are excess of the cost of investment	(11,237)	(6,823)
Add: Share of post-acquisition loss reversed upon disposal of an associate	4,348	–
	32,503	129,959
Interests in associates applying the equity method	–	–
Amounts due from associates *(Note)*	32,503	129,959

Note: The amount represents amount due from Jinxin International Medical Services Company Limited (2021: Jinxin International Medical Services Company Limited and Chengdu Jinxin Aijian International Hospital Management Co., Ltd ("Jinxin Aijian")), which is the associate of the Company. The amount is unsecured, interest free, and repayable on demand. In the opinion of the management, the Group will not demand for repayment within the next twelve months from the end of the reporting period and the amounts are therefore shown as non-current.

23. INTERESTS IN ASSOCIATES (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
			2022	2021	2022	2021	
Mengmei Life Pty. Limited ("Mengmei")	Cayman Islands	U.S.A.	28%	28%	28% *(Note i)*	28% *(Note i)*	Assisted reproduction agency
KangSeed Technology Limited ("KangSeed")	Cayman Islands	China	5.788%	16.39%	5.788% *(Note ii)*	16.39% *(Note ii)*	Assisted reproduction services
Jinxin International Medical Service Company Limited	Cayman Islands	U.S.A.	49%	49%	49%	49%	Assisted reproduction agency
Jinxin Aijian	China	China	N/A	10%	N/A *(Note iii)*	10% *(Note iii)*	Andrology medical services

Notes:

i. 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 Mengmei 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 2022 was US$14,187,000 (equivalent to RMB98,808,000) (2021: US$14,187,000 (equivalent to RMB90,453,000)) of which the fair value hierarchy is classified as Level 3.

23. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

ii. 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. On 31 December 2022, the Group discharged its obligation of the unpaid consideration at its discretion given the payment conditions has not been fulfilled by KangSeed and 3,905,455 preferred shares were forfeited accordingly and a gain of RMB36,310,000 was recognised in profit or loss. 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 were 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 2022 was US$996,000 (equivalent to RMB6,935,000) (2021: US$12,466,000 (equivalent to RMB79,477,000)) of which the fair value hierarchy is classified as Level 3.

iii. Although the Group held 10% of the issued share capital of Jinxin Aijian, the Group is able to exercise significant influence over Jinxin Aijian because the Group's executive director and co-chief executive officer Ms. Lyu Rong is one of the three directors of Jinxin Aijian. On 29 December 2022, the Group dispose the 10% of the issued share capital of Jinxin Aijian at nil consideration to Chengdu Jincheng Hongda Enterprise Management Co., Ltd., a subsidiary of Chengdu Jinxin Investment.

No summarised financial information in respect of the interest in associates which are measured using the equity method or at fair value 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.

The equity instrument at FVTOCI has been disposed by the Group on 19 August 2022 at a cash consideration of US$1,079,000 (equivalent to RMB7,289,000). During the year ended 31 December 2022, the amount of RMB1,930,000 of fair value gain was recognised in other comprehensive income (2021: fair value loss of RMB3,891,000).

25. FINANCIAL ASSETS AT FVTPL

	RMB'000
At 1 January 2021	–
Purchase	149,244
Gains on fair value change	30,026
Exchange realignment	(1,523)
At 31 December 2021	177,747
Loss on fair value change	(5,526)
Disposal	(127,320)
Exchange realignment	8,338
Derecognised upon acquisition of a subsidiary *(Note 40)*	(53,239)
At 31 December 2022	–

Note: During the year ended 31 December 2021, Sichuan Jinxin Fertility acquired 10% equity interests in Guangdong Kangzhi, which holds 51% equity interests in each of Yunan Jiuzhou Hospital and Kunming Hewanjia Hospital, 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), "Binhai Yuanxin") at a total consideration of approximately US$17,250,000 (equivalent to approximately RMB111,504,000). Binhai Yuanxin indirectly holds 89.9663% equity interests in Guangdong Kangzhi Hospital and 99.9625% equity interests in each of Guangzhou Yunzhicai and Guangzhou Hejia. Guangzhou Yunzhicai holds 49% equity interests in Yunnan Jiuzhou Hospital, and Guangzhou Hejia holds 49% of equity interests in Kunming Hewanjia Hospital. Accordingly, the Group was entitled to approximately 19.33% economic interests in each of Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital.

On 9 June 2022, Jinxin Fertility Group (BVI) Company Limited, disposed 15% limited partnership interest in Binhai Yuanxin at total consideration of RMB127,320,000, representing cash consideration of US$16,290,000 (equivalent to approximately RMB108,838,000) and discharged of residual payables of US$2,307,000 (equivalent to approximately RMB18,482,000).

On 13 July 2022, the Group acquired additional 90% equity interests in Guangdong Kangzhi, 89.7959% equity interests in Guangzhou Yunzhicai and 89.7959% equity interests in Guangzhou Hejia at a total consideration of RMB954,125,000. Upon completion, the Group (i) owns 100% equity interests in Guangdong Kangzhi, 89.7959% equity interests in Guangzhou Yunzhicai and 89.7959% equity interests in Guangzhou Hejia, respectively.

As part of the acquisition, Jinrun Fude, a 100% owned structured entity of the Group, entered into a capital injection agreement with each of Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital to subscribe for 30% equity interests, therefore diluting (i) Guangdong Kangzhi's and Guangzhou Yunzhicai's interests in Yunnan Jiuzhou Hospital to 35.7% and 34.3%, respectively, and (ii) Guangdong Kangzhi's and Guangzhou Hejia's interests in Kunming Hewanjia Hospital to 35.7% and 34.3%, respectively. Consequently, the Group ultimately controls 66.5% equity interests in each of Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital through Guangdong Kangzhi, Guangzhou Yunzhicai and Guangzhou Hejia, and controls 30% equity interests in each of Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital through Jinrun Fude by virtue of contractual arrangements. As such, the Group is entitled to approximately 96.5% economic interests in each of Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital. Particulars regarding the acquisition is disclosed in Note 40.

26. INTEREST IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Cost of interest in a joint venture	3,500	3,500
Capital injection*	25,000	–
Share of result of a joint venture	(3,246)	(3,290)
	25,254	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
			2022	2021	2022	2021	
成都錦欣尚輝企業管理有限公司 Chengdu Jinxin Shanghui Enterprise Management Co.,Ltd ("Jinxin Shanghui")**	China	China	50%	50%	50% (***)	50% (***)	Information marketing

Notes:

* On 24 June 2022, Sichuan Jinxin Fertility and Chengdu Jinxin Investment each made RMB25,000,000 cash injection to Jinxin Shanghui.

** English name is for identification only.

*** Jinxin Shanghui is owned by Sichuan Jinxin Fertility and Chengdu Jinxin Investment with equity interests 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

	2022 RMB'000	2021 RMB'000
Pharmaceutical products	26,170	10,378
Consumables and others	36,375	36,429
	62,545	46,807

28. ACCOUNTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Accounts receivables	83,319	64,330
Other receivables and prepayment:		
Prepayments on acquisitions of equity interests *(Note i)*	153,082	19,127
Prepayments to a director of a subsidiary *(Note ii)*	37,587	–
Prepayments to suppliers	83,133	79,408
Interest receivables	383	2,644
Loan receivables *(Note iii)*	27,187	23,153
Others	14,194	18,514
	398,885	207,176
Less: Loan receivable classified as non-current assets *(Note iii)*	6,699	17,074
Prepayments classified as non-current assets	203,506	47,417
Accounts and other receivables classified as current assets	188,680	142,685

Notes:

i. The amount mainly represents an investment agreement entered in December 2022 between the Group and Chengdu Jincheng Hongda Enterprise Management Co., Ltd, which is the holding company of Jinxin Aijian, and mutually agreed to transfer the amounts due from Jinxin Aijian amounting to RMB132,188,000 as the prepayment to future equity investment in Chengdu Jincheng Hongda Enterprise Management Co., Ltd.

ii. With effect from 1 December 2022 to 30 November 2025, a director of Shenzhen Zhongshan Hospital is entitled to an aggregate remuneration of HK$43,300,000 (equivalent to RMB38,661,000).

iii. The amount represent US$962,000 (equivalent to approximately RMB6,699,000) (2021: US$953,000 (equivalent to approximately RMB6,079,000)) loan receivable from IVF Universal, LLC, a supplier to the Group, and US$2,942,000 (equivalent to approximately RMB20,488,000) (2021: US$2,678,000 (equivalent to approximately RMB17,074,000)) loan receivable from a shareholder of an associate. These amounts are unsecured and interest-free. The loan receivable from a supplier is expected to collect in 2024 (2021: 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 2021, accounts receivables amounted to RMB11,289,000.

The individual customers of Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital, Wuhan Jinxin Hospital, Hong Kong Assisted Reproduction Centre Ltd ("HK ARC"), Hong Kong Reproductive Health Centre Ltd ("HK RHC"), Jinxin Women and Children Hospital, Yunan Jiuzhou Hospital and Kunming Hewanjia 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.

28. ACCOUNTS AND OTHER RECEIVABLES (Continued)

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 and Jinxin Women and Children 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.

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 2022 and 2021.

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.

	2022 ***RMB'000***	2021 *RMB'000*
Within 90 days	**46,768**	47,873
91 to 180 days	**22,496**	12,360
Over 180 days	**14,055**	4,097
	83,319	64,330

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/TO RELATED PARTIES

(a) Amounts due from related parties

	2022 RMB'000	2021 RMB'000
Trade in nature		
Jinjiang District Maternity and Child Health Hospital *(Notes i & ii)**	**62,773**	93,738
成都錦欣潤怡醫療管理有限公司 (Chengdu Jinxin Runyi Medical Management Co., Ltd.) *(Notes i & iii)**	**42,849**	41,677
HRC Medical *(Note iv)*	**36,914**	106,644
成都錦欣信息科技有限公司 (Chengdu Jinxin Information Technology Co., Ltd.) *(Note v)**	**46**	–
四川省邁可多醫療用品有限公司 (Sichuan Mocodo Medical Products Co., Ltd.) *(Notes i & ii)**	**12**	–
成都喜馬拉雅藏醫醫院有限公司 (Chengdu Himalayan Tibetan Medical Hospital Co., Ltd.) *(Notes i & ii)**	**9**	26
Chengdu Jinxin Investment and its other affiliates *(Notes i & ii)*	**39,242**	10,312
	181,845	252,397

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

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

	2022 RMB'000	2021 RMB'000
Non-trade in nature		
Loan receivable:		
成都錦霖企業管理有限公司 (Chengdu Jinlin Enterprise Management Co., Ltd) *(Notes i & vi)**	**28,368**	29,587
Chengdu Jinxin Investment	**–**	91,398
成都錦薈科技有限公司 (Chengdu Jinhui Technology Co., Ltd) *(Note vii)**	**–**	52,136
Other receivables:		
KangSeed *(Note viii)*	**–**	10,338
成都錦欣潤怡醫療管理有限公司 (Chengdu Jinxin Runyi Medical Management Co., Ltd) *(Notes i & ii)**	**–**	9,596
北京錦醫科技有限公司 (Beijing Jinyi Technology Co., Ltd) *(Note v)**	**–**	3,000
成都錦欣信息科技有限公司 (Chengdu Jinxin Information Technology Co., Ltd) *(Note v)**	**–**	2,102
Jinxin Medical Innovation Research Center *(Note vii)*	**–**	1,058
Chengdu Jinxin Investment and its other affiliates *(Notes i & ii)*	**1,125**	31,315
	29,493	230,530
Total	**211,338**	482,927
Analysed as:		
Current	**211,338**	420,453
Non-current**	**–**	62,474
	211,338	482,927

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

(a) Amounts due from related parties (Continued)

Notes:

* The English names of these entities registered in the PRC represent the best efforts made by the Directors to directly translate their Chinese names as they did not register any official English names.

** The amounts due from KangSeed (2021: 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 balances were all aged within 365 days (2021: 180 days) at the end of the reporting period.

(iii) 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 within 365 days to Chengdu Jinxin Runyi Medical Management Co., Ltd.

(iv) The related party is jointly controlled by certain shareholders of HRC Investment. 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 2022 based on invoice date is aged within 90 days (2021: 30 days) and not past due nor impaired.

(v) 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.

(vi) The amount of RMB28,368,000 (2021: 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 on 20 April 2021.

(vii) As a subsidiary of Chengdu Jinxin Investment, the company was acquired by the Group in January 2022 and ceased to be the related party to the Group.

(viii) The related party is an associate of the Company. The amount is unsecured, interest-free and repayable on demand.

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

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

(b) Amounts due to related parties

	2022 RMB'000	2021 RMB'000
Trade in nature		
Jinjiang District Maternity and Child Health Hospital *(Note i)**	1,485	334
成都錦欣信息科技有限公司 (Chengdu Jinxin Information Technology Co., Ltd.) *(Note ii)**	1,471	–
四川省邁可多醫療用品有限公司 (Sichuan Mocodo Medical Products Co., Ltd) *(Note i)**	542	780
Chengdu Jinxin Investment and its other affiliates *(Note i)*	15,610	8111
	19,108	9,225
Non-trade in nature		
Jinjiang District Maternity and Child Health Hospital *(Notes i & iii)*	5,426	24,059
四川省邁可多醫療用品有限公司 (Sichuan Mocodo Medical Products Co., Ltd) *(Notes i & iii)**	3,510	3,000
成都錦欣信息科技有限公司 (Chengdu Jinxin Information Technology Co., Ltd.) *(Note ii)**	3,003	–
KangSeed *(Note iv)*	–	45,012
Dr. Chan Chi Wai *(Note v)*	–	17,910
Prof. Tham Chee Yung *(Note v)*	–	1,236
Ms. Chan Ying Chi *(Note v)*	–	570
Dr. Yu Congyi *(Note v)*	–	475
Chengdu Jinxin Investment and its other affiliates *(Notes i & iii)**	16,481	313,652
	28,420	405,914
Total	47,528	415,139

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

(b) Amounts due to related parties (Continued)

Notes:

* The English names of these entities registered in the PRC represent the best efforts made by the Directors to directly translate their Chinese names as they did not register any official English names.

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

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

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

The following is an aged analysis of amounts due to related parties which are trade in nature presented based on the invoice date at the end of the reporting period.

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**7,067**	8,585
91 to 180 days	**11,993**	640
Over 180 days	**48**	–
	19,108	9,225

30. LIFE INSURANCE POLICY

During the year ended 31 December 2022, the Company entered into a life insurance policy with an insurance company, HSBC Life (International) Limited, to insure Dr. Chan Chi Wai, a doctor and director of HK ARC and HK RHC. Under the policy, the Company is the beneficiary and policy holder and the total insured sum is US$10,000,000 (equivalent to approximately RMB69,646,000). The Company is required to pay an upfront deposit of US$3,367,000 (equivalent to approximately RMB23,451,000). The Company can terminate the policy at any time and receive cash back based on the account value ("Account Value") of the policy at the date of withdrawal, which is determined by the upfront payment plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if the withdrawal is made between the first to eighteenth policy years, there is a specified amount of surrender charge deducted from the Account Value. The insurance company will pay the Company a guaranteed interest of 4.25% for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2% per annum) during the effective period of the policy. The Company does not have intention to terminate the insurance within twelve months after the end of the reporting period and therefore the insurance is classified as non-current assets in the consolidated statement of financial position.

The life insurance policy is measured at the value quoted by the insurance company at end of each reporting period. The net loss on the life insurance policy are recognised in profit or loss.

31. TIME DEPOSITS

During the years ended 31 December 2022 and 2021, 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 0.01% to 4.82% per annum (2021: 0.03% to 2.8% per annum). The contracts are with maturity within 90 days as specified in the agreement (2021: on or before 14 July 2022 or 90 days as specified in the agreement).

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

32. 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 4.3% per annum for the year ended 31 December 2022 (2021: up to 3.85% 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 180 days to 182 days, or can be redeemable on demand (2021: a maturity period of 35 days to 98 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.

33. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carried interest at market rates which range from 0.01% to 1.65% per annum as at 31 December 2022 (2021: from 0.01% to 0.39% per annum).

The pledged bank deposits, which amounting to RMB180,000,000 as at 31 December 2021, 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 as at 31 December 2021. The pledged bank deposits have been released upon the settlement of the relevant bank borrowing on 15 July 2022.

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

34. ACCOUNTS AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Accounts payables	**217,723**	147,357
Other payables:		
Consideration payable for Shenzhen Hengyu	**37,234**	–
Consideration payable for acquisition of a subsidiary *(Note 40)*	**33,670**	–
Construction payables	**86,435**	5,923
Loan payables *(Note i)*	**290,488**	–
Dividend payables	**10,504**	–
Refundable customers' deposits	**100,734**	93,992
Accrued employee expenses (including social insurances and housing fund contributions)	**159,052**	138,606
Value-added tax and other tax payables	**28,282**	17,986
Deferred income *(Note ii)*	**10,081**	4,140
Interest payables	**12,075**	1,214
Consideration payable for investment in financial assets at FVTPL	**–**	18,482
Others	**30,562**	17,818
	799,117	298,161
Total accounts and other payables	**1,016,840**	445,518
Less: Loan payables as non-current liabilities *(Note i)*	**(99,911)**	–
Total accounts and other payables as current liabilities	**916,929**	445,518

34. ACCOUNTS AND OTHER PAYABLES (Continued)

Notes:

(i) The amounts represent unsecured, interest-free loan payables to the former shareholders of Shenzhen Hengyu. Pursuant to the equity transfer agreement entered into on 4 February 2022, certain consideration is payable by the Group to the former shareholders upon completion of certain construction milestones, which is due to be settled for over one year. Accordingly, as at 31 December 2022, the amount of RMB99,911,000 is expected to be paid after one year and is therefore classified as non-current liabilities in the consolidated statement of financial position.

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

The credit period of accounts payables is from 30 to 90 days from the invoice date.

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

	2022 RMB'000	2021 RMB'000
Within 90 days	151,802	139,017
91 to 180 days	16,954	6,539
181 to 365 days	35,526	168
Over 365 days	13,441	1,633
	217,723	147,357

35. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	63,256	62,180
Within a period of more than one year but not more than two years	63,832	79,580
Within a period of more than two years but not more than five years	188,556	160,540
Within a period of more than five years	123,598	130,774
	439,242	433,074
Less: Amount due for settlement with 12 months shown under current liabilities	(63,256)	(62,180)
Amount due for settlement after 12 months shown under non-current liabilities	375,986	370,894

35. LEASE LIABILITIES (Continued)

The weighted average incremental borrowing rates applied to lease liabilities is 4.45% (2021: 4.66%).

As at 31 December 2022, RMB141,058,000 of lease liabilities payable is related to the lease entered with related parties (2021: RMB148,729,000).

36. 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 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
Arising on acquisition of a subsidiary *(Note 40)*	–	96,325	(4,242)	92,083
(Credit) charged during the year *(Note 11)*	(357)	15,830	(75,341)	(59,868)
Exchange realignment	–	63,224	(1,913)	61,311
At 31 December 2022	**6,039**	**1,180,324**	**(88,516)**	**1,097,847**

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

	2022 ***RMB'000***	2021 *RMB'000*
Deferred tax liabilities	**(1,186,363)**	(1,011,341)
Deferred tax assets	**88,516**	7,020
	(1,097,847)	(1,004,321)

37. BANK BORROWING

	2022 RMB'000	2021 RMB'000
Bank borrowing, guaranteed	**2,089,296**	163,746
The carrying amounts of the above borrowing are repayable:		
Within one year	**18,618**	37,746
Within a period of more than one year but not exceeding two years	**714,020**	54,000
Within a period of more than two years but not exceeding three years	**1,356,658**	72,000
	2,089,296	163,746

The bank borrowing amounting to RMB163,746,000 as at 31 December 2021 carries fixed interest rate which is determined at loan prime rate less 0.33% per annum upon drawdown of the bank borrowing and is secured by pledged bank deposits (Note 33). The bank borrowing has been settled on 15 July 2022.

On 28 December 2021, the Company obtained syndicated bank facility amounted to US$300,000,000 (equivalent to approximately RMB2,070,678,000) which is guaranteed by the Company's subsidiaries. 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. During the year ended 31 December 2022, the Company drew down the bank facility to its full amount. The loans carry interest at variable market rates of London Inter-bank Offered Rate ("LIBOR") plus a fixed interest of 2.2% and are repayable by installments of 15%, 20% and 65% of the principal upon 24, 30 and 36 months of the utilisation date.

As at 31 December 2022, the bank borrowing amounting to RMB10,000,000 carries fixed interest rate of 3.5% per annum and is repayable on 13 December 2023. The bank borrowing amounting to RMB8,618,000 carries fixed interest rate of 3.6% and is repayable on 24 October 2023. Both bank borrowings are guaranteed by 錦欣醫療投資有限公司 (Jinxin Medical Investment Company Ltd), which is a subsidiary of the Company.

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.

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 31 December 2021 and 31 December 2022 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. The derivative component is considered to be immaterial. 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.

38. CONVERTIBLE BONDS (Continued)

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
Exchange realignment	(4,388)
At 1 January 2022	**1,492,932**
Interest on the Convertible Bonds	**4,710**
Exchange realignment	**138,417**
At 31 December 2022	**1,636,059**

39. SHARE CAPITAL

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

	Number of shares	**Share capital**	**Share capital**
		US$	*RMB'000*
Ordinary shares of US$0.00001 each			
Authorised:			
At 1 January 2021, 31 December 2021 and 31 December 2022	5,000,000,000	50,000	345
Issued:			
At 1 January 2021	2,429,501,802	24,295	160
Shares cancelled *(Note i)*	(1,918,000)	(19)	*
Issue of shares *(Note ii)*	80,000,000	800	5
At 31 December 2021	2,507,583,802	25,076	165
Shares cancelled *(Note i)*	**(5,731,000)**	**(57)**	*
Issue of shares *(Note iii)*	**15,000,000**	**150**	**1**
At 31 December 2022	**2,516,852,802**	**25,169**	**166**

* The amount is less than RMB1,000.

39. SHARE CAPITAL (Continued)

Notes:

(i) The 1,918,000 ordinary shares, which were repurchased in September 2020 at an aggregation consideration of HK$18,726,000 (equivalent to RMB16,472,000), were cancelled in March 2021.

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 *HK$*	Price per share Lowest *HK$*	Aggregate consideration paid
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.

(ii) 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.

(iii) On 18 July 2022, 15,000,000 ordinary shares have been issued by the Company to a director of Shenzhen Zhongshan Hospital, through a subscription agreement at the price HK$6.50 per share. Proceeds amounting to US$150 (equivalent to approximately RMB1,000) represent the par value of the share issued were credited to the share capital of the Company, the remaining proceeds net of transaction costs of RMB82,962,000 were credited to the share premium. For details of the transaction, please refer to the Company's announcement dated 7 June 2022.

40. ACQUISITIONS OF SUBSIDIARIES

a. *Acquisition of Kunming Group*

As disclosed in Note 25, the Group acquired an effective interest of 91.4% in Kunming Group during the year. Therefore, the Group derecognised its 5.1% interest in Kunming Group which was previously classified as financial assets at FVTPL in 2021 and recognised a business acquisition during the current year. Kunming Group 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.

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

a. *Acquisition of Kunming Group* (Continued)

	RMB'000
Consideration	
Cash transferred	920,455
Derecognised of financial assets at FVTPL upon acquisition of a subsidiary *(Note 25)*	53,239
Consideration payable *(Note 34)*	33,670
Total	1,007,364

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	19,491
Trademark	309,096
Deferred tax assets	4,242
License	333,070
Inventories	8,502
Accounts and other receivables	18,348
Other financial asset at FVTPL	19,034
Bank balances and cash	12,083
Accounts and other payables	(43,658)
Amounts due to the Group	(18,837)
Amounts due to related parties	(9,100)
Tax payables	(100)
Deferred tax liabilities	(96,325)
Total	555,846

The fair value of accounts and other receivable is RMB18,348,000 and includes accounts receivables with a fair value of RMB526,000. The gross contractual amount for accounts and other receivable due is RMB18,348,000.

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

a. Acquisition of Kunming Group (Continued)

Non-controlling interests

The non-controlling interests (3.5%) in Kungming Group recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Kunming Group and amounted to RMB19,455,000.

	RMB'000
Goodwill arising on acquisition	
Consideration	1,007,364
Plus: non-controlling interests (3.5% in Kunming Group)	19,455
Less: recognised amounts of net assets acquired	(555,846)
Goodwill arising from acquisition	470,973

Goodwill arose on the acquisition of Kunming 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 Kunming 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.

Net cash outflow on acquisition of Kunming Group

	RMB'000
Cash consideration paid	920,455
Less: cash and cash equivalent balances acquired	(12,083)
	908,372

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is loss attributable to the additional business generated by Kunming Group amounted RMB10,164,000. Revenue for the year ended 31 December 2022 includes RMB92,425,000 generated from Kunming Group.

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

a. Acquisition of Kunming Group (Continued)

Impact of acquisition on the results of the Group (Continued)

Had the acquisition of Kunming Group been completed on 1 January 2022, the profit for the year ended 31 December 2022 would have been RMB86,483,000 and the total revenue of the Group for the year ended 31 December 2022 would have been RMB2,506,840,000. 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 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Kunming Group been acquired at the beginning of the year ended 31 December 2022, 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.

b. Acquisition of Shenzhen Hengyu

On 25 May 2022, the Group acquired 100% interest in Shenzhen Hengyu at a cash consideration of RMB37,234,000. Shenzhen Hengyu owns an industrial research and development building located in Shenzhen which is now under construction.

The Group elected to apply the optional concentration test in accordance with IFRS 3 "Business Combinations". Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents) acquired is concentrated in the industrial research and development building and concluded that the acquired set of activities and assets is not a business.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	1,376,666
Right-of-use assets	172,719
Accounts and other receivables	800
Tax recoverable	30,360
Bank balances and cash	27,360
Loan payables	(482,405)
Construction payables	(898,055)
Bank borrowings	(190,211)
Total	37,234

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

b. Acquisition of Shenzhen Hengyu (Continued)

Net cash outflow on acquisition of Shenzhen Hengyu

	RMB'000
Cash consideration paid	–
Less: cash and cash equivalent balances acquired	(27,360)
	(27,360)

c. 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. The Actual Net Profit for Jinxin Medical Group for the financial year ended 31 December 2021 exceeds the Guaranteed Net Profit. The fair value of Compensation Amount is insignificant as at 26 November 2021 and 31 December 2021.

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

c. Acquisition of Jinxin Medical Group (Continued)

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)
Amounts due to related parties	(16,177)
Lease liabilities	(129,485)
Deferred tax liabilities	(201,347)
Non-controlling interests	21
Total	1,204,002

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.

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

c. Acquisition of Jinxin Medical Group (Continued)

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)

d. *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 interests 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/ending 31 December 2022 and 2023 will exceed the Guaranteed Revenue. The revenue for Jinxin Women Group for the financial year ended 31 December 2022 is higher than the Guaranteed Revenue and the Directors expect the actual average revenue for the two financial years ended/ending 31 December 2022 and ending 31 December 2023 is to be higher than the Guaranteed Revenue. The estimated fair value of Compensation Value as at 5 September 2021, 31 December 2021 and 31 December 2022 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, 31 December 2021 and 31 December 2022 are considered to be insignificant.

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

d. *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)

d. 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.

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 2022, 11,020,797 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 2022, 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
Partner doctor 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
Key management personnel	100,000	1 January 2022	14 February 2029	712,000	1 month–2 years
Eligible employees and doctors of HRC Medical	1,393,500	31 January 2022	14 February 2029	11,836,000	1 month–4 years
Partner doctor of HRC Medical	1,990,710	31 January 2022	14 February 2029	12,639,000	1–5 years
Key management personnel	100,000	1 March 2022	14 February 2029	721,000	10 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 quoted prices in active market for the RSUs granted on 10 January 2021, 18 January 2021, 1 June 2021, 1 January 2022, 31 January 2022, and 1 March 2022. The fair value of the RSUs granted on 10 January 2021, 18 January 2021, 1 June 2021, 1 January 2022, 31 January 2022, and 1 March 2022 were assessed to be RMB26,591,000, RMB26,038,000, RMB8,703,000, RMB712,000, RMB24,475,000, and RMB721,000 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 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2022
RSU granted to:					
Key management personnel	3,251,494	–	(3,251,494)	–	–
Partner doctor of HRC Medical	2,353,020	–	(784,340)	–	1,568,680
Key management personnel	1,337,090	–	(461,192)	(251,665)	624,233
Eligible employees and doctors of HRC Medical	3,784,457	–	(1,846,713)	–	1,937,744
Key management personnel	1,986,512	–	(620,593)	–	1,365,919
Key management personnel	500,000	–	(125,000)	–	375,000
Key management personnel	–	100,000	(33,333)	–	66,667
Eligible employees and doctors of HRC Medical	–	1,393,500	(139,350)	–	1,254,150
Partner doctor of HRC Medical	–	1,990,710	–	–	1,990,710
Key management personnel	–	100,000	–	–	100,000
	13,212,573	3,584,210	(7,262,015)	(251,665)	9,283,103

	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
Partner doctor of HRC Medical	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

41. SHARE-BASED PAYMENTS (Continued)

(b) RSU Scheme (Continued)

The Group recognised the total expense of RMB33,024,000 for the year ended 31 December 2022 (2021: RMB76,342,000) 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.

42. CAPITAL COMMITMENTS

	2022 ***RMB'000***	2021 *RMB'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**82,739**	5,306

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 RMB66,196,000 for the year ended 31 December 2022 (2021: RMB32,653,000) representing 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	2022 RMB'000	2021 RMB'000
Jinjiang District Maternity and Child Health Hospital*	Entity controlled by Chengdu Jinxin Investment	Provision of management services by the Group	**99,549**	80,999
		Provision of pathological examination services by the Group	**96**	1
		Rendering pathological examination services by the related company *(Note i)*	**(3,416)**	(1,281)
		Sales of medicines, consumables and equipment by the Group	**71,616**	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 *(Note ii)*	Provision of pathological examination services by the Group	**–**	88
		Rendering pathological examination services by the related company *(Note i)*	**–**	(297)
Chengdu Jinxin Psychiatric Hospital Company Limited*	Entity controlled by Chengdu Jinxin Investment	Rendering sanitizing and cleaning services by the related company *(Note i)*	**(2)**	(2,000)
		Provision of pathological examination services by the Group	**137**	3
		Sales of medicines, consumables and equipment by the Group	**141**	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	**(8,186)**	(110)

44. RELATED PARTY DISCLOSURES (Continued)

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also entered into the following related party transactions: (Continued)

Name of related Company	Relationship	Nature of transactions	2022 RMB'000	2021 RMB'000
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 *(Note i)*	**(312)**	(40)
		Sales of medicines, consumables and equipment by the Group	**3,476**	288
成都和雋科技有限公司 Hejun Technology*	Entity controlled by Chengdu Jinxin	Purchase of consumables by the Group	**(12,134)**	(22,380)
		Rendering storage services by the related company	**–**	(4,089)
		Rendering labor services	**(10,592)**	–
		Sales of medicines, consumables and equipment by the Group	**8,007**	–
HRC Medical	Jointly controlled by certain shareholders of HRC Investment	Management service income	**326,085**	430,473
		PGS Testing income	**21,595**	3,310
		Ambulatory surgery centre facilities income	**3,462**	3,063
HRC Properties, LLC	Controlled by certain shareholders of HRC Investment	Repayment of lease liability *(Note iii)*	**(2,946)**	(1,689)
		Finance costs on lease liability	**(707)**	(659)
Gender Selection Australia Pty Ltd.	Controlled by a shareholder HRC investment	Marketing expense	**(1,087)**	(510)
Jinxin Investment Group Limited	Entity controlled by Jinxin Medical Investment Group Limited *(Note ii)*	Repayment of lease liability	**–**	(3,713)
		Finance costs on lease liability	**–**	(529)

44. RELATED PARTY DISCLOSURES (Continued)

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also entered into the following related party transactions: (Continued)

Name of related Company	Relationship	Nature of transactions	2022 RMB'000	2021 RMB'000
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	**16**	6
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	**1,061**	74
成都錦欣愛囝醫院有限公司 Chengdu Jinxin Aijian Hospital Co., Ltd*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	**10,437**	10,426
		Provision of IT services	**151**	–
成都喜馬拉雅藏醫醫院有限公司 Chengdu Himalayan Tibetan Medical Hospital Co., Ltd.*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	**117**	19
成都錦欣橘米健康管理有限公司 Chengdu Jinxin Jumi Health Management Co., Ltd*	Entity controlled by Chengdu Jinxin Investment	Sales of medicines, consumables and equipment by the Group	**54**	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	**24**	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	**41**	5
		Provision of consulting services by the Group	**–**	2
		Provision of pathological examination services	**3**	–

44. RELATED PARTY DISCLOSURES (Continued)

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also entered into the following related party transactions: (Continued)

Name of related Company	Relationship	Nature of transactions	2022 RMB'000	2021 RMB'000
成都龍泉驛區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	**157**	24
		Provision of pathological Services by the Group	**1**	1
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	**72**	7
		Provision of pathological services by the Group	**6**	1
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 *(Note iv)*	Sales of medicines, consumables and equipment by the Group	**144**	–
		Repayment of lease liability	**(1,279)**	–
		Finance cost on lease liability	**(179)**	–
		Rendering of dormitory rental	**(86)**	–
四川省邁可多醫療用品有限公司 Sichuan Mocodo Medical Products Co., Ltd.	Entity controlled by Chengdu Jinxin Investment	Purchase of consumables by the Group	**(4,724)**	–
成都錦欣信息科技有限公司 Chengdu Jinxin Information Technology Co., Ltd	Entity controlled by Chengdu Jinxin Investment	Rendering of IT services	**(1,464)**	–
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	**2**	1
Chengdu Jinshen Enterprise Management Co., Ltd.*	Entity controlled by Chengdu Jinxin Investment *(Note v)*	Repayment of lease liability	**(22,619)**	(1,830)
		Finance cost on lease liability	**(6,117)**	(491)

44. RELATED PARTY DISCLOSURES (Continued)

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also entered into the following related party transactions: (Continued)

Name of related Company	Relationship	Nature of transactions	2022 RMB'000	2021 RMB'000
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	**82**	4
		Provision of pathological services by the Group	**4**	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	**156**	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	**45**	1
		Provision of pathological services by the Group	**14**	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	**1,811**	186
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	**41,060**	3,429

44. RELATED PARTY DISCLOSURES (Continued)

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also entered into the following related party transactions: (Continued)

Name of related Company	Relationship	Nature of transactions	2022 RMB'000	2021 RMB'000
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 *(Note ii)*	Purchase of consumables by the Group	–	(2,747)
		Rendering pathological examination services by the related company *(Note 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(c).

(iii) The amounts of lease liabilities as at 31 December 2022 is RMB24,504,000 (31 December 2021: RMB24,554,000).

(iv) The amounts of lease liabilities as at 31 December 2022 is RMB6,477,000 (31 December 2021: nil)

(v) The amounts of lease liabilities as at 31 December 2022 is RMB110,077,000 (31 December 2021: 124,175,000)

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:

	2022 RMB'000	2021 RMB'000
Directors' fee	600	612
Salaries and allowances	18,508	12,658
Performance-related incentive payments	8,451	946
Retirement benefit schemes contributions	526	241
Share-based compensation benefits	5,392	37,424
	33,477	51,881

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, bank borrowing and convertible bonds disclosed in Notes 35, 37 and 38 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	
	2022	2021
	RMB'000	*RMB'000*
Financial assets		
Financial assets at		
– Amortised cost	**1,757,784**	2,676,421
– FVTPL	**71,300**	396,484
– Investments in preferred shares measured at FVTPL	**105,743**	169,930
– FVTOCI	**–**	5,279
	1,934,827	3,248,114
Financial liabilities		
Financial liabilities at		
– Amortised cost	**4,592,308**	2,356,603
– FVTPL	**–**	3,501
	4,592,308	2,360,104
Lease liabilities	**439,242**	433,074

46. FINANCIAL INSTRUMENTS (Continued)

(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, loan 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.

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

	2022 RMB'000	2021 RMB'000
Assets		
US$	669	4,720
HK$	8,930	7,318
RMB	189	185,896

	2022 RMB'000	2021 RMB'000
Liabilities		
HK$	1,636,059	1,492,932

46. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the subsidiaries' functional currency against the relevant foreign currencies. 5% (2021: 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% (2021: 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% (2021: 5%) against the relevant foreign currencies. For a 5% (2021: 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. During years ended 31 December 2022 and 2021, the sensitivity of US$ and RMB against the relevant currency is immaterial.

	HK$	
	2022	2021
	RMB'000	*RMB'000*
Profit or loss	**(61,017)**	(55,711)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 33 for details) and bank borrowing (see Note 37 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 62 to 182 days, or can be redeemable on demand (2021: 31 to 98 days, or can redeemable on demand).

The Group is also exposed to fair value interest rate risk in relation to fixed-rate amounts due to related parties, lease liabilities, bank borrowings and convertible bonds (see Notes 29, 35, 37 and 38 for details) and the Directors consider that the exposure of such interest rate risk arising from amounts due to related parties, lease liabilities and convertible bonds is insignificant.

46. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk (Continued)

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some IBORs with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

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, and financial assets at FVTPL as disclosed in Note 25. The Group has appointed a special team to monitor the price risk of this investment.

If the fair value of the respective investments in preferred shares measured at FVTPL had been 5% (2021: 5%) higher/lower, the post-tax profit would increase/decrease by RMB5,287,000 (2021: RMB8,497,000).

During the year ended 31 December 2021, if the fair value of the FVTOCI had been 5% higher/lower, the other comprehensive income would increase/decrease by RMB264,000. If the fair value of financial assets at FVTPL had been 5% higher/lower, the past-tax profit would increase/decrease by RMB8,887,000, if the fair value of the other financial liabilities had been 5% higher/lower, the post-tax profit would decrease/increase by RMB175,000.

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%.

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 measured under lifetime ECL for accounts receivables of RMB83,319,000 (2021: RMB64,330,000) for the Group is considered insignificant.

46. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

For loan receivables, 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 years ended 31 December 2022 and 2021, 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 RMB100,293,000 (2021: RMB107,277,000) as at 31 December 2022.

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 associates and other related parties amounting to RMB243,841,000 (2021: RMB612,886,000) as at 31 December 2022.

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 RMB1,330,331,000 (2021: RMB1,891,928,000) as at 31 December 2022 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 2022 and 2021.

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.

46. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022							
Accounts and other payables	–	528,937	–	–	–	528,937	528,937
Amounts due to related parties	–	47,528	–	–	–	47,528	47,528
Loan payables	–	190,577	107,941	–	–	298,518	290,488
Convertible bonds	0.75	1,832,853	–	–	–	1,832,853	1,636,059
Bank borrowing	4.74	155,320	836,134	1,378,856	–	2,370,310	2,089,296
Lease liabilities	4.45	81,302	78,861	217,136	315,560	692,859	439,242
		2,836,517	1,022,936	1,595,992	315,560	5,771,005	5,031,550
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							
At 31 December 2021							
Other financial liabilities at FVTPL		3,501	–	–	–	3,501	3,501

Interest rate benchmark reform

As listed in Note 37, a US dollar LIBOR bank borrowing have been subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including potentially new arrangements proposed by the relevant banks.

46. FINANCIAL INSTRUMENTS (Continued)

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

Interest rate benchmark reform (Continued)

LIBOR

As at 31 December 2022, the US dollar LIBOR setting will be ceased immediately after 30 June 2023.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

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 2022 are disclosed in Notes 23a, 24, 25, and 32. 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 2022 RMB'000	Fair value as at 31 December 2021 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	Level 2	Discounted cash flows based on expected cash distribution from the investee	N/A	N/A
Other financial assets at FVTPL	71,300	218,737	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	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 2022 RMB'000	Fair value as at 31 December 2021 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	105,743	169,930	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% (2021:50%). 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 2022 and 2021.

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 31 December 2020 and 1 January 2021	171,057
Gain on fair value changes	3,979
Exchange realignment	(5,106)
At 31 December 2021	169,930
Deemed disposal of partial preferred shares	(1,717)
Loss on fair value changes	(76,733)
Exchange realignment	14,263
At 31 December 2022	105,743

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:

	Loan payable RMB'000	Dividends payable RMB'000	Lease liabilities RMB'000	Non-trade amounts due to related parties RMB'000	Bank borrowing RMB'000	Interest Payable RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2021	–	–	244,332	59,882	162,540	1,224	–	467,978
Financing cash flows	–	(16,603)	(49,622)	23,334	1,206	(5,599)	–	(47,284)
Non-cash changes:								
Arising from acquisition of subsidiaries *(Note 40)*	–	–	137,865	37,495	–	–	1,496,941	1,672,301
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	379	21,146
Set off arrangement *(Note 50)*	–	–	–	(16,261)	–	–	–	(16,261)
Exchange realignment	–	–	(4,361)	(1,054)	–	–	(4,388)	(9,803)
At 31 December 2021	–	–	433,074	405,914	163,746	1,214	1,492,932	2,496,880
Financing cash flows	(194,092)	(179,115)	(59,704)	(338,704)	1,546,229	(63,880)	–	710,734
Non-cash changes:								
Arising from acquisition of subsidiaries *(Note 40)*	482,405	–	–	10,280	190,211	–	–	682,896
Dividends declared	–	180,943	–	–	–	–	–	180,943
New leases entered	–	–	50,718	–	–	–	–	50,718
Covid-19 related rent concession	–	–	(546)	–	–	–	–	(546)
Interest expenses	–	–	21,880	–	6,947	38,316	4,710	71,853
Interest expenses capitalised	2,175	–	–	–	–	36,425	–	38,600
Leases early terminated	–	–	(6,895)	–	–	–	–	(6,895)
Write off from disposal of partial preferred shares measured at FVTPL	–	–	–	(49,170)	–	–	–	(49,170)
Capital injection from non-controlling interests of a subsidiary	–	–	–	(490)	–	–	–	(490)
Set off arrangement	–	–	–	(1,050)	–	–	–	(1,050)
Exchange realignment	–	8,676	715	1,640	182,163	–	138,417	331,611
At 31 December 2022	**290,488**	**10,504**	**439,242**	**28,420**	**2,089,296**	**12,075**	**1,636,059**	**4,506,084**

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 2022	2021	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%	100%	Investment holding
Smiling Charm Limited *(Note viii)*	BVI 9 October 2019	US$50,000	100%	100%	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	99.90%	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)

At the end of the reporting period, the Company has the following subsidiaries comprising the Group: (Continued)

Name of subsidiaries	Place and date of establishment	Paid-up/ share capital	Attributable equity interest to the Group 2022	Attributable equity interest to the Group 2021	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	N/A	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 *(Note 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
深圳市萊恩服務咨詢有限公司 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
Willsun US Delaware Newco Inc.	U.S.A. 7 May 2018	US$82,151,863	100%	100%	Investment holding

48. PARTICULARS OF SUBSIDIARIES (Continued)

At the end of the reporting period, the Company has the following subsidiaries comprising the Group: (Continued)

Name of subsidiaries	Place and date of establishment	Paid-up/ share capital	Attributable equity interest to the Group 2022	2021	Principal activities
Indirectly held: (Continued)					
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%**	100%	Management consultancy
Jinxin Women Wellness Limited *(Note v)*	BVI 7 July 2021	US$1,000	**51%**	51%	Investment holding
Hong Kong Assisted Reproduction Centre Limited *(Note v)*	Hong Kong 3 May 2011	HK$10,000	**51%**	51%	Assisted reproductive services
Hong Kong Reproductive Health Centre Limited *(Note v)*	Hong Kong 25 March 2020	HK$10,000	**51%**	51%	Assisted reproductive services and ancillary medical services
JINXIN Hospital Management Group Limited *(Note vi)*	Cayman 31 January 2018	US$50,000	**100%**	100%	Investment holding
Jinxin Global Medical Company Limited *(Note vi)*	BVI 11 April 2018	US$1	**100%**	100%	Investment holding
Jinxin Investment Group Limited *(Note vi)*	Hong Kong 22 December 2017	HK$1	**100%**	100%	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%**	100%	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%**	51%	Sales of medicines consumables and equipment
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%**	100%	Sales of medicines, consumables and equipment

48. PARTICULARS OF SUBSIDIARIES (Continued)

At the end of the reporting period, the Company has the following subsidiaries comprising the Group: (Continued)

Name of subsidiaries	Place and date of establishment	Paid-up/ share capital	Attributable equity interest to the Group 2022	2021	Principal activities
Indirectly held: (Continued)					
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%	100%	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%	100%	Management consultancy
成都錦欣產康健康管理咨詢有限公司 Chengdu Jinxin Chankang Health Management Consulting Co., Ltd *(Note vii)**	PRC 18 April 2022	Registered capital RMB5,000,000	51%	N/A	Postpartum and rehabilitation care services
成都龍泉驛錦欣產康門診有限公司 Chengdu Longquanyi Jinxin Chankang Clinic Co., Ltd. *(Note vii)**	PRC 23 May 2022	Registered capital RMB1,000,000	51%	N/A	Postpartum and rehabilitation care services
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 RMB2,100,000,000	100%	100%	Real estate development and operation
Shenzhen Hengyu *(Notes iv & vii)**	PRC 30 June 2014	Registered capital RMB10,000,000	100%	N/A	Real estate development and operation
Kunming Hewanjia Hospital *(Notes i, vii & x)*	PRC 15 January 2014	Registered capital RMB55,714,286	96.50%	N/A	Assisted reproductive services and ancillary medical services
Yunnan Jiuzhou Hospital *(Notes i, vii & x)*	PRC 24 September 2003	Registered capital RMB42,857,143	96.50%	N/A	Assisted reproductive services and ancillary medical services
Guangzhou Yunzhicai *(Notes vii & x)*	PRC 18 March 2021	Registered capital RMB13,720,000	89.80%	N/A	Investment holding

48. PARTICULARS OF SUBSIDIARIES (Continued)

At the end of the reporting period, the Company has the following subsidiaries comprising the Group: (Continued)

Name of subsidiaries	Place and date of establishment	Paid-up/ share capital	Attributable equity interest to the Group 2022	2021	Principal activities
Indirectly held: (Continued)					
Guangzhou Hejia *(Notes vii & x)*	PRC 14 May 2021	Registered capital RMB19,130,000	89.80%	N/A	Investment holding
Guangdong Kangzhi *(Notes vii & x)*	PRC 5 March 2018	Registered capital RMB49,300,000	100%	N/A	Investment holding
雲南咪寶母嬰護理有限公司 Yunnan Mibao Maternal- Child Nursing Co., Ltd *(Notes vii & x)**	PRC 10 November 2017	Registered capital RMB1,000,000	100%	N/A	Maternal-Child nursing services
成都錦薈科技有限公司 Chengdu Jinhui Technology Co., Ltd *(Notes vii & ix)**	PRC 04 March 2020	Registered capital RMB87,285,000	100%	N/A	Investment holding
Yongshenghengfu *(Notes vii & xi)**	PRC 23 June 2021	Registered capital RMB200,000,000	100%	N/A	Research and Development of IVF related projects, including scientific research and related commercialisation
深圳市錦欣醫療科技創新中心有限公司 Jinxin Medical Innovation Research Center *(Notes vii & ix)**	PRC 24 March 2020	Registered capital RMB71,300,000	100%	N/A	Research and development of IVF related projects, including scientific research and related commercialisation
深圳中山生殖與遺傳研究所 Shenzhen Zhongshan Reproductive Institute *(Notes viii & ix)**	PRC 19 January 2009	Registered capital RMB1,000,000	100%	N/A	Research and development of IVF related projects, including scientific research and related commercialisation
北海錦誠投資合夥企業(有限合夥) Beihai Jincheng Investment Partnership (Limited Partnership) *(Note vii)**	PRC 20 April 2022	Registered capital RMB100,000	100%	N/A	Investment holding

48. PARTICULARS OF SUBSIDIARIES (Continued)

At the end of the reporting period, the Company has the following subsidiaries comprising the Group: (Continued)

Name of subsidiaries	Place and date of establishment	Paid-up/ share capital	Attributable equity interest to the Group 2022	2021	Principal activities
Indirectly held: (Continued)					
北海錦欣旭逸醫療管理合夥企業(有限合夥) Beihai Jinxin Xuyi Medical Management Partnership (Limited Partnership) *(Note vii)**	PRC 20 April 2022	Registered capital RMB100,000	100%	N/A	Investment holding
Structured entity:					
成都錦潤福德醫療管理有限公司 Jinrun Fude *(Notes i & vii)**	PRC 9 May 2018	Registered capital RMB300,000	100%	100%	Investment holding
成都錦逸弘康企业管理有限公司 Jinyi Hongkang *(Notes iii & vii)**	PRC 5 February 2018	Registered capital RMB100,000	100%	100%	Investment holding

Notes:

* The English names of these entities registered in the PRC represent the best efforts made by the Directors to directly translate their Chinese names as they did not register any official English names.

i In September and November 2018, Sichuan Jinxin Fertility transferred its 10% equity interests in Chengdu Xinan Hospital and 3.98% equity interests 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.

The Group acquired Mr. Mei Hua's 15% and Mr. Zeng Yong's 5.46% equity interests in Shenzhen Zhongshan Hospital via a series of contractual arrangements entered into between Jinrun Fude and the Group in April and August 2022 respectively and accordingly, the Group has indirect control of an aggregate of 99.90% equity interests in Shenzhen Zhongshan Hospital since then.

Similarly, the Group obtained control over 30% equity interests in each of Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital via a series of contractual arrangements entered into between Jinrun Fude and the Group in July 2022 and accordingly, the Group has indirect control of an aggregate of 96.5% equity interests in each of Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital since then.

ii The subsidiary had been deregistered during the year ended 31 December 2022.

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.

48. PARTICULARS OF SUBSIDIARIES (Continued)

Notes: (Continued)

iv In May 2022, the Group acquired 100% equity interests in Shenzhen Hengyu.

v In September 2021, the Group acquired 51% equity interests in Jinxin Women Group.

vi In November 2021, the Group acquired 100% equity interests 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 interests in Smiling Charm Limited and its subsidiary.

ix In January 2022, the Group acquired 100% equity interests in Shenzhen Innovation Group.

x In July 2022, the Group acquired Kunming Group.

xi In December 2022, the Group acquired 100% equity interests in Yongshenghengfu.

As at 31 December 2022, none of non-wholly-owned subsidiaries of the Group has material non-controlling interests.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 *RMB'000*	2021 *RMB'000*
Non-current assets		
Interests in subsidiaries	**10,389,169**	8,674,740
Investments in preferred shares measured at FVTPL	**105,743**	169,930
Pledged bank deposits	**–**	180,000
Prepayments	**48,798**	23,526
Loan receivable	**–**	17,074
Amounts due from an associate	**12,550**	10,839
Amount due from other related party	**–**	10,201
Life insurance policy	**22,452**	–
	10,578,712	9,086,310
Current assets		
Prepayment and other receivables	**35,723**	2,832
Amounts due from subsidiaries	**169,857**	195,071
Bank balances and cash	**52,265**	51,738
	257,845	249,641
Current liabilities		
Other payables	**14,498**	2,831
Amounts due to subsidiaries	**111,077**	82,954
Amounts due to related parties	**–**	347,531
Convertible bonds	**1,636,059**	–
Other financial liabilities	**–**	3,501
	1,761,634	436,817
Net current liabilities	**(1,503,789)**	(187,176)
Total assets less current liabilities	**9,074,923**	8,899,134
Non-current liabilities		
Borrowings — Non current	**2,070,678**	–
Convertible bonds	**–**	1,492,932
	2,070,678	1,492,932
Net assets	**7,004,245**	7,406,202
Capital and Reserves		
Share capital *(Note 39)*	**166**	165
Reserves	**7,004,079**	7,406,037
Total equity	**7,004,245**	7,406,202

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 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
At 1 January 2022	**7,890,915**	**(2)**	**80,388**	**(152,875)**	**(412,389)**	**7,406,037**
Loss for the year	**–**	**–**	**–**	**(118,721)**	**–**	**(118,721)**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(249,223)**	**(249,223)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(118,721)**	**(249,223)**	**(367,944)**
Share cancelled *(Note 39)*	*	*	**–**	**–**	**–**	**–**
Issue of shares *(Note 39)*	**83,771**	**–**	**–**	**–**	**–**	**83,771**
Transaction costs attributable to issue of shares	**(809)**	**–**	**–**	**–**	**–**	**(809)**
Dividends recognised as distribution	**(150,000)**	**–**	**–**	**–**	**–**	**(150,000)**
Recognition of equity-settled share-bases payment *(Note 41)*	**–**	**–**	**33,024**	**–**	**–**	**33,024**
Exercise of restricted shares *(Note 41)*	**54,234**	**2**	**(54,236)**	**–**	**–**	**–**
At 31 December 2022	**7,878,111**	*	**59,176**	**(271,596)**	**(661,612)**	**7,004,079**

* 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 2022, the Group entered into several new lease agreements for two clinics in U.S.A for 10.5 years without extension options, for a clinic in U.S.A for 5.4 years with extension options, and for several medical equipment in U.S.A for 5 years without extension options. On the lease commencements, the Group recognised RMB40,822,000 of right-of-use assets and RMB40,822,000 lease liabilities in the U.S.A.

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 2022, set off arrangements have been effected between the Group's amounts due from Jinxin Aijian and prepayments on acquisition of equity interests, between the Group's amounts due from Chengdu Jinxin Investment and consideration payable arose on acquisition of 15% equity interests in Shenzhen Zhongshan Hospital, and between the Group's amounts due from Chengdu Jinhui Technology Co., Ltd and investment in Chengdu Jinhui Technology Co., Ltd with corresponding total offset amount of RMB132,188,000, RMB86,605,000 and RMB51,381,000, 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.

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 5 January 2023, an aggregate of 175,000,000 placing shares have been placed by the Company to not less than six placees at the placing price of HK$6.725 per placing share and the Company received total net proceeds of approximately HK$1,162,310,000 (equivalent to approximately RMB999,098,000). The placees, together with their respective ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons. None of the placees has become a substantial shareholder of the Company immediately upon completion of the placing. The placing has been completed on 16 January 2023. Details of the placing are set out in and the Company's announcement dated 5 January 2023 and 16 January 2023.

b. On 18 January 2023, the board of Directors approved the grant of 65,853,241 restricted shares in aggregate to grantees under the 2022 restricted share award scheme adopted on 17 February 2022. 29,060,994 restricted shares are granted to 159 employees of the Company (who to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company). 36,792,247 restricted shares are proposed to be granted to 5 directors of the Company and 10 directors of the Company's subsidiaries (who are connected persons of the Company). The restricted shares are subject to the acceptance from grantees and other conditions as may be determined by the board of Directors. Details of the grant are set out in and the Company's announcement dated 19 January 2023.

Definitions

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

"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
"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 Xinan Hospital"	Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on November 10, 2015, the Group's subsidiary and successor of Prior Chengdu Xinan Hospital that is a for-profit specialty hospital
"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 Chengdu Xinan and Shenzhen Zhongshan Contractual Arrangements, the 2021 Contractual Arrangements, the 2022 Contractual Arrangements and the Jiuzhou Hospital and Hewanjia Hospital Contractual Arrangements
"COVID-19"	coronavirus disease of 2019
"Director(s)"	the director(s) of the Company
"Eden Assets"	the assets acquired from a clinic acquired by HRC Management in 2020 for clinical use
"ESOP"	collectively the RSU Scheme, the 2022 Restricted Share Award Scheme and the Share Option Scheme
"Existing Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into to allow the Company to receive the economic benefits of the entities that the Group controls certain percentage of their shareholding, details on the terms of which are described in the section headed "Contractual Arrangements" in the prospectus of the Company dated June 13, 2019
"Gaoxin Xinan Hospital"	Chengdu Gaoxin Xinan Gynecological Hospital Co., Ltd. (成都高新西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on June 13, 2016, successor of Prior Gaoxin Xinan Hospital and the Group's subsidiary before the Reorganization (as defined in the Prospectus) that is a for-profit gynecological and obstetrics specialty hospital
"Grantees"	the eligible participants granted or proposed to be granted the Restricted Shares under the 2022 Restricted Share Award Scheme
"Group"	the Company and its subsidiaries
"HK dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hewanjia Hospital"	Kunming Jinxin Hewanjia Obstetrics and Gynecology Hospital Co., Ltd.* (昆明錦欣和萬家婦產醫院有限公司), a company established under the laws of the PRC with limited liability on January 15, 2014 and a subsidiary of the Group

Definitions

"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 with limited liability 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 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 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 Technology"	Chengdu Jinxin Information Technology Company Limited (成都錦欣信息科技有限公司) a company established under the laws of the PRC with limited liability on August 11, 2021 and an indirect subsidiary of a joint venture of the Company, Chengdu Jinxin Shanghui Enterprise Management Co., Ltd. (成都錦欣尚輝企業管理有限公司)
"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
"Jiuzhou Hospital"	Yunnan Jinxin Jiuzhou Hospital Co., Ltd.* (雲南錦欣九州醫院有限公司), a company established under the laws of the PRC with limited liability on September 24, 2003 and a subsidiary of the Group
"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 and the 2022 Contractual Arrangements
"Jinyi Hongkang Registered Shareholders"	two individual shareholders of Jinyi Hongkang, namely Ms. Lyu Rong and Mr. Xu Jun
"Kangseed Investment"	a minority shareholding interest investment by the Group in the holding company of a company primarily operating an App for online health management for women
"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
"Molecular Genetics Services"	medical services involving molecular genetics (分子遺傳)
"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
"Physician Shareholders"	Dr. Michael A. Feinman, Dr. Daniel A. Potter, Dr. Jane L. Frederick, Dr. David Tourgeman, Dr. Bradford A. Kolb, Dr. John G. Wilcox, Dr. Jeffrey Nelson and Dr. Robert Boostanfar, each a certified physician in California, United States, and ultimate beneficial shareholder of HRC Investment, and all of them together are connected persons of our Company by virtue of being our substantial Shareholders
"Prior Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital (成都西囡婦科醫院), a privately funded non-enterprise entity (民辦非企業單位) established on March 31, 2010, predecessor of Chengdu Xinan Hospital
"Prior Gaoxin Xinan Hospital"	Chengdu Gaoxin Xinan Gynecological Hospital (成都高新西囡婦科醫院), a privately funded non-enterprise entity (民辦非企業單位) established on May 27, 2013, predecessor of Gaoxin Xinan Hospital
"Prospectus"	the prospectus issued by the Company dated June 13, 2019
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the twelve-month period from January 1, 2022 to December 31, 2022
"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
"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

"Restricted Shares"	any Shares that may be offered by the Company to any selected Eligible Participant under the 2022 Restricted Share Award Scheme
"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
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Shareholder(s)"	holder(s) of Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to the Prospectus
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in Shenzhen, PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary Director(s)"	the director(s) of any subsidiary of the Company
"success rate"	the form of "clinical pregnancy rate" that has been adopted for discussion in the Prospectus and this annual report
"U.S.", "US", or "United States"	the United States of America
"U.S. dollar(s)" or "US$"	United States dollar(s), the lawful currency of the United States of America
"VIE"	variable interest entity
"VIE Entities"	the entities that we control certain percentage of their shareholding through the Contractual Arrangements which comprised, as at the date of this annual report, Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital, Jinxin Women and Children Hospital, Jiuzhou Hospital and Hewanjia Hospital

"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.