JXR 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

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley

CLSA A CITIC Securities Company

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

citi CMS 招商證券國際

Joint Bookrunners and Joint Lead Managers

招銀国际 CMB INTERNATIONAL

中信建投國際 CHINA SECURITIES INTERNATIONAL

農銀國際 ABC INTERNATIONAL

ICBC 工银国际

華泰金融控股（香港）有限公司 HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

MIRAE ASSET Securities

* For identification purposes only

IMPORTANT

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**357,124,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**35,716,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**321,408,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price (subject to a Downward Offer Price Adjustment)	**:**	**HK$8.54 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$7.00 per Hong Kong Offer Share)**
Nominal value	**:**	**US$0.00001 per Share**
Stock code	**:**	**1951**

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MIRAE ASSET Securities

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Joint Representatives (for themselves and on behalf of the Underwriters) on or about Wednesday, June 19, 2019 and, in any event, not later than Friday, June 21, 2019. The Offer Price will be not more than HK$8.54 per Offer Share and is currently expected to be not less than HK$7.76 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$8.54 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$8.54 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Friday, June 21, 2019 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Representatives (for themselves and on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

We confirm that the logo shown on the cover is a registered trademark of our Company.

* *For identification purposes only*

June 13, 2019

EXPECTED TIMETABLE[1]

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, June 18, 2019
Application lists open[3]	11:45 a.m. on Tuesday, June 18, 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, June 18, 2019
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, June 18, 2019
Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, June 18, 2019
Application lists close[3]	12:00 noon on Tuesday, June 18, 2019
Expected Price Determination Date[5]	Wednesday, June 19, 2019
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the section headed "Structure of the Global Offering — Announcement of Offer Price Reduction" in this prospectus on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.jxr-fertility.com** on or before)	Monday, June 24, 2019

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . . Monday, June 24, 2019

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus from . . . . . Monday, June 24, 2019

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above will be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.jxr-fertility.com** from ..... Monday, June 24, 2019

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from ..... Monday, June 24, 2019

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] ..... Monday, June 24, 2019

Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7] [8] ..... Monday, June 24, 2019

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on ..... Tuesday, June 25, 2019

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 18, 2019, the application lists will not open on that day. Please refer to the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Wednesday, June 19, 2019 and, in any event, not later than Friday, June 21, 2019 unless otherwise determined between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed by Friday, June 21, 2019 between us and the Joint Representatives (for themselves and on behalf of the Underwriters), the Global Offering will not become unconditional and will lapse.

(6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, June 24, 2019 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Tuesday, June 25, 2019. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong Identity Card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong Identity Card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong Identity Card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

(8) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect refund cheques (where applicable) and/or share certificates (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, June 24, 2019. Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all information required may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for yellow Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to "How to Apply for the Hong Kong Offer Shares—14. Despatch/Collection of Share Certificates and Refund Monies—Personal Collection—(iv) If you apply via electronic application instructions to HKSCC" for details. Uncollected share certificates and refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections "How to Apply for the Hong Kong Offer Shares—13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares—14. Despatch/Collection of Share Certificates and Refund Monies."

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Jinxin Fertility Group Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Representatives, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading assisted reproductive services ("**ARS**") provider in China and the United States. The assisted reproductive medical facilities in our network in China ranked third in China's ARS market in 2018 with 20,958 in vitro fertilization ("**IVF**") treatment cycles performed, representing approximately 3.1% of total China market share, according to 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' ARS market in 2018 with 4,500 IVF treatment cycles performed, representing approximately 7.5% of total western U.S. market share, according to the F&S Report. The ARS market in China and the United States are fragmented. However, China presents a vast opportunity for ARS providers as a result of a low ARS penetration rate, an increasing rate of infertility, and limited supply of ARS. At the same time, the United States is an attractive ARS market, which offers comprehensive, sophisticated and high-end ARS. Leveraging our existing market leadership in China and the United States, we believe we are uniquely positioned to capture unmet demand of ARS patients in China and the United States as well as growth opportunities in both markets. We endeavor to provide patients with personalized solutions to fulfill their dreams of becoming parents.

In the ARS market, success rate, calculated as the total number of resulting clinical pregnancies divided by the total number of fresh and frozen embryo transfers, is the widely accepted industry standard used to assess the quality of ARS. Our market leadership, superior success rates and substantial scale have well positioned us to benefit from the unmet market demand in China and to take full advantage of constrained supply in China's ARS industry. In China, as of the Latest Practicable Date, we own and operate Chengdu Xinan Gynecological Hospital (成都西囡婦科醫院) ("**Chengdu Xinan Hospital**") and Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) ("**Shenzhen Zhongshan Hospital**"), and jointly manage the IVF center of Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院生殖中心) ("**Jinjiang IVF Center**"). According to the F&S Report, we, together with Jinjiang IVF Center, are one of only approximately 23 licensed ARS providers who have conducted over 5,000 IVF treatment cycles in China in 2018. In addition to achieving significant scale compared to our competitors, we have reinforced our leadership position through maintaining our superior success rate, acquiring extensive experience and satisfying high threshold requirements for IVF licenses. The assisted reproductive medical facilities in our network in China achieved a higher success rate of 54% in 2018, compared to the national average of 45%, according to the F&S Report. Likewise, HRC Fertility had achieved a success rate of 62% in

2016, higher than the United States national average of 53% and the California state average of 57%, according to the F&S Report. All of these factors represent significant entry barriers for new competitors. Leveraging these competitive advantages, we provide increasingly personalized and sophisticated services to meet the evolving demands from patients in China.

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

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

During the Track Record Period, we generated our revenue primarily from providing ARS, management services, and ancillary medical services. In 2016, 2017 and 2018, our revenue was RMB346.4 million, RMB662.8 million and RMB922.0 million, respectively. In 2016, 2017 and 2018, our profit and total comprehensive income for the period was RMB103.7 million, RMB198.6 million and RMB212.1 million, respectively. In 2016, 2017 and 2018, our Adjusted Net Profit was RMB103.7 million, RMB198.6 million and RMB250.3 million, respectively. For a reconciliation of profit and total comprehensive income for the period to Adjusted Net Profit, see "Financial Information — Non-IFRS Measures". For the period from January 1, 2018 to December 23, 2018, the revenue and profit for the period of Willsun BVI, the indirect holding company of HRC Management, and its subsidiaries, was RMB560.2 million and RMB184.0 million, respectively. Assuming the acquisition of the entire equity interest in Willsun BVI Group and the remaining 49% interest in HRC Management had taken place on January 1, 2018, the unaudited pro forma revenue and profit for the year of the

enlarged Group (i.e. the Group including Willsun BVI Group and HRC Management) would be RMB1,482.1 million and RMB365.1 million for the year ended December 31, 2018, respectively. For further details on the basis of the preparation of the unaudited pro forma financial information of the enlarged Group, please refer to Appendix II (B) to this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to leverage our network of leading assisted reproductive medical facilities in China and the United States to capture unmet demand, in particular from Chinese patients, and have differentiated us from our competitors:

- A leading ARS provider in China well-positioned in a fast-growing market with significant unmet demand;
- A leading ARS provider in the United States providing a full range of ARS services;
- Superior success rates underpinned by medical excellence;
- High productivity from optimized operating model; and
- Experienced and visionary management team.

OUR STRATEGIES

Our vision is to establish a leading global ARS platform with integrated capabilities, aiming to address increasing unmet demand, in particular from Chinese patients. We endeavor to provide patients with personalized solutions to fulfill their dreams of becoming parents. To realize this vision, we plan to adopt the following strategies:

- Increase market share, productivity and capacity;
- Continue to invest in research and development to enhance overall performance;
- Continue to improve our brand awareness; and
- Expand our platform reach through acquisition.

OUR SERVICES

During the Track Record Period, we generated revenue from the following services: (i) ARS; (ii) management services; and (iii) ancillary medical services.

ARS

During the Track Record Period, we generated a majority of our revenue from ARS provided by the medical facilities that we own and operate. We primarily provide our patients with two treatment solutions: (i) artificial insemination (AI), which can be performed with either husband's sperm (AIH) or a donor sperm (AID); and (ii) IVF technology, whereby fertilization is achieved through conventional in vitro fertilization and embryo transfer (IVF-ET) or IVF with intracytoplasmic sperm injection (ICSI). During the Track Record Period, we primarily provided conventional IVF-ET services. For more details, see "Business — Overview of ARS and IVF Treatment Process". In addition, we also offer related services such as nutrition guidance, Chinese medicine treatment and psychological counseling to support the ARS.

For the years ended December 31, 2016, 2017 and 2018, the revenue from our ARS was RMB322.4 million, RMB528.5 million and RMB801.3 million, respectively, representing 93.1%, 79.7% and 86.9% of our total revenue in the corresponding periods.

Management Services

During the Track Record Period, we provided joint management services to Jinjiang IVF Center and Jinxin Fertility Center, the fertility center of Jinxin Women and Children Hospital (四川錦欣婦女兒童醫院生殖健康與不孕症門診), in return for management service fees pursuant to our IVF specialty collaboration agreements with Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院) and Jinxin Women and Children Hospital (四川錦欣婦女兒童醫院), respectively. In March 2018, we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated. For more details, see "Business — Our Management Agreements — IVF Specialty Collaboration Agreements".

We acquired HRC Management in December 2018, which has been providing management services to HRC Medical in the United States pursuant to an MSA since July 2017. For more details, see "Business — Our Management Agreements — Management Services Agreement".

For the years ended December 31, 2016, 2017 and 2018, the revenue from our management services provided to Jinjiang IVF Center and Jinxin Fertility Center was RMB24.0 million, RMB100.8 million and RMB89.7 million, respectively, representing 6.9%, 15.2% and 9.7% to our total revenue in the corresponding periods.

Ancillary Medical Services

At Shenzhen Zhongshan Hospital, we also provide medical services in the areas of gynecology, urology and internal medicine. These medical services are designated as our ancillary medical services. For the years ended December 31, 2017 and 2018, the revenue from our ancillary medical services was RMB33.5 million and RMB31.0 million, respectively, representing 5.1% and 3.4% to our

total revenue in the corresponding periods. We did not generate any revenue from ancillary medical services in 2016 and the one month ended January 31, 2017 before we acquired Shenzhen Zhongshan Hospital in January 2017.

OUR NETWORK OF ASSISTED REPRODUCTIVE MEDICAL FACILITIES

During the Track Record Period, our network of assisted reproductive medical facilities consists of Chengdu Xinan Hospital, Gaoxin Xinan Hospital, Shenzhen Zhongshan Hospital, Jinjiang IVF Center and Jinxin Fertility Center in China. Up to the Latest Practicable Date, our network was extended to include RSA Centers, NexGenomics and HRC Medical in the United States. The table below sets forth a summary of our network of assisted reproductive medical facilities during the Track Record Period and up to the Latest Practicable Date:

Assisted Reproductive Medical Facilities	**Location**	**Nature**	**Operating History[2]**	**Status**
Self-owned[1]				
Chengdu Xinan Hospital (成都西囡婦科醫院)	Chengdu, China	For-profit specialty hospital	Since March 2010	In operation[3]
Gaoxin Xinan Hospital (成都高新西囡婦科醫院) (together with Chengdu Xinan Hospital, as "Xinan Hospital Group")	Chengdu, China	For-profit gynecological and obstetrics specialty hospital	Since May 2013	Operations ended in January 2019[4]
Shenzhen Zhongshan Hospital (深圳中山泌尿外科醫院)	Shenzhen, China	For-profit specialty hospital	Since May 2004	Acquired in January 2017
RSA Centers	California, United States	Surgical centers	Since January 2008	Acquired in December 2018[5]
NexGenomics	California, United States	PGS laboratory	Since February 2015	Acquired in December 2018
Jointly-managed				
Jinjiang IVF Center (成都市錦江區婦幼保健院生殖中心)	Chengdu, China	IVF center of a non-profit maternity and child healthcare hospital	Since January 2003	Jointly managed since September 2016
Jinxin Fertility Center (四川錦欣婦女兒童醫院生殖健康與不孕症門診)	Chengdu, China	Fertility center of a for-profit women and children hospital	Since April 2016	Jointly managed from September 2016 to March 2018[6]
Managed				
HRC Medical[7]	California, United States	Fertility clinics	Since May 1988	Managed by HRC Management pursuant to the MSA since July 2017, which we indirectly acquired in December 2018

Notes:

(1) For more details about our Group's ownership and control of economic benefits in each facility, see "History, Reorganization and Corporate Structure — Our Group".

(2) The date listed refers to the operating history of the medical facility or their respective predecessors.

(3) In February 2019, we relocated our operations at Chengdu Xinan Hospital to the New Hospital Building in Jinjiang District, Chengdu to expand our service capacity. For more details, see "Business — Assisted Reproductive Medical Facilities in China — Xinan Hospital Group — Relocation of Chengdu Xinan Hospital" and "Business — Properties" and "History, Reorganization and Corporation Structure — Our Group — Chengdu Jinyi".

(4) Business operations of Gaoxin Xinan Hospital were taken up and succeeded by Chengdu Xinan Hospital and the ownership of Gaoxin Xinan Hospital was transferred to Chengdu Jinxin Investment in January 2019.

(5) We are in the process of applying for the transfer of all of RSA's permits to HRC Management after HRC Management acquired the entire partnership interests in RSA after which RSA was dissolved as a partnership in July 2017.

(6) In March 2018, we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated.

(7) HRC Medical was established in January 1995 and succeeded the operations of Huntington Reproductive Centre Inc.

The table below sets forth certain operating data and revenue generated from our network of assisted reproductive medical facilities during the Track Record Period:

	Year ended December 31,		
	2016	2017	2018
ARS			
Xinan Hospital Group[(1)]			
Number of IVF patients	5,775	6,114	8,903
Number of IVF treatment cycles	7,158	7,819	11,005
Average spending per IVF treatment cycle (in RMB)[(2)]	37,982	33,400	41,935
Success rate	53.6%	52.8%	54.3%
Revenue of ARS (RMB in thousands)	**322,400**	**322,409**	**539,097**
Shenzhen Zhongshan Hospital			
Number of IVF patients	N/A	3,418[(3)]	3,976
Number of IVF treatment cycles	N/A	4,713[(3)]	5,352
Average spending per IVF treatment cycle (in RMB)	N/A	43,731[(3)]	48,983
Success rate	N/A	52.6%[(4)]	52.0%
Revenue of ARS (RMB in thousands)	**N/A**	**206,106**	**262,155**
Sub-total (RMB in thousands)	**322,400**	**528,515**	**801,252**
Management services			
Jinjiang IVF Center and Jinxin Fertility Center[(5)(6)]			
Number of IVF patients[(7)]	1,500	4,689	3,736
Number of IVF treatment cycles[(7)]	1,553	5,151	4,601
Average spending per IVF treatment cycle (in RMB)[(8)]	29,268	29,725	34,616
Success rate	49.2%	55.1%	57.4%
Combined revenue of Jinjiang IVF Center and Jinxin Fertility Center (RMB in thousands)	64,188	236,310	173,189
Revenue of management services (RMB in thousands)	**24,008**	**100,780**	**89,741**
Ancillary medical services (RMB in thousands)	**N/A**	**33,479**	**31,001**
Total (RMB in thousands)	**346,408**	**662,774**	**921,994**

Notes:

(1) The operating data and revenue in 2016 include those of Prior Chengdu Xinan Hospital and Prior Gaoxin Xinan Hospital, as applicable.

(2) Calculated by using the ARS revenue of Chengdu Xinan Hospital divided by the number of IVF treatment cycles, since Gaoxin Xinan Hospital served as the VIP center of Xinan Hospital Group and did not provide IVF treatment.

(3) The figures in 2017 only cover those after the completion of our acquisition of Shenzhen Zhongshan Hospital in January 2017.

(4) Represents the success rate for the entire year of 2017, including the operating data before our acquisition of Shenzhen Zhongshan Hospital. For risks relating to such data, see "Risk Factors — Risks Relating to Our Business and Industry — The historical operating results of HRC Management, HRC Medical and Shenzhen Zhongshan Hospital may not be indicative of the result of such entities after their acquisition."

(5) The figures in 2016 only cover data starting from September 1, 2016, when the IVF specialty collaboration agreements became effective.

(6) The revenue in 2018 relating to Jinxin Fertility Center only include up to March 2018, when we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated.

(7) The numbers of IVF patients and IVF treatment cycles represent only those of Jinjiang IVF Center, as Jinxin Fertility Center only provided pre-IVF treatment and did not provide IVF treatment.

(8) Calculated by using the ARS revenue of Jinjiang IVF Center divided by the number of IVF treatment cycles, since Jinxin Fertility Center only provided pre-IVF treatment and did not provide IVF treatment.

OUR CUSTOMERS

Our customers primarily fall into two categories: (i) patients that receive medical services at Xinan Hospital Group and Shenzhen Zhongshan Hospital, and (ii) Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital (before March 2018) for our joint management services pursuant to IVF specialty collaboration agreements and HRC Medical that we manage through the MSA (after our acquisition of HRC Management). Jinjiang District Maternity and Child Health Hospital was our largest customer during the Track Record Period and Jinxin Women and Children Hospital was our second largest customer in 2017 and 2018. For the years ended December 31, 2016, 2017 and 2018, revenue generated from Jinjiang District Maternity and Child Health Hospital accounted for 8.1%, 13.9% and 9.7% of our revenue, respectively. For details, see "Business — Our Management Agreements — IVF Specialty Collaboration Agreements". For the same periods, revenue generated from our five largest customers accounted for 8.2%, 15.3% and 9.8% of our total revenue, respectively. Except for Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital, no single customer accounted for more than 0.1% of our revenue during the Track Record Period.

To the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5.0% of our issued share capital had any interest in any of our five largest customers during the Track Record Period except Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital. Mr. Zhong Ying, Ms. Yan Xiaoqing and Mr. Dong Yang, being our Directors, are three of the Individual Shareholders. The Individual Shareholders own Chengdu Jinxin Investment which is the beneficial owner (實際權益持有人) of Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital.

OUR SUPPLIERS

The assisted reproductive medical facilities in our network primarily require pharmaceutical products and consumables, such as chemical solutions, and medical equipment. We are responsible for procurement at medical facilities that we own and operate and provide supply chain management services to Jinjiang IVF Center. In the United States, physicians of HRC Medical procure pharmaceuticals and medical consumables at their own discretion subject to the terms of the MSA. For details, see "Business — Supply and Procurement" in this prospectus.

In 2016, 2017 and 2018, our five largest suppliers accounted for approximately 74.3%, 57.7% and 53.1% of our total purchases, respectively. For the risks of concentration, see "Risk Factors — We are exposed to concentration risk of suppliers." Our five largest suppliers, during the Track Record Period, on average had approximately six years of relationship with us. For the same periods, purchases attributable to our largest supplier accounted for 37.9%, 24.5% and 16.1% of our total purchases, respectively. We believe that we are able to find alternative suppliers given the nature of our supplies and procurement.

To the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5.0% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period except for Hejun Technology. See "Business — Supply and Procurement".

PRICING

The medical facilities in our network in China and United States are generally entitled to set the prices of their ARS and related services at their own discretion with reference to operating costs, market conditions, patient needs and pricing policies of competitors. For the services at gynecology, urology and internal medicine departments at Shenzhen Zhongshan Hospital and non-IVF related services provided at Jinjiang IVF Center, the relevant price catalog published by governmental authority applies. In the United States, HRC Medical offers services by providing separate procedures as part of the IVF treatment process, targeting domestic patients, and through packages, targeting international patients. For services delivered separately, HRC Medical charges for the services based on the IVF treatment procedures performed. For details, see "Business — Pricing and Payment" in this prospectus.

SALES AND MARKETING

We promote brand awareness through organizing educational activities and cooperating with third-party agencies and partners. Each assisted reproductive medical facility in our network conducts different promotional activities, ranging from hosting lectures on ARS awareness, maintaining digital marketing channels, to establishing remote consultation rooms at general and gynecological hospitals in Sichuan. In the United States, HRC Fertility is also engaged in a wide range of marketing activities, which include working with agencies to increase overseas patient outreach. For details, see "Business — Sales and Marketing" in this prospectus.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 42 trademarks and three patents registered in the PRC, one trademark registered in Hong Kong, three trademarks registered in the United States, and 17 registered domain names. We are also in the process of applying for two trademarks and two patents in the PRC, one trademark in Hong Kong and one trademark in the United States. See Appendix V — "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" for more information."

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in or threatened with any claim for material infringement of any intellectual property rights, whether as a claimant or as a defendant.

COMPETITION

In the PRC ARS market, we primarily compete with public general hospitals and reproductive specialty hospitals and a small number of private medical institutions, while in the United States, we primarily compete with private ARS clinics. Both of the PRC and US markets are relatively fragmented, with the top five market players in each market taking up less than 20% and 15% of the market shares, respectively, in terms of number of IVF treatment cycles performed in 2017. For more details on our market position and the competitive landscape of the markets we operate in, see "Industry Overview — The PRC ARS Market — Competitive Landscape of the PRC ARS Market" and "Industry Overview — The United States ARS Market — Competitive Landscape of the U.S. ARS Market".

We face competition based on several factors, including success rate, service quality, range of service offerings, price and reputation of the medical institutions and professional staff.

In China and the United States, high entry barriers exist in the ARS industry, such as brand reputation, shortage of seasoned qualified medical professionals, and access to abundant capital. New competitors also face difficulties in obtaining the requisite license(s) to provide ARS and attaining a critical number of IVF treatment cycles.

As a leading full-service ARS provider with technical and operational excellence in the United States, we believe our leading market position and superior success rates underpinned by medical excellence will continue to enable us to compete effectively against existing and new market players regardless of their size of operation, capture growth opportunities and gain market share.

SUMMARY FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with the section headed "Financial Information" of this prospectus and the accountant's report set out in Appendix I to this prospectus, together with the accompanying notes.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income of Our Group

	Year ended December 31,		
	2016	**2017**	**2018**
	(RMB in thousands)		
Revenue	346,408	662,774	921,994
Cost of revenue	(213,689)	(360,638)	(508,875)
Gross profit	132,719	302,136	413,119
Other income	20,563	12,233	21,795
Other expenses	(30)	(664)	(4,181)
Other losses	—	(1,180)	(590)
Research and development expenses	—	(10,306)	(11,982)
Administrative expenses	(26,678)	(60,637)	(103,435)
Listing expenses	—	—	(38,138)
Finance costs	(17,229)	—	—
Profit before taxation	109,345	241,582	276,588
Income tax expenses	(5,694)	(43,031)	(64,464)
Profit and total comprehensive income for the year	103,651	198,551	212,124

During the Track Record Period, we generated revenue from the following services: (i) ARS; (ii) management services; and (iii) ancillary medical services. In 2016, 2017 and 2018, our revenue was RMB346.4 million, RMB662.8 million and RMB922.0 million, respectively. The overall increase was primarily attributable to the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017 as a result of the acquisition of Shenzhen Zhongshan Hospital in January 2017, a general increase in the scale of our operations at Chengdu in terms of the number of IVF treatment cycles, and us beginning to provide management services in September 2016 to Jinjiang IVF Center and Jinxin Fertility Center in exchange for management service fee.

The following table sets forth a breakdown of our revenue for the periods indicated, both in actual terms and as a percentage of total revenue of each service category:

	Year ended December 31,					
	2016		2017		2018	
	Revenue	%	Revenue	%	Revenue	%
	(RMB in thousands, except percentages)					
ARS						
Xinan Hospital Group	322,400	93.1	322,409	48.6	539,097	58.5
Shenzhen Zhongshan Hospital	—	—	206,106	31.1	262,155	28.4
Sub-total	322,400	93.1	528,515	79.7	801,252	86.9
Management service fee						
Jinjiang IVF Center and Jinxin Fertility Center	24,008	6.9	100,780	15.2	89,741	9.7
Ancillary medical services						
Shenzhen Zhongshan Hospital	—	—	33,479	5.1	31,001	3.4
Total	346,408	100.0	662,774	100.0	921,994	100.0

We generate revenue from ARS provided at assisted reproductive medical facilities that we own and operate in Chengdu and Shenzhen, namely Xinan Hospital Group and Shenzhen Zhongshan Hospital. Our revenue from ARS amounted to RMB322.4 million, RMB528.5 million and RMB801.3 million, representing 93.1%, 79.7% and 86.9% of our total revenue for 2016, 2017 and 2018, respectively.

We began providing management services in September 2016 to Jinjiang IVF Center and Jinxin Fertility Center pursuant to IVF specialty collaboration agreements. Pursuant to such agreements, we receive a management service fee dependent on the scope and frequency of services provided which contributes to the operating performance of these facilities. The revenue from management service fee amounted to RMB24.0 million, RMB100.8 million and RMB89.7 million, representing 6.9%, 15.2% and 9.7%, of our total revenue for 2016, 2017 and 2018, respectively. In March 2018, we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated. To minimize any inconvenience caused by the termination, Xinan Hospital Group and Jinjiang IVF Center have offered ARS to patients originally receiving services at Jinxin Fertility Center. For more details, see "Business — Our Management Agreements — IVF Specialty Collaboration Agreements".

We also generate revenue from ancillary medical services provided at Shenzhen Zhongshan Hospital in the areas of gynecology, urology and internal medicine services. The revenue from ancillary medical services amounted to RMB33.5 million and RMB31.0 million in 2017 and 2018, respectively, representing 5.1% and 3.4% of our total revenue for the same periods.

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Current assets:			
Inventories	12,746	18,688	16,548
Accounts and other receivables	2,901	66,720	76,920
Amounts due from related parties	—	—	70,894
Tax recoverable	—	—	934
Structured bank deposit	—	—	20,000
Financial assets at fair value through profit or loss	—	—	65,010
Bank balances and cash	190,703	449,495	1,184,190
Assets classified as held for sale	—	—	1,021
Total current assets	206,350	534,903	1,435,517
Current liabilities			
Accounts and other payables	61,922	164,386	391,050
Capital contribution deposits from shareholder and investors	471,787	—	—
Amounts due to related parties	114,609	3,930	916,985
Tax payables	6,520	35,854	68,765
Total current liabilities	654,838	204,170	1,376,800
Net current (liabilities)/assets	(448,488)	330,733	58,717

As of December 31, 2017 and 2018, we recorded a goodwill of RMB197.1 million and RMB802.1 million, respectively, in connection with our acquisition of Shenzhen Zhongshan Hospital in 2017 and Willsun BVI in 2018. Other than goodwill, we have intangible assets in the form of trademarks, contractual right to provide management services and licenses. As of December 31, 2017 and 2018, the carrying value of our intangible assets (other than goodwill) was approximately RMB661.3 million and RMB3,632.8 million, respectively. For risks associated with our goodwill and intangible assets, please see "Risk Factors — Risks Relating to Our Business and Industry — We have recognized goodwill in connection with our acquisition and may recognize goodwill in connection with acquisitions in the future. If we determine that we are required to impair our goodwill, it could adversely affect our results of operations and financial position" and "Risk Factors — Risks Relating to Our Business and Industry — We have intangible assets other than goodwill. If our other intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position."

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Net cash generated from operating activities	108,982	47,682	356,437
Net cash used in investing activities	(608,949)	(252,029)	(388,004)
Net cash generated from financing activities	663,068	463,139	767,104
Cash and cash equivalents at beginning of the year	27,602	190,703	449,495
Cash and cash equivalents at end of the year	190,703	449,495	1,185,032

NON-IFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use EBITDA, Adjusted EBITDA, Adjusted Net Profit and Adjusted Net Profit Attributable to Owners of the Company as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparison of operating performance from period to period by eliminating potential impacts of items that we do not consider to be indicative of our operating performance.

We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of EBITDA, Adjusted EBITDA, Adjusted Net Profit and Adjusted Net Profit Attributable to Owners of the Company may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

There are two components to the Adjusted EBITDA metric: (1) EBITDA, which we define as profit before taxation plus finance costs, depreciation of property, plant and equipment, and amortization, less interest income and (2) adjustments to EBITDA, which includes items which are non-recurring or extraordinary, including listing expenses.

We define Adjusted Net Profit and Adjusted Net Profit Attributable to Owners of the Company as profit and total comprehensive income for the year and profit and total comprehensive income for the year attributable to owners of the Company adjusted respectively for items which are non-recurring or extraordinary, including listing expenses.

The following table shows our EBITDA, Adjusted EBITDA, Adjusted Net Profit and Adjusted Net Profit Attributable to Owners of the Company for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Profit before taxation	109,345	241,582	276,588
Add:			
Finance costs	17,229	—	—
Depreciation of property, plant and equipment	14,286	23,289	29,114
Amortisation of medical practice license	—	12,059	13,156
Less:			
Interest income (excluding imputed interest from related parties)	17,371	1,237	2,428
EBITDA	123,489	275,693	316,430
Add:			
Listing expenses	—	—	38,138
Adjusted EBITDA	123,489	275,693	354,568

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Profit and total comprehensive income for the year	103,651	198,551	212,124
Add:			
Listing expenses	—	—	38,138
Adjusted Net Profit	103,651	198,551	250,262

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Profit and total comprehensive income for the year attributable to owners of the Company	87,584	98,783	166,600
Add:			
Listing expenses	—	—	38,138
Adjusted Net Profit Attributable to Owners of the Company	87,584	98,783	204,738

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	For the year ended or as of December 31,		
	2016	2017	2018
Profitability ratios			
Gross profit margin[(1)]	38.3%	45.6%	44.8%
Net profit margin[(2)]	29.9%	30.0%	23.0%
Adjusted net profit margin[(3)]	29.9%	30.0%	27.1%
Return on equity[(4)]	103.1%	14.6%	4.7%
Return on total assets[(5)]	13.7%	11.4%	3.2%
Liquidity ratios			
Current ratio[(6)]	0.32x	2.62x	1.04x
Quick ratio[(7)]	0.30x	2.53x	1.03x
Capital adequacy ratios			
Gearing ratio[(8)]	—	—	—

Notes:

(1) Gross profit for a period divided by revenue for the same period and multiplied by 100.0%.

(2) Profit and total comprehensive income for a period divided by revenue for the same period and multiplied by 100.0%.

(3) Adjusted net profit for a period divided by revenue for the same period and multiplied by 100.0%. For a reconciliation of Adjusted Net Profit to net profit, see "Financial Information — Non-IFRS Measures".

(4) Profit and total comprehensive income for a period divided by total equity as of the end of such period and multiplied by 100.0%.

(5) Profit and total comprehensive income for a period divided by total assets as of the end of such period and multiplied by 100.0%.

(6) Current assets divided by current liabilities as of the end of a period.

(7) Current assets less inventories divided by current liabilities as of the end of a period.

(8) Total borrowings divided by total equity as of the end of such period.

Our return on total assets decreased from 11.4% as of December 31, 2017 to 3.2% as of December 31, 2018, because our profit for the year increased by 6.8% from RMB198.6 million for the year ended December 31, 2017 and RMB212.1 million for the year ended December 31, 2018, while our total assets increased by 277.3% from RMB1,738.0 million as of December 31, 2017 to RMB6,558.3 million as of December 31, 2018. The increase in our total assets was primarily due to our acquisition of Willsun BVI, which resulted primarily in the recording of contractual right to provide management services of RMB1,939.0 million and an increase in trademarks of RMB1,045.5 million. Our return on total assets decreased from 13.7% in 2016 to 11.4% in 2017, primarily due to the increase in our profit for the year by 91.6% from RMB103.7 million in 2016 to RMB198.6 million in 2017 being outpaced by the increase in our total assets which increased by 130.1% from RMB755.4 million as of December 31, 2016 to RMB1,738.0 million as of December 31, 2017. The increase in our total assets was primarily due to our acquisition of Shenzhen Zhongshan Hospital in January 2017.

Our current ratio decreased from 2.62 times as of December 31, 2017 to 1.04 times as of December 31, 2018 because our current assets increased by 168.4% from RMB534.9 million as of December 31, 2017 to RMB1,435.5 million as of December 31, 2018, while our current liabilities increased by 574.3% from RMB204.2 million as of December 31, 2017 to RMB1,376.8 million as of December 31, 2018. The increase in current assets was primarily a result of an increase in bank balances and cash of RMB734.7 million. For discussion of our changes in bank balances and cash, see "Financial Information — Liquidity and Capital Resources of Our Group — Cash flows". The increase in current liabilities was primarily a result of (i) an increase in amounts due to related parties of RMB913.1 million, and (ii) an increase in accounts and other payables of RMB226.7 million. For details on the changes relating to amounts due to related parties, see "Financial Information — Related Party Transactions of our Group — Amounts due to related parties". For details on the changes relating to accounts and other payables, see "Financial Information — Certain Balance Sheet Items of Our Group — Accounts and Other Payables". Our current ratio increased from 0.32 times as of December 31, 2016 to 2.62 times as of December 31, 2017 primarily due to an increase in current assets by 159.2% from RMB206.4 million as of December 31, 2016 to RMB534.9 million as of December 31, 2017 and a decrease in current liabilities by 68.8% from RMB654.8 million as of December 31, 2016 to RMB204.2 million as of December 31, 2017. The increase in current assets was primarily a result of an increase in bank balances and cash of RMB258.8 million. For discussion of our changes in cash balance, see "Financial Information — Liquidity and Capital Resources of Our Group — Cash flows". The decrease in current liabilities was primarily a result of the recognition of capital contribution deposits from shareholder and investors of RMB471.8 million in 2016, representing deposits from a shareholder and investors for capital contribution to Sichuan Jinxin Fertility, which was subsequently recognized as paid-in capital during 2017.

CONTROLLING SHAREHOLDERS

The Jinxin Fertility Shareholders are our Controlling Shareholders prior to Listing, which are ultimately controlled by the Individual Shareholders (and none of the Individual Shareholders controlled over 3.00% of the issued share capital in our Company as of the Latest Practicable Date). As of the Latest Practicable Date, our Controlling Shareholders controlled 31.30% of our total issued share capital. Immediately following the completion of the Global Offering (without taking into

account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted pursuant to the Share Option Scheme), the Jinxin Fertility Shareholders will continue to control approximately 26.60% of our total issued share capital. Therefore, the Jinxin Fertility Shareholders will cease to be our Controlling Shareholders and remain as one of our substantial shareholders upon Listing. The Directors are satisfied that our Group is capable of carrying out its business independently from the Jinxin Fertility Shareholders and their associates. See "Relationship with Jinxin Fertility Shareholder" in this prospectus for details.

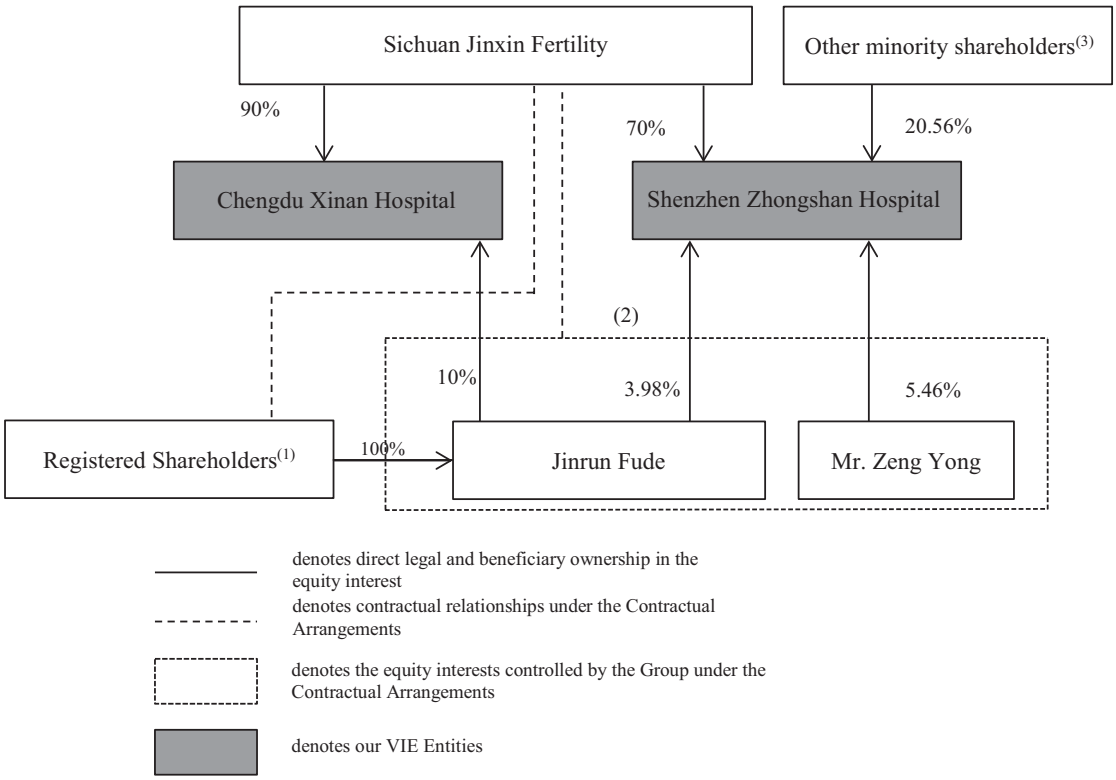
PRE-IPO INVESTMENT

In order to further our Group's business, certain investors (the "**Pre-IPO Investors**") were introduced to become shareholders of our Group (the "**Pre-IPO Investments**"). For details of the Pre-IPO Investors, the terms of the Pre-IPO Investments and use of proceeds from the Pre-IPO Investments, see "History, Reorganization and Corporate Structure — Pre-IPO Investments" in this prospectus.

CONTRACTUAL ARRANGEMENTS

The Contractual Arrangements apply to the 10% and 9.44% equity interest in Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, respectively.

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



Notes:

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

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

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

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules are set out in the section headed 'Connected Transactions" of this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Acquisition of Chengdu Jinyi and Relocation into the New Hospital Building

On February 11, 2019, our Group's subsidiary, Sichuan Jinxin Fertility, as purchaser, entered into a share purchase agreement and a property transfer agreement with Youta Pharmaceutical, as seller, to acquire from Youta Pharmaceutical the entire equity interest in Chengdu Jinyi for a total consideration of approximately RMB738.2 million, inclusive of reimbursement of certain renovation and other expenses. Chengdu Jinyi is a property holding company owning the entire interest in the New Hospital Building located at Block 1 No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, the PRC with a total gross floor area of 42,659.64 sq.m. and the carpark facilities located at the same building with a total gross floor area of 38,646.31 sq.m.

We have relocated the operations of Chengdu Xinan Hospital into the New Hospital Building in February 2019 and the transfer of the entire equity interest of Chengdu Jinyi was completed on May 10, 2019. The New Hospital Building is a well-equipped modern high-rise building with more than seven times our existing floor area in Chengdu Xinan Hospital. It is expected that the New Hospital Building will improve our productivity and increase our capacity to serve more patients in Chengdu. The consideration was determined by the parties with reference to the valuation conducted by JLL, an independent professional property valuer, and based on such valuation, our Directors are of the view that the consideration is fair and reasonable and in line with the prevailing market value. For more details, see the sections headed "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Chengdu Jinyi" and "Appendix III — Property Valuation Report", respectively.

Declaration of Dividends

On May 27, 2019, we declared a dividend in the amounts of approximately RMB272.9 million and US$4.6 million to our existing shareholders, which will be paid in cash by the end of 2019. The amount of RMB272.9 million will be paid using existing bank balances and cash, which was RMB643.5 million as of April 30, 2019.

Certain Operating Data for the Three Months ended March 31, 2019

The table below sets forth certain operating data generated from our network of assisted reproductive medical facilities for the three months ended March 31, 2019:

	Three months ended March 31, 2019
Chengdu Xinan Hospital	
Number of IVF patients	1,699
Number of IVF treatment cycles	1,782
Shenzhen Zhongshan Hospital	
Number of IVF patients	1,047
Number of IVF treatment cycles	1,253
Jinjiang IVF Center	
Number of IVF patients	1,579
Number of IVF treatment cycles	1,678
HRC Medical	
Number of IVF patients	1,059
Number of IVF treatment cycles	1,095

Our Directors confirm that (i) there has been no material adverse change in the general economic and market conditions, legal and regulatory environment, and the industry in which we operate, and (ii) there has been no other material adverse change in the operating and financial position or prospects of our Group since December 31, 2018 and up to the date of this prospectus.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$8.15 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$2,674.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option and any options granted under the Share Option Scheme are not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 25.0%, or HK$668.6 million, will be used to expand and upgrade existing assisted reproductive medical facilities in our network in China and recruit medical professionals, including physicians and embryologists, in order to increase capacity, expand our service offering and market share. We intend to use (i) 20.0% or HK$534.9 million to (a) expand and upgrade the medical facilities, including additional premises, such as laboratory space for embryo culture, (b) acquire additional medical equipment and

(c) acquire and/or construct patient care facilities, such as facilities to provide prenatal services and a dedicated treatment area for VIP patients, and (ii) 5.0%, or HK$133.7 million to recruit and expand medical professional teams and relevant supporting staff, including introducing professional staff specializing in prenatal services;

- approximately 20.0%, or HK$534.9 million, will be used for the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in. We intend to expand our national network by acquiring ARS providers and/or entering into cooperation arrangements with other ARS providers in populous and affluent urban centers with limited ARS providers. In particular, we are targeting assisted reproductive medical facilities in East China and the Beijing-Tianjin-Hebei Region. As of the Latest Practicable Date, we are in the process of identifying acquisition opportunities but have not yet identified any acquisition targets;

- approximately 10.0%, or HK$267.4 million, will be used for investment in research and development to enhance overall performance and maintain our position at the forefront of assisted reproductive technology ("**ART**");

- approximately 20.0%, or HK$534.9 million, will be used for the potential acquisitions of ARS service providers and businesses along the ARS service chain, for example, by acquiring surrogacy and egg donor agencies, to complement HRC Fertility's current business in the United States;

- approximately 15.0%, or HK$401.2 million, will be used to improve brand awareness and general ARS awareness in both China and the United States, such as conducting academic promotions, developing social media tools, and conducting marketing activities in the United States; and

- approximately 10.0%, or HK$267.4 million, will be used for working capital and general corporate purposes.

For details, please see "Future Plans and Use of Proceeds". If we make a Downward Offer Price Adjustment to set the Offer Price at HK$7.00 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK$260.5 million.

DIVIDENDS

Except as set forth below, no dividend has been proposed, paid or declared by us since our incorporation or by any of the subsidiaries of our Group during the Track Record Period.

During the year ended December 31, 2017, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB50.0 million and RMB13.5 million, respectively, to its then shareholders. As of December 31, 2017, all amounts were settled except for a dividend of RMB3.3 million which was subsequently settled in 2018.

During the year ended December 31, 2018, Sichuan Jinxin Fertility declared dividends of an aggregate amount of RMB153.0 million to its shareholders. In the same year, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB256.7 million and RMB80.0 million, respectively, to its respective shareholders of the hospital-holding entities. As of December 31, 2018, the aggregate amount of the Company's dividend payable outstanding was RMB23.7 million after the Reorganization, of which RMB21.8 million remains outstanding as of the Latest Practicable Date, which would be settled in cash by the end of 2019. The amount of RMB21.8 million will be paid using existing bank balances and cash, which was RMB643.5 million as of April 30, 2019.

Our Board has not fixed a dividend rate. However, it may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Islands Companies Law. Our shareholders at a general meeting must approve any declaration of final dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board. For more details, please see "Financial Information — Dividends".

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to the Reporting Accountants, legal advisors and other professional advisors for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option and any options granted under the Share Option Scheme are not exercised, including underwriting commissions and any discretionary incentive fee which may be payable by us) for the Global Offering are RMB207.3 million, of which RMB90.6 million has or will be recognized on our statement of profit or loss and RMB116.7 million as a deduction in equity. Of the RMB90.6 million that has or will be recognized on our statement of profit or loss, RMB38.1 million was recognized during the Track Record Period. Our Directors do not expect such expenses will have a material and adverse impact on our results of operations for 2019.

OFFERING STATISTICS

Number of Offer Shares in the Global Offering:	Initially 15% of the enlarged issued share capital of the Company
Over-allotment Option:	Up to 15% of the Offer Shares initially available under the Global Offering
Offer Price per Share:	HK$7.76 to HK$8.54 per Offer Share
Offering Structure:	90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)

	Based on a maximum Offer Price of HK$8.54 per Share	Based on a minimum Offer Price of HK$7.76 per Share	Based on an Offer Price of HK$7.00 per Share, after a Downward Offer Price Adjustment
Our Company's market capitalization upon completion of the Global Offering (Assuming Over-allotment Option is not exercised)	HK$20,332 million	HK$18,475 million	HK$16,666 million
Unaudited pro forma adjusted net tangible asset per Share[(1)]	HK$1.26	HK$1.15	HK$1.04

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in Appendix II — "Unaudited Pro Forma Financial Information" to this prospectus. Subsequent to December 31, 2018, certain events, including a dividend declaration in the amounts of approximately RMB272 million and US$4.6 million to our existing shareholders ("Dividend Declaration") and the NCI Acquisition, have occurred. Had they been completed on December 31, 2018, and reflecting the impact of the Global Offering, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share would be HK$1.26 (RMB1.11) based on a maximum Offer Price of HK$8.54 (RMB7.50) per Share, and HK$1.15 (RMB1.01) based on a minimum Offer Price of HK$7.76 (RMB6.81) per Share, and HK$1.04 (RMB0.91) based on an Offer Price of HK$7.00 (RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%. For details of such events and the related adjustments, see "Financial Information - Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" and "Appendix II - Unaudited Pro Forma Financial Information" to this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, except for those disclosed in "Business — Employees", we did not experience any material or systemic non-compliance incidents, which, taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations.

We are subject to legal proceedings and claims that may arise in the ordinary course of our business, which primarily include medical disputes brought by our patients and/or their families against the medical facilities in our network. For the years ended December 31, 2016, 2017 and 2018, the total number of medical disputes relating to the medical facilities occured in our network in the PRC were seven, 13 and 20, respectively. Other than four which are still ongoing and four for which the claimants are no longer in contact with us, all such disputes have been settled and the total amount of monetary compensation paid by us for the settlement of medical disputes was RMB6.13 million, RMB20,000 and RMB554,778 for the same periods, respectively. For the years ended December 31, 2016, 2017 and 2018, the total number of medical disputes relating to HRC Medical was one, five and two, respectively. Other than three which are still ongoing, all of these disputes have been settled and the total amount of monetary compensation paid by us for the settled medical disputes was nil, US$30,000 and nil for the same periods, respectively. For details, see "Business — Legal Proceedings" in this prospectus.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares. Some of the major risks that we face include:

- The assisted reproductive medical facilities in our network conduct business in a heavily 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, our 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 condition of the assisted reproductive medical facilities in our network, and therefore, our 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 our Group could be materially and adversely affected.
- We derived and expect to derive a majority of our revenue from Sichuan and Guangdong in the PRC and California in the United States, and may be particularly sensitive to adverse developments with respect to local conditions and changes in these regions, such as with respect to their economy, laws and regulations, and any force majeure events, natural disasters or outbreaks of contagious diseases in these regions.
- Any failure to obtain or maintain any license may subject the assisted reproductive medical facilities in our network to penalties and may affect the business of the assisted reproductive medical facilities in our network, and therefore, our Group.
- If the validity of our MSA cannot be upheld or our MSA is terminated under applicable law, our results of operations and financial condition will be materially impaired.
- The historical financial information of Shenzhen Zhongshan Hospital and Willsun BVI Group may not be representative of the result of such entities after their acquisition, and pro forma financial information may not be representative of our results as a combined company in the future.
- The historical operating results of HRC Management, HRC Medical and Shenzhen Zhongshan Hospital may not be indicative of the result of such entities after their acquisition.
- We have recognized goodwill in connection with our acquisition and may recognize goodwill in connection with acquisitions in the future. If we determine that we are required to impair our goodwill, it could adversely affect our results of operations and financial position.
- We have intangible assets other than goodwill. If our other intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Adjusted EBITDA"	EBITDA adjusted for listing expenses
"Adjusted Net Profit"	net profit adjusted for listing expenses
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Amethyst Gem"	Amethyst Gem Holdings Limited, a limited (or its affiliate, where the context requires) liability company incorporated on September 13, 2016 under the laws of BVI, which will directly hold 18.77% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme). Amethyst Gem is controlled by Warburg Pincus XII and Warburg Pincus China
"Ancillary Agreements"	the collective of the Consulting Agreement and the Succession and Indemnification Agreement
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on June 3, 2019, a summary of which is set out in Appendix IV to this prospectus
"assisted reproductive medical facilities in our network in China"	Xinan Hospital Group, Shenzhen Zhongshan Hospital, Jinjiang IVF Center and Jinxin Fertility Center
"Bay Area"	the surrounding region of San Francisco, San Pablo and Suisun estuaries in the northern part of California, the United States
"Beijing-Tianjin-Hebei Region"	the region comprising Beijing, Tianjin and Hebei province
"Board" or "Board of Directors"	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands

"BVI Holdco"	LionRock New Hope (BVI) Company Limited, a limited liability company established under the laws of the BVI on March 1, 2018, our subsidiary
"BVI New Co"	Willsun (BVI) New Company Limited, a company established in the British Virgin Islands with limited liability on May 17, 2018, our direct wholly-owned subsidiary
"CAGR"	compound annual growth rate, calculated on the basis that each year's growth is compounded
"Carpark Facilities"	the ancillary facilities (which are jointly owned by all of the owners of the premises) and the carpark located at Block 1 No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, the PRC, with a total gross floor area of 38,646.31 sq.m.
"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
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CDC"	the United States Centers for Disease Control and Prevention
"Chairman"	The chairman of our Board
"Chengdu Jinxin Investment"	Chengdu Jinxin Medical Investment Management Group Co., Ltd. (成都錦欣醫療投資管理集團有限公司), a company established in the PRC with limited liability on December 19, 2012, a subsidiary of Jinxin Geriatrics

"Chengdu Jinyi"	Chengdu Jinyi Corporate Management Limited (成都錦弈企業管理有限公司), a company established in the PRC with limited liability on December 27, 2018, a wholly-owned indirect subsidiary of our Company
"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, our 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 prospectus, Hong Kong, Macao and Taiwan
"Chinese New Year"	Chinese festival that celebrates the beginning of a new year on the Chinese calendar
"Circular 16"	Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), issued by SAFE on June 9, 2016
"Circular 19"	Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), issued by SAFE on April 8, 2015
"Circular 37"	Notice on Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investment by Domestic Residents Through Special Purpose Vehicles (國家外滙管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), issued by SAFE on July 14, 2014
"Circular 75"	Notice on Issues Relating to Foreign Exchange Control on Financing and Round-trip Investment by Domestic Residents Through Offshore Special Purpose Vehicles (國家外滙管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), issued by SAFE on October 21, 2005
"Circular 601"	Notice on Interpretation and Determination of "Beneficial Owner" under Tax Treaties (關於如何理解和認定税收協定中"受益所有人"的通知), issued by SAT on October 27, 2009

"CNCB Investment"	CNCB (Hong Kong) Investment Limited (or its affiliate, where the context requires), a limited liability company established under the Companies Ordinance on March 23, 1973, and a special purpose vehicle of China CITIC Bank International Limited, our pre-IPO investor
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on March 3, 2014 as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	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
"Consulting Agreement"	consulting agreements dated January 22, 2019 between HRC Management and each of Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick, in which HRC Management engaged the three physicians to provide certain consulting services
"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Sichuan Jinxin Fertility, the Registered Shareholders, Mr. Zeng Yong, Jinrun Fude and the VIE Entities, details of which are described in the section headed "Contractual Arrangements" in this prospectus
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in the context of this prospectus, refer to Jinxin Fertility Shareholders prior to completion of the Global Offering
"Deed of Indemnity"	the deed of indemnity entered into on June 3, 2019 among the Company and Jinxin Fertility Shareholders
"Director(s)"	the director(s) of our Company

"Donghu Bairui"	Wuhan Donghu Bairui Equity Investment Fund Partnership (Limited Partnership) (武漢東湖百瑞股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the PRC laws on October 19, 2016, a shareholder of our Group prior to the Reorganization
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
"East China"	the region comprising Shanghai, Zhejiang province, Jiangsu province, Shandong province, Anhui province, Jiangxi province and Fujian province
"EBITDA"	earnings before interest, taxes, depreciation of property, plant and equipment, and amortization of intangible assets, which we define as profit before taxation plus finance costs, depreciation of property, plant and equipment, and amortization of medical practice license, less interest income
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law, promulgated on March 16, 2007 and became effective as of January 1, 2008
"EIT Rules"	the Regulation on the Implementation of the PRC Enterprise Income Tax Law
"Ever Excelling"	Ever Excelling Holding Limited, a limited liability company incorporated in the BVI on June 7, 2018, an Independent Third Party of the Company
"Existing 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
"FIE"	foreign invested enterprise
"Frost & Sullivan" or "F&S"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"F&S Report"	an independent market research report dated June 13, 2019 commissioned by our Company on the global ARS market and prepared by Frost & Sullivan

"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 our subsidiary before the Reorganization that is a for-profit gynecological and obstetrics specialty hospital
"GDP"	gross domestic product
"General Rules of CCASS"	General Rules of CCASS published by the Stock Exchange and as amended from time to time
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Government Work Report"	an annual report delivered at the NPC and Chinese People's Political Consultative Conference (中國人民政治協商會議) that summarizes the PRC government's performance in the past and present year
"Greater Los Angeles area"	area encompassing five counties in southern California in the United States, including Los Angeles County, Orange County, Ventura County, San Bernardino County and Riverside County
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and our subsidiaries
"Hejun Technology"	Chengdu Hejun Technology Company Limited (成都和雋科技有限公司), a limited liability company established under the laws of the PRC on October 9, 2012, an indirect wholly-owned subsidiary of Jinxin Ob-Gyn
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRSs"	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 35,716,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 12, 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Jinxin Fertility Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters
"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, our 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, our 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 our Company by virtue of being jointly owned by Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick (each, a substantial shareholder) as of the Latest Practicable Date, and the nine clinics and three IVF laboratories in California which it owns
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board

"Independent Third Party(ies)"	party or parties that are not connected persons within the meaning of the Listing Rules
"Individual Shareholders"	the individual shareholders who are former or current employees of Jinxin Group and control Jinxin Fertility Shareholders
"International Offer Shares"	the 321,408,000 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation
"International Offering"	the offer of the International Offer Shares at the Offer Price (a) within the United States to QIBs pursuant to Rule 144A under the U.S. Securities Act and (b) outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act
"International Underwriters"	the group of underwriters, led by the Joint Representatives, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Representatives, the International Underwriters and our Company on or about June 19, 2019
"IVF specialty collaboration agreements"	the IVF specialty collaboration agreement with Jinjiang District Maternity and Child Health Hospital, under which we provided joint management services to Jinjiang IVF Center and Jinxin Fertility Center since September 2016, as amended by any subsequent agreement, including the agreement in relation to the termination of such services to Jinxin Fertility Center
"Jinjiang District Maternity and Child Health Hospital"	Chengdu Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院), a non-profit maternity and child healthcare hospital established in the PRC in 1954, the IVF center of which is jointly managed by our Group
"Jinjiang IVF Center"	the IVF center of Jinjiang District Maternity and Child Health Hospital
"Jinrun Fude"	Chengdu Jinrun Fude Medical Management Company Limited (成都錦潤福德醫療管理有限公司), a limited liability company established under the laws of the PRC on May 9, 2018, our subsidiary by virtue of the Contractual Arrangements

"Jinsheng Fude"	Chengdu Jinsheng Fude Medical Technology Co., Ltd. (成都錦盛福德醫療科技有限公司), a limited liability company established under the PRC laws on July 7, 2017, a shareholder of our Group prior to the Reorganization
"Jinsheng Hospital Management"	Chengdu Jinsheng Hospital Management Company Limited (成都錦昇醫院管理有限公司), a limited liability company established under the laws of the PRC on May 27, 2016, an indirect subsidiary of Jinxin Geriatrics
"Jinxin Fertility BVI"	JINXIN Fertility Investment Group Limited, a limited liability company established under the laws of the BVI on November 13, 2017, one of our Controlling Shareholders prior to Listing and will remain as one of our substantial shareholders upon Listing
"Jinxin Fertility Center"	the fertility center of Sichuan Jinxin Women and Children Hospital
"Jinxin Fertility HK"	LionRock New Hope (HK) Company Limited, a limited liability company established under the laws of Hong Kong on March 14, 2018
"Jinxin Fertility Shareholders"	the collective of Jinxin Fertility BVI, Jinxin Global BVI and Jinxin Fund, our Controlling Shareholders prior to Listing and will remain as our substantial shareholders upon Listing, and are ultimately controlled by the Individual Shareholders
"Jinxin Fund"	JINXIN Fertility Fund LP, an exempted limited partnership established under the laws of the Cayman Islands on September 10, 2018, one of our Controlling Shareholders prior to Listing and will remain as one of our substantial shareholders upon Listing
"Jinxin Geriatrics"	Chengdu Jinsheng Enterprise Management Co., Ltd. (成都錦盛企業管理股份有限公司), a limited liability company established under the laws of the PRC on July 1, 2015, a member of the Sister Group
"Jinxin Global BVI"	JINXIN Global Fertility Company Limited, a limited liability company established under the laws of the BVI on August 9, 2018, one of our Controlling Shareholders prior to Listing and will remain as one of our substantial shareholders upon Listing
"Jinxin Group"	the collective of Jinxin Fertility Shareholders, Jinxin Ob-Gyn and Jinxin Geriatrics and their respective subsidiaries

"Jinxin Investment"	Jinxin Investment Group Limited (錦欣投資集團有限公司) (formerly known as Bontec Investment Limited (邦達投資有限公司), a limited liability company established under the laws of Hong Kong on December 22, 2017, an indirect subsidiary of Jinxin Ob-Gyn
"Jinxin Ob-Gyn"	JINXIN Medical Investment Group Limited, a limited liability company established under the laws of the BVI on September 14, 2017, a member of the Sister Group
"Jinxin Psychiatric"	Chengdu Jinxin Psychiatric Hospital Company Limited (成都錦欣精神病醫院有限公司), a limited liability company established under the laws of the PRC on December 22, 2014, an indirect subsidiary of Jinxin Ob-Gyn
"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, a subsidiary under the Sister Group that is a for-profit women and children hospital, the fertility center of which was jointly managed by our Group
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer of our Company
"Joint Bookrunners"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), CLSA Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, CMB International Capital Limited, China Securities (International) Corporate Finance Company Limited, ABCI CAPITAL LIMITED, ICBC International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited and Mirae Asset Securities (HK) Limited
"Joint Global Coordinators"	Morgan Stanley Asia Limited, CLSA Limited, Citigroup Global Markets Asia Limited and China Merchants Securities (HK) Co., Limited

"Joint Lead Managers"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), CLSA Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, CMB International Capital Limited, China Securities (International) Corporate Finance Company Limited, ABCI SECURITIES COMPANY LIMITED, ICBC International Securities Limited, Huatai Financial Holdings (Hong Kong) Limited and Mirae Asset Securities (HK) Limited
"Joint Representatives"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), and CLSA Limited
"Joint Sponsors"	Morgan Stanley Asia Limited and CLSA Capital Markets Limited
"KPI"	key performance indicator
"Latest Practicable Date"	June 4, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"LionRock Capital"	the collective of LionRock New Hope L.P., LionRock New Hope II L.P. and LionRock New Hope III L.P., which are exempted limited partnerships established under the laws of the Cayman Islands. Each of LionRock New Hope L.P., LionRock New Hope II L.P. and LionRock New Hope III L.P. is managed and controlled by LionRock Capital GP Limited or where the context requires, their affiliate
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about June 25, 2019, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company (as amended from time to time), conditionally adopted on June 3, 2019, a summary of which is set out in Appendix IV to this prospectus
"MIIT"	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
"Ministry of Commerce" or "MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"Ministry of Health" or "MOH"	Ministry of Health of the PRC (中華人民共和國衛生部)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOHRSS"	Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"MSA"	Prior MSA and/or Existing MSA, as the context may require
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Hospital Building"	the hospital building located at Block 1, No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, the PRC with a total gross floor area of 42,659.64 sq.m.
"NexGenomics"	NexGenomics, LLC, a limited liability company established under the laws of California, the United States, on February 4, 2015, wholly owned by HRC Management
"NHFPC"	National Health and Family Planning Commission (中華人民共和國國家衛生和計劃生育委員會), currently known as National Health Commission (中華人民共和國國家衛生健康委員會)
"NPC"	National People's Congress of the PRC (全國人民代表大會)

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$8.54 and expected to be not less than HK$7.76 (subject to any Downward Offer Price Adjustment), at which Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus, subject to any Downward Offer Price Adjustment
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Onshore Individual Owners"	PRC individuals who, prior to the commencement of the Reorganization, held, directly or indirectly, equity interests in PRC Business and established offshore special purposes vehicles during or shortly before the Reorganization for the purpose of subscribing for Shares
"OSHA"	the United States Occupational Safety and Health Administration
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 53,568,000 Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
"PBOC"	People's Bank of China (中國人民銀行)
"Pearl River Delta"	the region comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Huizhou, Jiangmen and Zhaoqing, all of which are located in Guangdong province
"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

"PRC Group" or "our PRC Group"	Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital, Sichuan Jinxin Fertility, and each of their respective subsidiaries (as the case may be)
"PRC Legal Advisors"	Zhonglun Law Firm, the legal advisors to our Company as to the laws of the PRC
"Price Determination Agreement"	the agreement to be entered into by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about June 19, 2019, on which the Offer Price will be determined, or such later time as the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event, not later than June 21, 2019
"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
"Prior MSA"	the management service agreement dated July 13, 2017 pursuant to which HRC Management provided non-medical management services to HRC Medical
"Property Transfer Agreement"	the property transfer agreement dated February 11, 2019 entered between Sichuan Jinxin Fertility and Youta Pharmaceutical, pursuant to which Sichuan Jinxin Fertility agreed to acquire the Carpark Facilities from Youta Pharmaceutical upon the terms and conditions therein
"province"	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
"QIBs"	qualified institutional buyers as defined in Rule 144A
"Qingdao Jinshi"	Qingdao Jinshi Haorui Investment Co., Ltd.(青島金石灝汭投資有限公司), a limited liability company established under the PRC laws on December 4, 2012, our shareholder prior to the Reorganization

"Registered Shareholders"	Two individual shareholders of Jinrun Fude, namely Ms. Yan Xiaoqing and Ms. Zhu Yujuan
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization" or "Reorganisation"	the reorganization of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure" of this prospectus
"Reporting Accountants"	Deloitte Touche Tohmatsu
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSA"	Reproductive Surgical Associates, a general partnership California, United States, the entire partnership interests of which have been acquired by HRC Management on July 12, 2017 and ceased to exist on July 13, 2017
"RSA Centers"	the three surgical centers located at HRC Medical core clinics in Pasadena, Encino and Newport Beach
"RSU"	a restricted share unit award granted to a participant under the RSU Scheme
"RSU Scheme"	the restricted share award scheme conditionally adopted by our Company on February 15, 2019, the principal terms of which are summarized in "RSU Scheme" in Appendix V to this prospectus
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)

"Sequoia Capital China"	Max Innovation Limited (or where the context requires, its affiliate), a limited liability company established under the laws of the Cayman Islands, and a holding vehicle of Shanghai Zhehui Enterprise Management Consulting Partnership L.P., our pre-IPO investor
"SFC" or "Securities and Futures Commission"	Securities and Futures Commission of Hong Kong
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to this prospectus
"Share Purchase Agreement"	the share purchase agreement dated February 11, 2019 entered into between Sichuan Jinxin Fertility and Youta Pharmaceutical (as amended and supplemented on May 7, 2019 and May 23, 2019), pursuant to which Sichuan Jinxin Fertility agreed to purchase the New Hospital Building through acquisition of the entire equity interest in Chengdu Jinyi from Youta Pharmaceutical according to the terms and conditions therein
"Shareholder(s)"	holder(s) of Shares
"Shareholders Agreement"	the shareholders agreement dated February 14, 2019 entered into among our Company and our Shareholders
"Shares"	Ordinary shares in the capital of our Company with nominal value of US$0.00001 each
"Shenzhen Meihua"	Shenzhen Meihua Medical Investment Management Co., Ltd. (深圳市梅驊醫療投資管理有限公司), a limited liability company established in the PRC on June 16, 2003, our indirect subsidiary
"Shenzhen Yuji"	Shenzhen Yuji Property Services Co., Ltd. (深圳市裕集物業服務有限公司), a company established in the PRC with limited liability on September 16, 2009, our indirect subsidiary
"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, our indirect subsidiary that is a for-profit specialty hospital

"Sichuan Fund for the Elderly"	Sichuan Province Healthy Pension Industry Equity Investment Fund Partnership (Limited Partnership) (四川省健康養老產業股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the PRC laws on December 31, 2015, who has nominated Guotai Junan Financial Products Ltd. to hold our Shares
"Sichuan Jinxin Fertility"	Sichuan Jinxin Fertility Medical Management Co., Ltd. (四川錦欣生殖醫療管理有限公司), previously known as Chengdu Jinde Corporate Management Company Limited (成都錦德企業管理有限公司), a company established under the laws of the PRC with limited liability on September 12, 2016, our indirect subsidiary
"Sister Group"	the collective of Jinxin Ob-Gyn and Jinxin Geriatrics and their respective subsidiaries
"Southeast Asia"	the sub-region of Asia, comprising of the countries that are geographically south of Japan and the PRC, east of India, west of Papua New Guinea, and north of Australia
"Southern China"	the region comprising Guangdong province, Guangxi Zhuang Autonomous Region and Hainan province in the PRC
"Southern Creation"	Southern Creation Limited, a limited liability company established on September 7, 2015 under the laws of the BVI and our pre-IPO investor, and a special purpose vehicle managed and controlled by Shanghai Kuokun Asset Management Limited
"Southwestern China"	the region comprising Chongqing, Sichuan province, Yunnan province and Guizhou province in the PRC
"Stabilizing Manager"	Morgan Stanley Asia Limited or any of its affiliates or any persons acting for it
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager (or its affiliates acting on its behalf) and Jinxin Fertility BVI, pursuant to which Jinxin Fertility BVI will agree to lend up to 53,568,000 Shares to the Stabilizing Manager on terms set forth therein
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Succession and Indemnification Agreement"	amended and restated succession and indemnification agreement which HRC Management entered into with each Physician Shareholder on January 22, 2019 and effective retroactively as of July 13, 2017
"Tibet Jinxin"	Tibet Jinxin Enterprise Management Co., Ltd. (西藏錦欣企業管理有限公司), a limited liability company established under the PRC laws on August 26, 2016, our shareholder prior to the Reorganization
"Tibet Juyi"	Tibet Juyi Venture Capital Partnership (Limited Partnership) (西藏聚億創業投資合夥企業 (有限合夥)), a limited liability partnership established under the PRC laws on July 12, 2016, our shareholder prior to the Reorganization
"Tibet Xingsheng"	Tibet Xingsheng Venture Capital Partnership (Limited Partnership) (西藏興晟創業投資合夥企業 (有限合夥)), a limited liability partnership established under the PRC laws on June 2, 2016, our shareholder prior to the Reorganization
"Tibet Zixing"	Tibet Zixing Venture Capital Partnership (Limited Partnership) (西藏子興創業投資合夥企業 (有限合夥), a limited liability partnership established under the PRC laws on June 2, 2016, our shareholder prior to the Reorganization
"Track Record Period"	the three financial years of the Company ended December 31, 2016, 2017 and 2018
"Tricare"	health care program of the United States Department of Defense Military Health System
"Two-child Policy"	two-child birth policy (二胎政策) in the PRC which allows for each couple to have two children under the newly revised Law on Population and Family Planning (中華人民共和國人口與計劃生育法), passed at a session of the National People's Congress Standing Committee (全國人民代表大會常務委員會) on December 27, 2015, and taking effect on January 1, 2016
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S.", "US", or "United States"	the United States of America

"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US New Co"	Willsun US Delaware Newco Inc., a company established in Delaware with limited liability on May 7, 2018, our indirect subsidiary
"US Special Counsel"	Sheppard, Mullin, Richter & Hampton LLP, our legal advisors as to laws of the United States in relation to healthcare regulatory matters
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VIE"	variable interest entity
"VIE Entities" or "VIE Entity"	the entities that we control certain percentage of their shareholding through the Contractual Arrangements which comprised, as at the Latest Practicable Date, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital
"VIP patient(s)"	a very important patient of Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital who receives a private and convenient treatment experience, and they are given access to a private consultation area, flexible appointment schedule, complementary nutrition guidance, Chinese medicine treatment, psychological counseling and fitness courses to support the ARS
"Warburg Pincus China"	(i) Warburg Pincus China (Cayman), L.P.; and (ii) Warburg Pincus China Partners (Cayman), L.P., each a Cayman Islands exempted limited partnership, which together with Warburg Pincus XII, collectively own 83.45% of the interest in Amethyst Gem, our substantial shareholder
"Warburg Pincus XII"	(i) Warburg Pincus (Callisto) Private Equity XII (Cayman), L.P.; (ii) Warburg Pincus (Europa) Private Equity XII (Cayman), L.P.; (iii) Warburg Pincus (Ganymede) Private Equity XII (Cayman), L.P.; (iv) Warburg Pincus Private Equity XII-B(Cayman), L.P.; (v) Warburg Pincus Private Equity XII-D (Cayman), L.P.; (vi) Warburg Pincus Private Equity XII-E (Cayman), L.P.; (vii) WP XII Partners (Cayman), L.P.; and (viii) Warburg Pincus XII Partners (Cayman), L.P., each a Cayman Islands exempted limited partnership which together with Warburg Pincus China, collectively own 83.45% of the interest in Amethyst Gem, our substantial shareholder

"Western United States"	the region in the United States comprising of the states Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming
"**WHITE** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Willsun"	collectively, Willsun Fund and Willsun AM and their affiliates
"Willsun AM"	Willsun Asset Management Company Limited (華昇資產管理有限公司), a limited liability incorporated in the PRC, an Independent Third Party subsequent to the Reorganization
"Willsun BVI"	Willsun Fertility (BVI) Company Limited, a limited liability company established in the British Virgin Islands on March 31, 2017, our direct wholly-owned subsidiary
"Willsun BVI Group"	Willsun BVI and its subsidiaries
"Willsun Fund"	the collective of Tibet Juyi, Tibet Xingsheng and Tibet Zixing
"Willsun US"	Willsun Fertility US Delaware LLC, a limited liability company established in Delaware on April 5, 2017, our indirect subsidiary
"Withdrawal Mechanism"	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g., the Offer Price) in the prospectus; (b) extend the offer period and allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e., requiring investors to positively confirm their applications for shares despite the changes)
"WuXi AppTec"	WuXi PharmaTech Healthcare Fund I L.P. (or where the context requires, its affiliate), an exempted limited partnership established under the laws of the Cayman Islands, and is controlled by a wholly-owned subsidiary of WuXi AppTec Co., Ltd as its general partner, a pre-IPO investor

"WuXi NextCODE"	WuXi NextCODE Genomics (Shanghai) Co., Ltd. (明碼(上海)生物科技有限公司), a company established in Shanghai, PRC with limited liability on June 2, 2015
"Xinan Hospital Group"	Chengdu Xinan Hospital and Gaoxin Xinan Hospital
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yong Tai"	Yong Tai Group Company Limited (永泰集團有限公司), a limited liability company established under the laws of the PRC on April 15, 2002, an Independent Third Party
"Youta Pharmaceutical"	Chengdu Youta Pharmaceutical Company Limited (成都優他製藥有限責任公司), a limited liability company established under the laws of the PRC on February 16, 2004, a wholly-owned indirect subsidiary of Jinxin Geriatrics
"Zesen Huilin"	Ningbo Meishan Bonded Port Area Zesen Huilin Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區澤森匯霖股權投資合夥企業(有限合夥)), a limited liability partnership established under the PRC laws on February 20, 2017, our shareholder prior to the Reorganization
"Zhongshan Research Institute"	Shenzhen Zhongshan Reproductive Institute (深圳中山生殖與遺傳研究所), a private non-enterprise entity established in the PRC on January 21, 2009
"Zhuhai Mingrui"	Zhuhai Mingrui Corporate Consulting Co., Ltd. (珠海銘瑞企業諮詢有限公司), a limited liability company established under the laws of the PRC on March 29, 2018, who hold Shares in our Company through its special purpose vehicle, Memory Ocean Technology Limited
"%"	per cent

In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

* *For identification purposes only*

In this prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.

"AI" or "artificial insemination"	artificial insemination, an in vivo fertilization process to deliver the sperm to the female reproductive tract for the purpose of achieving pregnancy of the female through non-sexual intercourse
"AID"	artificial insemination with donor sperm
"AIH"	artificial insemination with husband's sperm
"andrology"	branch of medicine concerned with diseases and conditions specific to men
"ARS"	assisted reproductive service(s)
"ART"	assisted reproductive technology(ies)
"ART treatment cycle"	a cycle that starts when a woman begins taking fertility drugs or having her ovaries monitored for follicle production and if eggs are produced, the treatment cycle progresses to egg retrieval
"assisted hatching"	a medical procedure used during IVF to open a hole or reduce the thickness of a transparent strip for the purpose of making it easier to hatch blastocysts
"associate-chief physician"	the second professional rank for physicians (副主任醫生) in the PRC; an associate-chief physician may supervise attending and resident physicians, direct research work of a specific field, and typically handle complex medical cases
"asthenozoospermia"	male fertility condition characterized by reduced sperm motility
"attending physician"	the third professional rank for physicians (主治醫生) in the PRC; an attending physician may supervise resident physicians and typically undertake medical treatment, teaching, research and disease prevention work
"blastocyst"	a form of an embryo in a certain stage which is further developed from morula with a cavity containing liquid inside
"chief physician"	the highest professional rank for physicians (主任醫生) in the PRC; a chief physician is generally in charge of a specific clinical department
"childbearing couples"	couples where the woman is between the ages of 15 and 49

"Class II Hospital"	the regional hospitals designated as Class II hospitals by the NHFPC hospital classification system, typically having 100 to 500 beds in operation, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"Class III Hospital"	the largest regional hospitals with the highest standard in China designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds in operation, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"Class III maternal and child care service center"	the largest regional maternal and child care service centers with the highest standard in China designated by the NHFPC
"clinical pregnancy"	pregnancy defined by ultrasound that shows a gestational sac in the uterus or a heartbeat of the fetus
"clinical pregnancy rate"	calculated as the total number of resulting clinical pregnancies divided by the total number of fresh and frozen embryo transfers
"cryopreservation"	procedure where the in vitro culture is suspended in a solution to which a cryoprotectant is added, frozen to a temperature below zero at a certain freezing rate for the purpose of long-term preservation at such temperature
"egg retrieval"	surgical procedure to collect the eggs contained in the ovarian follicles
"embryo"	egg that has been fertilized by a sperm until the eighth week
"embryo transfer"	the process of transplanting embryos developed by IVF into a woman's uterus
"embryology"	branch of biology concerned with the prenatal development of gametes, fertilization, and development of embryos and fetuses
"endocrinology"	branch of medicine concerned with the structure, function, and disorders of the endocrine glands
"endometriosis"	a common gynecological disease in women formed by the active endometrial cells planted outside the endometrium

"follicle"	basic functional unit in the ovary for oocyte development, which has a circular vesicular shape and is located in the ovarian cortex
"gynecology"	branch of medicine concerned with the functions and diseases specific to women
"HIV"	human immunodeficiency virus
"ICSI"	intracytoplasmic sperm injection, IVF treatment technique where a single sperm is injected into the oocyte slurry by microinjection, so that the sperm and the oocyte are passively combined and fertilized to form a fertilized egg for the purpose of pregnancy
"infertile couples"	couples failing to become pregnant after 12 months or more of regular unprotected sexual intercourse, usually as a result of one or both persons having fertility problems
"infertility"	disease of the reproductive system characterized by the failure to become pregnant after 12 months or more of regular unprotected sexual intercourse
"intended parents"	a person or couple intending to become parent/s through ARS
"IVF"	in vitro fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy
"IVF-ET"	in vitro fertilization and embryo transfer, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system and transfer such embryo to the uterine cavity to achieve pregnancy
"IVF patient"	patients who have started an IVF treatment cycle
"IVF treatment cycle"	a cycle that starts when eggs contained in the ovarian follicles are retrieved, after which the treatment cycle usually progresses to combining the eggs with sperm to create embryos
"live birth rate"	calculated as the number of deliveries that resulted in a live born neonate divided by the total number of fresh and frozen embryo transfers
"oligospermia"	male fertility condition characterized by low sperm count
"oocyte"	ovarian cell that undergoes meiosis during oogenesis

"ovary"	organ that is part of the female reproductive system
"ovulation"	release of a mature egg from the follicle
"penetration rate"	calculated as the number of couples who received ARS divided by the number of infertile couples in need of ARS
"PGD"	preimplantation genetic diagnosis, used when one or both genetic parents carry a gene mutation or a balanced chromosomal rearrangement and testing is performed to determine whether that specific mutation or an unbalanced chromosomal complement has been transmitted to the oocyte or embryo
"PGS"	preimplantation genetic screening, technique used to detect the presence of an abnormal number of chromosomes (aneuploidy) in an embryo and to examine which embryos are chromosomally normal for transfer
"prevalence of infertility"	calculated as the number of infertile couples divided by the number of couples of reproductive age, which for women is between the ages of 15 and 49
"progesterone"	hormone secreted by the anterior pituitary gland which stimulates the secretion of ovarian hormones, participates in follicular maturation and ovulation, and causes the ruptured follicle to form the corpus luteum and secrete estrogen
"spontaneous abortion"	abortion caused by non-human factors
"success rate"	the form of "clinical pregnancy rate" that has been adopted for discussion in this prospectus

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the ARS industry and markets;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the PRC and the United States;
- changes to the regulatory environment, policies, operating conditions and general outlook in the ARS industry and markets;
- the actions of and developments affecting our patients, suppliers and managed reproductive medical facilities;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to control or reduce costs;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors; and
- certain statements included in the section headed "Financial Information" in this prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and most of our subsidiaries are located in the PRC and the United States and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition or on the trading price of the Shares, and could cause you to lose all or part of your investment.

This prospectus also contains "forward-looking statements" that involve risks and uncertainties. The actual results of our Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, the risks faced by our Group as described in this prospectus. If any of the following considerations and uncertainties develops into actual events, our business, financial condition or results of operations or cash flows may be adversely affected. In such circumstances, the trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The assisted reproductive medical facilities in our network conduct business in a heavily 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, our Group.

The operations of the assisted reproductive medical facilities in our network are subject to various laws, rules and regulations at the national, regional and local levels in the PRC and at the federal and state level in the United States. In the PRC, such laws and regulations mainly relate to (i) rules and specifications in the ARS industry that may affect our capabilities to implement our existing business strategies; (ii) classification and management of medical facilities, supervision on the use of pharmaceuticals in medical facilities, and the governance of day-to-day operations of medical facilities; (iii) rules and regulations regulating medical incidents; (iv) foreign investors investing in the PRC and conducting business in the PRC as a foreign-invested company; and (v) taxation and foreign exchange matters. Similarly, in the United States and California, such laws and regulations mainly relate to: (i) the licensing of medical professionals; (ii) the licensing, registration, and accreditation of medical facilities and laboratories; (iii) the privacy and security of confidential patient medical records; (iv) the corporate practice of medicine; and (v) healthcare fraud and abuse laws.

New laws and regulations relevant to the ARS business may be introduced in the future, or the current applicable regulations may otherwise be amended or replaced requiring the assisted reproductive medical facilities in our network to conduct business with additional oversight and regulatory compliance. Any change in laws and regulations could require the medical facilities in our network to obtain additional licenses, permits, approvals or certificates, increase the operational expenses or result in the invalidation of licenses currently owned. We cannot assure you that the

medical facilities in our network can adapt to changes in the regulatory environment swiftly enough, or in a cost-efficient manner. We cannot assure you that the operations of the medical facilities in our network will not be adversely affected by regulatory developments or that the cost of compliance with new regulations will not be material. It is also possible that different interpretations or enforcement of these regulations could subject the current or past practices to allegations of impropriety or illegality or could require the medical facilities in our network to implement changes in the facilities, equipment, personnel or services, or increase capital expenditure and operating expenses, and thus may adversely affect the business, results of operations and financial condition of our 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 condition of the assisted reproductive medical facilities in our network, and therefore, our Group.

Government policies relating to the healthcare industry in the PRC may change significantly in the future, depending on the objectives prioritized by the Chinese government, as well as the political and social climate, public opinion and media coverage at any given time and the continued development of the PRC healthcare industry. Any future change in the relevant government policies may affect public hospital reform, limit private or foreign investments in healthcare services. Such future changes or reforms, if adopted and implemented, may limit the services the medical facilities in our network are able to or intend to provide and the sources of our revenue, increase the cost of revenue, restrict the ability to pursue potential acquisitions and expansions, intensify competition, or otherwise negatively affect us disproportionately compared to competitors. Unfavourable public opinion or negative media coverage of the healthcare industry may also trigger implementation of more stringent policies and heightened scrutiny on best practices at medical institutions. If we fail to keep up with new policies or best practices, our standard of operation may fall short of the latest standard and we could become more prone to non-compliance, resulting in increased cost of compliance and operation. In addition, although the medical facilities in our network may currently set the fees charged for the ARS they provide at their discretion, we cannot assure you that they will not be subject to restrictions on pricing in the future. For more details on the pricing policies, see "Business — Pricing and Payment".

Further, the Foreign Investment Catalogue was amended in 2015 to, among other things, limit foreign investments in medical facilities in the form of a Sino-foreign equity joint venture or cooperative joint venture. As a result, we, as a foreign company, are not permitted to own 100% of the equity interest in any medical facility in the PRC and, consequently, may face difficulties in expanding the business through equity acquisition. If foreign investments in medical facilities are further restricted or even prohibited, we may be forced to sell or restructure our business, in which case our Group's business, financial condition and results of operations may be materially and adversely affected.

In addition, the interpretation, implementation and enforcement of government policies and regulations may vary among different regulators. We cannot ensure that the ability to provide ARS of the medical facilities in our network will not be limited, and the business, financial conditions and

results of operations of the medical facilities in our network will not be materially and adversely affected, by such differences in interpreting, implementing and enforcing and changes in government policies or regulations, which may then affect our Group's business, results of operations and financial condition.

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 our Group could be materially and adversely affected.

Our success in operating or managing the assisted reproductive medical facilities in our network is largely dependent on the ability of such medical facilities to attract and retain a sufficient number of qualified physicians. We compete with other healthcare providers, including, but not limited to, those located in Southwestern China, the Pearl River Delta and the Western United States to recruit and retain qualified physicians. The reputation, expertise and demeanor of the physicians who provide medical services at the medical facilities are instrumental to our ability to attract patients. The recruitment of qualified physicians, particularly assisted reproductive specialists, is competitive in the PRC and the United States due to shortage. The supply of specialist physicians is limited due to the length of study and training required, including academic study and clinical training, which can take years. We believe that physicians generally consider the following key factors when selecting medical facilities to work at: the reputation and culture, the efficiency of management, the quality of facilities and supporting staff, the number of patient visits, the level of compensation, the number and quality of training programs and location. The medical facilities in our network may not compete favorably with their competitors in respect of one or more of these factors and, they may not be able to attract or retain the physicians desired.

Our success is also dependent on the ability of the assisted reproductive medical facilities in our network to recruit and retain qualified administrators and other medical personnel and the ability to train and manage such administrators and medical personnel. It has become increasingly costly to recruit and retain administrators and medical personnel in recent years and there is no guarantee that the medical facilities in our network will be able to recruit and retain sufficient administrators and medical personnel in the future. If the medical facilities in our network fail to do so, we may not be able to maintain the quality of our services, and the number of patients at the medical facilities may decrease significantly. The loss of a significant number of physicians, administrators and other healthcare professionals, or the inability to attract or retain sufficient numbers of qualified physicians, administrators and other healthcare professionals, could have a material adverse effect on the business, results of operations and prospects of the medical facilities, and thus may affect the business, results of operations, financial condition and prospects of our Group.

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

As of the Latest Practicable Date, the assisted reproductive medical facilities in our network included Chengdu Xinan Hospital and Jinjiang IVF Center in Sichuan, Shenzhen Zhongshan Hospital in Guangdong, and HRC Medical, RSA Centers and NexGenomics in California. Going forward, we expect to generate a majority of our revenue from those assisted reproductive medical facilities. We are therefore particularly sensitive to the regulatory, economic, environmental and competitive conditions, as well as the public health landscape, in these regions. In addition, the business of the medical facilities in our network may also be materially and adversely affected if any economic downturn in these regions were to result in patients cutting back on spending on ARS. Furthermore, significant changes in the laws and regulations governing the healthcare industry in these regions may have a material adverse effect on the business operations of the medical facilities in our network.

Any adverse change in China or U.S. travel or immigration policies may adversely affect the financial condition and results of operations of the medical facilities in our U.S. network given that multiple patients of HRC Medical travel from China to the U.S. for purposes of receiving ARS treatment at medical facilities in the Company's network. Although neither U.S. federal law nor California state law currently prohibits foreign nationals from coming to the U.S. to receive ARS, and foreign nationals may legally obtain B-1 visas for a temporary stay in order to obtain ARS (which granting of visas is discretionary), such laws and immigration policies could potentially adversely change in the future to limit travel by Chinese citizens. Additionally, the U.S. federal government and China each have imposed multiple new tariffs as part of an escalation of a current trade dispute. No assurance can be given that the effect of such trade dispute will not impact potential travel by Chinese citizens to the U.S. Any restrictions on travel by Chinese citizens to the U.S. could reduce the demand by Chinese people of ARS in the U.S., which could have a material adverse effect on the business, results of operations and prospects of HRC Medical, and thus may adversely affect the business, results of operations and financial condition of our Group.

In addition, if there is an outbreak of contagious disease in these regions, the service capability of the medical facilities in our network could be disrupted as a result of the need to implement heightened sanitization and quarantine procedures. Any epidemic outbreaks in these regions may disrupt the operations of the medical facilities significantly. Furthermore, natural disasters or other catastrophic events that may occur in these regions, such as earthquakes, fires, droughts, typhoons, floods, outages of critical utilities, disruptions to transportation systems, including as a result of terrorist attacks, may damage or limit our ability to operate the medical facilities. Any unpredictable events could have a material adverse effect on the business, results of operations and prospects of those medical facilities in our network, and thus may adversely affect the business, results of operations and financial condition of our Group.

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, our Group.

The operations of the assisted reproductive medical facilities in our network are subject to license and permit requirements as well as periodic audits or inspections by relevant authorities. For example, according to relevant PRC laws and regulations, relevant regulatory authorities inspect the

assisted reproductive technology licenses once every two years in Shenzhen and once every three years in Chengdu. In the United States, physicians who are involved in performing ARS involving the transplantation of tissues in California are required to maintain tissue bank licenses and outpatient settings. If the medical facilities fail to obtain, maintain or renew any license, permit or certificate required for their operations, or are found to be non-compliant with any applicable law, regulation or established best practices, depending on the nature and severity of the non-compliance, they may be subject to penalties, criminal prosecution, increased compliance costs, loss of accreditation (which could in turn affect the ability to operate), suspension of operations or even revocation of operating licenses, or temporary or permanent closure of business, any of which could materially and adversely affect the business, results of operations and prospects of those medical facilities in our network, and therefore, our Group.

The ARS offered by the medical facilities in our network depend significantly on reputation. Failure to develop, maintain and enhance reputation may materially and adversely affect the business, financial condition and results of operations of such medical facilities, and therefore, our Group.

The reputation of the assisted reproductive medical facilities in our network is critical to our success in the ARS market in the PRC and the United States. We believe that the medical facilities in our network are increasingly recognized among patients, both who are new to assisted reproductive treatments and who have had unsuccessful experiences at other medical facilities, for their service quality, technological expertise and patient experience.

Many factors are important for maintaining and enhancing our reputation and may negatively affect our reputation if not properly managed, such as:

- our ability to effectively manage the quality of our services and the medical facilities in our network, and to monitor the performance of the physicians and other medical professionals;
- our ability to provide convenient and reliable medical treatment;
- our ability to increase our brand awareness among existing and potential patients through various means of promotional activities; and
- our ability to adopt new technologies or adapt our systems to patient needs or emerging industry standards.

Our reputation could also be harmed if our services or the medical facilities in our network fail to meet the patients' expectation or if such medical facilities fail to maintain established standards or become the subject of any negative media coverage with respect to medical disputes. The promotional efforts of medical facilities may be costly and may fail to effectively enhance our reputation or generate additional revenue. Our failure, if any, to develop, maintain and enhance our reputation may result in loss of patients and decreased revenue, and in turn adversely affect the business, financial condition and results of operations of such medical facilities and in turn, our Group.

The assisted reproductive medical facilities in our network may also face challenges from competitors seeking to benefit from damaging our reputation. In addition, any negative publicity in relation to the services, facilities, peers or the industry, regardless of its merits, could seriously harm the public image and reputation of the medical facilities in our network which in turn may result in a loss of patients and have a material adverse effect on our business, financial condition and results of operations. Any negative publicity may harm the perception of the general public on the healthcare industry, including us, and the business of the medical facilities in our network.

If we fail to properly manage the registration of the medical professionals of our network of assisted reproductive medical facilities, we may be subject to penalties against such medical facilities, including fines, loss of licenses, or an order to cease practice, which could materially and adversely affect the business and results of operations of the medical facilities in our network, and therefore, our Group.

The practicing activities of medical professionals are strictly regulated under laws, rules and regulations in the PRC and the United States. In the PRC and California, medical professionals who practice at medical facilities must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical facilities at which their licenses are registered. In the PRC, if a medical professional is found practicing at a medical facility where he or she is not properly registered, both the individual and the medical facility will be subject to administrative penalties. In California, medical professionals can face disciplinary action, including loss of license, for exceeding their scope of practice or misrepresenting their credentials.

Our failure to properly manage the registration of medical professionals of the medical facilities in our network may subject the physicians, us or the medical facilities in our network to administrative penalties including fines, loss of licenses, or, in the worst case scenario, an order to cease practice, any of which could materially and adversely affect the business and results of operations of the medical facilities in our network, and therefore, our Group.

If we fail to successfully jointly manage Jinjiang IVF Center or manage HRC Medical, or if the IVF specialty collaboration agreement or the MSA is terminated, our revenue and profitability may suffer.

For the years ended December 31, 2016, 2017 and 2018, revenue generated from management services for Jinjiang IVF Center accounted for 8.1%, 13.9% and 9.7% of our revenue, respectively. According to the IVF specialty collaboration agreement between us and Jinjiang IVF Center, the management service fees we receive are based on the scope and the frequency of services provided. As of the Latest Practicable Date, we managed HRC Medical in the U.S. through HRC Management in accordance with the MSA, according to which HRC Management receives management services fees of equal to 90% of the gross revenue generated from HRC Medical, plus a discretionary bonus incentive. If we fail to successfully jointly manage Jinjiang IVF Center or manage HRC Medical, or the respective financial and operating performance of Jinjiang IVF Center or HRC Medical is subpar or is otherwise inconsistent with prior performance, the management service fee we receive will be reduced, which will in turn impact our revenue and profitability. Furthermore, failure to maintain the

current IVF specialty collaboration agreement with Jinjiang IVF Center or the Existing MSA with HRC Medical may adversely affect our business, results of operations and financial condition. For instance, Jinjiang IVF Center has the rights to terminate the IVF specialty collaboration agreement with the termination clause therein, and the Existing MSA will be terminated under material breach of HRC Medical or insolvency of either party. For more details, see "Business — Our Management Agreements — IVF Specialty Collaboration Agreements — Termination" and "Business — Our Management Agreements — Management Service Agreement — Existing MSA — Term and Termination". Moreover, our control over Jinjiang IVF Center and HRC Medical is limited and Jinjiang IVF Center and HRC Medical may have business or economic interests that are different from us, may dispute the agreement, or may take action inconsistent with our interests or objectives. For example, we accrued late fees of RMB4.2 million relating to unpaid PRC EIT and value-added tax arising from management services fee during the Track Record Period, which were incurred as a result of the time gap between our provision of management services pursuant to the IVF specialty collaboration agreements commencing in September 2016 and the finalization of such agreements in 2018.

In particular, Jinjiang District Maternity and Child Health Hospital (including Jinjiang IVF Center) has not obtained approval from relevant authorities for part of its self-built building, and the owners of its leased properties do not have property ownership certificates. Such land and title defects may subject Jinjiang IVF Center to administrative fines, or Jinjiang IVF Center may be requested to move. Any of the land or title defects or non-compliance of Jinjiang IVF Center may affect our operations. We cannot guarantee that Jinjiang IVF Center would not intentionally terminate or attempt to terminate the agreement in breach of contract. If any such events were to occur, the management service fees we receive may be materially and adversely affected and, which may materially and adversely affect our business, financial condition and results of operations.

If the validity of our MSA cannot be upheld or our MSA is terminated under applicable law, our results of operations and financial condition will be materially impaired.

A number of federal and state laws in the United States regulate HRC Management's relationship with healthcare professionals and entities. For example, California is a corporate practice of medicine doctrine state. Under California state law, only physicians may practice medicine, exercise control over medical decisions, or engage in certain arrangements with other physicians, such as fee-splitting. Additionally, California state law prohibits the offer or acceptance of remuneration by health care providers as compensation or inducement for patient referrals, and generally prohibits splitting a physician's fee between the physician and a third-party. Notably, California specifically authorizes percentage-based management service arrangements, provided such compensation constitutes fair market value. A violation of the corporate practice of medicine doctrine constitutes the unlawful practice of medicine, which is subject to fines and other legal consequences. Penalties for violating fee-splitting statutes or regulations may include medical license revocation, suspension, probation and/or other disciplinary actions.

We are of the view that HRC Management performs only non-medical functions, does not offer medical services, and does not exercise influence or control over the practice of medicine by the physicians of HRC Medical. HRC Management receives management service fee which is equal to 90% of the gross revenue of HRC Medical accrued during the preceding month, plus a bonus incentive

which can be granted at HRC Medical's sole discretion, after considering factors related to the services and benefits provided by HRC Management to HRC Medical. In determining the fair market value of the management service fee to HRC Management for management services and the use of HRC Management's premises, an independent professional valuer was engaged and confirmed that the management service fee set at 90% of the gross revenue of HRC Medical represents the high end of the fair market value for the services rendered. The management fee will be subject to review by our 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, which is a requirement of the U.S. federal and state laws and regulations. The California Medical Board, as well as other state regulatory bodies, however, have taken the position that an arrangement that confers too much control over a physician practice to a management service organization may violate the corporate practice of medicine doctrine. A third-party, including the physicians of HRC Medical, could assert that, under California's rules governing the corporate practice of medicine, we are violating the corporate practice of medicine doctrine or that our arrangements constitute unlawful fee-splitting. If a California governmental authority were to agree with such allegations, despite the MSA and other accompanying arrangements through which we manage HRC Medical, we could be subject to civil and/or other legal consequences, the MSA and the accompanying arrangements could be found legally unenforceable (in whole or in part), or we could be required to restructure the contractual arrangements with physicians, clinical employees, professional corporations, our patients or our operations. If the MSA and other accompanying arrangements were held to be invalid under laws prohibiting the corporate practice of medicine, a significant portion of our revenue could be lost, resulting in a material adverse effect on our results of operations and financial condition.

The medical facilities in our network and our Group may be materially and adversely affected by unfavorable patient perception of, or negative developments and news regarding, the ARS industry as a whole.

Demand for ARS include those provided by the medical facilities in our network, is affected by patient perception and social acceptance of ARS, including whether prospective patients feel negatively about using assisted reproductive treatments to achieve pregnancy. Any negative perception of ARS may render potential patients reluctant to seek, or delay seeking, ARS. Should conservative perception of the use of ARS develop, prospective patients may feel that ARS are not widely accepted by society and demand for ARS could be limited, resulting in material adverse effect on the ability of the medical facilities in our network to attract patients, and the growth of our business and our results of operations may be adversely affected consequently.

From time to time, there have been negative news and publicity about the assisted reproductive industry, assisted reproductive medical facilities and/or medical professionals practicing in this industry. Any further negative news and publicity about the ARS industry could amplify existing concerns and misperceptions about ARS, and thus may have an adverse effect on the business, results of operations and financial conditions of the medical facilities in our network, and therefore, our Group.

Failure of managing business in new geographic regions may harm our business, financial condition and results of operations.

Our experience in operating assisted reproductive medical facilities has been historically limited to Sichuan and Guangdong in the PRC. We recently acquired HRC Management to expand our network of medical facilities into the United States. In addition, we may, in the future, further expand our network of medical facilities into other regions. We may not be successful in adapting our business model to new geographic regions. We may not be able to overcome the technological, regulatory, commercial and operational challenges relevant to the new market on a timely and cost-efficient manner, or successfully integrate the newly acquired facility or achieve expected profitability. The lack of experience in managing businesses in new geographic regions may cause uncertainty to our business, financial condition and results of operations.

Certain of our leased properties are subject to land defects, and we could be required to vacate such properties which could adversely affect our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, a certain number of the assisted reproductive medical facilities in our network were located in properties that we leased. The actual use of land of one of our leased properties is different from the land use as approved by the relevant regulatory body. The areas subjected to such land defects amounted to an aggregate gross floor area of approximately 978.1 sq.m., representing approximately 1.1% of the total gross floor area of the assisted reproductive medical facilities leased in our network in China.

As of the Latest Practicable Date, we leased a total of eight properties with a total gross floor area of more than 87,500 sq.m. and 13 properties with a total gross floor area of approximately 80,212 sq. ft. for the premises of our medical facilities and offices in China and the United States, respectively. Should disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate in the future. We cannot assure you that we would be able to identify properties suitable for our intended usage within a reasonable period of time at comparable rental fee. We may incur reallocation cost and experience interruption to our operation, which will materially and adversely affect our operation and impact our financial condition. For more details, see "Business — Properties — Land Defects related to Our Leased Properties".

We may not be able to rectify such defects or take other remedial actions in time. Relevant government authorities could impose penalties on the owners of the leased properties and we could be required to vacate such properties. If this occurs, our business operations and financial condition could be materially and adversely affected.

If we fail to implement our expansion strategies, including acquisitions, effectively, our business, financial condition and results of operations may suffer.

As part of our business strategy, we intend to further expand our network in China and the United States. In particular, we are strategically targeting assisted reproductive medical facilities in East China and the Beijing-Tianjin-Hebei Region. We intend to further expand our footprint through acquiring fertility clinics in California, and to extend our services along the ARS value chain. For more details, see "Business — Our Strategies".

Generally, we are subject to the following risks associated with our expansion strategy:

- significant demands on our management's time and attention and diversion of resources from our existing operations;
- difficulties in identifying suitable acquisition targets for expansion and negotiating commercially acceptable terms for such expansion;
- expansion may be costly and time-consuming and may require us to obtain third party financing, which may not be available on commercially acceptable terms;
- uncertainties associated with the local rules and regulations which we may not be familiar with;
- failure to achieve the expected operating levels, target return on investment or intended benefits or operating synergies from new business opportunities;
- our due diligence may not uncover all unknown or contingent liabilities or other negative developments with respect to acquired targets;
- potential liabilities incurred by our acquisition targets prior to our acquisition arising from their non-compliance with relevant laws, rules and regulations, such as potential disputes, administrative penalties, or, in the most severe cases, loss of licenses which may be imposed by the relevant authorities retrospectively and without regard to whether the non-compliance has been rectified. For example, Shenzhen Zhongshan Hospital's two community health service centers used to be managed and operated by Independent Third Parties without proper authorization. We terminated the relevant management agreement, and subsequently cancelled the centers' medical licenses with the relevant local authorities. The corresponding legal entities are in the process of being deregistered;
- failure to integrate acquired targets into our management structure and operations, including with respect to implementation of our standardized operating protocols, in order to provide consistently high levels of services throughout our network; and
- failure to maintain or increase the number of IVF patients and IVF treatment cycles performed, while complying with relevant laws and regulations.

There is no assurance that our expansion strategies will be successful. To manage and support our growth, we may need to improve our existing operational and administrative systems, as well as our financial and management controls. If we fail to expand at our expected pace, we may face capacity constraints in the future which may adversely affect our business and financial condition. Our continued success also depends on our ability to recruit, retain and train additional medical professionals and qualified administrators, particularly when we acquire medical facilities or expand into new markets. We also need to continue to properly maintain our relationships with our suppliers and patients. All of these endeavors will require substantial management attention and efforts and significant additional expenditures.

We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business, financial condition and results of operations.

The relocation of Chengdu Xinan Hospital to a new building and our Group's office building could lead to business and operations uncertainties for us and Chengdu Xinan Hospital.

We relocated our operations at Chengdu Xinan Hospital to the New Hospital Building in February 2019 and acquired Chengdu Jinyi which owns the New Hospital Building and the Carpark Facilities in May 2019. For details about the underlying transaction relating to the relocation, see "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Chengdu Jinyi". As of the Latest Practicable Date, we had obtained all necessary licenses and permits in all material aspects as required by PRC laws and regulations for the operations at the New Hospital Building, except for (i) the Sewage Treatment Permit (排污許可證) and (ii) the Acceptance Approval of Completion of Environmental Assessment (環評竣工驗收批復). For details, please see "Business — Assisted Reproductive Medical Facilities in China — Xinan Hospital Group — Relocation of Chengdu Xinan Hospital". We may not be able to obtain all licenses and permits from the relevant authorities in time or at all. In addition, as we are in the transitional phase of our operations at the New Hospital Building, the business and operations uncertainties associated with the relocation for Chengdu Xinan Hospital and in turn, us, still remain. There is no assurance that we will be able to successfully complete ramp-up of our operations at New Hospital Building and resume historical utilization levels in a timely manner or at all.

In addition, certain leased properties where our operations, such as our Group's office building, are situated are also subject to title defects. For more information, see "Business — Properties — Land Defects related to Our Leased Properties". Furthermore, we may be subject to the risk of eviction from our properties due to lack of certain permits and certificates. If we were to be evicted, we would be subject to unexpected relocation costs and may not be able to find alternative premises within a reasonable time and/or at reasonable costs and our operations may be interrupted. Our operations may therefore be adversely affected if we are requested to relocate. Any of the above may materially and adversely affect our business, financial position and results of operations. Moreover, as a result of the acquisition of the New Hospital Building, we also expect to incur additional depreciation expense over the next 30 years, which may adversely affect our financial condition and results of operations.

If we fail to maintain our cooperation relationships with third parties, our business, reputation, financial condition and results of operations may suffer.

The assisted reproductive medical facilities in our network have established certain cooperation relationships with various third parties, such as other hospitals and promotion agencies, which enable such medical facilities to enhance their respective reputation, promote the ARS to patients and grow our business. For example, HRC Medical works with agencies that help promote HRC Medical's services to couples abroad who are seeking ARS in the United States, in order to expand its patient outreach. For more details, see "Business — Sales and Marketing".

There is no assurance that we can maintain our cooperation arrangements with such third parties. Should such arrangements become unsuccessful, the number of patients and in turn our revenue may be adversely affected. In addition, as certain arrangements may not be exclusive, there is no assurance that such third parties would not enter into similar arrangements with our competitors or otherwise act in a manner adverse to our interest. If we fail to maintain the cooperation arrangements with these third parties or if these third parties fail to fulfill their obligations under the cooperation arrangements, or if they form relationships with our competitors, our business, reputation, financial condition and results of operations may be adversely affected.

We may face challenges in integrating the assisted reproductive medical facilities in our network, which could result in operating difficulties, divert management attention and harm our financial condition.

We acquired Shenzhen Zhongshan Hospital in January 2017, and expanded our network of medical facilities to cover the United States by acquiring HRC Management in December 2018.

The integration of the medical facilities in our network requires significant attention from our management, in particular to ensure that the expansion does not disrupt any existing operations or affect our patients' opinions and perceptions of the services and patient support. Integration of these medical facilities, along with future expansion and subsequent ramping up, may require significant time and commitment from our management, as well as substantial operational, financial and other resources.

We cannot guarantee that we will be able to successfully integrate the medical facilities we own or manage, or be able to realize anticipated benefits or synergies, and we may incur costs in excess of what we anticipate. In addition, the anticipated benefits of our future expansion may not materialize. Furthermore, integrating a medical facility involves uncertainties and may result in unforeseen operating difficulties and expenditures associated with integrating employees from the acquired medical facility into our network and integrating each medical facility's accounting, information management, human resources, procurement or supply chain management and other administrative systems to permit effective management. Failure to realize expected synergies, growth opportunities and other benefits from such acquisitions could materially and adversely affect our business, financial condition, results of operations and prospects.

The assisted reproductive medical facilities in our network face intense competition.

The healthcare industry and, in particular, the ARS industry, are highly competitive in the PRC and the United States. The medical facilities in our network primarily compete with those located in the same geographic areas in which the medical facilities in our network operate. Some of these public hospitals retain a larger base of seasoned assisted reproductive physicians and possess more medical resources than the medical facilities in our network. Certain public hospitals in the PRC receive government grants and endowments and all public hospitals in the PRC are not subject to tax, unlike private hospitals. Certain private hospitals and clinics operate a much larger medical facility network and have more financial resources than us. The medical facilities in our network may not be able to compete favorably against their competitors in terms of the foregoing aspects in the near future or at all.

If the medical facilities in our network are not able to maintain their growth at a pace consistent with the expansion of the ARS market, they may not be able to maintain their market share. In addition, we cannot assure you that the medical facilities in our network will compete favorably with future new market entrants. The competitors may offer greater convenience, broader services, newer or better facilities, more medical professionals, or cheaper prices, or have strong reputation. If the medical facilities in our network are unable to compete with them effectively in these areas and manage to attract and retain patients, the number of patients and market share could decrease significantly and the business, financial condition and results of operations of the medical facilities in our network and therefore our Group may be materially and adversely affected.

Our business and results of operations are subject to the ability of the assisted reproductive medical facilities in our network to adapt to technological developments.

Our success will depend on the ability of the assisted reproductive medical facilities in our network to adapt to the technological changes in the ARS industry. New services may arise out of technological developments and failure to keep pace with these developments may reduce the attractiveness of the services provided at the medical facilities in our network. Some of the competitors may have greater resources to respond to changing technology than the medical facilities in our network. Furthermore, funding the technological changes can be costly. If the medical facilities in our network fail to adapt successfully to technological changes or fail to obtain access to new technologies, their ability to compete could be strained, and as a result, they could lose patients, which may affect the business, results of operations or financial conditions of the medical facilities in our network, and our Group.

The discontinuation of any preferential tax treatment currently available to us could adversely affect our financial position, results of operations, cash flows and prospects.

During the Track Record Period, we enjoyed preferential tax treatment. In particular, Chengdu Xinan Hospital and Gaoxin Xinan Hospital were engaged in "encouraged industries in the western region" of China, and therefore, eligible to be subject to an EIT rate of 15% as opposed to a standard EIT rate of 25%. Such preferential tax treatment is set to end in 2020 under current implementation regulations of the EIT Law. For more details, see "Financial Information — Income tax expenses" for more details. Our eligibility to receive preferential tax treatment requires that we continue to qualify

for them. The preferential tax treatment are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce such preferential tax treatment, generally with prospective effect. Such government authorities may also choose to discontinue or refuse to renew such preferential tax treatment. The discontinuation of the preferential tax treatment currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

Our consolidated financial statements during the Track Record Period set forth in Appendix IA of this prospectus and the historical financial statements of Willsun BVI Group set forth in Appendix IC of this prospectus will not be comparable.

We acquired Shenzhen Zhongshan Hospital in January 2017. The consolidated financial statements of our Group included the operations of Shenzhen Zhongshan Hospital starting from February 2017. The acquisition was accounted for as a purchase in accordance with IFRS 3 "Business Combination" which resulted in a new valuation of our assets and liabilities, based on their estimated fair value as of the date of the acquisition. For more details, please refer to Notes 4 and 29 to the accountants' report of our Group as set forth in Appendix IA. As a result of the acquisition of Shenzhen Zhongshan Hospital, our consolidated financial statements during the Track Record Period will not be comparable.

In addition, we acquired Willsun BVI in December 2018, which had acquired HRC Management on July 13, 2017. Willsun BVI was incorporated on March 31, 2017. The audited consolidated financial information of Willsun BVI Group as of December 31, 2017 and December 23, 2018 and for the periods from March 31, 2017 to December 31, 2017 and from January 1, 2018 to December 23, 2018 is set forth in Appendix IC of this prospectus. As a result of the difference in the period of time for the historical financial information of Willsun BVI Group, the historical financial information of Willsun BVI Group will not be comparable.

The historical financial information of Shenzhen Zhongshan Hospital and Willsun BVI Group may not be representative of the result of such entities after their acquisition, and pro forma financial information may not be representative of our results as a combined company in the future.

The historical financial information of Shenzhen Zhongshan Hospital for the year ended December 31, 2016 and the one month ended January 31, 2017 as set forth in the Appendix IB of this prospectus is derived from separate financial statements prior to our acquisition of Shenzhen Zhongshan Hospital in January 2017. Such financial information may not be representative of the results of Shenzhen Zhongshan Hospital in the future. In addition, the historical financial information of Willsun BVI Group, which owns HRC Management, for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018 as set forth in Appendix IC in this prospectus is derived from separate financial statements prior to our acquisition of Willsun BVI in December 2018. Such financial information may not be representative of the results of Willsun BVI Group in the future. Further, our unaudited pro forma consolidated financial

information as set forth in Appendix II in this prospectus is based in part on certain assumptions regarding Willsun BVI Group and intercompany eliminations. We cannot assure you that our assumptions will prove to be accurate over time.

Accordingly, the historical, pro forma and other financial information included in this prospectus may not reflect what our financial condition would have been had we been a combined entity during the periods presented, or what our financial condition will be in the future. Although the nine months historical financials included in the pro forma financial information have been reviewed, the pro forma adjustments and the resulting pro forma financial information have not been audited or reviewed.

The historical operating results of HRC Management, HRC Medical and Shenzhen Zhongshan Hospital may not be indicative of the result of such entities after their acquisition.

Certain historical operating results of HRC Management, HRC Medical and Shenzhen Zhongshan Hospital prior to their acquisition have been included in this prospectus and are derived from the operating information of HRC Management, HRC Medical and Shenzhen Zhongshan Hospital generated prior to our acquisition. Such operating information may not be representative of the operating results of HRC Management and HRC Medical after the acquisition of HRC Management and Shenzhen Zhongshan Hospital. In addition, we cannot assure you that the operating results are prepared based on the same standards as ours. Accordingly, the operating results of such entities included in this prospectus may not reflect what our results of operations would have been had we been a combined entity during the periods presented, and may not be indicative of the results of such entities after their acquisition.

We recorded net current liabilities as of December 31, 2016. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks.

We recorded net current liabilities of RMB448.5 million as of December 31, 2016. We did not record net current liabilities as of December 31, 2017 and 2018. For further discussion, see "Financial Information — Certain Balance Sheet Items of Our Group".

We cannot assure you that we will not record net current liabilities in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of debt financing will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may adversely affect our results of operations and financial position.

We are exposed to concentration of customers and of credit risk on receivables from our related parties.

During the Track Record Period, we collected management fees and derive revenue from managing Jinjiang IVF Center and Jinxin Fertility Center pursuant to IVF specialty collaboration agreements. Our top two customers during the Track Record Period were Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital. As of December 31, 2017, we

recorded RMB167.2 million of accounts and other receivables, out of which 89.7% were due from our related parties, Chengdu Jinxin Investment. For more details, see "Business — Our Customers" and "Financial Information — Financial Risk Management of Our Group — Market Risks". Although we assess the credit qualities of our customers, taking into account their financial positions, past experiences and other factors, we cannot assure you that no default will arise from our customers in the future. If our largest or any of our top customers fails to fulfill its obligations, our financial condition and results of operations could be materially and adversely affected.

We are exposed to concentration risk of suppliers.

We experienced concentration of suppliers during the Track Record Period. In 2016, 2017 and 2018, our five largest suppliers accounted for approximately 74.3%, 57.7% and 53.1% of our total purchase, respectively. For more details, see "Business — Supply and Procurement". We cannot assure you that we will be able to procure suppliers of comparable quality at comparable price within a reasonable period of time in case of interruption of business of our major suppliers or our business relationship with them which will materially and adversely affect our financial condition and results of operations, will not materially and adversely affected.

The application of IFRS 16 will affect our statement of financial position, profile of profit and loss statement and certain key ratios (including gearing ratio) when it becomes effective due to our operating lease arrangements.

As of December 31, 2018, we leased premises for office and provision of hospital services and certain medical equipment under operating lease arrangements. As of December 31, 2018, the minimum lease payments which we had contracted for under non-cancellable operating leases but which are not recognised as liabilities amounted to RMB1,346.2 million.

Beginning on January 1, 2019, we have applied IFRS 16, which provides for the new accounting treatment of leases and which no longer allows certain leases to be recognized outside of the consolidated statements of financial position. As certain of our operating lease commitments as of December 31, 2018 fall under the definition of a lease, in accordance with IFRS 16, we will, for future financial periods, recognise a right-of-use asset and a corresponding lease liability in respect of all such leases in our consolidated statements of financial position, unless they qualify for treatment as low value or short-term leases. Therefore, rental expenses we previously recognised will be replaced with straight-line depreciation expenses on the right-of-use asset and interest expenses on the lease liability, both of which will be recognized in our statements of profit or loss and other comprehensive income. As a result, the combined effect of applying straight-line depreciation to the right-of-use asset and the effective interest rate method to the lease liability is expected to result in a higher level of expenses in the initial years of the lease, and a lower level of expenses during the latter part of the lease. Consequently, the initial adoption of IFRS 16 will likely increase our non-current assets and current and non-current liabilities in our consolidated statement of financial position, and therefore result in changes in certain of our financial ratios, such as decreases in our current ratio, quick ratio and return on assets and an increase in our gearing ratio, which may affect our future financial position and results of operations.

Failure to comply with anti-corruption laws, rules and regulations could subject our assisted reproductive medical facilities and/or the physicians, other medical professionals and staff to investigations and administrative or criminal proceedings, which may harm the reputation of the medical facilities and materially and adversely affect the business, financial condition and results of operations of the medical facilities, and us.

We have adopted policies and procedures designed to ensure that the physicians, other medical professionals and staff at the assisted reproductive medical facilities in our network reasonably comply with anti-corruption laws, rules and regulations. For more details on our anti-corruption policies and procedures, see "Business — Internal Control and Corporate Governance". However, we operate in the healthcare sector, which poses elevated risks of violations of anti-corruption laws, rules and regulations. In addition, the PRC government has recently increased its anti-bribery efforts to reduce improper payments and other benefits received by physicians, other medical professionals and staff in connection with the purchase of pharmaceuticals and the provision of healthcare services. There is no assurance that our policies and procedures will effectively prevent any non-compliance with relevant anti-corruption laws, rules and regulations arising from actions taken by the individual physicians, other medical professionals and staff without the knowledge of each medical facility in our network. If this occurs, the medical facilities and/or the physicians, other medical professionals and staff may be subject to investigations and administrative or criminal proceedings, and the reputation of the medical facilities in our network could be significantly harmed by any negative publicity stemming from such incidents, which may materially and adversely affect the business, financial condition and results of operations of the medical facilities in our network, and us.

Economic, political and other risks associated with international operations could adversely affect our business, results of operations and financial condition.

As we seek to expand our network into more regions, we may be subject to risks associated with doing business internationally. For example, our future results of operations could be harmed by a variety of factors, including:

- our ability to effectively manage each medical facility in our network and employees at such facilities which are operating in different business environments;
- our ability to develop and maintain relationships with patients, suppliers and other local businesses;
- compliance with safety requirements and standards that are different at each region that we operate;
- variations and changes in laws applicable to our operations in different jurisdictions, including enforceability of intellectual property and contract rights;
- trade restrictions, political changes, disruptions in financial markets, and deterioration of economic conditions;

- the ability to provide sufficient levels of technical support in different locations;
- our ability to obtain and renew licenses that may be needed in international locations to support operations; and
- changes in tariffs, taxes, and foreign currency exchange rates.

Complying with laws in foreign jurisdictions may be costly and could disrupt our operations, which could result in a material adverse effect on the business of the medical facilities in our network, results of operations and prospects. For example, we may in the future be required to divest of certain of our businesses or be prohibited from operating in countries in which we currently operate or intend to expand to in the future pursuant to our strategies due to new regulations. In the United States, according to the interim regulations issued by the U.S. Department of the Treasury on October 10, 2018, which implements certain provisions of the Foreign Investment Risk Review Modernization Act of 2018 (the "FIRRMA interim regulations"), the Committee on Foreign Investment in the United States is authorized to conduct a pilot program expanding its jurisdiction in the review of foreign investments in certain U.S. businesses that utilize "critical technologies" in activity within or aimed at any of 27 designated industry sectors ("Pilot Program Industries"). This pilot program may require mandatory declarations for both controlling and non-controlling investments in these sectors. Although the assisted reproductive medical facilities in our network in the United States are not considered to be utilizing such "critical technologies", our operations may in the future be subject to the mandatory declaration and review process under the FIRRMA interim regulations if and to the extent that our business utilizes "critical technologies" in activity within or aimed at a Pilot Program Industry, and that business designs, tests, manufactures, fabricates or develops a critical technology as defined under the FIRRMA interim regulations. This may increase the uncertainty and transaction costs of our future business operations in and acquisitions in the U.S. and therefore adversely affect the implementation of our future merger and acquisition activities and other strategies in the U.S., which could negatively impact our business condition, financial position and prospects.

The costs of complying with the requirements of U.S. federal and state laws pertaining to the privacy and security of health information and the potential liability associated with failure to do so could materially and adversely affect our business and results of operations.

U.S. state and federal laws and regulations, including the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 (collectively "**HIPAA**") govern the collection, dissemination, use, privacy, confidentiality, security, availability and integrity of individually identifiable information, including protected health information ("**PHI**"). HIPAA establishes basic national privacy and security standards for protection of PHI by "covered entities" (as such term is defined under HIPAA), such as HRC Medical, and HRC Management, which meets the definition of "business associate" under HIPAA. HIPAA requires both covered entities and business associates to develop and maintain policies and procedures for PHI that is used or disclosed, and to adopt administrative, physical and technical safeguards to protect PHI. As a covered entity, HRC Medical is mandated by HIPAA to enter into written agreements with its business associates, requiring them to safeguard PHI in accordance with

HIPAA. The HIPAA privacy standards apply to individually identifiable information held or disclosed by a covered entity in any form, whether communicated electronically, on paper or orally. The HIPAA security standards require us to establish and maintain reasonable and appropriate administrative, technical and physical safeguards to ensure the integrity, confidentiality and the availability of electronic protected health and related financial information. These standards impose extensive administrative requirements on HRC Medical and HRC Management. Furthermore, on January 25, 2013, the U.S. Department of Health and Human Services ("**HHS**") issued the HIPAA Omnibus Rule, which became effective on March 26, 2013. The HIPAA Omnibus Rule requires HRC to notify patients of any unauthorized access, acquisition, or disclosure of their unsecured PHI in all situations except those in which we can demonstrate that there is a low probability that the PHI has been compromised. HRC Medical has the burden of demonstrating through a risk assessment that a breach of protected health information has not occurred. This new more objective standard may lead to an increased number of occurrences that require breach notifications.

Violations of the HIPAA privacy and security regulations may result in criminal penalties and civil penalties of up to US$50,000 per violation with a maximum of US$1.5 million in a calendar year for violations of the same requirement. However, a single breach incident can result in violations of multiple requirements, resulting in possible penalties well in excess of US$1.5 million. Additionally, in California, a person or entity that negligently or willfully violates the Confidentiality of Medical Information Act (the "**CMIA**") also may face administrative fines and/or civil penalties of up to US$2,500 for a negligent disclosure, or an administrative fine or civil penalty of up to US$25,000 against any person who knowingly and willfully "obtains, discloses, or uses medical information in violation of the CMIA." Additionally, where the violator knowingly or willfully obtains or uses the information "for purposes of financial gain," the administrative fine or civil penalty increases to US$250,000, plus disgorgement of profits. The CMIA also imposes criminal penalties. The risks and potential liability for past non-compliance cannot be completely eliminated by the implementation of corrective actions. Potential retrospective liabilities remain for a 3-5 year period (the typical look-back period by the federal government when investigating the level of HIPAA compliance by an entity).

Any enforcement action against us or HRC Medical, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Additionally, we anticipate that we may encounter certain costs associated with future compliance. Our systems may be vulnerable to physical break-ins, viruses, hackers, and other potential sources of security breaches. In addition, we may not be able to prevent incidences of inappropriate use or unauthorized access to PHI and other personally identifiable information by our employees, vendors or contractors. Any such breaches could result in exposure to liability under U.S. federal and state laws and could adversely impact our business. Moreover, we cannot assure that enforcement agencies or courts will not make interpretations of the HIPAA/CMIA standards that are inconsistent with ours, or the interpretations of the physicians of HRC Medical. These actions could have a material adverse effect on our business, financial condition, and results of operations.

HRC Fertility is subject to health care fraud and abuse laws and regulations.

HRC Medical is subject to various U.S. federal, state and foreign laws pertaining to health care fraud and abuse, including anti-kickback laws, physician self-referral laws, and false claims laws. Violations of these laws are punishable by criminal and civil sanctions, including exclusion from participation in federal and state health care programs.

Some of HRC Medical's business arrangements in the United States may be subject to scrutiny by California and U.S. regulatory authorities. Under various California and federal fraud and abuse laws, such arrangements must be structured to provide for compensation that is fair market value for the services actually rendered and in a manner that does not reflect the volume or value of referrals generated between the parties. Should governmental authorities find that we and/or HRC Medical have not properly structured such arrangements in compliance with applicable law and regulations, and have therefore violated applicable law, such a finding could subject us and/or HRC Medical to criminal and civil penalties, which would adversely affect us and/or HRC Medical's business and further affect our financial performance.

In addition, changes in these laws and regulations, or administrative and judicial interpretations thereof, may require us and/or HRC Medical to further change current business practices or subject the existing business practices to legal challenges, which could have a material adverse effect on HRC Medical's business which would have a further material adverse effect on business, financial condition and results of operations. Because of the complex and far-reaching nature of these laws, there can be no assurance that we and/or HRC Medical would not be required to alter one or more practices to be in compliance with these laws, which may impose significant compliance costs on HRC Medical.

If HRC Management and HRC Medical fail to comply with or otherwise incur liabilities under the federal and state laws and regulations relating to the licensure of its clinical personnel and the operation of the medical facilities, it could incur significant penalties or other costs or be required to make significant changes to HRC Fertility's operations, which could materially and adversely affect our business, financial condition and results of operations.

HRC Management and HRC Medical's facilities are subject to federal, state, and local licensing regulations ranging from the adequacy of medical care, to compliance with building codes and environmental protection laws. HRC Management operates three ambulatory surgery centers (each an "**ASC**"), each of which is accredited by the Accreditation Association for Ambulatory Health Care ("**AAAHC**"), a major United States organization that establishes standards relating to the physical plant, administration, quality of patient care and operation of medical staffs of various types of healthcare facilities. These accredited facilities are subject to periodic surveys by AAAHC to ensure that they are in compliance with the applicable standards. Further, HRC Medical operates nine facilities in the State of California, three of which maintain on-site IVF and andrology laboratories, and six of which maintain andrology laboratories, which are subject to federal oversight under the Clinical Laboratory Improvement Amendments of 1988 ("**CLIA**"). CLIA requires that all clinical laboratories meet quality assurance, quality control and personnel standards. Laboratories also must undergo proficiency testing and are subject to inspections. HRC Medical's operations also subject to state and local laboratory regulation.

Moreover, the clinical personnel are subject to federal, state and local licensing laws and regulations, relating to, among other things, professional credentialing and professional ethics. The clinical professionals are also subject to state and federal regulation regarding prescribing medication and controlled substances.

The ability of HRC Management and HRC Medical to operate profitably will depend, in part, upon HRC Management and HRC Medical's ability and the ability of the physicians and facilities to obtain and maintain all necessary licenses, certifications, accreditations, and other approvals and operate in compliance with applicable health care and other laws and regulations that evolve rapidly. If HRC Management and HRC Medical fail to comply with applicable laws and regulations, they could be subjected to administrative, civil or criminal penalties, cease and desist orders, forfeiture of amounts owed and recoupment of amounts paid to us by governmental or commercial payors, and/or loss of licenses necessary to operate its business.

In addition, HRC Medical is subject to the California physician self-referral law (known as the Physician Ownership and Referral Act or "**PORA**"), which governs when and how physicians may order tests from a clinical laboratory in which they have a financial interest. Specifically, PORA prohibits physician referrals to clinical laboratories in which the physician or an immediate family member of the physician has a financial interest. Importantly, this prohibition does not apply to referrals to a laboratory located "in the office of a group practice." The physicians of HRC Medical order tests from, and have an indirect ownership in, a clinical laboratory, NexGenomics that we own. In order to ensure that the relationship with NexGenomics falls within the PORA exception, HRC Medical is structured to meet the definition of a "group practice," and the NexGenomics laboratories are located in the offices of HRC Medical. However, a court in California could conclude the arrangement does not satisfy the PORA exception, requiring HRC Medical to change its business practices relating to the laboratories, which could have a material adverse effect on its business, financial condition and results of operations, and thus may affect our business, financial condition and results of operations.

Ethical, legal and social concerns related to the use of assisted reproductive technology could reduce demand for the ARS provided by the medical facilities in our network, and thus may adversely affect the business, financial conditions and results of operations of the medical facilities in our network, and our Group.

Patient sentiment and distrust of the use of genetic testing at medical services may lead to less demand for ARS. For example, genetic testing has raised ethical, legal and social issues regarding privacy and the appropriate uses of the resulting information. Government authorities could, for social or other purposes, limit or regulate the use of genetic information or genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may lead patients to refuse to use, or physicians to be reluctant to order, genetic tests even if permissible. These and other ethical, legal and social concerns may limit market acceptance of ARS or reduce patient demand for such services, either of which could have a material adverse effect on the business, financial condition and results of operations of the medical facilities in our network, and us.

We depend on the continued service of our management team and key employees of the assisted reproductive medical facilities in our network, and if we lose their services, our business, financial condition and results of operations may be adversely affected.

Our future success depends on the continued service of our management team and other key employees of the assisted reproductive medical facilities in our network. We also rely on a number of medical professionals for the development and operation of the business.

If we lose the services of one or more of the key personnel, we may not be able to replace them in a timely manner or at all and may incur additional expenses to recruit and onboard new personnel. Consequently, our business could be severely disrupted, and our financial condition and results of operations could be materially and adversely affected. Individuals with industry-specific experience or know-how are relatively less common in ARS as opposed to other areas of medicine, and the market for such individuals is competitive. We rely on certain well-known physicians to attract patients to the medical facilities in our network. As a result, we may not be able to attract and retain qualified personnel to replace members of our senior management or key employees of the medical facilities in our network, should the need arise. In addition, our business is subject to the risk of any of our management team, our executive officers or key employees joining a competitor or forming a competing business. The loss of services of one or more of our medical professionals or members of senior management or of a significant portion of any of our management staff could weaken our management expertise and our ability to deliver our services efficiently, which could in turn have a material adverse effect on our business, results of operations and prospects.

The assisted reproductive medical facilities in our network have been and could become the subject of litigation and other claims, and we may not be adequately insured against these liabilities.

We rely on the physicians and other medical professionals of the assisted reproductive medical facilities in our network to make proper clinical decisions regarding the diagnosis and treatment of patients. However, we do not have full and direct control over every step of clinical activities undertaken at each of the medical facilities. The medical facilities in our network provide space to physicians and medical professionals outside our network to provide services to patients, including our patients or patients from other facilities in our network. Any incorrect clinical decision or malpractice on the part of physicians and other medical professionals (including those from outside of our network), or any failure by the medical facilities in our network to properly manage their clinical activities may result in unsatisfactory treatment outcomes, patient injury or even death, which could lead to disputes with patients and/or their families or the medical professionals, including those from outside our network. In our experience, moreover, patients of fertility treatments and ARS tend to be more demanding on the medical services received. In addition, the relevant California state laws governing medical disputes and claims grant claimants liberal rights in bringing claims against physicians and other medical professionals practicing in the state. As a result, similar to other U.S. medical facilities, the medical facilities in the Company's network in the U.S. may be subject to medical disputes and claims arising under relevant California state laws, from time to time, which could generate substantial damages imposed on such facilities if not covered by professional liability insurance. Any dispute with our patients and/or their families or the medical professionals, including those from outside our network, or any legal proceeding involving the physicians of the medical

facilities or medical professionals, including those from outside our network, regardless of its merit or eventual outcome, could result in significant legal costs and reputational damage to the medical facilities and materially and adversely affect the business, financial condition and results of operations of the medical facilities in our network, and further affect our business, financial condition and results of operations. For example, the medical facilities in our network in the PRC had seven, 13 and 20 disputes, respectively, in 2016, 2017 and 2018. In the same periods, the total amount of settlement paid by the medical facilities in our network in the PRC for settlement of medical disputes was approximately RMB6.13 million, RMB20,000 and RMB554,778, respectively, each representing less than 2% of our total revenue in the relevant period. HRC Medical had one, five and two medical disputes in 2016, 2017 and 2018. In the same periods, the total amount of settlement paid by HRC Fertility was nil, US$30,000 and nil in each of the corresponding periods. For further information on medical disputes relating to the medical facilities in our network, please refer to "Business — Legal Proceedings" in this prospectus.

The assisted reproductive medical facilities in our network may not carry adequate insurance for professional and other liabilities which may arise in the course of business.

The assisted reproductive medical facilities in our network are exposed to potential liabilities that are inherent to the provision of services. Medical and other liabilities may not be fully covered by insurance and the medical facilities may face claims in excess of the insurance coverage or claims which are not covered by insurance due to other policy limitations or exclusions or where the medical facilities in our network have failed to comply with the terms of the policy. There are only a limited number of medical liability insurance providers in the market and the medical facilities in our network may experience gaps in coverage when seeking to renew the insurance policies or to change insurance providers. We cannot assure you that the medical facilities in our network will be able to obtain and/or maintain medical liability insurance on acceptable terms or without substantial premium increases or at all in the future.

In addition, as our business expands, the cost for each medical facility in our network and us to maintain an adequate level of insurance may become increasingly high. We cannot ensure that the medical facilities in our network will be able to locate or purchase appropriate insurance to cover the expanding operations in time, on commercially reasonable terms or at all. Any significant uninsured loss could have material and adverse effects on the financial condition and results of operations of the medical facilities in our network, and thus may affect our business, results of operations and financial condition.

We have not paid certain social insurances and housing provident fund contributions in full for and on behalf of our employees during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group did not make full payments in relation to social insurance and housing provident fund contributions for certain of their employees. This was primarily a result of administrative oversight, our human resources staff being unfamiliar with relevant regulatory requirements, and inconsistent implementation or interpretation of the relevant regulations by local authorities in the PRC.

Our PRC Legal Advisors advised that any non-compliance after the effective date of the Social Insurance Law of the PRC (中華人民共和國社會保險法), July 1, 2011 (as amended on December 29, 2018), may subject the defaulting enterprise to a late payment equivalent to 0.05% of the outstanding contributions per day calculated from the date when the amount becomes overdue and if the defaulting enterprise fails to rectify within a prescribed period, it may be subject to a fine equivalent to not less one time but not more than three times of the outstanding contributions. Pursuant to the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated on April 3, 1999 (as amended on March 24, 2002 and March 24, 2019), the relevant housing fund authority may also order an enterprise to pay outstanding contributions within a prescribed time limit. If the enterprise fails to do so at the expiration of the time limit, the relevant housing fund authority may apply to the people's court for compulsory execution. As advised by our PRC Legal Advisors, our PRC Group may be subject to late payment and/or administrative penalties to the extent provided by the above two regulations for our non-compliance in the Track Record Period.

We estimate the aggregate amounts of mandatory social insurance contributions in accordance with the Law on Social Insurance (社會保險法) and the housing provident fund contributions in accordance with the Regulations on Management of Housing Provident Fund (住房公積金管理條例) that were not fully paid during each of the years ended December 31, 2016 and 2017 and 2018 were (i) (in respect of social insurance contributions for its employees) approximately RMB13.3 million, RMB14.6 million and RMB14.7 million; and (ii) (in respect of housing provident fund contributions for its employees) RMB1.8 million, RMB3.0 million and RMB2.7 million, respectively. For the six months ended June 30, 2016, Prior Chengdu Xinan Hospital, the predecessor of Chengdu Xinan Hospital, did not make full mandatory social insurance contributions in the amount of approximately RMB2.31 million, in respect of which we were ordered to make, and have fully settled, the payment of RMB2.69 million representing the outstanding contributions together with interest accrued thereon. We have made full provisions in the amount of approximately RMB50.2 million equivalent to the aggregate sum of the estimated unpaid amounts of social insurance and housing provident fund contributions during the Track Record Period. For more details, see "Business — Employees".

We cannot guarantee that our PRC Group will not be subject to other penalties by relevant PRC authorities for our past non-compliance. Any penalties against our PRC Group in respect of outstanding housing fund or social insurance contributions could affect our reputation and cash flows.

We may not obtain adequate or timely financing for our growth and development within our budget, or at all.

In order to finance our growth and development, including any potential investments and upgrades existing assisted reproductive medical facilities in our network, we will require additional cash resources. If our internal resources are insufficient to satisfy our cash requirements, we may seek additional financing. If we raise additional financing by issuing additional equity, our shareholders may experience dilution in their shareholdings.

To the extent we engage in debt financing, the indebtedness we incur would result in debt service obligations and may impose operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Serving our debt obligations could also be burdensome for our operations. In the event that we fail to service any debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and materially and adversely affect our liquidity and financial condition. Our ability to obtain capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary PRC government approvals, building investors' confidence, the general performance of the healthcare industry, and in particular, our operating and financial performance. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and prospects may be adversely affected.

We have recognized goodwill in connection with our acquisition and may recognize goodwill in connection with acquisitions in the future. If we determine that we are required to impair our goodwill, it could adversely affect our results of operations and financial position.

We recorded goodwill of RMB197.1 million as a result of our acquisition of Shenzhen Zhongshan Hospital in 2017. The goodwill was allocated to an individual cash generating unit comprising Shenzhen Zhongshan Hospital in our IVF business. This goodwill represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquired entities and the fair value of any previous equity interest in the acquired entities as of the acquisition date over the fair value of the net identifiable assets we acquired. As of December 31, 2018, we had RMB802.1 million of goodwill, primarily attributable to our acquisition of Willsun BVI in 2018.

We do not amortize goodwill, but we conduct impairment reviews at least annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, we allocate goodwill acquired in a business acquisition to each of the cash-generating units that we expect to benefit from the synergies of the acquisition, which represent the lowest level at which the goodwill is monitored for internal management purposes and are not larger than an operating segment. We compare the carrying amount of the cash-generating units containing the goodwill to the recoverable amount, which is the higher of the cash-generating units' value-in-use and fair value less costs of disposal. We did not recognize any impairment losses in respect of goodwill during the Track Record Period. For further information on goodwill impairment review and the goodwill recorded by the Group during the Track Record Period, see Note 17 to our consolidated financial information included in Appendix IA — "Accountants' Report" to this prospectus.

In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. This analysis further requires us to make assumptions about compounded revenue growth rates, cost and operating expense as a percentage of revenue, long-term growth rates and pre-tax discount rates. There are inherent uncertainties relating to these factors and our management's judgment in applying these factors to the

assessment of goodwill recoverability. However, we cannot assure you that our assumptions will prove to be correct. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators, including disruptions to the operations of our medical facilities, unexpected significant declines in our operating results, any divestiture of a significant component of our business or a decline in our market capitalization, any of which could be caused by our failure to successfully operate our medical facilities. Our estimates of the projected cash flows from the relevant operating segments may be susceptible to downward revision as a result of factors adversely affecting our business, or under circumstances where we fail to sustain the growth we have estimated. If we were required to recognize impairment charges, they could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges could negatively affect our financial ratios, limit our ability to obtain financing and adversely affect our financial position.

We have intangible assets other than goodwill. If our other intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position.

We have intangible assets other than goodwill in the form of trademarks, contractual right to provide management services and licenses. As of December 31, 2017 and 2018, the carrying value of our intangible assets (other than goodwill) was approximately RMB661.3 million and RMB3,632.8 million, respectively. At the end of each reporting period, the Group reviews the carrying amounts of our tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

A slowdown in revenue growth or a decrease in profit margins could result in an impairment to our intangible assets other than goodwill. We cannot assure you that we will continue to maintain the same level of revenue growth and/or profit margins. In addition, a change in the assumptions used in the impairment testing of intangible assets, including the useful life of such intangible assets, may lead to significant impairment losses. If our intangible assets are impaired, or there is a change in the assumptions used in the impairment testing of our intangible assets, our results of operations could be adversely affected. For more details of our accounting policies for intangible assets and their impairment, and the estimates and assumptions involved therein, see Note 4 "Significant accounting policies", Note 18 "License" and Note 20 "Trademarks" to the Accountants' Report in Appendix IA to this prospectus.

The assisted reproductive medical facilities in our network have limited control over the quality of the pharmaceuticals, medical equipment, medical consumables and other supplies used in our operations, and cannot guarantee that the products in use are not defective or counterfeit.

The assisted reproductive medical facilities in our network procure a variety of pharmaceuticals, medical equipment, consumables and other supplies in our operations from third-party suppliers, including sperm banks. In the United States, HRC Management also has a special program where HRC

Management facilitates the purchase of pharmaceuticals prescribed by the physicians of HRC Medical. For more details about this program, see "Business — Supply and Procurement". As the medical facilities in our network or HRC Management do not engage in the direct manufacture of such supplies, we cannot assure you that such supplies are free of defects and meet relevant quality standards or, in the case of imported supplies, verify the origin of such products. In addition, there are counterfeit pharmaceutical products manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content or manufacturer, for both PRC and US pharmaceutical markets. In some cases these products are very similar in appearance to the authentic products. The quality control checks and processes may not be able to identify all counterfeit pharmaceutical products in the inventory. Any sale of such products by the medical facilities in our network, regardless of our knowledge as to their authenticity, may subject the medical facilities to administrative sanctions, civil claims, negative publicity or reputational damage. We cannot assure you that the medical facilities in our network will be able to successfully claim full indemnity from such manufacturers of counterfeit pharmaceutical products.

We also cannot assure you that the medical facilities in our network will not encounter incidents relating to defective products, or that such incidents will not materially and adversely affect our network of medical facilities. If the products provided by our suppliers are defective, of poor quality or are otherwise unsafe or ineffective, the medical facilities in our network could be subject to liability claims, complaints or adverse publicity, any of which would materially and adversely affect our results of operations and reputation. We cannot assure you that the medical facilities in our network will find suitable replacement suppliers on commercially acceptable terms or at all.

The suppliers are also subject to extensive laws, rules and regulations. If any suppliers violate applicable laws, rules and regulations, our reputation or procurement may be materially and adversely affected. In addition, the medical facilities in our network may be exposed to reputational damages or even liabilities for defective goods provided by the suppliers or negative publicity associated with any suppliers, and the business and results of operations of the medical facilities in our network and us could suffer as a result.

The assisted reproductive medical facilities in our network face certain risks relating to their lease of premises.

The assisted reproductive medical facilities in our network lease the premises on which the medical facilities are located. The lease agreements typically have a term of one to 20 years with an option to renew. However, the landlords may exercise early termination of the leases, or may refuse to renew the leases on favorable terms following expiration. We cannot assure you that the medical facilities in our network will be able to enter into replacement leases or renew the leases on similar or commercially acceptable terms (including, without limitation, similar tenure and on similar rental charges) in the future, if at all.

The availability of commercially attractive locations in sufficiently populous regions is important to the profitability and business expansion of our medical facilities in our network and us. If the medical facilities in our network are unable to maintain operations in such locations, the

business, financial position and results of operations of the medical facilities in our network and us may be materially and adversely affected.

A technological failure or security breach may result in significant disruption to the business and financial condition of the assisted reproductive medical facilities in our network and could have a material adverse effect on the business and reputation of the medical facilities in our network and us.

The proper maintenance of a functioning information technology system is essential to the business operation of medical facilities in our network. The computer network infrastructure and information technology system help operate and monitor the operational performance of the medical facilities, such as patient services, billing, financial data, patient records and inventory. Any technical failures associated with the information technology systems, including those caused by power loss, natural disasters, network failures, computer viruses or other unauthorized tampering, may cause interruptions in the ability of the medical facilities in our network to provide services to the patients, keep accurate records, receive payment from insurance reimbursements and maintain normal business operations.

In addition, the medical facilities in our network may be subject to liability as a result of any theft or misuse of personal information stored on the systems due to willful misconduct or gross negligence. Both PRC and U.S. laws and regulations generally require healthcare institutions to protect the privacy of their patients and prohibit unauthorized disclosure of personal information. The medical facilities in our network have taken measures to maintain the confidentiality of the patients' medical information, including encrypting such information in our information technology system so that it cannot be accessed without proper authorization and setting internal rules requiring our employees to maintain the confidentiality of the patients' medical information. However, these measures may not be sufficient in protecting the patients' medical information. Failure to protect patients' medical information, or any restriction on our network's liability as a result of the misuse of medical data, could have a material adverse effect on the business and reputation of the medical facilities in our network. Additionally, as discussed above, a technological failure or security breach may implicate HIPAA and CMIA security regulations, and may result in civil and criminal penalties, which could have a material adverse effect on our business, financial condition and results of operations.

Our historical financial and operating results may not be indicative of our future performance, and we may not be able to achieve and sustain the historical level of revenue growth and profitability.

Our past performance is not necessarily indicative of future results. For example, our results of operations in 2017 and 2018 were partly attributable to the consolidation of Shenzhen Zhongshan Hospital in 2017 and Willsun BVI in 2018 and thus is not an indicator of our future results of operations. In addition, our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. The effects of changing regulatory, economic, public health, environmental, competitive conditions and future

expansion of our network of medical facilities, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. As we continue our business integration and expansion, we cannot assure you that we will achieve the expected results or maintain the same levels of revenue growth and profitability as we have achieved historically. We believe that period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our operating results.

If we fail to maintain adequate internal controls, we may not be able to manage our business effectively and may experience errors or information lapses affecting our business.

As we continue to expand, our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. We will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business such as filings with clerical errors. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in internal controls, our ability to manage our business effectively may be affected.

Compliance with medical advertising laws, rules and regulations may be difficult, and any non-compliance could subject the medical facilities in our network, and us, to government sanctions.

The assisted reproductive medical facilities in our network are obligated to ensure all of their advertising content complies with applicable laws, rules and regulations. In the PRC, according to the Administrative Measures on Medical Advertisement (醫療廣告管理辦法) and Notice on Further Strengthening the Administration of Medical Advertisements (關於進一步加強醫療廣告管理的通知), our medical facilities must obtain a Medical Advertisement Examination Certificate before publishing a medical advertisement. Violation of these regulations may result in penalties against the non-compliant medical facility, including rectification, orders, warnings, suspension of operations, revocation of relevant permits to engage in the provision of specific medical services, and the revocation of the Medical facility Practicing License of such medical facility. In addition, if the content of the published advertisement deviates from what is approved and documented in the Medical Advertisement Examination Certificate, the competent authority may revoke the Medical Advertisement Examination Certificate and suspend any application for advertisement examination for one year. For advertisements related to certain types of products and services, such as pharmaceuticals and medical devices, the medical facilities in our network are required to confirm that the advertisers have completed filings with local authorities and obtained all requisite government approvals.

In the U.S., California state laws and regulations require that any person or entity posting an advertisement seeking oocyte donations associated with the delivery of fertility treatment that includes assisted oocyte production and a financial payment or compensation of any kind must include

the following notice in such advertisement in a clear and conspicuous manner: "Egg donation involves a screening process. Not all potential egg donors are selected. Not all selected egg donors receive the monetary amounts or compensation advertised. As with any medical procedure, there may be risks associated with human egg donation. Before an egg donor agrees to begin the egg donation process, and signs a legally binding contract, she is required to receive specific information on the known risks of egg donation. Consultation with your doctor prior to entering into a donor contract is advised." Persons or entities that certify compliance with the American Society for Reproductive Medicine ("**ASRM**") guidelines by registering with ASRM are exempt from this notice requirement. In the event a person or entity fails to comply with the advertising requirements described herein, such person or entity may be subject to penalties for false or misleading advertising, which may include a fine of up to US$2,500 for each violation under each law and/or imprisonment for up to six months. Additionally, a court may order such violator to stop the false or deceptive advertising and pay back any money acquired as a result of the false advertising. Further, the Medical Board of California also may issue citations and fines.

RISKS RELATING TO OUR CORPORATE STRUCTURE

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

Foreign ownership of certain business in PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao Special Administrative Region and Taiwan, foreign investors are not allowed to own 100% of the equity interests in a healthcare institution.

Because we are an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly-owned PRC subsidiary, Sichuan Jinxin Fertility, is a foreign-invested enterprise. We entered into a series of contractual arrangements with each of the Registered Shareholders, Mr. Zeng Yong, Jinrun Fude and the VIE Entities. For a detailed description of these contractual arrangements, see the section headed "Contractual Arrangements". Through our shareholdings and the Contractual Arrangements, our Company controls the economic benefit of 100.0% of the equity interest in Chengdu Xinan Hospital and of 79.44% of the equity interest in Shenzhen Zhongshan Hospital, respectively.

As advised by our PRC Legal Advisors, except for the arrangements regarding dispute resolution, our PRC Group's current contractual arrangements are legal, valid and binding upon the parties thereto under the current laws and regulations. For more details, see "Contractual Arrangements — Legality of the Contractual Arrangements". However, our PRC Legal Advisors have also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisors.

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**") which will become effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. However, the interpretation and application of the FIL remain uncertain. In addition, 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". We cannot assure you that contractual arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the above-mentioned contractual arrangements. If our ownership structure, contractual arrangements and business or that of our PRC subsidiaries or our variable interest entities are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, including:

- levying fines on us;
- confiscating our income or the income of our PRC subsidiaries, variable interest entities or their subsidiaries;
- revoking our business licenses and/or operating licenses;
- shutting down our institutions;
- discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring;
- restricting or prohibiting our use of proceeds from this offering to finance our business and operations in China; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would result in us failing to receive a portion of the economic benefits from our variable interest entities and their subsidiaries, which in turn may materially and adversely affect our business, financial condition and results of operations.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements.

Our contractual arrangements with our VIEs may result in adverse tax consequences to us.

We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements with our VIEs were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could materially and adversely affect us by (i) increasing the tax liabilities of our VIEs without reducing the tax liability of our subsidiaries, which could further result in late payment fees and other penalties to our VIEs for underpaid taxes; or (ii) limiting the ability of our VIEs to obtain or maintain preferential tax treatments and other financial incentives.

The shareholders of our VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

In connection with our operations in China, we rely on the shareholders of our VIEs to abide by the obligations under such contractual arrangements. The interests of these shareholders in their individual capacities as the shareholders of our VIEs may differ from our interests, as what is in the best interests of our VIEs, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirements, may not be in our best interests. There can be no assurance that when conflicts of interest arise, any or all of these individuals will act in our best interests or those conflicts of interest will be resolved in our favor. In addition, these individuals may breach, or cause our VIEs and their subsidiaries to breach, or refuse to renew, the existing contractual arrangements with us.

Currently, we do not have arrangements to address the potential conflicts of interest faced by the shareholders of our VIEs in their dual capacity as beneficial owners of our Group. We rely on the shareholders of our VIEs to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to us and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty to act honestly in good faith with a view to our best interests. However, the legal frameworks of the PRC and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of our VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

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 us from using the proceeds of this offering to make loans to our PRC subsidiaries, or to make additional capital contributions to our PRC subsidiaries.

In utilizing the proceeds of this offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our wholly-owned PRC subsidiary, which is treated as a foreign-invested enterprise under PRC laws, and to our other PRC subsidiaries through loans or capital contributions. However, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our PRC subsidiaries are subject to approval by and registration with other governmental authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or Circular 19, effective on June 1, 2015, in replacement of the Circular of the General Affairs Department of the State Administration of Foreign Exchange on Relevant Operating Issues concerning Improvement of the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), the Supplementary Circular of the General Affairs Department of the State Administration of Foreign Exchange on Relevant Operating Issues concerning Improvement of the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的補充通知) and the Circular of the State Administration of Foreign Exchange on Issues concerning the Pilot Reform of the Administration Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises in Certain Areas (國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知), the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any

foreign currency we hold, including the net proceeds from this offering, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to any of our VIEs and their subsidiaries, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our consolidated VIEs and their subsidiaries by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our VIEs and their subsidiaries.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or any variable interest entity or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or VIEs and their subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from this offering, and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Political, economic and social conditions in the PRC could affect our business, results of operations, financial condition and prospects, and adverse developments in the PRC economy or an economic slowdown in the PRC may reduce the demand for our services and have a material adverse effect on our business, results of operations, financial condition and prospects.

During the Track Record Period, we own and operate two hospitals, and jointly manage an IVF center in the PRC. Accordingly, our business, financial position, results of operations and prospects are subject to the political, economic and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange, allocation of resources, evolving regulatory system and level of transparency in the regulatory process.

Although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, growth has been uneven, both geographically, among various sectors of the economy, and during different periods. In recent years, the PRC's GDP growth has slowed down. For example, the GDP growth rate of the PRC decreased from 9.5% in 2011 to 7.3% in 2014, and to 6.9% in 2017. The PRC's GDP growth rate is expected to continue declining. Any slowdown in the PRC's economy could have a material adverse effect on our business, financial condition or results of operations.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although the Chinese government has implemented economic reform measures with a view to allowing more free play of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance and modern management systems in business enterprises, a substantial portion of the productive assets in China is still owned by the Chinese government. The continued control of these assets and other aspects of the national economy by the Chinese government could materially and adversely affect our business. The PRC government also has significant oversight over the economic growth of the PRC by allocating resources, regulating payments of foreign currency-denominated obligations, setting monetary policies and granting preferential treatments to particular industries or companies. In addition, any economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not necessarily benefit from such measures.

Furthermore, factors such as consumer, corporate and government spending, business investment, capital market volatility and inflation could adversely affect the business and economic environment in the PRC, the growth of the PRC assisted reproductive healthcare market and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business and operations.

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the PRC government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. PRC administrative and court authorities also have significant discretion in interpreting and enforcing statutory and contractual terms. It thus may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into in the PRC with our business partners, customers and suppliers. Vis-à-vis our competitors, depending on the government agency or how an application or a case is presented to such agency or other factors, we may receive less favorable application of law. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. We cannot predict the effect of future legal developments in China, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local rules and regulations by national law, the overturn or modification of the lower-level authority's decisions at the higher level, or the changes in judiciary and administrative practices. As a result, there is substantial uncertainty as to the legal protection available to us or to our investors under PRC laws, rules and regulations.

Furthermore, any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention, which in turn could have a material adverse effect on our financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management.

Substantially all of our assets and most of our senior management members and directors reside in the PRC. It may not be possible for investors to effect service of process upon us or those persons in the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned《(最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

Government control of currency conversion and future fluctuations in Renminbi exchange rates could have a material adverse effect on our business, results of operations, financial condition and prospects, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Our revenue and expenses for our PRC businesses are substantially denominated in Renminbi, which is currently not a freely convertible currency. A portion of such revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on our Shares.

Under the PRC existing foreign exchange regulations, following the completion of the Global Offering, we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from the SAFE. However, in the future, the PRC government may take measures, at its discretion, to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are

implemented, we may not be able to pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

The value of the Renminbi against the Hong Kong dollar and the U.S. dollar and other currencies fluctuates, and is subject to changes resulting from policies of the PRC and other governments, and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. In July 2005, the PRC government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the current policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within stipulated ranges against different currencies each day. This change in policy has resulted in an appreciation of the value of the Renminbi against the U.S. dollar of 24.6% from July 21, 2005 to June 30, 2015. In August 2015, the PBOC announced that the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar will be determined based on market maker submissions that take into account the Renminbi-U.S. dollar exchange rate at the previous day's closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. The Renminbi depreciated against the U.S. dollar by 3.7% by March 2016 following this August 2015 announcement by the PBOC. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the Hong Kong dollar and the U.S. dollar or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies. We cannot assure you that Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

Our proceeds from the Global Offering will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currency may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividend payable on our Shares in foreign currencies. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost in the PRC, and we have not utilized, but may in the future utilize, any such instrument. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may adversely affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions.

We plan to finance our PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with, or

approvals from, PRC government authorities. Any overseas shareholder loans to our foreign-invested PRC subsidiaries must be registered with the local branch of the SAFE as a procedural matter. In addition, the amounts of the capital contributions and the amount of investment are subject to the approval of MOFCOM or its local counterpart. Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an foreign-invested enterprise and capital in RMB obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (2) directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations; (3) directly or indirectly used for granting the entrust loans in RMB (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in RMB that have been sub-lent to the third party; and (4) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). Violations of Circular 19 or Circular 16 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. Circular 19 was partially restated or amended by Circular 16, see "Regulatory Overview". We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries, including those incorporated in the PRC. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividend and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisition. The payment of dividends by PRC-incorporated entities in the PRC is subject to limitations. Current PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to PRC corporate withholding tax under the EIT Law.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in our PRC operating subsidiaries. Pursuant to the EIT Law, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The EIT Law provides that if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25.0% on its global income. "De facto management body" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or the SAT, promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. These criteria include: (1) the enterprise's senior management personnel and department who are responsible for managing the day-to-day production and operation perform their obligations primarily in the PRC; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (4) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. According to these regulations, we may be regarded as a PRC resident enterprise by PRC tax authorities and pay EIT at a rate of 25.0% for all of our global income. In addition, the "de facto management bodies" determination is based on the principle of substance over form. The SAT further issued administrative rules in July 2011, January 2014 and December 2017 regarding administrative procedures for recognizing PRC resident enterprise status of a Chinese-invested company registered abroad.

According to the foregoing SAT circulars, a Chinese-invested company registered abroad could either apply for the PRC resident enterprise status with the competent PRC tax authorities in the place where its major PRC investor is located and the application will be subject to approval by competent PRC tax authorities, or be recognized as a PRC resident enterprise by competent PRC tax authorities. In this regard, there are uncertainties regarding whether a Chinese-invested company registered abroad would be treated as a PRC resident enterprise before obtaining the relevant approval from competent PRC tax authorities, and there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the PRC tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for EIT purposes and be subject to the uniform 25.0% EIT rate on our global income. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempt from EIT, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC-incorporated subsidiaries to us will meet such qualification requirements even if we are considered as a PRC resident enterprise for tax purposes.

Gains on the sales of Shares and dividends on the Shares may be subject to PRC income taxes.

Under the EIT Law and its implementation rules, a PRC withholding tax at the rate of 10% is applicable to dividends paid by "PRC tax resident enterprises" to investors that are "non-PRC residents"; that is, investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares of "PRC tax resident enterprises" by such investors is also subject to a PRC income tax, usually at a rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC.

We are a holding company incorporated under the laws of the Cayman Islands and our operations in the PRC is prominent. There is uncertainty whether we will be considered a "PRC tax resident enterprise" for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realized from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC income tax. If we are considered a "PRC tax resident enterprise," then any dividends paid to our Shareholders that are "non-PRC residents" and any gains realized by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to a 10% PRC income tax, unless otherwise reduced or exempted. It is unclear whether, if we are considered a "PRC tax resident enterprise," our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and other countries or regions. If dividends paid to our non-PRC Shareholders that are "non-PRC residents" or gains from the transfer of our Shares are subject to PRC tax, the value of such non-PRC Shareholders' investment in our Shares may be materially and adversely affected.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "**Hong Kong Tax Treaty**"), are met, the withholding rate could be reduced to 5%. However, the SAT promulgated the "Announcement of the State Administration of Taxation on Issues related to Beneficial Owners in Tax Treaties" (國家税務總局關於税收協定中"受益所有人"有關問題的公告) (the "**2018 Announcement**"), which provides that tax treaty benefits will be denied if such company is not considered as a "beneficial owner", and certain factors are considered together to analyze the beneficial ownership. It is unclear whether the 2018 Announcement applies to dividends from our PRC operating subsidiaries paid to us through the Hong Kong intermediate holding company. It is possible, however, that under the 2018 Announcement, the Hong

Kong intermediate holding company would not be considered the "beneficial owner" of any such dividend, and that such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations would be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to make capital contributions into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

The SAFE has promulgated several regulations requiring PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE or designated qualified foreign exchange banks in the PRC in connection with their direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or SAFE Circular 37, issued and effective on July 4, 2014, and the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接 投資外匯管理政策的通知) ("Circular 13"), issued on February 13, 2015. SAFE Circular 37 and Circular 13 require PRC residents to register with banks in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle".

In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with banks, with respect to any material change involving that offshore company, such as an increase or decrease in capital, transfer or swap of shares, merger or division. These regulations apply to direct and indirect holders of our Shares who are PRC residents and may apply to any offshore acquisitions that we make in the future.

We may not be fully aware or informed of the identities of all the PRC residents holding direct or indirect interests in us, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with these foreign exchange regulations. If any PRC-resident Shareholder fails to make the required registration or update the previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into our PRC subsidiaries, which could materially adversely affect our business and prospects. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability on the related PRC-resident Shareholder or our PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions.

Failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or the Stock Option Rules, which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of the Global Offering. Failure of the PRC resident holders of our share options to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

RISKS RELATING TO THE GLOBAL OFFERING

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Global Offering, there has been no public market for our Shares. We cannot assure you that an active trading market for our Shares will develop and be sustained following the Global Offering. In addition, the initial issue price range for our Shares was the result of negotiations between our Company and the Joint Representatives, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Hong Kong Stock Exchange. The Listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price, some of which are beyond our control:

- variations in our revenue, earnings and cash flow;

- regulatory developments affecting us, our patients or our competitors;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- developments in the PRC, U.S. and global healthcare market;
- political, economic, financial and social developments in the PRC and Hong Kong and the United States and in the global economy;
- fluctuations in stock market prices and volume;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our Controlling Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders may experience dilution in their holdings upon the issuance or sale of additional securities in the future.

There will be a gap of several days between pricing and trading of our Offer Shares and the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Jinxin Fertility Shareholders have substantial control over the Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Global Offering, Jinxin Fertility Shareholders will remain substantial control over our Company. Subject to the Articles of Association, the Companies Ordinance and the Cayman Islands Companies Law, Jinxin Fertility Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of Jinxin Fertility Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of Jinxin Fertility Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may raise additional funds in the future to finance the expansion of our capacity, the enhancement of our research and development capabilities, the development of our operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK$1.21 per Share (assuming an Offer Price of HK$8.15 per Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering and any options granted under the Share Option Scheme are not exercised). There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims.

If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, limitations on our ability to acquire or license intellectual property rights or declaring dividends, or other operating restrictions.

We may have significant discretion as to how we use the net proceeds of the Global Offering and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield favorable returns for our Shareholders. We plan to use the net proceeds from the Global Offering for increasing the market share, productivity and capacity, investing in research and development, improving our brand awareness and expanding our platform reach through acquisition. See "Future Plans and Use of Proceeds — Use of Proceeds". However, our management will have discretion as to the actual utilization of the net proceeds within the disclosed scope of planned usage. You are entrusting your funds to our management, upon whose judgment you must depend for the specific uses we will make of the net proceeds from the Global Offering.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to the PRC, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutes and/or other third party reports we generally believe to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials. Therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

You may face difficulties in protecting your interests because we were incorporated under Cayman Islands laws, and the laws of the Cayman Islands for minority shareholders' protection may be different from those under the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles of Association as well as the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against the Directors, the rights of minority shareholders to institute

actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. These differences may mean that the remedies available to the Company's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See "Appendix IV — Summary of the Articles of Association of the Company and Cayman Islands Companies Law" for further information.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

During the Track Record Period, we did not declare any dividends. We cannot assure you that the dividends will be declared or paid in the future.

A decision to declare or pay any dividend and the amount of dividends is subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our constitutional documents and applicable law. In addition, as a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. The calculation of our operating subsidiaries' profit under applicable accounting standards differs in certain aspects from the calculation under IFRS. Accordingly, we may not have sufficient or any profit to enable us to make dividend distributions to our Shareholders in the future, even if our IFRS financial statements indicate that our operations have been profitable.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our network of medical facilities, our industry or the Global Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our network of medical facilities, our industries and the Global Offering. None of us, our network of medical facilities or any other person involved in the Global Offering has authorized the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecast, view or opinion expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our network of medical facilities, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecast, view or opinion expressed in any such publication. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

We may make a Downward Offer Price Adjustment, and thereby reduce the amount of estimated net proceeds that we will receive from the Global Offering.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$7.00 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK$7.00, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK$260.5 million and such reduced proceeds will be used as described in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our Company's headquarters and our major business operations are based in the PRC and the United States and all of our executive Directors have been, are and will continue to be based in the PRC and the United States. We believe it would be more effective and efficient for our executive Directors to be based in a location where we have significant operations. As such, we will not be able to comply with the requirements of Rule 8.12 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Ms. Yan Xiaoqing, an executive Director and Ms. Leung Suet Wing, one of our joint company secretaries. They will be able to meet with the Hong Kong Stock Exchange on reasonable notice upon the request of the Hong Kong Stock Exchange and be readily contactable by telephone, facsimile and email by the Hong Kong Stock Exchange;

(b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;

(c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange within a reasonable period of time, if required;

(d) We have, in compliance with Rule 3A.19 of the Listing Rules, engaged TUS Corporate Finance Limited, as our compliance advisor, who will act as an additional channel of communication with the Hong Kong Stock Exchange for a period commencing on the date of Listing until the date on which we announce our financial results and distributes our annual report for the first full financial year following the Listing; and

(e) to enhance communications among the Hong Kong Stock Exchange, the Directors will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the authorized representatives as well as the Hong Kong Stock Exchange, and in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules, which stated that a company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experiences, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. Below are the academic or professional qualifications as set out in Note 1 to Rule 3.28 of the Listing Rules, where the Hong Kong Stock Exchange considers acceptable:

(a) a member of the Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

(a) length of employment with the listing applicant and other issuers and the roles he / she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance and the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**");

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Liu Hongkun as one of the joint company secretaries, who has experience in corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing rules. Therefore, we have appointed Ms. Leung Suet Wing, an associate member of both of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, who fully complies with the requirements stipulated under

Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Liu Hongkun for an initial period of three years from the Listing to enable Ms. Liu Hongkun to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Leung Suet Wing will work closely with Ms. Liu Hongkun to jointly discharge the duties and responsibilities as company secretary and assist Ms. Liu Hongkun to acquire the relevant experience as required under Note 2 to Rules 3.28 and 8.17 of the Listing Rules. In addition, Ms. Liu Hongkun will endeavor to attend relevant training and familiarize herself with the Listing Rules and duties required for a company secretary of a company listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing.

Prior to the expiration of the initial three-year period, the qualifications of Ms. Liu Hongkun will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. In the event Ms. Liu Hongkun fulfills all the requirements stipulated before the end of the initial three-year period, the above joint company secretary arrangement would no longer be necessary for our Company.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which constitute continuing connected transactions for us under the Listing Rules, three of which are non-exempt continuing connected transactions for the purposes of the Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.105 of the Listing Rules for such non-exempt continuing connected transactions. Please see the section headed "Connected Transactions" in this prospectus for further details.

WAIVER IN RELATION TO ACQUISITION OF CHENGDU JINYI AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4) of the Listing Rules require a new listing applicant to include in its prospectus the results and statement of financial position of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date of the latest audited balance sheet of the listing applicant included in its prospectus. Pursuant to paragraph 4.1A(i) of the Guidance Letter HKEx32-12 issued by the Hong Kong Stock Exchange entitled "Guidance on the accounting and disclosure requirements for (A) acquisitions of subsidiaries and businesses conducted during or after the trading record period; and (B) stub period comparatives", "acquisition of business" include acquisition of any equity interest in another company.

On February 11, 2019, our subsidiary Sichuan Jinxin Fertility as purchaser entered into the Share Purchase Agreement with Youta Pharmaceutical as seller to acquire from Youta Pharmaceutical the 100% equity interest in Chengdu Jinyi which owns the New Hospital Building and the Carpark Facilities (the "**Acquisition**"), and the transfer of the entire equity interest in Chengdu Jinyi was completed on May 10, 2019. See "History, Reorganization and Corporate Structure — Our Group — Our subsidiaries — Chengdu Jinyi" in this prospectus for further details.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the preparation of financial statements in respect of the Acquisition on the following grounds:

(a) **Each of the percentage ratios of Chengdu Jinyi was less than 5% (except one which was only very slightly over 5%) by reference to the most recent financial year of our Company's Track Record Period**

As of the date of the Share Purchase Agreement, where applicable, each of the profits, revenue, assets and consideration percentages ratios of Chengdu Jinyi with reference to those of our Company for the financial year ended December 31, 2018 was all less than 5%. Since the completion of the injection of the New Hospital Building and the Carpark Facilities into Chengdu Jinyi, Chengdu Jinyi's net asset value has been increased from RMB0 to RMB738 million, and as a result the asset ratio is approximately 7.92%. The other applicable ratio, namely the consideration ratio, stays under 5%, with reference to the expected lowest market capitalization of our Company upon Listing. Chengdu Jinyi does not have any business operations and therefore the revenue and profit ratios are not applicable.

Our Company is therefore of the view that since (i) each of the profits, revenue, assets and consideration percentages ratios of Chengdu Jinyi as of the date of the Share Purchase Agreement was under 5%; and (ii) calculation of the percentage ratios only results in over 5% if the asset ratio is recalculated after the completion of the transfer of the entire equity interest of Chengdu Jinyi, the unique circumstances surrounding the anomalous outcome of the size test computation should be taken into account by the Stock Exchange, and come to the conclusion that it is satisfied that each of the applicable ratios of Chengdu Jinyi was less than 5% by reference to the most recent financial year of our Company's Track Record Period.

(b) **Limited value added by disclosing the historical financial information of Chengdu Jinyi**

Chengdu Jinyi was established under the laws of the PRC as a limited liability company on December 27, 2018. As a result, the financial information of Chengdu Jinxin for the year ended December 31, 2018 will only cover five days in total. Chengdu Jinyi has not commenced any business activities as at the Latest Practicable Date, aside from being a transferee of the New Hospital Building and Carpark Facilities. Therefore, we are of the view that the disclosure of historical financial information of Chengdu Jinyi in this prospectus will neither add any value nor be meaningful or useful to the potential investors.

(c) **Disclosure of necessary information in the Prospectus**

With a view of allowing the potential investors in our Shares for the Listing to understand the Acquisition in greater details, we have included in this prospectus the relevant information in relation to the Acquisition which is comparable to the information that is required to be included in the announcement of a discloseable transaction under Chapter 14 of the Listing Rules, including: (a) general description of the scope of principal business activities of Chengdu Jinyi and other counterparties of the Acquisition; (b) the consideration of the Acquisition; (c) the basis on which the consideration is determined; (d) how the consideration will be satisfied and the payment terms; and (e) reasons for and benefits of the Acquisition; (f) any other material terms in relation to the Acquisition.

(d) **Alternative and voluntary disclosure of valuation report of the New Hospital Building**

In addition to the above necessary information, we have voluntarily included in this prospectus the property valuation report of the New Hospital Building prepared by an independent professional property valuer, which is also a key reference when determining the consideration of the Acquisition. We believe that the above disclosure should be sufficient to allow the potential investors to fairly assess the benefit of the Acquisition to our Company. See "History, Reorganization and Corporate Structure — Our Group — Our subsidiaries — Chengdu Jinyi" in this prospectus for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Public Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" and in the relevant Application Forms.

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

Please see "Underwriting" for further information about the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the exercise of any options that may be granted under our Share Option Scheme.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our Company's principal Share registrar, Conyers Trust Company (Cayman) Limited in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

EXCHANGE RATES

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.8779	to HK$1.00
RMB6.8822	to US$1.00
HK$7.8394	to US$1.00

No representation is made that any amounts in HK$ and US$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

For further information on our Directors, please refer to the section headed "Directors and Senior Management" of this prospectus.

DIRECTORS

Name	Address	Nationality
Chairman and non-executive Director		
Mr. Wang Bin (王彬)	Room 513, 5/F, Block 1 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese
Executive Directors		
Mr. Zhong Ying (鍾影)	No. 104, 1/F, Unit 3 Block 3, 218 Jianye Road Chenghua District, Chengdu China	Chinese
Ms. Yan Xiaoqing (嚴曉晴)	No. 305, Unit 1 Block 8, Luofu Shijia 8 Gaosheng Qiaonan Road Wuhou District, Chengdu China	Chinese
Dr. John G. Wilcox	875 S Madison Ave Pasadena, California United States	American
Non-Executive Directors		
Mr. Fang Min (方敏)	Room 1801, No. 14 625 Taixing Road Jingan District, Shanghai China	Chinese
Ms. Hu Zhe (胡喆)	Flat B, 8/F, Tower 7 Bel-air Peak, 28 Bel-air Ave Hong Kong	Chinese
Mr. Dong Yang (董陽)	Flat D, 42/F, Tower 2 38 Cherry Street, Florient Rise Tai Kok Tsui, Kowloon Hong Kong	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Dr. Chong Yat Keung (莊一強)	Flat 1204, 12/F Block B, Kornhill Quarry Bay Hong Kong	Hong Kong
Mr. Lim Haw Kuang (林浩光)	BA-16-02 10 Mont Kiara No. 4, Jalan Kiara 1 Mont Kiara, 50480 Kuala Lumpur Malaysia	Malaysian
Mr. Wang Xiaobo (王嘯波)	Room 201, No. 10 55 Lancun Road Pudong New Area, Shanghai China	Chinese
Mr. Ye Changqing (葉長青)	Flat B, 36/F Tower 6 Harbour Green 8 Sham Mong Road Tai Kok Tsui, Kowloon Hong Kong	Hong Kong

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **CLSA Capital Markets Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Representatives	**Morgan Stanley Asia Limited** *(in relation to the Hong Kong Public Offering)* 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Morgan Stanley & Co. International plc** *(in relation to the International Offering)* 25 Cabot Square Canary Wharf London, E14 4QA United Kingdom **CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Global Coordinators	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **Citigroup Global Markets Asia Limited** 50/F, Champion Tower 3 Garden Road Central Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

Joint Bookrunners

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering)
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering)
25 Cabot Square
Canary Wharf
London, E14 4QA
United Kingdom

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

CMB International Capital Limited
45F, Champion Tower
3 Garden Road
Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

ABCI CAPITAL LIMITED
11/F, Agricultural Bank of China Tower
50 Connaught Road
Central
Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
4201 42/F & 5801-05 58/F, The Center
99 Queen's Road
Central
Hong Kong

Mirae Asset Securities (HK) Limited
Unit 8501, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Lead Managers

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering)
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering)
25 Cabot Square
Canary Wharf
London, E14 4QA
United Kingdom

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

CMB International Capital Limited
45F, Champion Tower
3 Garden Road
Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

ABCI SECURITIES COMPANY LIMITED
10/F, Agricultural Bank of China Tower
50 Connaught Road
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
4201 42/F & 5801-05 58/F, The Center
99 Queen's Road
Central
Hong Kong

Mirae Asset Securities (HK) Limited
Unit 8501, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Legal Advisors to our Company

As to Hong Kong laws:
Fangda Partners
26/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to United States laws:
Shearman & Sterling
12/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

As to United States laws (as to healthcare regulatory matters):
Sheppard, Mullin, Richter & Hampton LLP
43/F, 333 South Hope Street
Los Angeles, California
United States

As to Cayman Islands laws:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

As to PRC laws:
Zhonglun Law Firm
33, 36, 37/F, SK Tower
6A Jianguomenwai Avenue
Chaoyang District, Beijing
China

Legal Advisors to Jinxin Fertility Shareholders	*As to PRC laws:* Tian Yuan Law Firm Room 4403-4406 Jinmao Tower 88 Century Avenue Pudong District Shanghai 200120 China *As to Hong Kong laws:* William Ji & Co. In Association with Tian Yuan Law Firm Hong Kong Office Suite 702, 7th Floor Two Chinachem Central 26 Des Voeux Road Central Central Hong Kong
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States laws:* Paul Hastings 21-22/F Bank of China Tower 1 Garden Road Hong Kong *As to PRC laws:* Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District, Beijing China
Reporting Accountants and Auditors	Deloitte Touche Tohmatsu *Certified Public Accountant* 35/F One Pacific Place 88 Queensway Hong Kong
Independent Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 1018 Tower B 500 Yunjin Road Shanghai China

Independent Property Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 7th Floor, One Taikoo Place 979 King's Road Hong Kong
Receiving Bank	CMB Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong
Compliance Advisor	TUS Corporate Finance Limited 15/F Shanghai Commercial Bank Tower 12 Queen's Road Central Central Hong Kong

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Headquarter and Principal Place of Business in PRC	No. 301, North Jingsha Road Jinjiang District, Chengdu Sichuan, China
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Company's Website	www.jxr-fertility.com *(information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	Ms. Liu Hongkun (劉竑琨) No. 301, North Jingsha Road Jinjiang District, Chengdu Sichuan, China Ms. Leung Suet Wing (梁雪穎) (ACIS, ACS) 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Authorized Representatives	Ms. Yan Xiaoqing (嚴曉晴) No. 305, Unit 1 Block 8, Luofu Shijia 8 Gaosheng Qiaonan Road Wuhou District, Chengdu China Ms. Leung Suet Wing (梁雪穎) 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Audit and Risk Management Committee	Mr. Ye Changqing (葉長青) *(Chairman)* Dr. Chong Yat Keung (莊一強) Mr. Dong Yang (董陽) Mr. Fang Min (方敏) Mr. Wang Xiaobo (王嘯波)

Remuneration Committee	Dr. Chong Yat Keung (莊一強) *(Chairman)* Mr. Fang Min (方敏) Mr. Wang Xiaobo (王嘯波) Ms. Yan Xiaoqing (嚴曉晴) Mr. Ye Changqing (葉長青)
Nomination Committee	Mr. Wang Bin (王彬) *(Chairman)* Dr. Chong Yat Keung (莊一強) Dr. John G. Wilcox Mr. Wang Xiaobo (王嘯波) Mr. Ye Changqing (葉長青)
Strategic Decisions Committee	Mr. Zhong Ying (鍾影) *(Chairman)* Mr. Dong Yang (董陽) Mr. Fang Min (方敏) Dr. John G. Wilcox Mr. Wang Bin (王彬)
Medical Quality Control and R&D Committee	Dr. Chi Ling (池玲) *(Chairman)* Mr. Zhong Ying (鍾影) Dr. Chong Yat Keung (莊一強) Dr. John G. Wilcox Mr. Zeng Yong (曾勇)
Principal Banks	Ping An Bank Shenzhen Jiangsu Tower Branch (平安銀行深圳江蘇大廈支行) Floor 1, Jiangsu Tower A, Yitian Road 6013, Futian District, Shenzhen, China Chengdu Bank Jinhe Branch (成都銀行金河支行) Shangnan Road 51, Qingyang District, Chengdu, China
Cayman Islands Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various government and other publicly available sources, from the market research report prepared by Frost & Sullivan. Frost & Sullivan is an independent industry consultant engaged by us, and we commissioned Frost & Sullivan to prepare a market research report (the "F&S Report"). The information extracted from the F&S Report should not be considered to be a basis for investments in the Offer Shares or an opinion of Frost & Sullivan with respect to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information are appropriate for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. No independent verification has been carried out on such information by our Company or any other parties involved in the Global Offering (excluding Frost & Sullivan), or their respective directors, officers or representatives, and no representation is given as to the accuracy or completeness of such information.

Accordingly, you should not place undue reliance on such information. For discussions of risks relating to our industry, please see the section headed "Risk Factors — Risks Relating to Our Business and Industry."

SOURCE OF INFORMATION

In connection with the Global Offering, we commissioned Frost & Sullivan to conduct market research and prepare an industry report on the ARS markets in the PRC, the United States and globally. Frost & Sullivan is an independent global market research and consulting company that provides market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to pay a base commission fee of RMB950,000 for the F&S Report, dated as of February 2019. The F&S Report was compiled using both primary and secondary research conducted in the PRC and globally. The primary research involved interviews with industry insiders. The secondary research utilized information and statistics published by government institutions, information from the PRC National Health and Family Planning Commission and CDC's public databases, publications and studies by industry experts, public company annual and quarterly reports and data from Frost & Sullivan's research database. Projected data was generated using historical and macroeconomic data, as well as specific industry-related drivers. Frost & Sullivan adopted the following assumptions: (1) the social, economic and political environments of the PRC and U.S. will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC and U.S. healthcare markets; (2) the PRC and U.S. healthcare markets will grow as expected due to the rising healthcare demand and supply; (3) the PRC government will continue to support healthcare reform, which encourages private capital investments in the healthcare service market; and (4) the respective healthcare markets where our facilities are located will grow as expected during the forecast period.

Except as otherwise noted, all data and forecasts contained in this section are derived from the F&S Report. Our Directors confirm, after making reasonable inquiries, that there has been no adverse change in the market information since the date of publication of the F&S Report, which may qualify, contradict with or have an impact on the information included in this section.

THE ARS MARKET

Infertility and demand for ARS

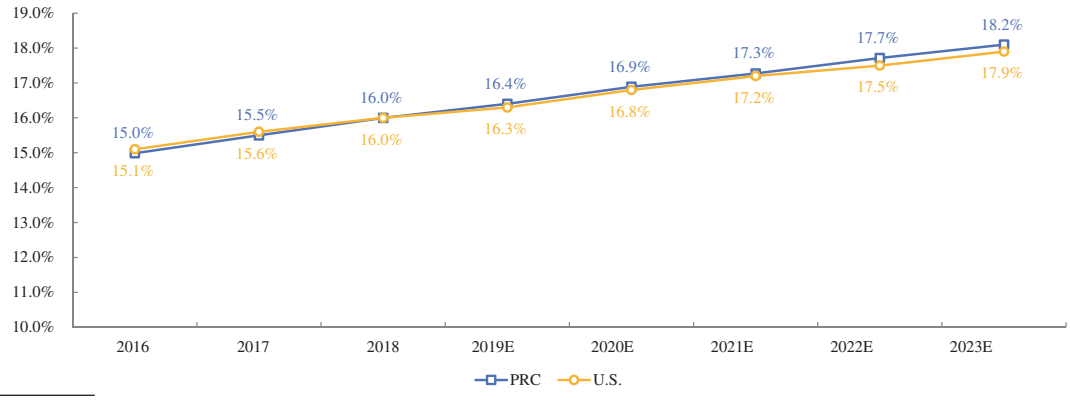
Infertility refers to a disease of the reproductive system characterized by the failure to achieve clinical pregnancy after 12 months or more of regular unprotected sexual intercourse. Female infertility causes include, amongst others, ovulation problems, damage to fallopian tubes or uterus, and cervix abnormalities. Male infertility causes include, amongst others, low sperm production, abnormal sperm function, and blockages that prevent the delivery of sperm. Infertility is becoming increasingly prevalent globally, primarily driven by increasing average age of first birth, as well as unhealthy lifestyle and environmental factors. The prevalence of infertility, which is calculated as the number of infertile couples divided by the number of couples of reproductive age, which for women is defined as between the ages of 15 and 49, has increased globally from 11.0% in 1997 to 15.4% in 2018, and is expected to increase to 17.2% by 2023. In response to an increase in the global infertility rate, a number of medical services have emerged, including (i) medication, (ii) surgery and (iii) ARS.

Driven by an increased infertility rate and growing demand for better quality of life, resulting from improving living standards and increasing awareness about birth defects and prevention, the global ARS market grew from US$20.4 billion in 2014 to US$24.8 billion in 2018, representing a CAGR of 5.1%, and is expected to increase further to US$31.7 billion in 2023, representing a CAGR of 5.0% from 2018.

In the PRC, the prevalence of infertility is expected to increase from 16.0% in 2018 to 18.2% by 2023, primarily due to environmental pollution, poor work-life balance and other unhealthy lifestyle factors, in addition to other factors affecting infertility globally. Due to an increased infertility rate and recent government incentive policies, such as the Two-child Policy in 2015, the PRC ARS market grew at a CAGR of 13.6% from 2014 to 2018, and is expected to grow at a CAGR of 14.5% from 2018 to 2023. Even with a rapidly growing ARS market, the penetration rate in the PRC, which is calculated as the number of couples who received ARS divided by the number of infertile couples in need of ARS, was low at 7.0% in 2018 and is expected to grow to 9.2% in 2023.

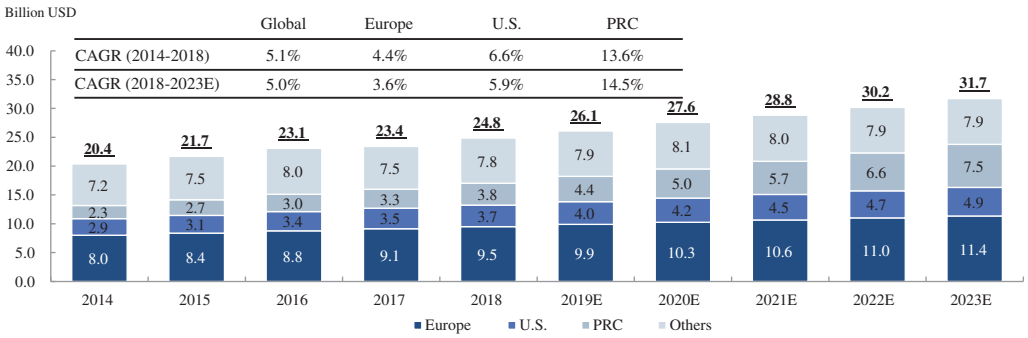
In the United States, the prevalence of infertility is expected to increase steadily from 16.0% in 2018 to 17.9% by 2023, primarily due to an increase in the average age of first birth, rise of obesity rates, and unhealthy stress levels. The United States ARS market grew at a CAGR of 6.6% from 2014 to 2018, and is expected to grow at a CAGR of 5.9% from 2018 to 2023.

Infertility Rate in the PRC and U.S., 2016-2023E



Source: Frost & Sullivan analysis

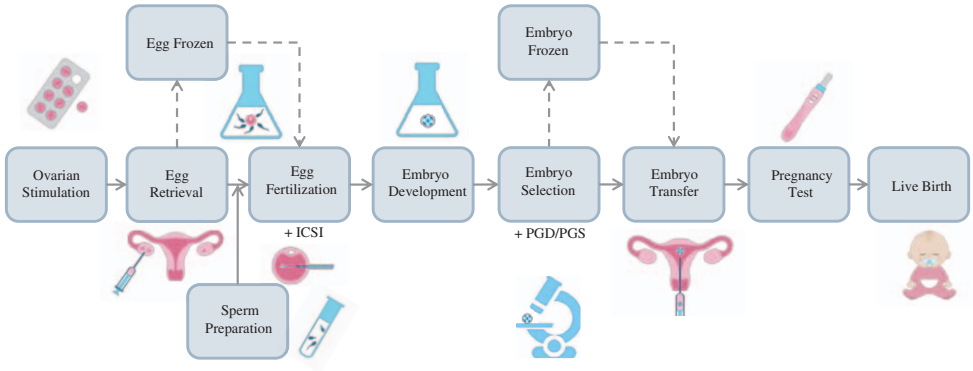
Global ARS Market Breakdown by Regions, 2014-2023E



Note: Others include regions such as India, Japan, Canada and etc.
Source: Frost & Sullivan analysis

ARS Treatment

ARS consist of two types of technology: artificial insemination and IVF. In comparison to artificial insemination, IVF is significantly more widely used and held around 95% share in both the PRC and the United States ARS markets in terms of revenue in 2018. The following sets forth the typical IVF treatment process:



Note: The dotted lines refer to alternative process.

The below table sets forth a comparison between three types, or "generations", of IVF technologies used for different indications:

		Conventional IVF-ET	IVF with ICSI	PGD/PGS
Main Indications		Women with ovulation problems, egg delivery disorder and endometriosis, and men with oligospermia and asthenozoospermia	Men with irreversible obstructive azoospermia, severe oligospermia, and asthenozoospermia	Patients with an abnormal number of chromosomes or other structural abnormalities and couples who are carriers of inherited diseases
Treatment		During in vitro fertilization and embryo transfer (IVF-ET) process, egg and sperm from the couple are incubated together in a laboratory to produce an embryo. The embryo is then placed into the woman's uterus, where it may implant and result in a successful pregnancy	Intracytoplasmic sperm injection (ICSI) is performed as an additional step of an IVF treatment cycle, where a single sperm is injected into each egg, facilitating fertilization with micromanipulation equipment	Preimplantation genetic diagnosis (PGD) is the genetic profiling of embryos or blastocysts (sometimes oocytes) to identify gene defects or genetic diseases before transfer into the uterus. Preimplantation genetic screening (PGS) refers to the use of genetic techniques to test whether the embryos have a normal number of chromosomes before implantation and to detect genetic abnormalities
Number of License Holders[1]	U.S.	There are no specific license requirements for different types of ARS in the U.S. With fewer regulatory restrictions than the PRC, PGD and PGS are widely adopted		
	PRC	327[2]	327[2]	40
Introduction Time (Birth of first baby)	U.S.	1981	1993	1993
	PRC	1988	1996	2000

Notes:

(1) Data from 2016

(2) In 2016, the same 327 institutions held both a conventional IVF-ET license and an ICSI license.

Source: Frost & Sullivan analysis

ARS providers primarily compete on the basis of success rate of an IVF treatment, which is determined by a number of factors:

- *Experience and know-how of physicians and their teams* — Experienced physicians offer treatment solutions tailored to each patient's condition, including those with recurrent abortion or implantation failure. They are also able to position the embryo(s) for better implantation, ensuring a smooth procedure while reducing surgical failure and operational errors.
- *Professional embryologists* — After egg retrieval and semen collection, embryologists can conduct a process known as sperm washing to remove any mucus and non-motile sperm to improve the possibility of fertilization. After fertilization, embryologists are responsible for monitoring the development of the embryos to determine optimal transfer time. Embryologists are also heavily involved in creating an ideal clinical environment for the storage of eggs, sperm and embryos.

- *Laboratory equipment and conditions* — Operations in IVF laboratories are usually complex and require sophisticated medical devices. Additionally, due to the fragility of the embryo, common impurities in the air or microorganisms can severely harm an embryo's development. As a result, IVF laboratories require an advanced quality control system to ensure a proper environment for embryo culture and development.
- *Management of treatment process* — Professional medical staff are better equipped to streamline the IVF treatment process and more willing to work with couples to understand their goals, improve the success rate, strengthen patient trust and enhance patient satisfaction.

The success rate of an IVF treatment can be defined by either the clinical pregnancy rate or live birth rate. The clinical pregnancy rate is calculated by dividing the number of resulting clinical pregnancies by the number of embryo transfers, while live birth rate is calculated by the number of deliveries that resulted in a live born neonate divided by the number of embryo transfers. Although both indicators are widely used in the United States, the clinical pregnancy rate is more commonly used in the PRC. Additionally, various external factors beyond the control of the ARS provider could impact the accuracy of the live birth rate, such as spontaneous abortion, the failure to establish contact with patients post-clinical pregnancy, and other factors related to the passage of time.

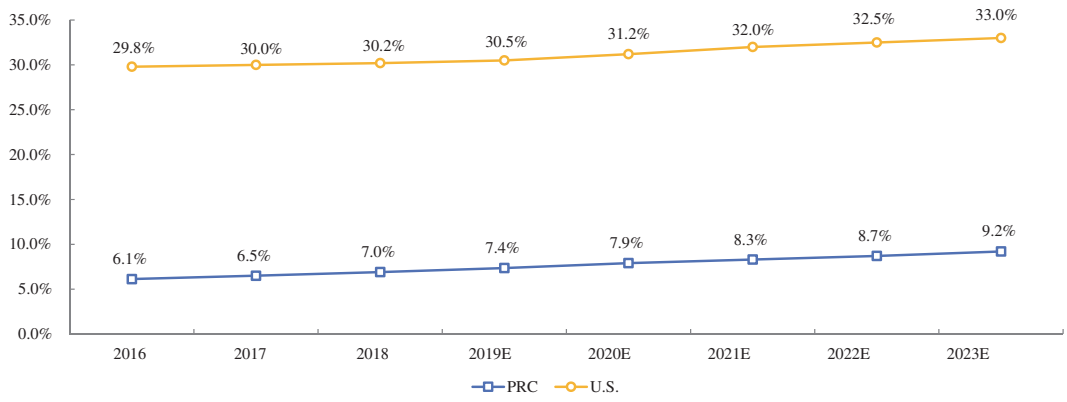
In addition to success rate, ARS providers also face competition based on several other factors, including reputation, service quality, price, professional staff, and range of service offerings.

THE PRC ARS MARKET

Healthcare services in the PRC have seen a substantial increase in demand over the past few years, driven by an aging population, significant increase in chronic diseases and rising income levels. The revenue of medical institutions in the PRC grew from RMB2,643.5 billion in 2014 to RMB4,085.8 billion in 2018, representing a CAGR of 11.5%, and is expected to further increase to RMB6,191.8 billion by 2023, representing a CAGR of 8.7% from 2018.

Similarly, the ARS market in the PRC has experienced rapid growth, from RMB14.0 billion in 2014 to RMB25.2 billion in 2018, representing a CAGR of 15.8%. Driven by a relatively low ARS penetration rate of 7.0% in the PRC in 2018, increasing affordability and demand of ARS, and increasing ARS investment, the ARS market in the PRC is expected to grow to RMB49.6 billion by 2023, representing a CAGR of 14.5% from 2018.

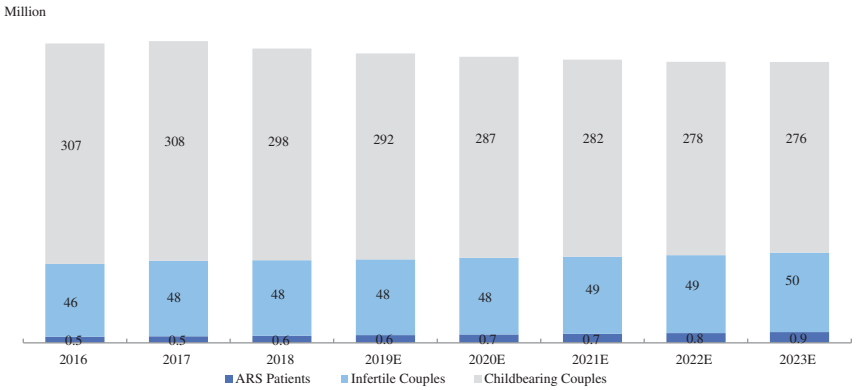
Penetration Rate of ARS in the PRC and U.S., 2016-2023E



Source: Frost & Sullivan analysis

In 2018, there were approximately 47.8 million infertile couples in PRC, which is expected to increase to approximately 50.3 million in 2023. In comparison, in 2018, approximately 568,000 patients received ARS in PRC, and is expected to grow to approximately 855,000 in 2023, representing a CAGR of 8.5%. The number of infertile couples includes all couples of childbearing age and is derived from NHFPC data in combination with the infertility rate reported by the China Population Association and expert interviews conducted by Frost & Sullivan. Consistent with the growing trend, the number of assisted reproductive institutions in the PRC grew from 88 institutions in 2006 to 451 in 2016.

Number of Infertile Couples in the PRC, 2016-2023E

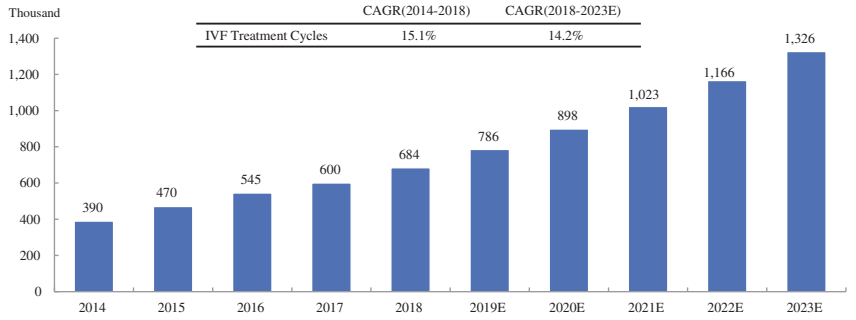


Note: The number of infertile couples includes all couples of childbearing age and is derived from NHFPC data in combination with the infertility rate reported by the China Population Association and expert interviews conducted by Frost & Sullivan.

Source: Frost & Sullivan analysis

More specifically, there has been tremendous growth in terms of IVF treatment cycles performed in the PRC. The total number of IVF treatment cycles performed in the PRC grew from approximately 390,000 in 2014 to approximately 684,000 in 2018, representing a CAGR of 15.1%. With growing demand and increasing affordability for ARS, the total number of IVF treatment cycles is estimated to reach approximately 1,326,000 in 2023, representing a CAGR of 14.2% from 2018. In 2018, the success rate of an IVF treatment cycle in the PRC was approximately 45%[(1)], while the success rate achieved by our network in the PRC was 54%. The success rate in the PRC was derived from expert interviews conducted by Frost & Sullivan.

Total Number of IVF Treatment Cycles Performed in the PRC, 2014-2023E



Source: Frost & Sullivan analysis

Key Growth Drivers of the PRC ARS Market

The PRC ARS market growth has primarily been driven by three key factors:

- *Greater demand for ARS*
  - o *Prevalence of infertility* — With an increase in the average age of the first birth, the prevalence of infertility in the PRC is expected to continue rising. Unhealthy lifestyle factors among young Chinese people, such as prolonged use of electronic devices, poor sleeping habits and environmental pollution, are likely to further impact the prevalence of infertility.

(1) Data on the national success rate in the PRC by age group is not publicly available, because it is not a regulatory standard adopted by the relevant authorities to assess the quality of ARS provided.

  - *Two-child Policy* — With the implementation of the Two-child Policy in 2015, more and more families are encouraged or expect to have a second child. In these families, the women tend to face difficulties conceiving, thus raising the demand for ARS.
  - *Improved awareness in the ARS* — An increased standard of living has led to growth in awareness and use of ARS. A low ARS penetration rate of 7.0% in the PRC demonstrates that many infertile couples still lack the adequate knowledge and education about ARS, suggesting there is still room for growth. The PRC government has attached great importance in educating the public on ARS.
- *Increasing affordability for ARS* — As the per capita annual disposable income of Chinese residents continues to grow, it is expected that Chinese people will find ARS more affordable, which will further increase consumption of healthcare services and further drive demand for ARS.
- *Increasing investment in the ARS market* — The vast growth potential in the ARS market in the PRC has attracted an increase in investments, which are expected to result in business expansion and larger assisted reproductive groups in the market, as well as the introduction of more advanced technology and medical equipment.

Entry Barriers of the PRC ARS Market

Despite the drivers discussed above, significant entry barriers remain in the ARS market in the PRC:

- *Medical licenses* — The ARS market in the PRC is subject to strict regulations. ARS providers can obtain five types of approval certificates: AID, AIH, conventional IVF-ET, IVF with ICSI, and PGD/PGS. These certificates are typically issued sequentially, starting with certificates such as AIH before more complex certificates like IVF with ICSI can be obtained after a number of years in operation. These certificates may be withdrawn if service providers cannot pass the verification process conducted periodically by the government approval authority. As of December 31, 2016, there were a total of 451 licensed assisted reproductive institutions, of which 327 institutions possessed IVF licenses. Among the 327 medical institutions, only 35 of them were private institutions.
- *Highly-qualified talent resources* — PRC patients prefer to receive treatment from medical institutions with renowned physicians. Furthermore, seasoned physicians in this field are scarce in the PRC and are often hesitant to work for private ARS providers, due to concerns related to team structure and operations. Nurturing professional and experienced experts to establish an influential medical team in the PRC requires significant time and resources to cultivate an efficient operating model to ensure success.
- *Brand reputation* — In the PRC, patients tend to choose ARS institutions with a strong reputation, usually defined by having experienced physicians, well-managed laboratories, high success rate, and, most importantly, a proven track record of having performed a significant number of IVF treatment cycles. In 2018, only approximately 23 ARS providers in the PRC conducted over 5,000 IVF treatment cycles, of which only two are non-state owned medical groups.
- *Access to capital* — New entrants typically require abundant initial capital to acquire and operate the facilities, and to purchase essential medical equipment and products necessary to perform IVF treatment up to the standards required to obtain requisite medical licenses. Additionally, according to the Guidelines for the Planning of Human Assisted Reproductive Technology, issued by the NHFPC in 2015, new ARS licenses can only be issued to Class III Hospitals (general, ob-gyn) and Class III maternal and child care service centers, which requires significant capital investment.

In addition to a large and expanding patient population and high entry barriers, the PRC ARS market is further characterized by pricing flexibility without social insurance constraints, outpatient services with minimal capacity constraints, and operating leverage.

Competitive Landscape of the PRC ARS Market

The competitive landscape of the PRC ARS market primarily consists of public medical institutions, including the Reproductive Hospital Affiliated to Shandong University (山東大學附屬生殖醫院), Peking University Third Hospital (北京大學第三醫院) and Shanghai Ninth People's Hospital Affiliated to Shanghai Jiaotong University School of Medicine (上海交通大學醫學院附屬第九人民醫

院). The small number of private medical institutions includes Reproductive and Genetic Hospital of Citic-Xiangya (中信湘雅生殖與遺傳專科醫院), a state-owned ARS institution(1), and the medical facilities in our network. In 2016, approximately 90% of existing licensed ARS institutions were public institutions.

There are a wide range of institutions providing ARS in the PRC, including both public and private medical institutions that vary in their focus and specialty. With a rapid rate of urbanization in emerging areas and a high concentration of public medical institutions in large cities, the private ARS market in the PRC is expected to continue growing. Additionally, the PRC government has put in place policies prioritizing the development of new private medical institutions in the 2011 Government Work Report and the "12th five-year" healthcare planning policy. The PRC government is also making efforts to create a more favorable policy environment for private medical institutions from taxation and other perspectives.

In terms of IVF treatment cycles, as the PRC ARS market is relatively fragmented, the top 10 and 20 players accounted for 26% and 36% of market share, respectively in 2018. In terms of IVF treatment cycles conducted and revenue generated from ARS institutions, our network in the PRC ranked third and second with a market share of 3.1% and 3.9%, respectively, and ranked first among all non-state owned ARS institutions.

Company	Nature	Approximate number of IVF treatment cycles performed in the PRC in 2018	Market share based on IVF treatment cycles performed in the PRC in 2018	Market share based on revenue from assisted reproductive medical networks in the PRC in 2018(1)
A(3)	State-owned, Private	40,000	5.8%	6.2%
B(4)	State-owned, Public	28,000	4.1%	3.6%
Our network in the PRC(2)	Non-state owned, Private	20,958	3.1%	3.9%
C(5)	State-owned, Public	19,000	2.8%	2.7%
D(6)	State-owned, Public	17,900	2.6%	2.9%

Note:
(1) Revenue of the ARS centers within the medical institutions
(2) Includes the revenue from our jointly managed ARS centers
(3) A reproductive and genetic Class III hospital located in Hunan province, China
(4) A reproductive Class III hospital affiliated with Shandong University and located in Shandong province, China
(5) A Class III hospital affiliated with Peking University and located in Beijing, China
(6) A Class III hospital affiliated with Shanghai Jiaotong University and located in Shanghai, China
Source: Frost & Sullivan analysis

Chinese Patients Going Abroad

As an increasing number of Chinese patients are seeking a wider range of service options such as surrogacy, and egg and sperm cryopreservation, a significant number of Chinese people are going overseas for ARS. Southeast Asia countries such as Thailand have become popular due to the relatively low service cost. Likewise, the United States has become a popular destination due to a higher standard of services, wider range of service options, and more personalized and customized services. In 2018, approximately 18,000 Chinese people went overseas for ARS, of which 30% went to the United States.

Sichuan and Guangdong ARS Market

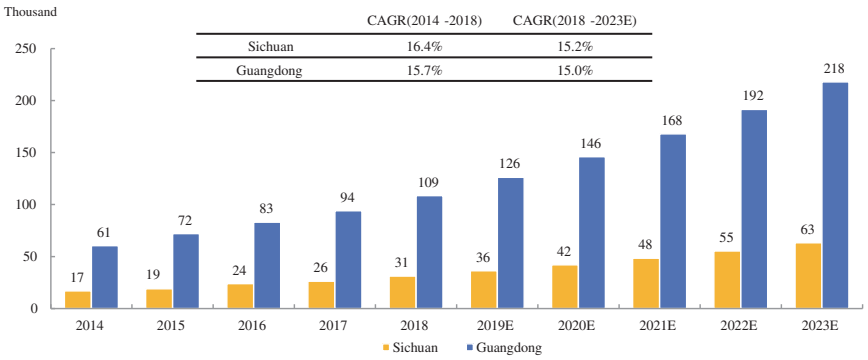
In Sichuan, primarily due to a large population, rapid economic development, especially in the city of Chengdu, and a lower ARS penetration rate, the ARS market in Sichuan grew from RMB662 million in 2014 to RMB1,227 million in 2018, representing a CAGR of 16.7%. Moving forward, the market in Sichuan is expected to grow to RMB2,508 million in 2023, representing a CAGR of 15.4% from 2018. The ARS penetration rate in Sichuan was 6.7% in 2018 and is expected to increase to 9.6% in 2023.

In Guangdong, primarily due to more resources invested in ARS and higher income levels, the ARS market in Guangdong grew from RMB2,367 million in 2014 to RMB4,343 million in 2018, representing a CAGR of 16.4%. Moving forward, the market in Guangdong is expected to further grow to RMB8,802 million in 2023, representing a CAGR of 15.2% from 2018. In the same year, the ARS penetration rate in Guangdong was 10.7% and expected to increase to 15.2% in 2023.

Note:
(1) ARS institution in which the controlling stake is state-owned or collective-owned.

Relating to the total number of IVF treatment cycles performed, in Sichuan, the number grew from approximately 17,000 in 2014 to approximately 31,000 in 2018, representing a CAGR of 16.4%. Meanwhile, the total number of IVF treatment cycles performed in Guangdong increased from approximately 61,000 in 2014 to approximately 109,000 in 2018, representing a CAGR of 15.7%. Due to rising demand for ARS, the total number of IVF treatment cycles in Sichuan and Guangdong are estimated to reach approximately 63,000 and 218,000 in 2023, respectively, representing a CAGR of 15.2% and 15.0% from 2018, respectively.

Total Number of IVF Treatment Cycles in Sichuan and Guangdong, 2014-2023E



Source: Frost & Sullivan analysis

Our assisted reproductive medical network in Chengdu was the largest in the ARS market in Sichuan for three consecutive years from 2016 to 2018 in terms of IVF treatment cycles performed, with a market share of 50.1% in 2018. Our medical facility network in Chengdu was also one of only two ARS providers in Sichuan that conducted over 5,000 IVF treatment cycles in 2018. Furthermore, as of 2016, out of nine assisted reproductive institutions possessing an IVF license in Sichuan, our medical facility network in Chengdu was the only private ARS group.

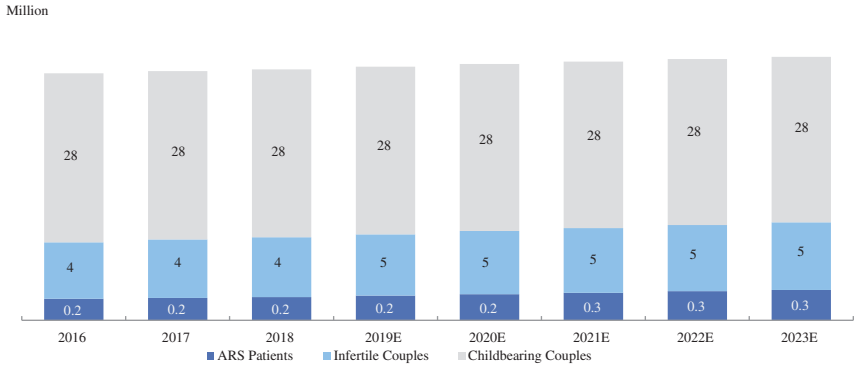
In Guangdong, Shenzhen Zhongshan Hospital was the third largest player in the ARS market in 2018 in terms of IVF treatment cycles performed, with a market share of 4.9%. In that same year, Shenzhen Zhongshan Hospital was also one of five medical institutions (including three public and one other private medical institutions) that conducted more than 5,000 IVF treatment cycles. In 2016, out of the 46 assisted reproductive institutions possessing IVF licenses in Guangdong, Shenzhen Zhongshan Hospital was one of eight private medical institutions.

In 2018, the medical facilities in our network in Chengdu achieved a success rate of 54%, higher than the success rate of 49% in Sichuan. Similarly, Shenzhen Zhongshan Hospital's success rate was 52%, higher than the industry success rate of 50% in Guangdong.

THE UNITED STATES ARS MARKET

The ARS market in the United States increased from US$2.87 billion in 2014 to US$3.71 billion in 2018, representing a CAGR of 6.6%, and is expected to further increase to US$4.93 billion by 2023, representing a CAGR of 5.9% from 2018. This growth is primarily driven by an increase in the average age of first birth, wider acceptance of ARS, and increased marriages in the LGBT community. The United States had a relatively high ARS penetration rate of 30.2%. Due to factors such as advanced technology, higher success rate, and higher standard of services, an increasing number of international patients have been going to the United States for ARS. The number of ARS clinics has been generally stable, growing modestly from 486 in 2012 to 502 in 2016, and with the majority of them able to perform PGD/PGS treatment. In 2018, there were approximately 4.5 million infertile couples in the United States, with 0.7 million couples in need of ARS and 217,100 patients receiving ARS in the United States.

Number of Infertile Couples in the U.S., 2016-2023E

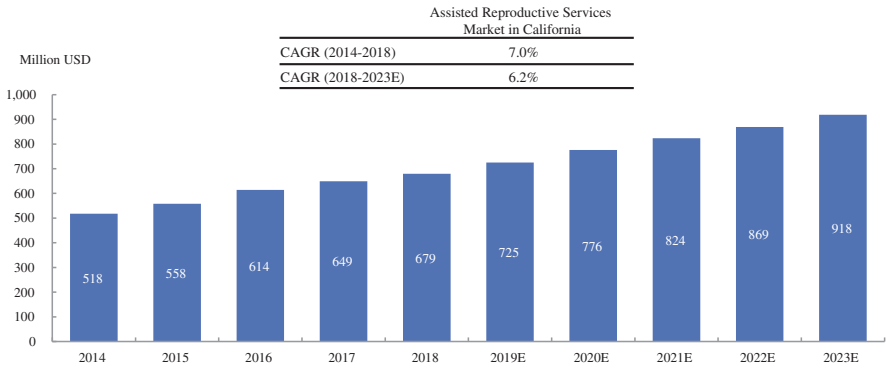


Note: The number of infertile couples includes all couples of childbearing age and is derived from United States Census Bureau data, the infertility rate reported by the United States Department of Health and Human Services, and expert interviews conducted by Frost & Sullivan.

Source: Frost & Sullivan analysis

In California, the ARS market has grown faster than the national market, from approximately US$518 million in 2014 to approximately US$679 million, representing a CAGR of 7.0%, and is expected to grow to approximately US$918 million by 2023, representing a CAGR of 6.2% from 2018.

ARS Market in California, 2014-2023E



Source: CDC, Frost & Sullivan analysis

Due to factors such as favorable regulatory policies towards ARS, as well as ample top-quality ARS talent and institutions, California has become one of the top three states for ARS. As compared to other states, California has the following features:

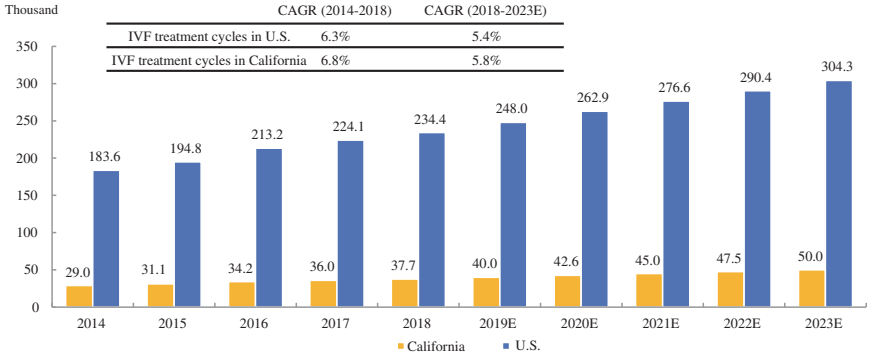
- Surrogacy is legal and regulated, which means (i) there are no restrictions on either intended parents or surrogates, and (ii) a parent-child relationship can be requested before the child's birth;
- There are more ARS clinics in California than any other states in the United States, along with approximately 230 reproductive endocrinologists out of 1,500 nationwide, providing patients with access to a broad range of services, such as surrogacy, egg and sperm cryopreservation, and PGD/PGS;
- The weather conditions and geographical location are favorable; and
- The success rate is higher than the national average.

In 2018, approximately 8,600 international patients came to the United States for ARS, of which 63% of the patients were from the PRC. In particular, the number of Chinese people going to the United States for ARS has increased steadily from 2,900 in 2014 to 5,400 in 2018, representing a CAGR of 16.8%. The number is expected to further increase to 13,500 by 2023, representing a CAGR of 20.1% from 2018.

In particular, California has become a popular destination for international patients, and more specifically, Chinese patients. In 2018, among the approximately 6,200 international patients that came to California, 70% were from the PRC. In terms of patients from the PRC going to the United States for ARS, 81% (or 4,350) of the patients went to California in 2018, an increase from 2,250 patients in 2014, representing a CAGR of 17.9%, higher than the U.S. national growth rate. The number is expected to further increase to 11,350 by 2023, representing a CAGR of 21.1% from 2018.

There was also similar growth in terms of the number of IVF treatment cycles performed. The total numbers of IVF cycles in the United States and California increased from approximately 183,600 and 29,000 in 2014 to approximately 234,400 and 37,700 in 2018, respectively, representing a respective CAGR of 6.3% and 6.8%. The numbers are expected to reach approximately 304,300 and 50,000 by 2023 for the United States and California, respectively, representing a respective CAGR of 5.4% and 5.8% from 2018.

Total Number of IVF Treatment Cycles Performed in the United States and California, 2014-2023E



Source: CDC, Frost & Sullivan analysis

Key Growth Drivers of the U.S. ARS Market

The U.S. ARS market growth is driven by the following key factors:

- *Growing local demand for ARS* — Due to the increase in the prevalence of infertility, the number of infertile couples reached more than four million in 2017[(1)] and the trend is expected to continue. Additionally, there is an increasing number of couples without infertility problems turning to ARS, such as LGBT couples.
- *Attractiveness to international patients* — Comprehensive ARS can be provided in the United States, regardless of the patients' marital status, nationality and sexual orientation. Women without a partner can choose to freeze their eggs for future use or conceive a baby via a sperm bank. As a result, the U.S. has become one of the top destinations for international patients, even if the cost is relatively high.
- *Advancement of ART* — Novel assisted reproductive technologies, such as DNA fragmentation index, may help physicians with clinical diagnosis and provide new treatment options for patients.
- *Evolving social acceptance* — In 2015, the Supreme Court of the United States legalized same-sex marriage nationwide. The number of same-sex marriages is expected to continue to increase in the coming years, which will, in turn, fuel the demand for ARS.

Note:

(1) The number of infertile couples includes all couples of childbearing age and is derived from United States Census Bureau data, the infertility rate reported by the United States Department of Health and Human Services, and expert interviews conducted by Frost & Sullivan. The infertile population is calculated as the number of childbearing couples multiplied by the infertility rate. Although the infertility rate of the United States and China are similar, the number of infertile couples differs as a result of the difference in the number of childbearing couples. The primary factors accounting for the difference are total population (a larger population in China), age structure (a younger population in China leads to a higher number of childbearing couples) and the proportion of married couples (higher proportion of married couples in China leads to a higher number of childbearing couples).

Entry Barriers of the U.S. ARS Market

Despite the drivers discussed above, there remain significant entry barriers and challenges to the U.S. ARS market:

- *Critical scale* — In order to effectively perform IVF treatment, clinics must attain a certain number of IVF treatment cycles on a regular basis. In the U.S., the ARS market mainly consists of small clinics which can only perform a small number of ART treatment cycles every year. In 2017, approximately 64% of clinics in the U.S. conducted less than 500 ART treatment cycles, while only 6% conducted more than 2,000 ART treatment cycles. In terms of assisted reproductive medical groups, only 22 conducted more than 2,000 ART treatment cycles in 2017.
- *Brand reputation* — Market players in U.S. ARS market usually rely on brand reputation to develop their business. Patients tend to choose ARS providers with a strong reputation, which would be difficult for new entrants to establish in a short amount of time.
- *Seasoned talent* — ARS providers need to employ experienced physicians and professional nursing teams to ensure the efficacy of treatment. In the United States, physicians are usually certified through the American Board of Obstetrics and Gynecology and American Board of Urology, which can take up to 20 combined years of higher education and training. The number of graduates awarded an M.D. degree from U.S. medical schools increased by only 1,481 from 2013 to 2018. Furthermore, ARS clinics are even more dependent on its physicians in the U.S. than in the PRC, as licensed physicians can practice independently without being associated with a specific hospital or clinic.
- *Abundant capital* — New entrants usually require a large sum of initial capital to purchase laboratory and surgery facilities and essential medical equipment necessary to perform IVF treatment up to the standards required to obtain requisite medical licenses.

Competitive Landscape of the U.S. ARS Market

MSA Arrangements

There are multiple examples of management services arrangements employed by publicly traded companies in the U.S. healthcare market, such as UnitedHealth Group Inc., DaVita Inc., and Anthem, Inc. (through its subsidiary), involving a management services company affiliated with such publicly traded companies and physician practice groups. Those management services arrangements, like the arrangement between HRC Medical and HRC Management, provide for various services, including without limitation, accounting services, staffing, billing services, payroll services, and office space for physician practices, and such services are available on both a piecemeal and comprehensive basis. The fee structure in the arrangement between HRC Medical and HRC Management, which provides for the management company to be paid a percentage of revenue of the physician practice group, is also commonly used in similar arrangements of other publicly traded companies, especially in California where such compensation methodology is authorized by statute.

United States

The U.S. ARS market is relatively fragmented and primarily consists of private medical institutions. HRC Fertility was the second and fifth largest player in the United States market in terms of revenue generated from ARS clinics and IVF treatment cycles performed in 2018, respectively, with a respective market share of 2.5% and 1.9%.

Company	Revenue from ARS clinics in the United States in 2018 (US$ millions)	Market share based on revenue from ARS clinics in the United States in 2018	Number of IVF treatment cycles performed in the United States in 2018	Market share based on IVF treatment cycles performed in the United States in 2018
E[(1)]	196	5.3%	11,300	4.8%
HRC Fertility	94	2.5%	4,500	1.9%
F[(2)]	92	2.5%	6,800	2.9%
G[(3)]	89	2.4%	5,500	2.3%
H[(4)]	77	2.1%	5,100	2.2%

Note:

(1) A private IVF center headquartered in Maryland, U.S.

(2) A private IVF center with global locations

(3) A private IVF center headquartered in Massachusetts, U.S.

(4) A private IVF center headquartered in Colorado, U.S.

Source: Frost & Sullivan analysis

In particular, HRC Fertility ranked first among all ARS providers in the United States, in terms of IVF treatment cycles provided to ARS patients travelling from China to the United States for treatment in 2017.[1] HRC Fertility is well-positioned to benefit from the accelerated growth in Chinese ARS patients going to the United States for treatment.

HRC Fertility ranked first in the Western United States in terms of both revenue generated from ARS clinics and IVF treatment cycles performed in 2018, with US$94 million in revenue and 4,500 IVF treatment cycles, respectively.

Note:

(1) The data used to compute this ranking was obtained from interviews with medical service agents and experts with substantive information of major market players.

California

In the California ARS market, HRC Fertility also ranked first in terms of both revenue generated from ARS clinics and IVF treatment cycles in 2018, with a market share of 13.9% and 11.9%, respectively.

Company	Revenue from ARS clinics in California in 2018 (US$ millions)	Market share based on revenue from ARS clinics in California in 2018	Number of IVF treatment cycles performed in the California in 2018	Market share based on IVF treatment cycles performed in the California in 2018
HRC Fertility	94	13.9%	4,500	11.9%
I[1]	36	5.4%	2,600	6.9%
J[2]	33	4.9%	2,900	7.7%
K[3]	31	4.5%	2,000	5.3%
L[4]	28	4.1%	1,900	5.0%

Note:

(1) A public IVF center located in San Francisco, California and affiliated with the University of California San Francisco

(2) A private IVF center located in Irvine, California

(3) A private IVF center located in San Francisco, California

(4) A private IVF center located in San Diego, California

Source: Frost & Sullivan analysis

The following charts illustrate the fresh and frozen embryo transfer success rates at the national level, the Western United States and California. The success rate were derived from data reported by the CDC.

Comparison of Success Rates in the U.S., 2016

	Age Group	U.S.	Western U.S.	California	HRC Fertility
Nondonor	<35	56.8%	60.9%	60.8%	66.8%
	35-37	53.0%	58.1%	57.8%	64.4%
	38-40	47.9%	54.8%	53.8%	56.6%
	41-42	38.4%	45.9%	44.1%	45.4%
	>42	27.2%	38.2%	35.5%	44.6%
	Overall (Nondonor)	51.7%	56.6%	55.3%	61.3%
Overall (Nondonor and donor)		52.5%	57.7%	56.5%	62.0%

Note:

Clinical outcomes for donor and nondonor vary from institution to institution depending on patient conditions. In general, the success rate of donor eggs and embryos is higher than nondonor since donor eggs usually are typically of higher quality.

Source: CDC, Frost & Sullivan analysis

Comparison of Success Rates in the U.S. by Fresh and Frozen Embryo Transfer, 2016

	U.S.	Western U.S.	California	HRC Fertility
Fresh Embryo Transfer	46.8%	51.1%	50.5%	61.3%
Frozen Embryo Transfer	56.2%	60.4%	59.1%	62.4%
Overall	52.5%	57.7%	56.5%	62.0%

Note: Fresh embryo transfer here excludes the fresh embryo from previously frozen and thawed nondonor eggs. Clinical outcomes for fresh and frozen embryo transfers vary from institution to institution depending on patient conditions. In general, the success rate of frozen embryo transfer is higher in the U.S., typically due to a more favorable uterine environment and lower stress levels as there are typically more viable frozen embryos and patients can have more control over their treatment process if embryos are frozen.

Source: CDC, Frost & Sullivan analysis

SUMMARY OF MAJOR LAWS AND REGULATORY PROVISIONS

Laws and Regulations Applicable to Our Business in the PRC

Our business in China is subject to extensive supervision and regulatory control by the PRC government. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business, particularly in relation to: (1) reforms of medical institutions that may affect our capabilities to implement our existing business strategies for the expansion of our hospital network; (2) the classification and management of medical institutions, regulations of human assisted reproductive technology, supervision of pharmaceuticals in medical institutions, medical devices and therapies, medical professionals, environmental protection and labor protection, and the governance of our day-to-day operations which may affect our costs of compliance; (3) medical incidents which may affect our indebtedness arising from our day-to-day operations; (4) foreign investors investing in the PRC and our Company's capabilities to conduct business in the PRC as a foreign-invested company; and (5) taxation and foreign exchange matters which may affect our operating results and business.

For details on how such regulatory provisions may affect our current and future business, please refer to "Industry Overview — The PRC ARS Market" and "Risk Factors — Risks Relating to Our Business and Industry — 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 condition of the assisted reproductive medical facilities in our network, and therefore, our Group."

Relevant Regulations in Respect of Classification and Management of Medical Institutions

Medical institutions in the PRC are divided into three main categories: public non-profit medical institutions, private non-profit medical institutions and private for-profit medical institutions.

Notice of the General Office of the State Council on Forwarding the Opinions of the National Development and Reform Commission, the Ministry of Health and Other Departments on Further Encouraging and Guiding Social Capital to Establish Medical Institutions (《國務院辦公廳轉發發展改革委衛生部等部門關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知》)

Notice of the General Office of the State Council on Forwarding the Opinions of the National Development and Reform Commission, the Ministry of Health and Other Departments on Further Encouraging and Guiding Social Capital to Establish Medical Institutions (《國務院辦公廳轉發發展改革委衛生部等部門關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知》) promulgated by the State Council on November 26, 2010 and became effective on the same day, non-profit medical institutions established by social capitals with the intention to transform to for-profit medical institutions shall obtain the approval of the original evaluating and approving department and complete relevant procedures as prescribed by law. For-profit medical institutions established by social capital with the intention to transform to non-profit medical institutions may file their application and complete the relevant modification procedures as prescribed by law.

Notice on the Implementation of Market Adjusted Prices in Healthcare Services by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》)

The Notice on the Implementation of Market Adjusted Prices in Healthcare Services by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》) ,which was promulgated by the NDRC, the NHFPC and the MOHRSS on March 25, 2014, and came into effect on the same day, required the price of healthcare services provided by non-public medical institutions to be set with reference to the market level. Non-public medical institutions which are for-profit in nature may set the price list for their healthcare services at their own discretion. Non-public medical institutions which are non-profit in nature may set the price list for their healthcare services according to the National Standard Price List of Healthcare Services (《全國醫療服務價格項目規範》). For non-public medical institutions qualified to become designated medical institutions covered by medical insurance, they should be included as a designated service providers covered by social insurance such as basic medical insurance for employees and urban residents, new-type rural cooperative medical insurance, work-related injury insurance and maternity insurance in accordance with relevant procedures and adopt the same payment policy as in public hospitals. To efficiently utilise funds, medical insurance agents should determine specific payment methods and standards with such non-public medical institution by ways of negotiation under the requirements of medical insurance payment system reform.

Regulations for the Administration of Medical Institutions (《醫療機構管理條例》) and its Implementation Rules

According to the provisions of the Regulations for the Administration of Medical Institutions (《醫療機構管理條例》) promulgated by the State Council on February 26, 1994, which became effective on September 1, 1994 and amended on February 6, 2016, and the Implementation Measures of the Regulations for the Administration of Medical Institutions (《醫療機構管理條例實施細則》) promulgated by the NHFPC on August 29, 1994, which became effective on September 1, 1994 and amended on November 1, 2006, June 24, 2008 and February 21, 2017, the establishment of medical institutions must comply with the requirements of the relevant areas and the basic standards of medical institutions. Any entity or individual planning to establish a medical institution must comply with the relevant application and approval procedures, and must complete registration with the relevant health administration department to obtain the Medical Institution Practising Certificate (醫療機構執業許可證).

Law of Maternal and Infant Healthcare (《母嬰保健法》) and its Implementation Measures

According to the provisions of The Law of Maternal and Infant Healthcare of the People's Republic of China (《中華人民共和國母嬰保健法》) promulgated by the Standing Committee of the National People's Congress on October 27, 1994, which became effective on June 1, 1995 and amended on August 27, 2009 and November 4, 2017, and the Implementation Measures of the Law of Maternal and Infant Healthcare of the People's Republic of China (《中華人民共和國母嬰保健法實施辦法》) promulgated by the State Council on June 20, 2001 and became effective on the same date and

amended on November 17, 2017, medical institutions conducting (i) prenatal diagnosis and genetic disorder diagnosis; (ii) pre-marital medical examination; or (iii) midwife services, birth control surgery or abortion services, must be approved by health administrative authorities at various levels in accordance with regulations and obtain relevant qualification certificates.

Administrative Measures for the Examination of Medical Institutions (Trial Implementation) (《醫療機構校驗管理辦法(試行)》)

According to the provisions of the Administrative Measures for the Examination of Medical Institutions (Trial Implementation) (《醫療機構校驗管理辦法(試行)》) promulgated by the NHFPC and became effective on June 15, 2009, medical institutions with a medical institution practising certificate must be subject to regular examination and review by the registration authority. In the event the medical institution fails to pass the examination, the medical institution practising certificate will be revoked.

Relevant Regulations on Human Assisted Reproductive Technology

Regulatory authority for Human Assisted Reproductive Technology in the PRC

Assisted reproductive technology in the PRC are regulated by the National Health Commission (中華人民共和國國家衛生健康委員會), formerly known as the Ministry of Health of the PRC (中華人民共和國衛生部), the health administrative department of the people's government of the PRC at the provincial level and its subordinate health administrative departments (省級衛生行政部門及其下級衛生行政部門) as the department in charge (主管部門). For medical institutions based in Sichuan, PRC, the Ministry of Health of the PRC, the Sichuan Health Commission (四川省衛生健康委員會) and its subordinate health administrative departments together is the department in charge. For medical institutions based in Guangdong, PRC, the Ministry of Health of the PRC, the Health Commission of Guangdong Province (廣東省衛生健康委員會) and its subordinate health administrative departments together is the department in charge.

Management Measures on Human Assisted Reproductive Technology (《人類輔助生殖技術管理辦法》)

The MOH promulgated the Management Measures on Human Assisted Reproductive Technology (《人類輔助生殖技術管理辦法》) on February 20, 2001 and it became effective on August 1, 2001 (repealed). It stipulates that human assisted reproductive procedures should only be carried out in approved and registered medical institutions. No entity or individual should carry out human assisted reproductive procedures without the approval of compent health authority. Furthermore, medical institutions must obtain human assisted reproductive technology licenses, which are subject to regular examinations by the governmental approval authority. In the event the medical institution fails to pass the examination, the human assisted reproductive technology licenses would be revoked.

Notice on the Ministry of Health on Amending the Relevant Technical Regulations, Basic Standards and Ethical Principles Relating to Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於修訂人類輔助生殖技術與人類精子庫相關技術規範、基本標準和倫理原則的通知》)

The MOH (repealed) promulgated the Notice on the MOF on Amending the Relevant Technical Regulations, Basic Standards and Ethical Principles Relating to Human Assisted Reproductive Technology and Sperm Bank (《衛生部關於修訂人類輔助生殖技術與人類精子庫相關技術規範、基本標準和倫理原則的通知》) and its appendixes Human Assisted Reproductive Technology Regulation (《人類輔助生殖技術規範》) and Ethical Principles on Human Assisted Reproductive Technology and Human Sperm Bank《人類輔助生殖技術和人類精子庫倫理原則》 on June 27, 2003, which became effective on October 1, 2003. It stipulates the basic requirements, management, indications and contraindications, quality standards and quality control, and code of conduct for technicians working with the two major human assisted reproductive technologies: In Vitro Fertilization and Embryo Transfer (IVF-ET) and its derivative technologies, and Artificial Insemination (AI). Assisted reproductive technology must be implemented under the principles of it being beneficial to the patient and having the patient's informed consent and maintaining their personal issues confidential. The utilization of it should be advantageous to the social welfare and protect the future generations. Furthermore, there shall be strict precautions against commercialization and have ethical supervision when using such technologies. Among others, the principle of having strict precautions against commercialization requires assisted reproductive technology medical institutions and staff to strictly control the indications for couples who require human assisted reproductive technology, and shall not abuse human assisted reproductive technology for economic gains. Sperm and egg donations are only for the purpose of helping others and are prohibited from trade. The donors can be compensated for the loss in working time and transportation and medical expenses. Medical institutions that are licensed to carry out human assisted reproductive technology are subject to these technical norms and ethical principles.

Notice of the NHFPC on Issuance of the Guiding Principles of Human Assisted Reproductive Technology Allocation Planning (2015) (《國家衛生計生委關於印發<人類輔助生殖技術配置規劃指導原則(2015版)>的通知》)

The Notice of the NHFPC on Issuance of the Guiding Principles of Human Assisted Reproductive technology allocation planning (2015) issued by the NHFPC (《國家衛生計生委關於印發<人類輔助生殖技術配置規劃指導原則(2015版)>的通知》), which was promulgated by the NHFPC on April 9, 2015, and came into effect on the same day, requires Human Assisted Reproductive Technology Allocation Plan (2015-2020) (《人類輔助生殖技術配置規劃(2015-2020)》) (the "Allocation Plan") to categorise areas by province (region, city), serving to meet the demands for assisted reproductive technology. The Allocation Plan aims to promote the healthy development of the reproductive medicine industry by promoting the application of assisted reproductive technology in an orderly manner through rational usage of regional medical and health resources and establishing a standardized assisted reproductive technology service system. The Allocation Plan unifies its layout and supervision of medical institutions that conducts assisted reproductive technology to strengthen its management at the regional and industry level. The Allocation Plan requires to estimate the numbers of assisted reproductive technology medical institutions that are in accordance with the Assisted Reproductive Technology Allocation Measurement Method (《輔助生殖技術配置測算方法》).

The forecasted number of assisted reproductive institutions is the maximum number of planned assisted reproductive technology medical institutions in each province. Relevant health administrative departments shall carry out the approval for human assisted reproductive technology according to the Allocation Plan. The approval for human assisted reproductive technology is subject to the Allocation Plan.

Guiding Opinions of the NHFPC Regarding Management on Human Assisted Reproductive Technology and Sperm Banks (《國家衛生計生委關於加強人類輔助生殖技術與人類精子庫管理的指導意見》)

NHFPC promulgated the Guiding Opinions of the NHFPC Regarding Management on Human Assisted Reproductive Technology and Sperm Banks (《國家衛生計生委關於加強人類輔助生殖技術與人類精子庫管理的指導意見》) on April 9, 2015 which became effective on the same date. It stipulates that the administrative departments of health and family planning at each provincial level shall formulate its own provincial (regional, municipal) assisted reproductive technology allocation plan consistent with the requirements of the State based on factors such as the economic and social development level of the administered region, the health-related business development plan, the regional health plan, the population size and infertility rate, the urban layout and traffic conditions and the standards of treatment in medical institutions. The approval of new medical institutions that carry out human assisted reproductive technology must comply with the (regional, municipal) assisted reproductive technology allocation plan. Institutes applying to carry out human assisted reproductive procedures must obtain the Medical Institutions Business Permit (醫療機構執業許可證) and possess appropriate facilities, equipment and technical staff necessary to carry out such procedures, reaching the corresponding technical level. Professional and technical personnel engaged in human assisted reproductive technology shall attend training in accordance with the regulations. The supervision and enforcement of human assisted reproductive technology as an important part of the supervision and management of maternal and child health special technology, is incorporated into the comprehensive supervision and enforcement of health and family planning. Behaviors of assisted reproductive technology medical institutions beyond the scope of assisted reproductive technology services, behaviors of institutions and individuals without the qualifications for assisted reproductive technology that illegally carry out assisted reproductive technology services, as well as illegal and non-compliant behaviors such as illegal surrogacy, illegal donations and supplies of sperm or egg and abuse of gender test, will be strictly regulated.

Supplemental Regulations of the NHFPC on Standardization of Approval of Human Assisted Reproductive Technology and Human Sperm Bank (《國家衛生計生委關於規範人類輔助生殖技術與人類精子庫審批的補充規定》)

The Supplemental Regulations of the NHFPC on Standardization of Approval of Human Assisted Reproductive Technology and Human Sperm Bank (《國家衛生計生委關於規範人類輔助生殖技術與人類精子庫審批的補充規定》), which was promulgated by the NHFPC on April 13, 2015, and came into effect on the same day, specifies the procedures for medical institutions in applying to carry out human assisted reproductive technology and that approved medical institutions shall carry out the

corresponding assisted reproductive technology within the scope and in accordance with the relevant requirements. The medical institutions approved for carrying out assisted reproductive technology shall be restricted to carrying out the relevant technology services within the approved registered location of practice.

Notice of the MOH on the Issuance of Examination, Review and Approval Procedure of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫評審、審核和審批管理程序的通知》)

The Notice of the MOH on the Issuance of Examination, Review and Approval Procedure of Human Assisted Reproductive Technology and Human sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫評審、審核和審批管理程序的通知》), which was promulgated by the MOH (repealed) on June 27, 2003 and came into effect on the same day, requires medical institutions that provided human assisted reproductive technology services to be selected by the health departments and bureaus of each province, autonomous region and municipality based on the objective needs and affordability of people and technical capabilities of the province. It also stipulates the principles of the planning and layout of human assisted reproductive technology medical institutions, as well as the procedures for application, examination, review, filing and approval. Medical institutions must obtain licenses for human assisted reproductive technology, and the granting of such licenses requires applicants to meet the requirements of the allocation plan for human assisted reproductive technology, technical norms and ethical principles.

Notice of the Implementation Rules of the MOH on the Issuance of Check of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫校驗實施細則的通知》)

The Notice of the Implementation Rules of the MOH on the Issuance of Check of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫校驗實施細則的通知》), which was promulgated by the MOH (repealed) on February 7, 2006, and came into effect on the same day, requires of medical institutions that conducts sperm donation IVF-ET technology and sperm donation AI technology to enter into a sperm donation agreement with the human sperm bank and for it to be examined and approved by the MOH, specifying its specific usage. The medical institutions with approval to carry out human assisted reproductive technology shall strictly control the implementation of egg donation technology and strictly manage the indications for accepting the egg donation. The Implementation Rules specifies the checking procedures and reinforces the standards of human assisted reproduction. The medical institutions examined and approved for carrying out human assisted reproductive technology services and establishment of sperm bank shall report on the circumstances, data and annual statistics of the aforementioned technologies performed in the previous year to the provincial health administrative department at the end of March of each year for preliminary statistics, which is then reported to the MOH by the provincial health administrative departments. The license for human assisted reproductive technology of medical institutions shall be periodically examined by the health administrative departments. If the examination application is not submitted on time or a medical institution fails the examination, the license for human assisted reproductive technology will be invalidated or withdrawn.

Opinions of the Health and Family Planning Commission of Sichuan Province on Initiating the Reform of System for Permitting Medical Institutions to be involved in "Comprehensive approval, Integrating Certificates into One" (《四川省衛生和計劃生育委員會關於開展醫療機構許可「綜合審批、多證合一」制度改革的意見》)

The Opinions of the Health and Family Planning Commission of Sichuan Province on Initiating the Reform of System for Permitting Medical Institutions to be involved in "Comprehensive approval, Integrating Certificates into One" (《四川省衛生和計劃生育委員會關於開展醫療機構許可「綜合審批、多證合一」制度改革的意見》) promulgated by the Health and Family Planning Commission of Sichuan Province (now renamed as the Health Commission of Sichuan Province) on September 5, 2017, unifies the examination and renewal period of relevant certificates and licenses of medical institutions. The examination period for human sperm bank of medical institutions and the renewal period for human assisted reproductive technology institutions have been unified to 3 years.

Notice of the MOH on Strengthening the Allocation Planning and Supervision and Management of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於加強人類輔助生殖技術和人類精子庫設置規劃和監督管理的通知》)

The Notice of the MOH on Strengthening the Allocation Planning and Supervision and Management of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於加強人類輔助生殖技術和人類精子庫設置規劃和監督管理的通知》), which was promulgated by the MOH (repealed) on May 15, 2007, and came into effect on the same day, requires provincial health administrative departments to be responsible for the allocation planning of the human assisted reproductive technology institutions in their regions and filing to the MOH (repealed) for approval. New human assisted reproductive technology institutions shall comply with the allocation planning. In respect of the existing human assisted reproductive technology institutions, the MOH focuses on the investigation of institutions that conducts human assisted reproductive technology beyond the scope of approval, such as implementing surrogacy technology in any form; selling and purchasing of gamete, zygote or embryo, carrying out gender test for non-medical purpose without authorisation, using sperm provided by unauthorised human sperm bank, illegally carrying out sperm test and collection, as well as providing sample of sperm. Such behaviours would lead to the revocation of certificate for human assisted reproductive technology and their human sperm bank.

Notice of Establishment of the Long-term Working Mechanism for Investigating illegally applying Human Assisted Reproductive Technology (《關於建立查處違法違規應用人類輔助生殖技術長效工作機制的通知》)

Notice of Establishment of the Long-term Working Mechanism for Investigating illegally applying Human Assisted Reproductive Technology (《關於建立查處違法違規應用人類輔助生殖技術長效工作機制的通知》), which was jointly promulgated by 12 departments, including the NHFPC**,** on September 5, 2017 and came into effect on the same day, stipulates combating against illegal acts such as illegal sperm or egg collection and supply, illegal gender test, as well as surrogacy. It establishes a mechanism for collaboration among various departments, which encourages the supervision and handling of major cases, case transfers between departments, sharing case information, guidance and

cooperation and an award system. Illegal behaviors conducted by medical institutions, such as illegal donations and supplies of sperm or egg and illegal gender test, as well as "surrogate" will be strictly regulated.

Relevant Regulations on Pharmaceuticals of Medical Institutions and Supervision of Medical Devices

Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (Trial Implementation) (《醫療機構藥品監督管理辦法(試行)》)

According to the provisions on Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (Trial Implementation) (《醫療機構藥品監督管理辦法(試行)》) promulgated by the China Food and Drug Administration (repealed) on October 11, 2011, and came into effect on the same day, medical institutions must purchase pharmaceuticals from enterprises that are qualified for the production or distribution of pharmaceuticals and comply with certain standards in regards to storage, safekeeping, preparations and use of such pharmaceuticals. Pharmaceutical products produced by a medical institution must only be used by and for that particular medical institution. Medical institutions are prohibited from selling prescription pharmaceuticals to the public by means such as postage, online transaction and over-the-counter selection.

Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)

The Regulations on the Supervision and Administration of Medical Devices (醫療器械監督管理條例) promulgated by the State Council on January 4, 2000 and amended on March 7, 2014 and May 4, 2017 stipulate requirements on the storage areas, conditions and code of conduct for entities using medical devices. Meanwhile, medical institutions that use large-scale medical equipment are also required to obtain the License for Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證).

Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (Trial Implementation) (《大型醫用設備配置與使用管理辦法(試行)》)

Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (Trial Implementation) (《大型醫用設備配置與使用管理辦法(試行)》) jointly promulgated by NHFPC and State Drug Administration on May 22, 2018 and came into effect on the same day, stipulate the management of large-scale medical equipment (referring to large-scale medical equipment with complicated technology, large capital contribution, high operating cost, great impact on medical fee and included in the catalogue) is subject to the allocation planning and licensing system. Entities using large-scale medical equipment shall comply with regulations on the Deployment and Use of Large-scale Medical Equipment during its application and have functions that complement the need for clinical services. These entities should also possess applicable technologies, supporting facilities and competent technicians. Large-scale medical equipment operating staff shall possess relevant qualifications and the ability to operate large-scale medical equipment in accordance with the manual and technical operating standards.

Relevant Regulations on Medical Accidents

General Provisions of the Civil Law of the People's Republic of China (《中華人民共和國民法總則》)

The General Provisions of the Civil Law of the People's Republic of China (《中華人民共和國民法總則》) promulgated by the National People's Congress on March 15, 2017 and became effective on October 1, 2017, requires tortfeasor to assume the responsibilities of infringement if the civil interests of any people has been infringed.

The General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》)

The General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》) promulgated by the National People's Congress on April 12, 1986, became effective on January 1, 1987 and amended on August 27, 2009, requires that the fees such as medical costs, lost wages and disability allowance to be compensated where a tort has caused any personal injury to a citizen. In the event that the tort caused the death of the victim, the tortfeasor shall also pay fees such as the funeral service fees and necessary living expenses of the person(s) supported by the victim before his death.

Tort Liability Law of the People's Republic of China (《中華人民共和國侵權責任法》)

According to the provisions of the Tort Liability Law of the People's Republic of China (《中華人民共和國侵權責任法》) promulgated by the Standing Committee of the National People's Congress on December 26, 2009 and became effective on July 1, 2010, if a medical institution or its medical personnel are at fault for damage inflicted on a patient or if the damage was caused due to the medical personnel failing to fulfill their statutory obligations during the course of diagnosis or treatment, the medical institution will be liable for compensation. Medical institutions and their medical personnel are responsible for their patients' confidentiality and will be liable for any damage caused by divulging a patient's private information or medical records without prior consent of the patient.

Regulations on Handling Medical Malpractice (《醫療事故處理條例》)

The Regulations on Handling Medical Malpractice (《醫療事故處理條例》), which were promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, provide a legal framework and specific regulations regarding the prevention, identification, compensation and penalties of or relating to cases involving personal injury to patients caused by medical institutions or medical personnel due to malpractice.

Relevant Regulations on Medical Practitioners of Medical Institutions

The Law on Practising Physicians of the People's Republic of China (《中華人民共和國執業醫師法》)

Pursuant to the Law on Practising Physicians of the People's Republic of China (《中華人民共和國執業醫師法》) promulgated by the Standing Committee of the National People's Congress on June 26, 1998, became effective on May 1, 1999 and amended on August 27, 2009, medical physicians in the PRC must obtain licenses of medical professional qualifications. Qualified physicians and assistant physicians must register with the relevant health administrative authorities at county level or above. After registration, physicians may practise in medical institutions of their registered location under the type of registered specialty to provide the relevant medical, preventive or healthcare services.

Administrative Measures for the Registration of Practising Physicians (《醫師執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practising Physicians (《醫師執業註冊管理辦法》) promulgated by the NHFPC on February 28, 2017 and became effective on April 1, 2017, medical physicians must register and obtain the Physician Practising Certificate (醫師執業證書) before they commence practice and, those who are not registered or have not obtained the Physician Practising Certificate are not allowed to engage in medical, preventive and healthcare services. The registration details of practising physicians include place of practice, type of registered specialty and scope of practice. The place of practice refers to the county and provincial administrative region of the medical, preventive and healthcare institutions where the physician is practicing.

Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from MOH (《關於印發<推進和規範醫師多點執業的若干意見>的通知》)

The Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from MOH (《關於印發<推進和規範醫師多點執業的若干意見>的通知》) promulgated by 5 departments, including the NHFPC, on November 5, 2014, and became effective on the same date, stipulates clinical physicians, dentists and Chinese medicine physicians are permitted for practicing at multiple sites. Physicians practicing in multiple sites shall have intermediary or above technical skills and has been in the same profession for more than five years. Practicing physicians practicing outside of their first practice site shall practice the same registered specialty as their first practice site and the scope of practice shall be the same as Class II diagnosis and treatment of the first practice site.

Regulations on Nurses (《護士條例》)

Pursuant to the Regulations on Nurses (《護士條例》) promulgated by the State Council on January 31, 2008 and became effective on May 12, 2008, a nurse must obtain the Nurse Practising Certificate, which is valid for five years. The number of nurses deployed to a medical institution shall not be less than the standard number as prescribed by the competent health administration authority.

Administrative Measures for the Registration of Practising Nurses (《護士執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practising Nurses (《護士執業註冊管理辦法》) promulgated by the NHFPC on May 6, 2008 and became effective on May 12, 2008, nurses must register and obtain the Nurse Practising Certificate (護士執業證書) before they practice nursing at the registered practising place. Those who are not registered or have not obtained the Nurse Practising Certificate are not allowed to engage in nursing activities regulated by medical treatment standards.

Relevant Regulations on Medical Insurance and Medical Liability Insurance for Urban Employees

Interim Measures for the Administration of Designated Medical Institutions of Basic Medical Insurance for Urban Employees (《城鎮職工基本醫療保險定點醫療機構管理暫行辦法》)

According to the provisions of the Interim Measures for the Administration of Designated Medical Institutions of Basic Medical Insurance for Urban Employees (《城鎮職工基本醫療保險定點醫療機構管理暫行辦法》) jointly promulgated by the Ministry of Labor and Social Security (repealed), the MOH (repealed) and the State Administration of Traditional Chinese Medicine on May 11, 1999, and came into effect on the same day, if a medical institution wants to provide medical services to urban employees with basic medical insurance, it must pass a review conducted by the labour and social security supervision authority and must obtain qualification of designated medical institution of basic medical insurance.

Guiding Opinions of the MOHRSS on Improving the Management of Designated Medical Institutions and Pharmacies of Basic Medical Insurance through Agreements (《人力資源和社會保障部關於完善基本醫療保險定點醫藥機構協定管理的指導意見》)

The Guiding Opinions of the MOHRSS on Improving the Management of Designated Medical Institutions and Pharmacies of Basic Medical Insurance through Agreements (《人力資源和社會保障部關於完善基本醫療保險定點醫藥機構協定管理的指導意見》) promulgated by the MOHRSS on December 2, 2015, and became effective on the same date, requires agencies and the medical institutions to strictly comply with the stipulations in the service agreement and perform the agreement seriously. The defaulting party shall be held liable to the violations of the agreement.

Relevant Regulations on Medical Advertising in the PRC

Advertising Law of the People's Republic of China (《中華人民共和國廣告法》)

Pursuant to the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) ("**Advertising Law**") promulgated by the Standing Committee of the National People's Congress on October 27, 1994, became effective on February 1, 1995, amended on April 24, 2015 and became effective on September 1, 2015 and amended on October 26, 2018, advertisements shall not contain false statements that are deceitful or misleading to consumers. Advertisements are legally required to receive censorship, including those relating to pharmaceuticals and medical devices, shall be reviewed by the relevant authorities in accordance with relevant rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. In addition, any advertisement for medical

treatment, pharmaceuticals or medical devices shall not contain: (i) any assertion or guarantee for efficacy and safety; (ii) any statement on cure rate or effective rate; (iii) any comparison with the efficacy and safety of other pharmaceuticals or medical devices or with other medical institutions; (iv) any use of endorsements or testimonials; or (v) other items as prohibited by laws and administrative regulations.

Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》)

Pursuant to the Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》) jointly promulgated by the State Administration for Industry and Commerce and the NHFPC on September 27, 1993 and became effective on December 1, 1993, amended on September 28, 2005 and became effective on the same day, amended on November 10, 2006 and became effective on January 1, 2007, medical advertisements shall be reviewed by the relevant health administration authorities and obtain a Medical Advertisement Review Certificate (醫療廣告審查證明) before they are released by a medical institution. Medical Advertisement Review Certificate has a valid term of one year and may be renewed upon application after expiry.

Notice on Further Strengthening the Administration on Medical Advertisement (《關於進一步加強醫療廣告管理的通知》)

Pursuant to the Notice on Further Strengthening the Administration on Medical Advertisement (《關於進一步加強醫療廣告管理的通知》) promulgated by the Ministry of Health (repealed) on July 17, 2008 and became effective on July 17, 2008, if a medical institution releases medical advertisement unlawfully and refuses to rectify after receiving more than two warnings or has caused personal injury or loss of property to patients after releasing the medical advertisement unlawfully, an order of business suspension for rectification will be imposed pursuant to the provisions of the *Measures* or until the Medical Institution Practising Certificate (醫療機構執業許可證) is revoked, the relevant diagnosis and treatment department will be revoked.

Provisional Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》)

Pursuant to the Provisional Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) promulgated by the State Administration for Industry and Commerce on July 4, 2016 and became effective on September 1, 2016, internet advertisements should be identifiable and prominently marked as advertisements so that consumers are able to identify them as advertisements. Paid search for advertisements should be obviously differentiated from natural search results. Any entity or individual is prohibited from disseminating any advertisement on prescribed drugs and tobacco over the internet. Advertisements for special commodities or services that are required to be reviewed by the advertising censorship authority pursuant to the laws and administrative regulations on advertising for medical, pharmaceutical and special medical purpose formula food, medical devices, agricultural chemicals, veterinary drugs and healthcare food shall not be disseminated prior to such review.

Relevant Regulations on Environmental Protection related to Medical Institutions

Regulations including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)

Pursuant to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) promulgated by the Standing Committee of the National People's Congress on December 26, 1989 and became effective on the same day, amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a waste discharge license. Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People's Congress on October 28, 2002, became effective on September 1, 2003 and amended on July 2, 2016 and December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purpose. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Regulations on the Management of Medical Waste (《醫療廢物管理條例》) and its Implementation Measures

Pursuant to the Regulations on the Management of Medical Waste (《醫療廢物管理條例》) promulgated by the State Council and became effective on June 16, 2003 and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste from Medical and Healthcare Institutions (《醫療衛生機構醫療廢物管理辦法》), promulgated by the NHFPC and became effective on October 15, 2003, medical institutions must timely handover medical wastes to a specifically designated location for centralized disposal and categorize the medical wastes in accordance with the Classification Catalogue of Medical Wastes (《醫療廢物分類目錄》). Highly hazardous waste such as the culture medium or specimens of pathogens and the preserving liquid of bacteria strains or virus strains must be sterilized on the spot before disposal. Sewage generated by any medical institution and excretion of its contagious patients or patients suspected of infectious disease must be sterilized in accordance with the relevant laws, rules and regulations, and must not be discharged into the sewage treatment system until the relevant standards are met.

Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》)

Pursuant to the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the Standing Committee of the National People's Congress on May 11, 1984 and became effective on November 1, 1984, amended on May 15, 1996 and came into effective on the same day, amended on February 28, 2008 and became effective on June 1, 2008, amended on June 27, 2017 and became effective on January 1, 2018, the production and operation units must discharge water pollutants in accordance with national and local standards. If the amount of discharged water pollutants exceeds the national or local standards, the production and operation units will be imposed a fine equivalent to an amount between RMB100,000 and RMB1,000,000. In addition, the environmental protection authority is empowered to order the relevant production and operation units to restrict their production, or stop production for rectification, and in serious circumstances, the case will be reported to the competent government with approval authority to impose an order to suspend or shut-down its operation.

Relevant Regulations on Foreign Investment in China

Company Law of the People's Republic of China (《中華人民共和國公司法》)

The Company Law of the People's Republic of China (《中華人民共和國公司法》), which was promulgated by the Standing Committee of National People's Congress on December 29, 1993 and came into effective on July 1, 1994, amended on December 25, 1999 and came into effective on the same day, amended on August 28, 2004 and came into effective on the same day, amended on October 27, 2005 and came into effective on January 1, 2006, amended on December 28, 2013 and came into effective on March 1, 2014, amended on October 26, 2018 and came into effective on the same date, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Foreign Investment Law of the People's Republic of China (《外商投資法》)

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《外商投資法》) (the "**FIL**") and will become effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors

and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL comes into effect, the FIL will replace the law on Sino-Foreign Equity Joint Ventures (《中外合資經營業法》),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.

Wholly Foreign-Owned Enterprise Law of the People' s Republic of China (中華人民共和國外資企業法) and its implementation measures

The Wholly Foreign-Owned Enterprise Law of the People' s Republic of China (中華人民共和國外資企業法), which was promulgated by the NPC on April 12, 1986, and came into effect on the same day and amended by the Standing Committee of the NPC on October 31, 2000 and September 3, 2016 and came into effect on October 1, 2016, and the Implementation Measures for the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法實施細則), which were promulgated by the State Council on December 12,1999, and came into effect on the same day and amended on April 12, 2001 and February 19, 2014 and came into effect on March 1, 2014, stipulate that foreign enterprises and other economic organizations or individuals may establish wholly foreign-owned enterprises ("**WFOEs**") in the PRC. The application for the establishment of a WFOE is subject to the examination and approval by the competent commercial departments before an Approval Certificate is issued. The Decision on Revising Four Laws including the Foreign-Owned Enterprise Law of the People's Republic of China (關於修改<中華人民共和國外資企業法>等四部法律的決定), which was promulgated by the Standing Committee of the National People's Congress on September 3, 2016, and came into effect on October 1, 2016, changes the above requirement of examination and approval to filing for the wholly foreign-owned enterprise which do not involve any special administrative measure for admittance prescribed by the state. And special administrative measures for admission stipulated by the State shall be promulgated by the State Council or promulgated with approval by the State Council.

Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (《關於外商投資企業境內投資的暫行規定》)

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (《關於外商投資企業境內投資的暫行規定》), which were jointly promulgated by the MOFCOM and the SAIC on July 25, 2000 and became effective on September 1, 2000, amended on May 26, 2006 and became effective on the same day, amended on October 28, 2015 and became effective on the same day, stipulate that the provisions of the Interim Provisions Guiding Foreign Investment Direction (《指導外商投資方向暫行規定》) and the Industry Catalogue for Guiding Foreign Investment (《外商投資產業指導目錄》) will govern foreign-invested enterprises' investment in China. Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise shall file an application with the competent commercial department of the place where the invested company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law (《公司法》) and the Regulations on the Administration of Company Registration of the People's Republic China (《中華人民共和國公司登記管理條例》), decide whether

to approve the registration or not. If the registration is approved, a Business License will be issued with the designation "Invested by a Foreign-Invested Enterprise". The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》)

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by the MOFCOM and five other departments and commissions on August 8, 2006, came into effect on September 8, 2006 and subsequently amended by the MOFCOM on June 22, 2009 ("**M&A Regulations**"), require that foreign investors acquiring domestic companies by means of asset acquisition or stipulate acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

The Industry Catalogue for Guiding Foreign Investment (《外商投資產業指導目錄》) and Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》)

The current Industry Catalogue for Guiding Foreign Investment (《外商投資產業指導目錄》) (the "**Foreign Investment Catalogue**"), which was jointly promulgated by the NDRC and the MOFCOM on June 28, 2017 and came into effect on July 28, 2017, and the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, classify all foreign investment projects into four categories: (i) encouraged projects, (ii) permitted projects, (iii) restricted projects, and (iv) prohibited projects. If the industry invested falls into the encouraged category, foreign investment in certain cases may enjoy preferential policies or benefits. If the industry invested falls into the restricted category, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. If it falls into the prohibited category, foreign investment of any kind is not allowed. According to the current Negative List, foreign investment in medical institutions shall be restricted to the form of sino-foreign cooperation or joint venture. Special Administrative Measures for Access of Foreign Investments (Negative List for Access of Foreign Investments) of the Foreign Investment Catalogue has been repealed by Special Management Measures for Access of Foreign Investment (Negative List) (2018 Version) as described below.

Special Management Measures for Access of Foreign Investment (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單)》(2018年版))

The Special Management Measures for Access of Foreign Investment (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單)》(2018年版)), which was promulgated by the NDRC and MOFCOM on June 28, 2018 and became effective on July 28, 2018 limited the joint venture and co-operation of medical institutions and prohibited investment in human stem cells, and development and application of gene diagnosis and treatment technologies.

Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》)

The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), which was promulgated by MOH (repealed) and the Ministry of Commerce on May 15, 2000 and came into effect on July 1, 2000, allow foreign investors to partner with Chinese entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture shall meet certain requirements, including the total investment sum shall not be less than RMB20 million and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of equity joint venture or cooperative medical institutions shall be subject to approval by relevant authorities.

Administrative Measures on Sino-Foreign Equity and Cooperative Medical Institutions in the Sichuan Province (《四川省中外合資、合作醫療機構管理辦法》)

The Administrative Measures on Sino-Foreign Equity and Cooperative Medical Institutions in the Sichuan Province (《四川省中外合資、合作醫療機構管理辦法》), which was promulgated by the Sichuan Ministry of Health and Sichuan Ministry of Commerce on March 15, 2012, became effective on April 15, 2012 and amended on January 16, 2015, stipulates that equity ratio or interests attributable to the joint venture and Chinese party of Sino-Foreign joint ventures and cooperative medical institutions shall not be less than 10%. Total investment amount of the joint venture shall not be less than RMB20 million and the terms of co-operation shall not exceed 20 years.

Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》)

Pursuant to the Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016 and came into effect on the same day, amended on July 30, 2017 and came into effect on the same day, amended on June 29, 2018 and came into effect on June 30, 2018, record-filing will be administered on the incorporation and changes in foreign-invested enterprises if implementation of special management measures for access according to State regulations are not applicable. The relevant foreign-invested enterprise shall make arrangement to complete the Application Form for Reporting and Filing Changes in Foreign-Invested Enterprises (《外商投資企業變更備案申報表》) and submit it together with the relevant documents online through the integrated administration system within 30 days after occurrence of such changes to complete the procedure for filing changes. For the purpose of incorporation of a foreign-invested enterprise, the investor of the foreign-invested enterprise shall also file the incorporation and filing information of foreign-invested enterprise online when carrying out the registration of incorporation.

Relevant Regulations on Labor Protection

Labor Law of the People's Republic of China (《中華人民共和國勞動法》)

The Labor Law of the People's Republic of China (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection equipment that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and its Implementation Regulations

The Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the National People's Congress on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012 and came into effect on July 2013, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》) which were promulgated on September 18, 2008 and came into effect on the same day, regulate employer and the employee relations and contain specific provisions involving the terms of the labor contract. Labor contracts must be made in writing and may, after reaching agreement upon due negotiations, be for a fixed term, an unfixed term, or conclude upon the completion of certain work assignments. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

Relevant Regulations on Supervision over the Social Security and Housing Funds

According to the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees.

The Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and came into effect on July 1, 2011, and was amended on December 29, 2018 regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which were promulgated on April 3, 1999 and came into effective on the same date, and were amended on March 24, 2002 and March 24, 2019, stipulate that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer shall all belong to the individual employee.

Relevant Regulations on Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), which was promulgated by the National People's Congress on March 16, 2007, came into effect on January 1, 2008 and amended by the Standing Committee of the National People's Congress on February 24, 2017 and December 29, 2018 (the "EIT Law"), and the Implementation Regulations on the EIT Law (《企業所得稅法實施條例》), which were promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions or places in the PRC, or if they have established institutions or places in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or places set up by them, enterprise income tax is set at the rate of 10%.

Withholding Tax and International Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Tax Treaty**") entered into between Mainland China and the HKSAR on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities.

The Notice on the Several Issues of the Implementation of Tax Treaty (《國家税務總局關於執行税收協議股息條款有關問題的通知》), which was promulgated by the SAT on February 20, 2009 and came into effect on the same date, stipulates that the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty.

According to the Administrative Measures on Non-resident Taxpayers to Enjoy the Treatment under Tax Treaties (《非居民納税人享受税收協定待遇管理辦法》) promulgated by the SAT on August 27, 2015 and came into effect on November 1, 2015, amended on June 15, 2018 and came into effect on the same day, a non-resident taxpayer who satisfies the eligibility conditions to enjoy the treatment under a tax treaty may enjoy the treatment as agreed under the tax treaty voluntarily at the time of filing his tax return, or at the time of filing a return for tax withholding and payment by the responsible tax withholder and payer, and must accept subsequent administration from the taxation authority.

Value-added Tax

The Provisional Regulations on Value-added Tax (《增值税暫行條例》), which were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》), which were promulgated by the MOF on December 25, 1993 and came into effective on the same date, and were amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

On November 16, 2011, the MOF and the SAT promulgated the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業税改徵增值税試點方案》) pursuant to the government launched gradual taxation reforms from January 1, 2012, where a value-added tax is imposed in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

The Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》), which was promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and came into effective on May 1, 2016, amended on July 11, 2017 and became effective on July 1, 2017, amended on March 20, 2019 and will become effective on April 1, 2019, all business tax payers in the consumer service industry shall pay value-added tax instead of business tax from May 1, 2016. If the taxpayer of the pilot project has already enjoyed tax incentives of business tax according to relevant policies and regulations before the application of the pilot collection of value-added tax in lieu of business tax, he/she may, in the remaining period of tax incentives, enjoy tax incentives of value-added tax in accordance with the relevant provisions.

Relevant Regulations on Foreign Exchange Control

The Regulations on the Control of Foreign Exchange (《外匯管理條例》), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which were promulgated by the PBOC on June 20, 1996 and came into effect on July 1, 1996, provide that foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

The Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("Circular 37", which has replaced Circular 75), which was promulgated by the SAFE on July 4, 2014 and came into effective on the same date, and Circular 13 state that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with banks before it contributes the assets of or its equity interest into a special purpose vehicle for the purpose of investment and financing and (ii) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with banks in a timely manner.

The Notice of the SAFE on Further Improving and Adjusting Policies Relating to Foreign Exchange Administration in Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which was promulgated by the SAFE on November 19, 2012, came into effect on December 17, 2012 and amended on May 4, 2015 and came into effect on the same day, amended on October 10, 2018 and came into effect on the same day, expands on the reform of the foreign exchange administration system, simplifies the administrative approval procedures, and improves foreign exchange administration in direct investment by repealing or adjusting certain approval items for foreign exchange administration in direct investment.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("Circular 19") promulgated by SAFE on March 30, 2015 and came into effect on June 1, 2015, voluntary settlement of foreign exchange ("voluntary settlement") is implemented for foreign exchange capital funds of foreign-invested enterprises. Voluntary settlement means that the foreign exchange capital funds which have been confirmed by SAFE as cash contribution for equity interest (or have been registered as capital contribution in cash via a bank) in the capital account of the foreign-invested enterprise may carry out settlement at the bank as and when required according to actual operation needs of the enterprise. The ratio of voluntary settlement of foreign exchange capital funds of a foreign-invested enterprise is set at 100% for the time being. The Renminbi funds arising from the settlement of foreign exchange shall be placed in a special account for administration. If the foreign-invested enterprise has further payment needs, it is still required to truthfully produce relevant authentic certification materials to the bank for review according to regulations. Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("**Circular 16**") promulgated by SAFE on June 9, 2016 and came into effect on the same day stipulates that the use of foreign exchange receipts under capital accounts of a domestic institution and the RMB funds obtained thereby from foreign exchange settlement are prohibited from the following uses: (1) direct or indirect expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the State; (2) unless otherwise provided, directly or indirectly investments in securities or other investments than banks' principal-secured products; (3) granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (4) construction or purchase of real estate for purposes other than self-use (except for real estate enterprises). Further, Circular 16 stipulates that voluntary settlement shall be settled where expressly prescribed in the relevant policies, and where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to balance of payments. Should there be any conflict between Circular 19 and Circular 16, Circular 16 shall prevail.

Laws and Regulations Applicable to Our Business in the U.S.

California and U.S. Healthcare Regulatory Matters

The healthcare industry in California is highly regulated under both California state and U.S. federal laws and regulations.

Licensing, Certification, and Accreditation Laws

Clinical personnel are subject to numerous federal, state and local licensing laws and regulations, relating to, among other things, professional credentialing and professional ethics. Physicians, as well as their nurse practitioners, must hold and maintain their individual professional licensing in each state where they practice medicine, including California. In addition, California requires nurse practitioners to work in collaboration with or under the supervision of a physician, pursuant to

standardized procedures set forth between the nurse practitioner and the supervising physician. California defines the scope of practice of clinical professionals through legislation and through its Boards of Medicine and Nursing. Activities that qualify as professional misconduct under California law may subject our affiliated clinical personnel to sanctions, or even cause them to lose their license and could, possibly, subject us to sanctions as well. Penalties for non-compliance with these laws and standards include loss of professional license, civil or criminal fines and penalties, loss of hospital admitting privileges, and exclusion from participation in various governmental and other third-party healthcare programs.

Clinical professionals are also subject to state and federal regulation regarding prescribing medication and controlled substances. HRC Medical's physicians prescribe and dispense medications and controlled substances as an important component of infertility treatment regimens for many of their patients. Every physician who administers, prescribes or dispenses any controlled substance must be registered with the federal Drug Enforcement Administration ("DEA"). Upon receipt of a DEA Controlled Substance Registration Certificate, all California licensed prescribers authorized to prescribe or administer scheduled drugs are required by state law to submit an application to access the Controlled Substance Utilization Review and Evaluation System ("CURES"), database. The unauthorized prescription of controlled substances by physicians and non-physicians violates both state and federal law and such violations may result in severe civil and criminal penalties. Federal penalties under Section 841 include a term of imprisonment which may not be less than 10 years or more than life, and if death or serious bodily injury results from the use of such substance, not less than 20 years or more than life. Civil fines of up to US$75,000,000 are also authorized. (21 U.S.C. §841(b)(viii).) In addition, violation of controlled substance law is also likely to lead to loss of a physician's DEA registration and prescribing privileges. (42 U.S.C. §1320a-7.) California state law, Health & Safety Code §11379, provides for imprisonment in the state prison for two to four years for the sale, administration, or furnishing of controlled substances listed Schedules III, IV, and V of the DEA, without a valid prescription. State law further provides that a prescriber's failure to register with CURES is unprofessional conduct, subject to investigation by such prescriber's professional board: the violation can result in civil fines, up to US$2,500, and other discipline, up to and including revocation of the practitioner's professional license. Acts of excessive prescribing are considered a misdemeanor under California law, punishable by a fine of not less than US$100 nor more than US$600, or by imprisonment for a term of not less than sixty (60) days nor more than one hundred and eighty (180) days.

Medical facilities are also subject to federal, state, and local licensing regulations ranging from the adequacy of medical care, to compliance with building codes and environmental protection laws, including: (i) federal regulation of human cells, tissues, and cellular and tissue-based products under 21 C.F.R Part 1271, (ii) the California Business and Professions Code (the "Cal. Bus. & Prof. Code"), and (iii) Section 117890 of the California Medical Waste Management Act. We operate nine facilities in the State of California, three of which maintain on-site IVF and andrology laboratories and six of which maintain andrology laboratories (each a "Laboratory"). Additionally, in accordance with federal law, a medical facility in which physicians recover, package, process, store and label oocytes, semen and embryos must be registered with the federal Food and Drug Administration ("FDA") as a Human Reproductive Tissue Bank. Further, ambulatory surgery centers ("ASCs") may, generally, be

accredited by the Accreditation Association for Ambulatory Health Care ("AAAHC"), a major national organization that establishes standards relating to the physical plant, administration, quality of patient care and operation of medical staffs of various types of healthcare facilities. The effect of accreditation by AAAHC is to exempt the ASCs from routine surveys by state agencies. The ASCs are subject to periodic surveys by the accrediting organization to ensure that they are in compliance with the applicable standards.

Corporate Practice of Medicine

Some states in the United States have laws that prohibit business entities with non-physician owners from practicing medicine, which are generally referred to as the corporate practice of medicine laws. States that have corporate practice of medicine laws require that only physicians can practice medicine and employ physicians (unless the entity satisfies one of the limited exceptions allowing the employment of physicians by non-professional business entities), exercise control over medical decisions or engage in certain arrangements with other physicians, such as fee-splitting. California, where all of our United States operations are located, is a corporate practice of medicine state and therefore restricts the corporate ownership of medical practices and the corporate employment of physicians. Under California state law, a violation of the corporate practice of medicine prohibition constitutes the unlawful practice of medicine, which is a public offense punishable by fines and other criminal penalties. In addition, any person who conspires with or aids and abets another in the unlawful practice of medicine is similarly guilty of a public offense and may be subject to comparable fines and criminal penalties.

In light of the corporate practice of medicine requirements, an entity, including a management services organization ("MSO"), operating in a corporate practice of medicine state seeking to gain external funding will generally operate by maintaining a long-term management services agreement ("MSA") with their affiliated physician group practice, which is owned and operated by physicians only and employs or contracts with additional physicians to provide medical services. Under such MSA, an MSO is contracted to provide non-medical management and administrative services such as financial and risk management as well as information systems and administrative support to the affiliated physicians. Through the MSA and the relationship with the physician owners, the MSO has exclusive authority over all non-medical decisions related to the business.

Under this arrangement, the MSO performs only non-medical functions, and does not offer medical services, and does not exercise influence or control over the practice of medicine by the affiliated physicians. The California Medical Board, however, as well as other state regulatory bodies, have taken the position that an arrangement that in effect allows control by a MSO over a physician practice's clinical decision making and/or affects the patient-physician relationship may violate the prohibition against the corporate practice of medicine. Some of the relevant laws, regulations, and agency interpretations in California have been subject to limited judicial and regulatory interpretation. Moreover, state laws are subject to change and interpretation by regulatory authorities.

Federal and State Anti-Referral Statutes

Marketing and patient referral arrangements—including our medical tourism arrangements that involve the generation of patient referrals—are subject to a number of federal and state statutes that limit how such referral arrangements may be structured.

The federal anti-kickback statute ("AKS") prohibits the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, (i) the referral of a person, (ii) the furnishing or arranging for the furnishing of items or services reimbursable under federal healthcare programs or (iii) the purchase, lease or order or arranging or recommending purchasing, leasing or ordering of any item or service reimbursable under federal healthcare programs. The core of a violation of the federal AKS is an "inducement" to refer patients for services or items that are reimbursed under a federal healthcare program, such as Medicare, Medicaid, or Tricare (which covers military personnel). Consequently, the relevant inquiry in each case focuses on whether there are referrals of federal healthcare program beneficiaries and whether there is a subjective intent of the parties to exchange remuneration for referrals. To violate the federal AKS, a defendant must knowingly and willfully intend to provide remuneration in exchange for the referral of patients covered by a federal healthcare program.

There are certain federal AKS "safe harbors" which, if the respective requirements are met, would afford protection from liability under the federal AKS. Failure to meet all requirements of a federal AKS safe harbor does not necessarily mean the arrangement violates the federal AKS, but it may be subject to scrutiny by legal authorities. In other words, if an arrangement does not fit within a safe harbor, it does not necessarily mean that the arrangement is *per se* illegal—only that it is not shielded from regulatory scrutiny. The federal AKS provides criminal penalties for individuals or entities that knowingly and willfully solicit or receive any remuneration. Violations are classified as a felony, and impose a fine of up to US$25,000 and a term of imprisonment for up to five (5) years. A violation of the federal AKS can also give rise to exclusion of the violator from participation in the federal healthcare programs and payments under those programs, civil monetary penalties of up to US$50,000 per offense, and liability under the False Claims Act.

Where the arrangements under the MSA with, and on behalf of, its physician practice do not fit within a federal AKS safe harbor, this does not mean that these arrangements are illegal, but does mean that they may be subject to scrutiny by federal authorities. Federal courts in the United States have recognized that a referring party's provision of legitimate services to a referral recipient may not constitute prohibited remuneration for AKS purposes when the referral recipient pays fair market value in return for what it receives.

The California anti-kickback statute, Cal. Bus. & Prof. Code § 650 ("Section 650"), generally prohibits the offer or acceptance of remuneration by healthcare providers as compensation or inducement for patient referrals. Federal law does not preempt Section 650, nor do the federal safe harbors apply to Section 650's prohibitions. Further, unlike the Federal AKS, Section 650 applies to the referral of any patient, not just Federal healthcare program patients. Importantly, under Section 650, there is a carve-out for remuneration paid or received that is based on a contractual arrangement,

provided that the amount is commensurate with the fair market value of services furnished by the recipient to the payer. A violation of Section 650 is a public offense and is punishable upon a first conviction by imprisonment in the county jail for not more than one year, or by imprisonment in the state prison, or by a fine not exceeding US$50,000 or by both imprisonment and fine.

Further, California Health and Safety Code § 445 ("Section 445") sets forth an additional, broad-based medical referral services prohibition. Section 445 expressly bars any person or entity from making for-profit healthcare referrals. Violation of Section 445 is a misdemeanor, punishable by imprisonment for not more than one year, and/or a fine of not more than US$5,000 per violation. The prohibition against for-profit referral companies for medical services under Section 445 is unconditional and does not contain any exceptions relating to "compensation commensurate with the value of services provided." There is little case law or regulatory guidance on the interpretation and application of Section 445. Furthermore, we are unaware of any enforcement action taken against an entity for violation of the medical referral prohibition. Section 445 legislative history and certain California Attorney General opinions, however, appear to indicate that Section 445 applies only to situations in which a for-profit company is accepting payments from patients, and not, as here, when the company is acting as an agent of a medical provider in seeking to locate and refer patients without the company taking any payment or other compensation from the patient. Should a governmental authority disagree with our interpretation of Section 445, however, such decision by a governmental authority could result in the imposition of fines and penalties that could adversely affect our operations, and would restrict our medical tourism related activities going forward.

The State Physician Self-Referral Law

Under California law, where a physician has a financial interest, including but not limited to, an indirect ownership interest, in an entity to which such physician refers designated health services, such referrals are subject to the California physician self-referral law (known as the Physician Ownership and Referral Act or "**PORA**").

PORA governs when and how physicians may order tests from a clinical laboratory where a financial interest is potentially implicated. Cal. Bul. & Prof. Code Section 650.01. Specifically, PORA prohibits physician referrals to clinical laboratories in which the physician or an immediate family member of the physician has a financial interest. A violation under subdivision (a) of 650.01 constitutes a misdemeanor and the Medical Board of California may also take appropriate disciplinary action if the licensee has committed unprofessional conduct. Violations of this section may also be subject to civil penalties of up to five thousand dollars (US$5,000) for each offense. In addition, if a claim is presented by an entity to an individual, third party payer or other entity for a good or service furnished pursuant to a referral prohibited under this section, such act would constitute a "public offense" punishable upon conviction by a fine not exceeding fifteen thousand dollars (US$15,000) for each violation and appropriate disciplinary action, including revocation of professional licensure.

Importantly, this prohibition does not apply to referrals to a laboratory if the laboratory is located "in the office of a group practice." Here, the laboratories to which the affiliated physicians refer (including the genetics laboratory owned and operated by the MSO, in which the affiliated physicians

have an indirect ownership interest through their indirect interest in the MSO) are located within the affiliated offices of the physician practice, which is organized as a group practice.

Fee-Splitting Prohibitions

The laws of some states prohibit physicians from splitting with anyone, other than providers who are part of the same group practice, any professional fee, commission, rebate or other form of compensation for any services not actually and personally rendered. Fee-splitting prohibitions are aimed primarily at situations where a healthcare professional, in order to generate patient referrals from other licensed or unlicensed persons, splits part of the professional fee earned from treating the referred patient with the source of the referral. Fee-splitting laws and their interpretations vary from state to state, and are enforced by state courts and regulatory authorities that have broad discretion in their enforcement. Courts in some states have interpreted fee-splitting statutes as prohibiting all percentage of gross revenue and percentage of net profit management service fee arrangements, despite the performance of legitimate management services. In addition, some courts have refused to enforce contracts found to violate state fee-splitting prohibitions.

Kickbacks and fee-splitting are closely related. Generally, a "kickback" involves the payment to or from a physician in exchange for a referral, while fee-splitting involves sharing a fee paid to the physician by the patient or third party payor between the physician and a third-party. The California anti-kickback statute, Section 650, prohibits both. Additionally, as noted briefly above, fee-splitting may implicate corporate practice of medicine concerns and regulators may scrutinize whether a financial arrangement between a physician and a lay entity constitutes excessive involvement and effective "control" over such physician.

Importantly, unlike many states with fee-splitting prohibitions, California specifically authorizes percentage-based arrangements between physicians and those providing management services. California state law allows physicians to pay a managing entity a percentage of gross revenue in exchange for management services, provided such compensation constitutes fair market value for the services provided. Penalties for violating fee-splitting statutes or regulations may include medical license revocation, suspension, probation or other disciplinary action against affiliated providers, and could require termination or substantial revision of the management services agreement.

Federal and State Privacy and Security Requirements

Congress enacted the Health Insurance Portability and Accountability Act of 1996, or HIPAA, in part, to combat healthcare fraud and to protect the privacy and security of patients' individually identifiable healthcare information. HIPAA, among other things, amends existing crimes and criminal penalties for Medicare fraud and enacts new federal healthcare fraud crimes, including actions affecting non-government healthcare benefit programs. Under HIPAA, a healthcare benefit program includes any private plan or contract affecting interstate commerce under which any medical benefit, item or service is provided. A person or entity that knowingly and willfully obtains the money or property of any healthcare benefit program by means of false or fraudulent representations in

connection with the delivery of healthcare services is subject to a fine, imprisonment, or potentially both. In addition, HIPAA authorizes the imposition of civil money penalties against entities that employ or enter into contracts with excluded Medicare or Medicaid program participants if such entities provide services to federal health program beneficiaries.

Further, HIPAA requires healthcare providers and their business associates to maintain the privacy and security of individually identifiable protected health information ("PHI"). HIPAA imposes federal standards for electronic transactions, for the security of electronic health information and for protecting the privacy of PHI. The Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH") dramatically expanded, among other things, (1) the scope of HIPAA to now apply directly to "business associates," or independent contractors who receive or obtain PHI in connection with providing a service to a covered entity, (2) substantive security and privacy obligations, including new federal security breach notification requirements to affected individuals, the Department of Health and Human Services, and prominent media outlets, of certain breaches of unsecured PHI, (3) restrictions on marketing communications and a prohibition on covered entities or business associates from receiving remuneration in exchange for PHI, and (4) the civil and criminal penalties that may be imposed for HIPAA violations, increasing the annual cap in penalties from US$25,000 to US$1.5 million per year.

Additionally, California has enacted stringent laws governing the privacy and security of patient data. The principal California statute governing the confidentiality of medical information is the Confidentiality of Medical Information Act ("CMIA"). In general, the CMIA prohibits a healthcare provider and their contractors, from disclosing patient medical information absent an authorization signed by the patient or the patient's legal representative that complies with strict statutory standards.

Environmental Matters

Clinics are generally subject to licensing and regulation under U.S. federal, state and local laws and regulations relating to the protection of the environment and human health and safety, including laws and regulations relating to the handling, transportation and disposal of medical specimens, infectious and hazardous waste and radioactive materials, as well as to the safety and health of laboratory employees, including Section 117890 of the California Medical Waste Management Act. In addition, the federal Occupational Safety and Health Administration ("OSHA"), and the California analogous regulatory agency ("Cal OSHA"), have established extensive requirements relating to workplace safety for healthcare employers, including clinical laboratories, whose workers may be exposed to blood-borne pathogens such as HIV and the hepatitis B virus. These regulations, among other things, require work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations, and other measures designed to minimize exposure to, and transmission of, blood-borne pathogens. Moreover, the federal Needlestick Safety and Prevention Act ("NSPA"), and analogous California regulations, impose additional requirements upon us with respect to our procedures governing devices such as needles, syringes or other "sharps". Consistent with the NSPA, OSHA's and Cal OSHA's regulations (1) modify the definition of "engineering controls" and adds definitions for the terms "sharps with engineered sharps injury protection" and "needleless systems," (2) require employers to consider and implement new technologies when they update their "exposure control plan," (3) require employers to solicit employee input with respect to appropriate engineering

controls, and (4) require employers to maintain a sharps injury log. If a clinic is found in violation of any of these regulations, or the many additional health and safety regulations applicable to its business, the clinic could be subject to substantial penalties or discipline and our business, prospects and results of operations could be materially and adversely affected.

Compliance Program

All organizations that receive reimbursement from a federal or state government payor are required to have a program to assure compliance with applicable requirements related to financial and billing practices, privacy and similar matters. For those organizations that do not receive reimbursement from any federal or state government payors, a compliance program is not mandatory but is considered best practice. Specifically, compliance programs are integral to identifying and rectifying fraud and abuse risk areas, billing and coding violations, and educating employees about the law and other legal requirements or restrictions within the scope of their practice.

OVERVIEW

Our Company was incorporated in the Cayman Islands on May 3, 2018 as an exempted company with limited liability under the Cayman Islands Companies Law. Our Group currently engages in the provision of ARS, management services, and ancillary medical services in the PRC and in the United States through subsidiaries incorporated in those countries. As of the Latest Practicable Date, our network of assisted reproductive medical facilities comprises the following:

Assisted Reproductive Medical Facilities	Location	Nature	Operating History [1]
Self-owned			
Chengdu Xinan Hospital (成都西囡婦科醫院)	Chengdu, PRC[4]	For-profit specialty hospital	Since March 2010
Shenzhen Zhongshan Hospital (深圳中山泌尿外科醫院)	Shenzhen, PRC	For-profit specialty hospital	Since May 2004
NexGenomics	California, United States	PGS laboratory	Since February 2015
RSA Centers	California, United States	Surgical centers	Since January 2008[3]
Jointly-managed			
Jinjiang IVF Center (成都市錦江區婦幼保健院生殖中心)	Chengdu, PRC	IVF center of a non-profit maternity and child healthcare hospital	Since January 2003
Managed			
HRC Medical	California, United States	Fertility clinics	Since May 1988[2]

Notes:

1. The date listed refers to the operating history of the medical facility or their respective predecessors.
2. HRC Medical was established in January 1995 and succeeded the operations of Huntington Reproductive Centre Inc.
3. We are in the process of applying for the transfer of all of RSA's permits to HRC Management after HRC Management acquired the entire partnership interests in RSA after which RSA was legally dissolved as a partnership in July 2017.
4. The assisted reproductive medical facilities in our network in Chengdu achieved more than 5,000 IVF treatment cycles in 2014.

EARLY HISTORY AND DEVELOPMENT OF OUR GROUP AND EXPANSION INTO THE UNITED STATES

Our Group provides ARS, management services and ancillary medical services initially in Sichuan and Guangdong in the PRC, and more recently California in the United States. Our history traces back to 2003 when an experienced and dedicated team of physicians and management personnel had the vision to form Jinjiang IVF Center in Chengdu, Sichuan to focus on ARS and related treatment. Some of the aforementioned physicians and management personnel later joined Jinxin Group which began its formation in 2010. As part of Chengdu government's efforts to segregate hospital business from government functions, employees were allowed to acquire interests in such hospitals they worked for that led to the establishment of Prior Chengdu Xinan Hospital. Such employees became the Individual Shareholders. For details of the Individual Shareholders, please see section headed "Relationship with Jinxin Fertility Shareholder — Individual Shareholders" of this prospectus.

At its dawn, Jinxin Group operated several medical institutions in Sichuan, PRC, including Prior Chengdu Xinan Hospital, Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital. In 2010, Prior Chengdu Xinan Hospital, the predecessor of Chengdu Xinan Hospital, was established to cater for additional premises for development and expansion of our Group's ARS business, as Jinjiang IVF Center ran out of premises as the number of patients grew. In August 2016, as part of Jinxin Group's corporate restructuring, the Prior Chengdu Xinan Hospital (a non-profit medical institution) transferred its assets and liabilities to Chengdu Xinan Hospital (a for-profit medical institution), which has since continued to develop and expand its business and operations. As Chengdu Xinan Hospital continued to expand and develop its operations, we introduced investors (the majority of whom remain our Shareholders) to fund investments in and expansion of our Group's operations.

In addition to organic growth, our history has also evolved around acquisitions, in Southern China and in the United States.

In January 2017, in order to further expand our business from Sichuan, PRC, we acquired Shenzhen Zhongshan Hospital and this acquisition allowed us to further expand our network to Guangdong, PRC. Shenzhen Zhongshan Hospital was established in May 2004 by a number of individual founders (including Mr. Zeng Yong, one of the members of our senior management). Shenzhen Zhongshan Hospital provides ARS and other ancillary medical services and it assisted in the birth of the first baby, using conventional IVF-ET and IVF with ICSI technology, in Shenzhen according to the F&S Report.

To further expand our Group's footprint outside of the PRC and in furtherance of our vision of establishing our global integrated ARS platform, we acquired HRC Management in December 2018 which manages HRC Medical through the MSA. Huntington Reproductive Centre Inc., the predecessor of HRC Medical, was established in 1988 in the United States by a group of experienced fertility physicians and developed from a single clinic to nine clinics and three IVF laboratories in the United States as of the Latest Practical Date. HRC Fertility became one of the leading ARS providers in the United States according to the F&S Report. See the section headed "Business — Our Management Agreements — Management Services Agreement" in this prospectus for further information on the MSA arrangement.

Throughout the years of our Group's development, our businesses have been in a continuous and steady expansion, evidenced by the increase in number of medical facilities which we own and operate, manage or jointly manage (as the case may be) in Chengdu and Shenzhen in the PRC and California in the United States.

KEY MILESTONES

The following is a summary of our businesses key development milestones:

Month/Year	Milestone Event
January 2003	• Jinjiang IVF Center was approved by Sichuan Provincial Health Department to provide AIH treatment
July 2006	• Jinjiang IVF Center was granted license to provide conventional IVF-ET and IVF with ICSI treatment
March 2010	• Prior Chengdu Xinan Hospital was established
October 2015	• Prior Chengdu Xinan Hospital obtained the ISO9001:2008 certificate, signifying its management quality meets with stringent international standards
May 2016	• We began to offer VIP fertility treatment services
September 2016	• We commenced operations of Chengdu Xinan Hospital
September 2016	• We commenced the IVF Specialty Collaboration Agreements with Jinjiang District Maternity and Child Health Hospital in relation to the joint management of those medical facilities by our Group
January 2017	• We acquired Shenzhen Zhongshan Hospital
July 2017	• HRC Management began to manage HRC Medical through the MSA
August 2017	• Warburg Pincus LLC invested in our Group through its special purpose vehicles
June 2018	• Ever Excelling invested in our Group as a pre-IPO investor
July 2018	• LionRock Capital invested in our Group as a pre-IPO investor
August 2018	• CNCB Investment, Sequoia Capital China, Southern Creation and WuXi AppTec invested in our Group as pre-IPO investors
December 2018	• We acquired HRC Management which manages HRC Medical through the MSA
February 2019	• We relocated our operations at Chengdu Xinan Hospital to the New Hospital Building
May 2019	• We acquired Chengdu Jinyi which owns the New Hospital Building and the Carpark Facilities

Please refer to the section headed "Business — Major Publications and Accreditations" in this prospectus for further details of the major awards, recognitions and accreditations received by our hospitals and medical facilities.

OUR GROUP

Our Company

Our Company was incorporated in the Cayman Islands on May 3, 2018 as an exempted company with limited liability with a share capital of US$50,000 divided into 5,000,000,000 shares with a par value of US$0.00001 each.

Upon incorporation, our Company issued and allotted at par value one Share to Sharon Pierson, an Independent Third Party, and 19,999 Shares to Jinxin Fertility BVI. The one share held by Sharon Pierson was subsequently transferred to Jinxin Fertility BVI on the same day. Upon completion of such transfer, Jinxin Fertility BVI held 20,000 shares and our Company was wholly owned by Jinxin Fertility BVI. For details of subsequent changes in share capital of our Company, see the subsection headed "A. Further Information about our Group — 2. Changes in our share capital" in Appendix V to this prospectus.

Our subsidiaries

We currently operate and manage our businesses through subsidiaries incorporated in the PRC and the United States. The following table sets out the details of all of our subsidiaries as at the Latest Practicable Date:

Company	Commencement Date	Registered Capital	Principal business activities
Established in the PRC			
Sichuan Jinxin Fertility	September 12, 2016	RMB1,054,841,600	Investment holding
Chengdu Xinan Hospital[(1)]	September 1, 2016	RMB22,222,222	Comprehensive hospital services
Shenzhen Zhongshan Hospital	May 18, 2004	RMB20,000,000	Comprehensive hospital services
Shenzhen Meihua[(2)]	June 16, 2003	RMB18,000,000	N/A
Shenzhen Yuji	September 16, 2009	RMB300,000	Property management services
Chengdu Jinyi	December 27, 2018	RMB1,000,000	Holding of real property
Jinrun Fude[(3)]	May 9, 2018	RMB300,000	Management services

Notes:

1 Prior Chengdu Xinan Hospital transferred its assets and liabilities to Chengdu Xinan Hospital in August 2016.

2 Shenzhen Meihua will be deregistered with the relevant PRC government authorities and will become dissolved.

3 Jinrun Fude owns 10% and 3.98% of equity interests in Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, respectively, and has entered into the Contractual Arrangements with our Group.

Company	Commencement Date	Registered Capital	Principal business activities
Incorporated in the United States			
HRC Management	November 3, 2015	N/A	Management services
NexGenomics	February 4, 2015	N/A	Provision of preimplantation genetic screening tests
Willsun US	April 5, 2017	N/A	Investment holding
US New Co	May 7, 2018	US$100	Investment holding
Incorporated in the BVI			
BVI Holdco	March 1, 2018	N/A	Investment holding
Willsun BVI	March 31, 2017	US$205,600,000	Investment holding
BVI New Co	May 17, 2018	N/A	Investment holding
Incorporated in Hong Kong			
Jinxin Fertility HK	March 14, 2018	HK$1	Investment holding

Further details of our Group's principal subsidiaries are provided below:

Sichuan Jinxin Fertility

Sichuan Jinxin Fertility was established on September 12, 2016 with a registered capital of RMB50 million contributed in whole by Tibet Jinxin. Sichuan Jinxin Fertility is one of our Group's principal operating subsidiaries and is a direct shareholder of Shenzhen Zhongshan Hospital as to 70% and Chengdu Xinan Hospital as to 90%. As part of the Reorganization, Sichuan Jinxin Fertility became a wholly-owned subsidiary of our Company and a wholly foreign-owned enterprise. See "— Corporate Reorganization" for further details.

Chengdu Xinan Hospital

Chengdu Xinan Hospital was established on November 10, 2015 with a registered capital of RMB20 million contributed wholly by Chengdu Jinxin Investment. Chengdu Xinan Hospital was established to continue to carry on the operations of Prior Chengdu Xinan Hospital, a non-profit medical institution. In order to allow the introduction of financial investors and in pursuance of the further development of our Group, in November 2015, the promoters of Prior Chengdu Xinan Hospital caused Chengdu Xinan Hospital to be established as a for-profit medical institution, which subsequently acquired the assets and liabilities of Prior Chengdu Xinan Hospital. The establishment of Chengdu Xinan Hospital was approved in December 2015 by the Chenghua District Health and Family Planning Bureau, the authority which regulates the affairs of Prior Chengdu Xinan Hospital, acting in accordance with relevant laws and regulations of the PRC, including the Regulations for the Administration of Medical Institutions (《醫療機構管理條例》). The aforementioned process was completed in August 2016 and Chengdu Xinan Hospital subsequently commenced its operation. Since the introduction of financial investors in September 2016, Chengdu Xinan Hospital ceased to be wholly-owned by Jinxin Group and thus became separated from the Sister Group. As at the Latest

Practicable Date, Chengdu Xinan Hospital is held as to 90% by Sichuan Jinxin Fertility and 10% by Jinrun Fude. Jinrun Fude has entered into the Contractual Arrangements with our Group in relation to the economic interests that Jinrun Fude is entitled to as a 10% shareholder of Chengdu Xinan Hospital.

Shenzhen Zhongshan Hospital

Shenzhen Zhongshan Hospital was established on May 18, 2004 with a registered capital of RMB10 million contributed by Shenzhen Meihua as to 90%, Ms. Qian Minhui (錢敏輝) as to 2%, Mr. Wei Hui (魏輝) as to 2%, Mr. Wu Shaowen (鄔邵文) as to 2%, Mr. Zeng Yong (曾勇) as to 2% and Mr. Zhang Xikai (張西凱) as to 2%. In September 2016, Shenzhen Zhongshan Hospital and Shenzhen Meihua underwent a series of transactions which was completed by November 2016, the end result of which was that Shenzhen Zhongshan Hospital became the sole shareholder of Shenzhen Meihua. On January 12, 2017 and January 22, 2017, Sichuan Jinxin Fertility acquired 16.00% and 57.98% of equity interests in Shenzhen Zhongshan Hospital from Mr. Huang Yongjun (黃永軍), an Independent Third Party of our Company and Mr. Mei Hua (梅驊), a current shareholder of Shenzhen Zhongshan Hospital, for a consideration of RMB132.2 million and approximately RMB479.1 million, respectively, which were determined after arm's length negotiations amongst the parties.

Subsequent to a series of equity transfers concerning Shenzhen Zhongshan Hospital which was carried out as a necessary precursory step prior to the entering of the Contractual Arrangements, and as at the Latest Practicable Date, Shenzhen Zhongshan Hospital was held as to 70.00% by Sichuan Jinxin Fertility, 15.00% by Mr. Mei Hua, 10.92% by Mr. Zeng Yong, 3.98% by Jinrun Fude (our Company's subsidiary) and 0.10% by Ms. Qian Minhui. Mr. Mei Hua and Mr. Zeng Yong are directors of Shenzhen Zhongshan Hospital and Mr. Zeng Yong is also a member of our senior management. Qian Minhui was a director of Shenzhen Yuji and a current director of Shenzhen Meihua, both are our indirect subsidiaries. We have entered into the Contractual Arrangements with Jinrun Fude and Mr. Zeng Yong in relation to the economic interests they are respectively entitled to as a shareholder of Shenzhen Zhongshan Hospital, and, in the case of Mr. Zeng Yong, concerning the 5.46% equity interests held by him in Shenzhen Zhongshan Hospital.

Chengdu Jinyi

Chengdu Jinyi was established on December 27, 2018 with a registered capital of RMB1 million contributed in its entirety by Youta Pharmaceutical. As at the Latest Practicable Date, Chengdu Jinyi is a wholly-owned subsidiary of Sichuan Jinxin Fertility.

On February 11, 2019, our Group's subsidiary, Sichuan Jinxin Fertility, as purchaser, entered into the Share Purchase Agreement with Youta Pharmaceutical, as seller, to acquire the entire equity interest in Chengdu Jinyi at the total consideration of RMB678.0 million (the "**Share Transfer**") upon the terms and conditions therein. As one of the conditions precedent to the Share Transfer, Chengdu Jinyi will, after carrying out certain restructuring steps by Youta Pharmaceutical, become the registered owner of the hospital building located at Block 1, No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, the PRC with a total gross floor area of approximately 42,659.64 sq. m. (the "**New Hospital Building**"). The New Hospital Building is a well-equipped modern high-rise building with

more than seven times our previous floor area in Chengdu Xinan Hospital. We have relocated the operations of Chengdu Xinan Hospital into the New Hospital Building in February 2019. It is expected that the New Hospital Building will improve our productivity and increase our capacity to serve more patients in Chengdu.

Further, on the same day, Sichuan Jinxin Fertility, as purchaser, entered into the Property Transfer Agreement with Youta Pharmaceutical, as seller, to acquire the Carpark Facilities located at Block 1 No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, the PRC with a gross floor area of 38,646.31 sq. m. at a total consideration of RMB60.0 million (the "**Property Transfer**"). As agreed by the parties, Youta Pharmaceutical will use its reasonable endeavors to procure the injection of the Carpark Facilities into Chengdu Jinyi through its internal group restructuring so that completion of both the Share Transfer and the Property Transfer will take place at the same time. The ownership of the Carpark Facilities has been transferred to Chengdu Jinyi as of the Latest Practicable Date.

We have relocated the operations of Chengdu Xinan Hospital into the New Hospital Building in February 2019 and the transfer of the entire equity interests in Chengdu Jinyi was completed on May 10, 2019.

The total amount of the consideration for the Share Transfer and the Property Transfer is approximately RMB738.2 million (inclusive of reimbursement of renovation and other expenses) and shall be payable by us in three instalments: (i) an amount of RMB260.0 million, being reimbursement of renovation and other expenses, was settled on February 16, 2019; (ii) an amount of RMB244.3 million was settled on March 3, 2019; and (iii) the remaining amount of approximately RMB233.8 million is payable by September 30, 2019. The payments of the consideration would be satisfied partly by way of set-off against and assignment of the amounts due from the affiliates of Youta Pharmaceutical, Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital to our Group and partly in cash using internal funding of our Group.

The amounts of the consideration for the above transactions were determined by the parties with reference to the valuation of the New Hospital Building and the Carpark Facilities as conducted by JLL, an independent professional property valuer, and based on such valuation, our Directors are of the view that the amounts of such consideration are fair and reasonable, and in line with the prevailing market value. For more details, see the sections headed "Appendix III — Property Valuation Report" of this prospectus.

As the Share Transfer was entered into by us after the Track Record Period, it constitutes a post-Track Record Period acquisition and pursuant to Rules 4.04(2) and (4) of the Listing Rules, this prospectus must include the results of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the Track Record Period. Nevertheless, given that Chengdu Jinyi was only established on December 24, 2018 and had not commenced any business activity as at the Latest Practicable Date, we are of the view that disclosing the historical financial information of Chengdu Jinyi in this prospectus will neither add any value nor be meaningful to the potential investors. We have therefore applied for, and the Stock Exchange has granted, a waiver from strict compliance under

Rules 4.04(2) and (4) of the Listing Rules in relation to the inclusion of financial statements of Chengdu Jinyi covering the Track Record Period. Please see the section headed "Waivers from Compliance with the Listing Rules — Waivers in relation to Acquisition of Chengdu Jinyi after the Track Record Period".

Jinrun Fude

Jinrun Fude was established on May 9, 2018 with a registered capital of RMB0.3 million contributed wholly by Ms. Yan Xiaoqing (嚴曉晴) and Ms. Zhu Yujuan (朱玉鵑). As at the Latest Practicable Date, Jinrun Fude was held as to 51% by Ms. Yan Xiaoqing (one of our executive Director) and 49% by Ms. Zhu Yujuan (a member of our senior management), and, Jinrun Fude holds 10% and 3.98% of equity interests in Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, respectively.

Under the terms of the Contractual Arrangements, we will be paid service fees by Jinrun Fude representing the distributable profits Jinrun Fude is entitled to receive from both Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital. For further information, see "Contractual Arrangements" in this prospectus.

HRC Management

HRC Management was established by HRC Medical in Delaware, United States on November 3, 2015. On June 29, 2017, 51% of membership interests in HRC Management was acquired by Willsun US (at the time an entity owned by Willsun AM), the then shareholders of Sichuan Jinxin Fertility and Chengdu Xinan Hospital. In August 2018, due to financial difficulties experienced by its parent, Willsun AM disposed of its interest in Willsun BVI, the then holding company of Willsun US, to our founder, Jinxin Group, and a number of financial investors. For further details, see the subsection headed "Willsun as our Financial Investor". As part of the Reorganization, 100% of equity interests in HRC Management was transferred to our Group on December 24, 2018. The shares consideration for acquisition of HRC Management represents the fair value of the 767,730,342 new shares of the Company, amounting to approximately RMB3,111.04 million. For further information, see notes 2 and 36 to the Accountants' Report in Appendix IA to this prospectus.

Pursuant to the share swap agreement dated December 24, 2018, the acquisition of HRC Management was conducted by way of a series of share swaps where the then shareholders of HRC Management received Shares in our Company for the consideration of (i) 49% equity interests in HRC Managements held by HRC Investment and (ii) the entire shareholding in Willsun BVI (which indirectly held 51% equity interests in HRC Management). At the time of the share swap, Willsun BVI was held by LionRock New Hope II L.P., CNCB Investment, Amethyst Gem, Jinxin Global BVI, Southern Creation and Overseas Investment (BVI) Holding Limited. As consideration of the share swap for equity interests in Willsun BVI, LionRock New Hope II L.P., CNCB Investment, Amethyst Gem, Jinxin Global BVI, Southern Creation and Overseas Investment (BVI) Holding Limited[(Note)] was

issued and allotted 32,021,649 Shares, 83,333,333 Shares, 126,866,667 Shares, 138,878,212 Shares, 20,000,000 Shares and 6,696,476 Shares, respectively, and was valued at approximately RMB4.06 per Share. Subsequent to the aforementioned share swaps, both HRC Management and Willsun BVI became our wholly-owned subsidiaries.

As part of our Reorganization steps, our Company and existing Shareholders also entered into the Shareholders' Agreement, pursuant to which certain shareholders' rights are granted to our existing Shareholders. Under the Shareholders' Agreement, HRC Investment is entitled to nominate one Director to the Board and granted customary right of first refusal, information rights and pre-emptive rights, all of which will automatically terminate upon the Listing. For further information, see the subsection headed "Corporate Reorganization — B. US Business Reorganization".

On January 22, 2019, HRC Management entered into the Existing MSA with HRC Medical to optimize the terms of provision of our management services to HRC Medical, and to regulate the relationship with the Physician Shareholders. We believe that the acquisition of HRC Management and together with it, entry into of the Existing MSA would not only allow our Group to enjoy the economic benefits derived from HRC Medical but also to safeguard the underlying assets and values, which is in the interests of our Company and Shareholders as a whole. See "Business — Our Management Agreements — Management Services Agreement" for further information on the MSA arrangements, including details on the scope of the Existing MSA and income stream of HRC Medical and the management service fees paid to HRC Management.

NexGenomics

NexGenomics was established in California, United States on February 4, 2015 by HRC Medical. As of the Latest Practicable Date, NexGenomics is wholly-owned by HRC Management. NexGenomics provides PGS testing services in connection with providing preimplantation genetic screening service at its in-house clinical laboratory.

Please refer to "Statutory and General Information — A. Further Information about our Group — 3. Changes in the share capital of our subsidiaries" in Appendix V to this prospectus for further details of historical changes to the shareholding and share capital of our subsidiaries.

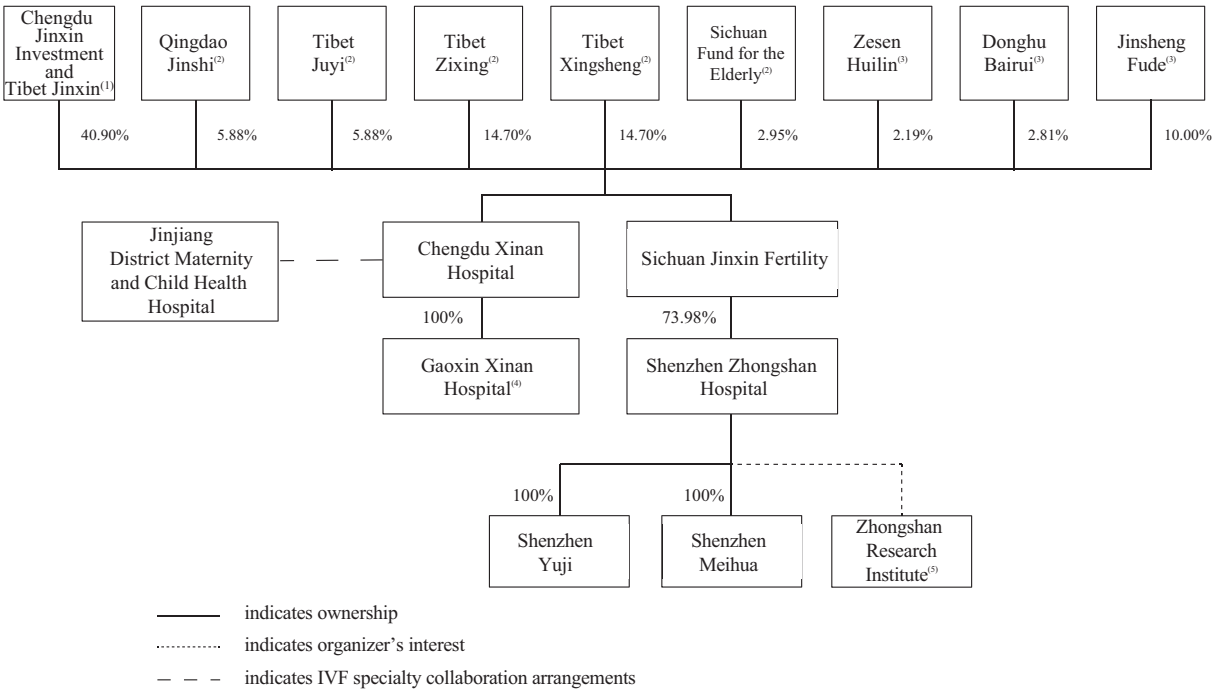
CORPORATE REORGANIZATION

Prior to the Reorganization, our PRC business was held by (i) our founder Jinxin Group as to 40.90% (through Chengdu Jinxin Investment and Tibet Jinxin), (ii) other financial investors including Jinsheng Fude (a subsidiary of Amethyst Gem) as to 10%, Willsun AM (through Tibet Juyi, Tibet Zixing and Tibet Xingsheng) as to 35.28% and (iii) other shareholders as to 13.82%.

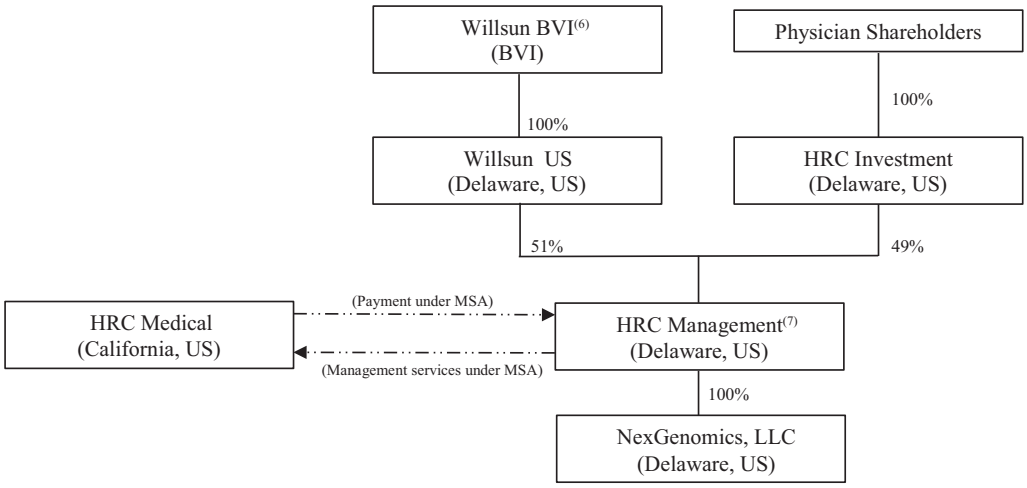
Note: Overseas Investment (BVI) Holding Limited nominated Shine Brilliance Investment Limited, Prosperous Fertility Limited and Brilliant Fertility Limited to hold these Shares.

The following charts set forth the simplified beneficial ownership structure of our PRC business and that of our US business immediately prior to the Reorganization:

Our PRC Business



Our US business



Notes:

1. Prior to the Reorganization, Chengdu Jinxin Investment held 40.90% equity interests in Chengdu Xinan Hospital and Tibet Jinxin held 40.90% equity interest in Sichuan Jinxin Fertility. Both Chengdu Jinxin Investment and Tibet Jinxin were controlled by Jinxin Group. The financial information of Sichuan Jinxin Fertility and its subsidiaries has been prepared under the principles of merger accounting, as if Chengdu Jinxin Investment had always been the holding company of Sichuan Jinxin Fertility Group throughout the Track Record Period. The reason is that even though Chengdu

Jinxin Investment (together with its wholly owned subsidiary Tibet Jinxin, collectively referred to as "**Chengdu Jinxin Investment**" in this note) only held 40.9% ownership in each of Chengdu Xinan Hospital and Sichuan Jinxin Fertility before the completion of the Reorganization to put Sichuan Jinxin Fertility as the on-shore investment platform of our Group, Chengdu Jinxin Investment had the power to direct the relevant activities of these entities unilaterally by securing majority votes at the boards through an agreement with certain shareholders of Chengdu Xinan Hospital and Sichuan Jinxin Fertility. Accordingly, Chengdu Xinan Hospital and Sichuan Jinxin Fertility were under the common control of Chengdu Jinxin Investment which became the holding company of Chengdu Xinan Hospital and Sichuan Jinxin Fertility upon the completion of the above mentioned Reorganization.

2. Willsun Fund (comprising of Tibet Juyi, Tibet Zixing and Tibet Xingsheng), Qingdao Jinshi and Sichuan Fund for the Elderly invested in our Group as financial investors in September 2016. Willsun Fund, a group of PRC based private equity funds, controlled 39.19% interests in our Group's PRC business at the time of the investment was made in September 2016. In August 2018, due to the financial difficulties experienced by its parent, Willsun Fund had to dispose of a majority of its beneficial interests in the PRC business (i.e. the 29.40% interest held by Tibet Zixing and Tibet Xingsheng) to our founder, Jinxin Group, and other investors (including Amethyst Gem, Sequoia Capital China and WuXi AppTec). As a result of the above disposal, Jinxin Group and Amethyst Gem have both increased shareholding in our Group, whereas shareholders including WuXi AppTec and Sequoia Capital China were introduced into our Group as investors. Tibet Juyi nominated Tibet Juyi Limited and ZhouQing Limited to hold the Shares of our Company subsequent to the Reorganization. Qingdao Jinshi is held by CITIC Securities Company Limited, which, subsequent to the Reorganization, holds Shares in our Company through Pluto Connection Limited. Sichuan Fund for the Elderly is a fund established in Sichuan, PRC, and nominated Guotai Junan Financial Products Ltd. to hold Shares in our Company subsequent to the Reorganization.

3. Zesen Huilin, Donghu Bairui invested in our Group in July 2017 and Jinsheng Fude invested in our Group in August 2017. The beneficial owners of Zesen Huilin subsequent to the Reorganization hold Shares in our Company through ZeSenHuiLin Limited and XiZangZeSen Limited. Donghu Bairui, an investment fund, disposed its equity interests in our Group to Zhuhai Mingrui during the Reorganization. Zhuhai Mingrui's shareholders, Ms. Zhang Jizhen and Mr. Li Zhijiang, subsequently hold Shares in our Company through Memory Ocean Technology Limited. Amethyst Gem was interested in Jinsheng Fude, subsequent to the Reorganization, directly hold Shares of our Company.

4. As part of the Reorganization and to streamline and simplify the corporate structure for our operations in Chengdu, Gaoxin Xinan Hospital was disposed of by our Group on January 28, 2019. In November 2016, Prior Gaoxin Xinan Hospital transferred its assets and liabilities to Gaoxin Xinan Hospital, and from that point on, Gaoxin Xinan Hospital commenced its operation. Prior Gaoxin Xinan Hospital was subsequently deregistered in 2017.

5. The entire organizers' interests of Zhongshan Research Institute was held by Shenzhen Zhongshan Hospital. As part of the Reorganization and to streamline the corporate structure for our operations in Shenzhen, Zhongshan Research Institute was disposed of by Shenzhen Zhongshan Hospital on December 25, 2018.

6. Prior to the Reorganization, Willsun AM controlled, through Willsun BVI, 51% interest in our US business. At the time, Willsun BVI was controlled as to 85% by Willsun AM and 15% by Overseas Investment (BVI) Holding Company Limited. Willsun Fund, as a financial investor, was not involved in the day-to-day management during the time when it was a shareholder. In August 2018, due to the financial difficulties experienced by its parent, Willsun AM had to dispose of all of its beneficial interests in the US business to our founder, Jinxin Group, and other investors, including Amethyst Gem and CNCB Investment. Overseas Investment (BVI) Holding Company Limited, a company managed by Willsun AM, was a direct shareholder of Willsun BVI and nominated Shine Brilliance Investment Limited, Prosperous Fertility Limited and Brilliant Fertility Limited to hold Shares of our Company subsequent to the Reorganization.

7. Prior to the Reorganization, on July 12, 2017, HRC Management acquired all of the partnership interests in RSA, and thereafter caused RSA to be dissolved and merged with HRC Management. On July 27, 2017, HRC Management filed an application with the relevant California governmental authorities to transfer all of RSA's permits to HRC Management, which the application is pending as of the Latest Practicable Date. After consulting with our US Special Counsel, and taking into account their views, we believe that the ownership change application satisfies the relevant California requirement to obtain such approval.

For the purpose of optimizing our management and resources to focus on providing ARS to our patients through the medical facilities owned, operated and/or jointly managed by us (as the case may be) in Chengdu and Shenzhen in the PRC and nine fertility clinics and three IVF laboratories in the United States which we currently manage, the companies comprising our Group underwent the Reorganization in preparation for the Listing. The key steps in the Reorganization are set out in chronological order below:

A. Red-chip Reorganization

1. *Transfer of 100% of equity interests in Chengdu Xinan Hospital to Sichuan Jinxin Fertility*

On April 4, 2018, Chengdu Jinxin Investment, Tibet Xingsheng, Tibet Zixing, Tibet Juyi, Qingdao Jinshi, Sichuan Fund for the Elderly, Zesen Huilin, Donghu Bairui and Jinsheng Fude transferred 40.90%, 14.70%, 14.70%, 5.88%, 5.88%, 2.95%, 2.19%, 2.81% and 10.00% equity interests in Chengdu Xinan Hospital to Sichuan Jinxin Fertility, respectively, in return of the transfer, the aforementioned shareholders subscribed for the corresponding percentage of equity interests in Sichuan Jinxin Fertility. Subsequent to the transfer, Chengdu Xinan Hospital became wholly-owned by Sichuan Jinxin Fertility.

2. *Exit of Donghu Bairui*

On April 20, 2018, Donghu Bairui entered into an agreement to transfer 2.81% equity interests held by it in Sichuan Jinxin Fertility to Zhuhai Mingrui for a consideration of RMB127.20 million which was fully settled on May 4, 2018. The consideration was determined after arm's length negotiations between the transaction parties.

3. *Incorporation of our Company*

Our Company was incorporated in the Cayman Islands on May 3, 2018 as an exempted company with limited liability and a single Share of par value US$0.00001 was issued to Sharon Pierson and 19,999 Shares were issued to Jinxin Fertility BVI at par value. At the time of its incorporation, our Company had an authorised share capital of US$50,000 divided into 5,000,000,000 Shares of US$0.00001 each. On the same day, Sharon Pierson transferred the one Share to Jinxin Fertility BVI at par value. On July 20, 2018, Jinxin Fertility BVI subscribed for 78,780 Shares at par value.

4. *Conversion of Sichuan Jinxin Fertility to a Sino-foreign equity joint venture company subsequent to the introduction of LionRock Capital as a pre-IPO investor*

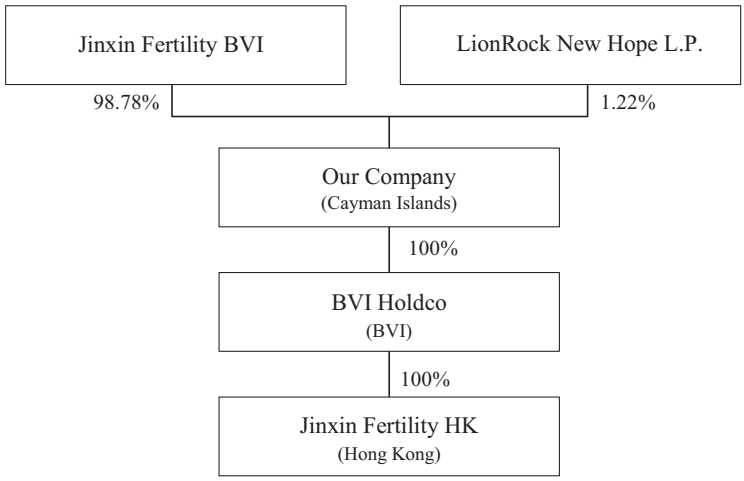
On May 11, 2018, LionRock New Hope L.P., an entity indirectly owned by an Independent Third Party LionRock Capital, was brought in as a pre-IPO investor through the acquisition of 5.78% equity interests in Sichuan Jinxin Fertility from Chengdu Jinxin Investment for a consideration of US$10 million. The consideration was determined with reference to the valuation of Sichuan Jinxin Fertility as of November 30, 2017 conducted by an independent professional valuer and was paid on July 16, 2018.

As advised by our PRC Legal Advisors, such transfer would result in the conversion of Sichuan Jinxin Fertility from a PRC domestic company into a Sino-foreign equity joint venture (中外合資企業), and requires the prior approval of Chengdu Investment Promotion Commission (成都市投資促進委員會), which was obtained on May 11, 2018. Sichuan Jinxin Fertility obtained the new business license from Sichuan SAIC and became a Sino-foreign equity joint venture company on June 14, 2018.

5. ***Share swap between our Company and LionRock New Hope L.P.***

On July 20, 2018, our Company entered into a share swap arrangement with LionRock New Hope L.P., pursuant to which our Company acquired one share in BVI Holdco from LionRock New Hope L.P., being all the outstanding and issued share of BVI Holdco, in exchange for and as consideration of our Company issuing and allotting 1,220 Shares to LionRock New Hope L.P. on the same day.

The simplified offshore shareholding structure of our Company immediately after the incorporation of our Company and the aforementioned share swap were as follows:



6. ***Acquisition of Sichuan Jinxin Fertility by Jinxin Fertility HK***

During the latter half of 2018, as part of the Reorganization, Jinxin Fertility HK acquired the remaining approximately 94.32% equity interests in Sichuan Jinxin Fertility from the then shareholders of Sichuan Jinxin Fertility (including all the minority shareholders), details of which are listed in the table below:

Date of Transfer	Name of Transferor	Name of Transferee	Percentage of Sichuan Jinxin Fertility transferred (%)	Consideration (in RMB)[(Note)]
July 11, 2018	Chengdu Jinxin Investment	Jinxin Fertility HK	8.78	98,828,900.01
July 11, 2018	Tibet Jinxin	Jinxin Fertility HK	26.33	296,396,023.51
July 11, 2018	Qingdao Jinshi	Jinxin Fertility HK	5.88	66,146,780.89
July 11, 2018	Zesen Huilin	Jinxin Fertility HK	2.19	24,648,642.19
July 11, 2018	Jinsheng Fude	Jinxin Fertility HK	10.00	112,551,950.00
September 30, 2018	Chengdu Jinxin Investment	Jinxin Fertility HK	0.10	112,551.95
September 30, 2018	Tibet Zixing	Jinxin Fertility HK	14.70	165,417,601.18
September 30, 2018	Tibet Xingsheng	Jinxin Fertility HK	14.70	165,417,601.18
November 29, 2018	Tibet Juyi	Jinxin Fertility HK	5.88	66,146,780.90
November 29, 2018	Sichuan Fund for the Elderly	Jinxin Fertility HK	2.95	33,225,335.38
December 27, 2018	Zhuhai Mingrui	Jinxin Fertility HK	2.81	31,627,332.81

Note: The consideration for the above transfers was determined based on the valuation of Sichuan Jinxin Fertility as of November 30, 2017 by an independent professional valuer.

The acquisitions made by Jinxin Fertility HK were approved by Chengdu Investment Promotion Commission of the PRC. Sichuan Jinxin Fertility became a wholly-foreign owned enterprise from December 27, 2018.

7. ***Subscription of Shares by the onshore shareholders***

On November 20, 2018, certain shareholders of Sichuan Jinxin Fertility subscribed for Shares in the Company through their designated offshore special purpose vehicles. Details of the Share issuances to the relevant Shareholders are summarised below:

Name of shareholder	Number of Shares subscribed	Subscription price (USD)[(1)]
Jinxin Fertility BVI	502,302,073	62,749,055.77
Jinxin Global BVI	43,657,342	6,574,549.13
Amethyst Gem Holdings Limited	302,905,574	46,271,056.81
Ever Excelling Holding Limited	26,000,000	3,247,358.09
ZeSenHuiLin Limited	25,458,647	3,518,443.11
XiZangZeSen Limited	771,474	106,619.49
LionRock New Hope L.P.	14,443,224	144.43[(2)]

Note:

1. The subscription prices for the above share allotments were determined after arm's length negotiations between the parties with reference to various factors such as the timing of subscription, contribution made during the restructuring process and the valuation of our Group as of November 30, 2017.
2. LionRock New Hope L.P. subscribed Shares at the nominal value for the reason that it had paid valuable consideration when it acquired 5.78% equity interests in Sichuan Jinxin Fertility. For details, please see "—2. Conversion of Sichuan Jinxin Fertility to a Sino-foreign equity joint venture company subsequent to the introduction of LionRock Capital as a pre-IPO investor" above.

On December 19, 2018, other existing shareholders of Sichuan Jinxin Fertility and Pre-IPO Investors (which included Tibet Juyi Limited, ZhouQing Limited, Memory Ocean Technology Limited, Max Innovation Limited and WuXi PharmaTech Healthcare Fund I L.P.) subscribed for Shares in the Company. Details of the Shares issuances to the relevant Shareholders are summarised below:

Name of shareholder	Number of Shares subscribed	Subscription price USD)[(Note)]
Amethyst Gem Holdings Limited	17,067,750	2,358,824.50
Tibet Juyi Limited	16,356,297	2,118,559.57
ZhouQing Limited	19,898,349	2,577,346.06
Pluto Connection Limited	70,390,146	9,728,171.60
Guotai Junan Financial Products Ltd.	35,356,766	4,886,432.30
Memory Ocean Technology Limited	33,656,000	4,651,380.34
LionRock New Hope III L.P	17,067,750	2,358,824.50
Max Innovation Limited	43,333,334	7,032,666.69
WuXi PharmaTech Healthcare Fund I L.P.	43,333,333	7,032,666.53

Note: The subscription price for the above share allotments were determined after arm's length negotiations between the parties with reference to various factors such as the timing of subscription, contribution made during the restructuring process and the valuation of our Group as of November 30, 2017 conducted by an independent professional valuer.

On February 2, 2019, YU PENG XIANG Company Limited, a BVI incorporated limited liability company wholly-owned by Mr. Zeng Yong, one of the members of our senior management, subscribed for 10,882,013 Shares at par value, representing approximately 0.55% of our Company immediately upon completion of this subscription. As a result, on the same day, Mr. Zeng Yong entered into certain agreements with our Group which formed part of the Contractual Arrangements in respect of 5.46% equity interest in Shenzhen Zhongshan Hospital. Both the subscription of Shares and the entry into the relevant agreements for the Contractual Arrangements by Mr. Zeng Yong were an integral part of the Reorganization. After the Reorganization, Mr. Zeng remains beneficially interested in 5.46% equity interests in Shenzhen Zhongshan Hospital.

See "— Corporate Structure — Corporate structure after the Reorganization and before the Global Offering" in this section for information on our Company's shareholding immediately subsequent to the completion of the Reorganization.

8. ***Disposal of Zhongshan Research Institute***

On December 25, 2018, Shenzhen Zhongshan Hospital entered into an agreement on the transfer of organizer's interests and change of organizer of Zhongshan Research Institute with Shenzhen Shengkeqiang Medical Technology Co., Ltd. (深圳市聖科強醫療科技有限公司), an Independent Third Party, pursuant to which Shenzhen Zhongshan Hospital transferred the entire organizer's interests and obligations it held in Zhongshan Research Institute to Shenzhen Shengkeqiang Medical Technology Co., Ltd. for a consideration of approximately RMB1 million, which was determined after arm's length negotiations between the parties and settled on June 6, 2019. Zhongshan Research Institute was a research facility organized by Shenzhen Zhongshan Hospital. The reason of the disposal was to streamline Shenzhen Zhongshan Hospital's organization and the said disposal did not have any material impact on the Group.

9. ***Disposal of Gaoxin Xinan Hospital***

On January 18, 2019, Chengdu Xinan Hospital entered into an equity transfer agreement with Chengdu Jinxin Investment, pursuant to which Chengdu Xinan Hospital agreed to transfer the entire equity interests it held in Gaoxin Xinan Hospital to Chengdu Jinxin Investment for a consideration of approximately RMB3.89 million, which was settled on February 15, 2019. The consideration was determined with reference to net asset value of Gaoxin Xinan Hospital as of January 31, 2019. Prior to the transfer, Gaoxin Xinan Hospital served as the VIP center of Xinan Hospital Group. The assets of Gaoxin Xinan Hospital were transferred to Chengdu Xinan Hospital on January 28, 2019 and therefore Gaoxin Xinan Hospital was an entity without any substantial operations and the disposal did not have any material impact on the Group. The reason of the disposal was part of our Group's effort to streamline and simplify the corporate structure of our Group's operations in Chengdu. For further

information and the rationale behind this disposal, see the section headed "Business — Our Network of Assisted Reproductive Medical Facilities — Assisted Reproductive Medical Facilities in China — Xinan Hospital Group".

10. ***Transfer of Shenzhen Yuji and Shenzhen Meihua to Sichuan Jinxin Fertility***

On January 18, 2019, Sichuan Jinxin Fertility entered into equity transfer agreements which were supplemented and amended on February 14, 2019 with Shenzhen Zhongshan Hospital pursuant to which Sichuan Jinxin Fertility agreed to acquire 100% equity interests in Shenzhen Yuji and Shenzhen Meihua for a total nominal consideration of RMB2.00 as part of our internal group restructuring and was settled on February 15, 2019. The transfer of Shenzhen Yuji and Shenzhen Meihua was completed on February 15, 2019 and February 18, 2019, respectively.

11. ***Share transfers relating to and the entering into of Contractual Arrangements***

Transfer of 10% equity interests in Chengdu Xinan Hospital by Sichuan Jinxin Fertility to Jinrun Fude

On September 6, 2018, as a necessary precursory step prior to the entering of the Contractual Arrangements, Sichuan Jinxin Fertility transferred 10% equity interests it held in Chengdu Xinan Hospital to Jinrun Fude for a nominal consideration of RMB1.00, and the share transfer became effective on September 6, 2018.

Transfer of 3.98% equity interests in Shenzhen Zhongshan Hospital by Sichuan Jinxin Fertility to Jinrun Fude

On November 15, 2018, as a necessary precursory step prior to the entering of the Contractual Arrangements, Sichuan Jinxin Fertility transferred 3.98% equity interests it held in Shenzhen Zhongshan Hospital to Jinrun Fude for a nominal consideration of RMB1.00, and the share transfer became effective on the same day.

Execution of the agreements forming the Contractual Arrangements

On December 23, 2018 and February 2, 2019, Sichuan Jinxin Fertility entered into various respective agreements which constitute the Contractual Agreements with Jinrun Fude, the Registered Shareholders, Mr. Zeng Yong, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, under which substantially all economic benefits arising from the business of Chengdu Xinan Hospital and the Shenzhen Zhongshan Hospital are transferred to Sichuan Jinxin Fertility to the extent permitted under the PRC laws and regulations by means of services fees payable by Jinrun Fude and Mr. Zeng Yong to Sichuan Jinxin Fertility. See the section headed "Contractual Arrangements" for further details of the Contractual Arrangements.

B. US Business Reorganization

In order to acquire our US business and reorganize the holding structure of our offshore entities, we have incorporated certain offshore entities and entered into a series of share swaps. The reorganization steps carried out pertaining to the aforementioned are summarised below:

I. *In relation to the 51% membership interests in HRC Management*

1. ***Incorporation of US New Co***

US New Co was incorporated in Delaware, United States on May 7, 2018 and on May 8, 2018, one share of common stock of US New Co was issued to Willsun BVI. At the time of its incorporation, US New Co was authorised to issue 10,000 shares of common stock with a par value of US$0.01.

2. ***Incorporation of BVI New Co***

BVI New Co was incorporated in the BVI on May 17, 2018 and one ordinary share of no par value was issued to our Company. At the time of its incorporation, BVI New Co was authorised to issue one ordinary share of no par value. On December 24, 2018, BVI New Co's authorised share capital was increased by way of a sole director's resolution to 50,000 shares of no par value.

3. ***Share swap between Willsun BVI and US New Co for entire shareholding interest in Willsun US***

On December 24, 2018, Willsun BVI subscribed for 85,505,000 newly issued shares of common stock of US New Co for the consideration of 85,505,000 limited liability company units of Willsun US, constituting all of the outstanding shares of common stock of Willsun US at the time. Subsequent to the issuance and subscription, Willsun BVI wholly-owned US New Co, which in turn wholly-owned Willsun US. Willsun US owned 51% equity interests in HRC Management.

4. ***Share swap between the then shareholders of Willsun BVI and our Company for the entire equity interests in Willsun BVI***

On December 24, 2018 the then shareholders of Willsun BVI subscribed for newly issued Shares of our Company in exchange for the consideration of all issued and outstanding shares of Willsun BVI held by its then shareholders. Subsequent to the issuance and subscription of the Shares, Willsun BVI

became wholly-owned by our Company. The number of Shares issued to and shares of Willsun BVI paid by its then shareholders are summarised below:

Name of shareholder (Number of Willsun BVI shares as consideration)	Number of Shares subscribed
Brilliant Fertility Limited (1,748,300)[(Note)]	879,957
Prosperous Fertility Limited (4,720,412) [(Note)]	2,375,885
Shine Brilliance Investment Limited (6,835,857) [(Note)]	3,440,634
LionRock New Hope II L.P. (17,535,431)	32,021,649
CNCB Investment (45,624,478)	83,333,333
Amethyst Gem Holdings Limited (69,458,705)	126,866,667
Jinxin Global BVI (48,726,942)	138,087,212
Southern Creation (10,949,875)	20,000,000

Note: The consideration shares paid by these three entities totalled at 13,305,569 shares of Willsun BVI which were owned and transferred to our Company by Overseas Investment (BVI) Holding Limited.

5. ***Share swap between HRC Investment and US New Co for 49% membership interests in US New Co***

On December 24, 2018, HRC Investment subscribed for 82,151,863 newly issued shares of common stock of US New Co for the consideration of 82,151,863 limited liability company units of HRC Management, amounting to 49% of shareholding in HRC Management. Subsequent to the issuance and subscription, HRC Investment owned 49% equity interests in US New Co, which in turn wholly-owned Willsun US. Willsun US and US New Co owned 51% and 49% membership interests in HRC Management, respectively.

6. ***Share swap between HRC Investment and our Company for 49% equity interests in US New Co***

On December 24, 2018, HRC Investment subscribed for 360,725,005 newly issued shares of our Company for the consideration of 82,151,863 shares of common stock of US New Co, amounting to 49% of equity interests in US New Co. Subsequent to the issuance and subscription, HRC Investment holds 18.22% shareholding in our Company. US New Co also became held as to 49% by our Company.

7. ***Share swap between our Company and BVI New Co for 49% equity interests in US New Co***

On December 24, 2018, our Company subscribed for, and on December 27, 2018, was issued one share in BVI New Co for the consideration of 82,151,863 shares of common stock of US New Co, amounting to 49% of equity interests in US New Co. Subsequent to the issuance and subscription, our Company wholly-owned the entire shareholding in BVI New Co. In turn, BVI New Co holds 49% equity interests in US New Co, and the rest of the 51% equity interests in US New Co was held by Willsun BVI.

8. ***Entering into of the Existing MSA and Ancillary Agreements***

Following our acquisition of the 51% membership interests in HRC Management from Willsun BVI on December 24, 2018, and our acquisition of the remaining 49% interest in HRC Management from HRC Investment on the same day, we entered into the Existing MSA and the Ancillary Agreements with HRC Medical on January 22, 2019 to optimize the terms of provision of our specialty management services to HRC Medical, and to further regulate the relationship with the Physician Shareholders. Under the Existing MSA, HRC Management will continue to provide non-medical management and administrative services such as financial and risk management as well as information systems and administrative support to the affiliated physicians, in return for a management service fee equal to 90% of all gross revenue of HRC Medical, plus a discretionary bonus incentive. See the section headed "Business — Our Management Agreements — Management Services Agreement" for the principal terms of the MSA arrangements and "Connected Transactions — B. Connected Transactions of the United States Business — Non-exempt Continuing Connected Transactions — 5. Arrangements for the MSA and Ancillary Agreements" for descriptions of the MSA arrangements in terms of continuing connected transactions with our Group.

9. ***Entering into the shareholders' agreements with our Shareholders***

On February 14, 2019, our Company entered into a shareholders' agreement with each of our Shareholders, pursuant to which certain special rights, including rights of first refusal, tag-along rights, pre-emptive rights and director nomination rights, are granted to our Shareholders and all such rights will be terminated upon the Listing.

WILLSUN AS OUR FINANCIAL INVESTOR

In October 2016, Willsun became one of the financial investors in our Group through the subscription of the registered capital in Chengdu Xinan Hospital by the investment funds controlled by it, namely, Willsun Fund. Each of the general partners of Willsun Fund was then controlled by Willsun AM (an investment and asset management arm of Willsun), which was wholly-owned by Wintime Energy Co., Ltd. (永泰能源股份有限公司) (Shanghai stock exchange stock code: 600157), which was in turn indirectly owned as to more than 30% by Mr. Wang Guangxi (王廣西), an Independent Third Party. After making investments in our Group, Willsun identified an ARS target in the United States, namely, HRC Management. In July 2017, Willsun AM, through Willsun BVI, its then subsidiary established for the purpose of acquiring HRC Management, acquired 51% shareholding interest in HRC Management with the other 49% still owned by HRC Investment, a limited liability company collectively owned by the Physician Shareholders. HRC Management was established by HRC Medical in November 2015, the entire shareholding of which was subsequently transferred to HRC Investment in July 2017 to facilitate the acquisition by Willsun BVI which took place in the same month. HRC Investment and Willsun had planned to transfer their respective direct or indirect shareholding interests in HRC Management to our Group in return for issuance of new Shares to them. Despite the disposal by Willsun as described below, HRC Investment and shareholders of Willsun BVI transferred their respective interests to our Company to implement the Reorganization in order to consolidate our PRC and US businesses under the same umbrella within our Group.

In August 2018, due to the financial difficulties experienced by Willsun's parent group, the equity interest held by Willsun Fund[(Note)] in Sichuan Jinxin Fertility and the shareholding interest held by Willsun AM in Willsun BVI were disposed to our certain existing Shareholders (including Jinxin Global BVI and Amethyst Gem) and certain Pre-IPO Investors (including Sequoia Capital China, WuXi AppTec and CNCB Investment). Following such disposals, Willsun ceased to be interested in any of our PRC and US businesses. As part of the Reorganization, the aforesaid stakeholders, which acquired from Willsun its respective interests in our PRC and US businesses, transferred such interests to the Company and in return, subscribed for the new Shares. For further information on the Reorganization steps carried out in relation to the PRC Business and US Business, see the subsection headed "Corporate Reorganization — A. Red-Chip Reorganization and B. US Business Reorganization" respectively.

PRE-IPO INVESTMENTS

1. Overview of the Pre-IPO Investments

In order to further develop our Group's business, certain investors (the "**Pre-IPO Investors**") were introduced to become shareholders of our Group (the "**Pre-IPO Investments**"), details of which are set out below.

The consideration for each of the Pre-IPO Investments was determined based on arm's length negotiations with the Pre-IPO Investors after taking into account the timing of the subscription, the illiquidity of the shares as a private company when the Pre-IPO Investments were entered into and the fair value of any relevant business contributed in conjunction with the Pre-IPO Investments (where applicable).

2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights

The principal terms of the Pre-IPO Investments and the rights granted to the Pre-IPO Investors, each of which shall automatically terminate upon Listing are set out below:

	Southern Creation	CNCB Investment	Ever Excelling	Sequoia Capital China	First investment of LionRock Capital	Second investment of LionRock Capital	Third investment of LionRock Capital	WuXi AppTec
Date of relevant agreement with the Pre-IPO Investor[(1)]	August 23, 2018	August 9, 2018	June 14, 2018	August 9, 2018	March 28, 2018	July 25, 2018	November 1, 2018	August 9, 2018
Date of payment or satisfaction of payment of the relevant Pre-IPO Investment	August 23, 2018	August 24, 2018	June 27, 2018	August 23, 2018	July 5, 2018	August 1, 2018	December 21, 2018	August 24, 2018

Note: Except Tibet Juyi, which was in fact beneficially interested by a group of individuals, some of which were employees of Willsun, including Mr. Wang Bin, Mr. Zhong Yong, Ms. Zhang Jing and certain Independent Third Parties.

	Southern Creation	CNCB Investment	Ever Excelling	Sequoia Capital China	First investment of LionRock Capital	Second investment of LionRock Capital	Third investment of LionRock Capital	WuXi AppTec
Total number of shares subscribed in our Company subsequent to the Reorganization	20,000,000	83,333,333	26,000,000	43,333,334	14,444,444	32,021,649	17,067,750	43,333,333
Approximate amount of Pre-IPO investment amount (US$ million)[2]	17.58	73.24	24.00	38.08	10.00	29.11	15.00	38.08
Original issue price per share (US$)	0.88	0.88	0.92	0.88	0.69	0.91	0.88	0.88
Basis of determination of the consideration	The basis of the considerations of the Pre-IPO investments was determined after arm's length negotiations with the Pre-IPO Investors with reference to the Group's post-money valuation							
Post valuation of our Group at the time of the Pre-IPO Investment (RMB million)	12,000	12,000	12,000	12,000	9,000	12,000	12,000	12,000
Discount to the Offer Price[3]	15.35%	15.35%	11.51%	15.35%	33.63%	12.47%	15.35%	15.35%
Total percentage of equity interest subscribed immediately after the Reorganization	0.99%	4.12%	1.28%	2.14%	0.71%	1.58%	0.84%	2.14%

Notes:

(1) Each of Southern Creation, CNCB Investment, Ever Excelling, LionRock (excluding the first investment of LionRock through LionRock New Hope L.P.), Sequoia Capital China and WuXi AppTec became our Pre-IPO Investors through acquisition of equity interests from existing shareholders of our Group.

(2) Apart from the amount paid by LionRock Capital directly to us under its first investment, the other investment amounts were paid by the respective Pre-IPO Investors for acquisition of equity interests from the then existing shareholder of our Group.

(3) The discount to the Offer Price is calculated based on the assumption that (i) the Offer Price is HK$8.15 per Share, being the midpoint of the indicative Offer Price range of HK$7.76 to HK$8.54, on the basis that 357,124,000 Shares are expected to be in issue immediately upon completion of the Global Offering (assuming that Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme, and (ii) the conversion rate of US$1.00 for HK$7.8394 (being the prevailing exchange rate on June 4, 2019 as quoted by the People's Bank of China.

	Southern Creation	CNCB Investment	Ever Excelling	Sequoia Capital China	First investment of LionRock Capital	Second investment of LionRock Capital	Third investment of LionRock Capital	WuXi AppTec
Shareholding in our Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme)	0.84%	3.50%	1.09%	1.82%	0.61%	1.34%	0.72%	1.82%

Lock-Up Period	Each of the Pre-IPO Investors and other existing Shareholders (except Jinxin Fertility Shareholders) agrees to a 180-day lock-up from the date of Listing in respect of the Shares held by them as of the date of this prospectus. Jinxin Fertility Shareholders agrees to a 12-month lock-up in respect of the Shares held by them as of the date of this prospectus. For details, see "Underwriting — Underwriting Arrangements And Expenses — Hong Kong Public Offering — Undertakings Pursuant to the Hong Kong Underwriting Agreement — (B) Undertakings by our Jinxin Fertility Shareholders" of this prospectus.
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds for the development and operation of our business, including but not limited to, personnel recruitment, business operation and development, technology infrastructure, office utilities and marketing. As of the Latest Practicable Date, the net proceeds received by us from the Pre-IPO Investments had not yet been fully utilized.
Strategic benefits of the Pre-IPO Investors brought to Sichuan Jinxin Fertility and Chengdu Xinan Hospital and subsequently our Company	At the time of the Pre-IPO Investments, our Directors were of the view that we could benefit from the additional capital that would be provided by the Pre-IPO Investors' investment and the possibility that we could utilize the Pre-IPO Investors' knowledge and experience.

3. Shareholders' Rights of Pre-IPO Investors

All special rights granted to the Pre-IPO Investors pursuant to the Shareholders Agreement, including rights of first refusal, information rights, pre-emptive rights and director nomination rights, will be automatically terminated upon the Listing.

4. Public Float

Upon the completion of the Global Offering (assuming the Over-allotment Option and any options granted under the Share Option Scheme are not exercised), the Pre-IPO Investors will each hold less than 10% of the issued Shares. The Pre-IPO Investors have confirmed to the Company and the Joint Sponsors that they are not connected persons of the Company (as defined in the Listing Rules) and are not accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of Shares held or to be allotted to them. Therefore, the Shares held by the Pre-IPO Investors will count towards the public float of our Company upon Listing.

5. Information about the Pre-IPO Investors

CNCB Investment

CNCB Investment, formerly known as China Investment and Finance Limited, is a company incorporated and registered in Hong Kong, and is the overseas investment and financing platform of China CITIC Bank Corporation Limited. China CITIC Bank Corporation Limited is a commercial bank listed on the Hong Kong Stock Exchange (stock code: 998) and is in turn ultimately controlled by CITIC Group (中信集團), a PRC state-owned investment company. The business scope of CNCB Investment covers lending (its holds a Hong Kong money lender license), investment, overseas licensed investment banking business and domestic equity investment fund management business via its own subsidiaries.

Ever Excelling

Ever Excelling is a company incorporated in the BVI and is wholly-owned by Ms. Lau Oiping, an Independent Third Party of the Company.

LionRock Capital

Each of LionRock New Hope L.P., LionRock New Hope II L.P. and LionRock New Hope III L.P. are formed under the laws of the Cayman Islands and are special purpose vehicles of LionRock Capital (Cayman) Limited which is a Hong Kong-based private equity firm in Asia's fast-growing consumer sector, providing strategic, financial, and corporate governance support for growth stage companies. LionRock Capital specializes in investing in healthcare companies, sports related companies, next generation Internet e-commerce companies and food & beverage specialty companies in Asia. Each of LionRock New Hope L.P., LionRock New Hope II L.P. and LionRock New Hope III L.P. is managed and controlled by LionRock Capital GP Limited as its fund manager. LionRock Capital GP Limited is in turn wholly-owned by LionRock Capital (Cayman) Limited, which is ultimately controlled by Mr. Daniel Tseung.

Sequoia Capital China

Max Innovation Limited is a holding vehicle currently controlled by Shanghai Zhehui Enterprise Management Consulting Partnership L.P. and was incorporated in the Cayman Islands. Shanghai Zhehui Enterprise Management Consulting Partnership L.P. is controlled by its general partner Jiaxing Sequoia Kunsheng Investment Management L.P., which is further controlled by its general partner Ningbo Meishan Bonded Area Sequoia Huanjia Investment Management Co., Ltd, of which issued share capital is owned by Kui Zhou and Lianqing Zhang as to 70% and 30%, respectively. The primary business scope of Shanghai Zhehui Enterprise Management Consulting Partnership L.P. is to make of equity investments in private companies.

Southern Creation

Southern Creation is a special purpose vehicle registered with the BVI, made investments in healthcare companies in Greater China area. Southern Creation is managed and controlled by Shanghai Kuokun Asset Management Limited through controlling of 100% of its voting rights. Shanghai Kuokun Asset Management Limited is controlled by Mr. Ding Zhidong.

WuXi AppTec

WuXi AppTec is an exempted limited partnership established in the Cayman Islands in 2011 and specializes in the investment of pharmaceutical, biotech and healthcare companies. The general partner of WuXi AppTec is a wholly owned subsidiary of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司) and all the limited partnership interests of WuXi AppTec are also indirectly wholly owned by WuXi AppTec Co., Ltd. WuXi AppTec Co., Ltd. is a pharmaceutical and biopharmaceutical company listed on the Hong Kong Stock Exchange (stock code: 2359) and the Shanghai Stock Exchange (stock code: 603259), and is ultimately controlled by Dr. Ge Li and Dr. Ning Zhao, founders of WuXi AppTec Co., Ltd.

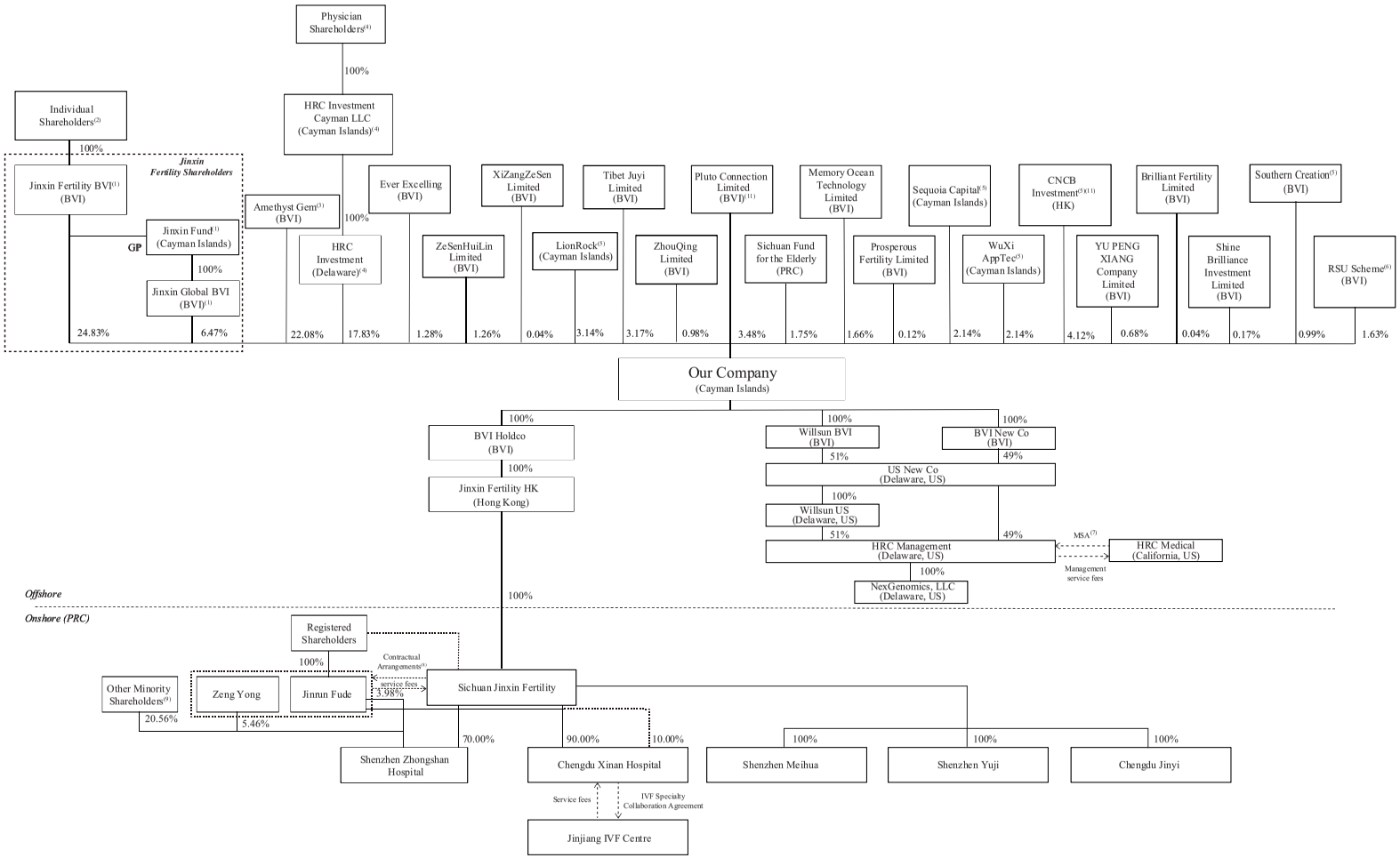
COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors confirm that the investment by the Pre-IPO Investors is in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

CORPORATE STRUCTURE

Corporate structure after the Reorganization and before the Global Offering

The following diagram depicts the shareholding and beneficial ownership structure of our Group immediately following the Reorganization and prior to the completion of the Global Offering:



Notes:

1. Jinxin Fertility BVI, Jinxin Global BVI and Jinxin Fund are our Controlling Shareholders prior to Listing, and are ultimately controlled by the Individual Shareholders. Jinxin Fertility BVI, Jinxin Global BVI and Jinxin Fund will remain as our substantial shareholders upon Listing.

2. The Individual Shareholders consist of 196 individuals who are former or current employees of Jinxin Group as of the Latest Practicable Date. For further information on Jinxin Fertility BVI and the Individual Shareholders, see the section headed "Relationship with Jinxin Fertility Shareholder — Individual Shareholders".

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

4. The Physician Shareholders consist of 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 physician certified in California, United States. The Physician Shareholders jointly hold the entire shareholding in HRC Investment through certain limited liability companies or family trust corporations. Dr. John G. Wilcox, an executive Director, owns 23.65% in HRC Investment Cayman LLC.

5. Each of Southern Creation, CNCB Investment, Ever Excelling, LionRock Capital, Sequoia Capital and WuXi AppTec is our Pre-IPO Investor and holds Shares of our Company through its holding vehicles.

6. Shares forming part of the RSU Scheme are held by the RSU Scheme's nominee, Jinxin Employee Holdings Company Limited, for and on behalf of our Company. For further information, see the section headed "D. RSU Scheme" in Appendix V to this prospectus.

7. HRC Management has entered into the MSA with HRC Medical pursuant to which HRC Management will provide certain management services, amongst others, to HRC Medical, in return for a payment of service fees by HRC Medical. See "Business — Our Management Agreements — Management Services Agreement" in this prospectus for further information.

8. Sichuan Jinxin Fertility, Shenzhen Zhongshan Hospital and Chengdu Xinan Hospital have entered into the Contractual Arrangements with the Registered Shareholders, Jinrun Fude, Zeng Yong and other minority shareholders of Shenzhen Zhongshan Hospital. See "Contractual Arrangements" in this prospectus for further information.

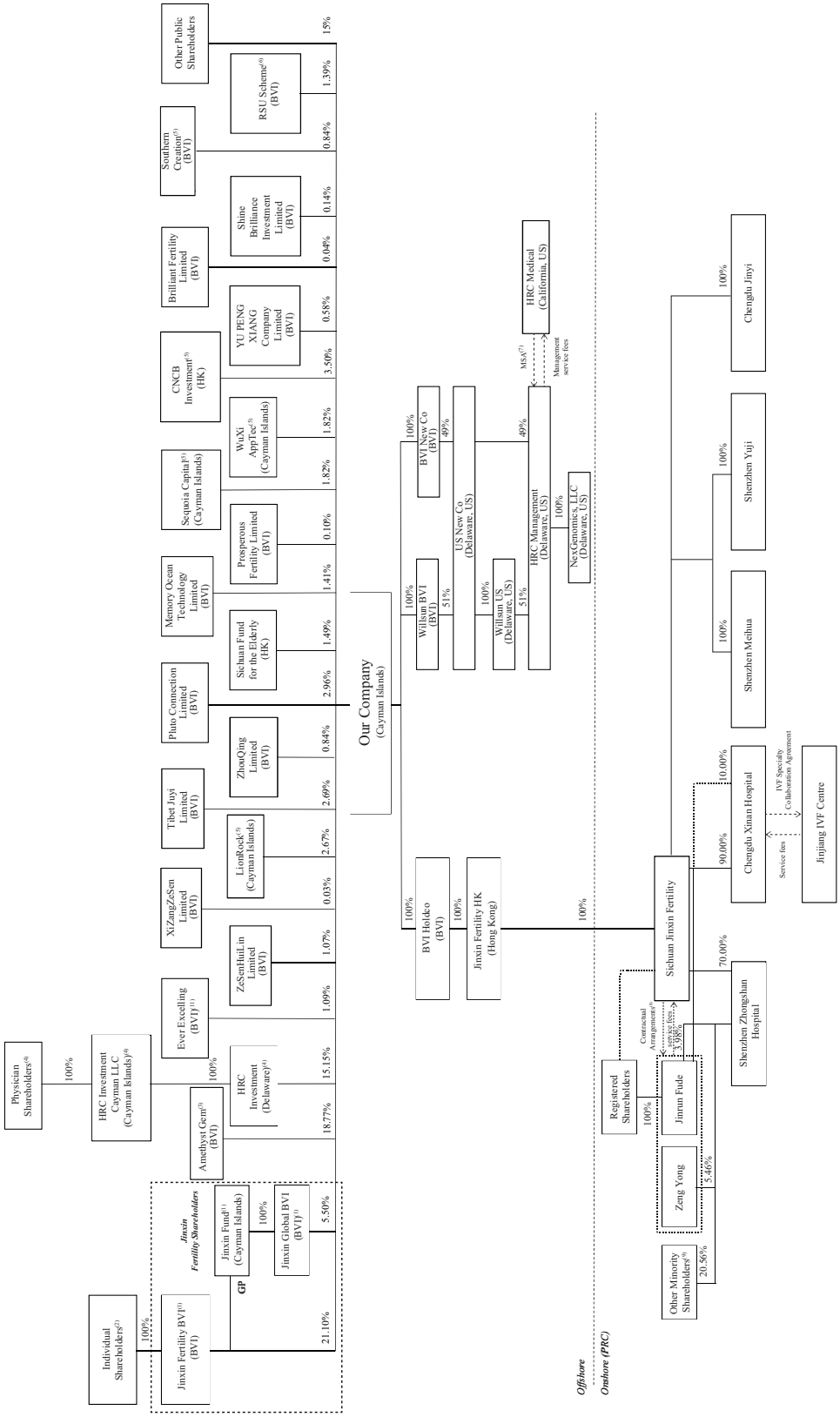
9. The equity interest held by other minority shareholders of Shenzhen Zhongshan Hospital consist of 5.46% equity interest held by Mr. Zeng Yong (in addition to the 5.46% equity interest mentioned above), 15% equity interest held by Mr. Mei Hua and 0.1% equity interest held by Ms. Qian Minhui. Mr. Zeng Yong is a member of our senior management, Mr. Mei Hua is a director and substantial shareholder of Shenzhen Zhongshan Hospital whereas Ms. Qian Minhui was a director of Shenzhen Meihua and a current director of Shenzhen Yuji, both are our Company's indirect subsidiaries.

10. Chengdu Xinan Hospital has entered into the IVF specialty collaboration agreement with Jinjiang IVF Center, pursuant to which Chengdu Xinan Hospital provides joint management services to Jinjiang IVF Center in return for management service fees. See "Business — Our Management Agreements — IVF Specialty Collaboration Agreements" in this prospectus for further information.

11. CNCB Investment is controlled by CITIC Group Corporation Ltd. (中國中信集團有限公司), which is affiliated with Pluto Connection Limited, which is controlled by CITIC Securities Co., Ltd. (中信証券股份有限公司).

Corporate structure immediately following the Global Offering

The following diagram depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Global Offering, assuming that the Over-allotment Option and any options granted under the Share Option Scheme are not exercised:



Notes:

1. Jinxin Fertility BVI, Jinxin Global BVI and Jinxin Fund are our Controlling Shareholders prior to Listing, and are ultimately controlled by the Individual Shareholders. Jinxin Fertility BVI, Jinxin Global BVI and Jinxin Fund will remain as our substantial shareholders upon Listing.

2. The Individual Shareholders consist of 196 individuals who are former or current employees of Jinxin Group as of the Latest Practicable Date. For further information on Jinxin Fertility BVI and the Individual Shareholders, see the section headed "Relationship with Jinxin Fertility Shareholder — Individual Shareholders".

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

4. The Physician Shareholders consist of 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 physician certified in California, United States. The Physician Shareholders jointly hold the entire shareholding in HRC Investment through certain limited liability companies or family trust corporations. Dr. John G. Wilcox, an executive Director, owns 23.65% in HRC Investment Cayman LLC.

5. Each of Southern Creation, CNCB Investment, Ever Excelling, LionRock Capital, Sequoia Capital and WuXi AppTec is our Pre-IPO Investor and hold Shares of our Company through their holding vehicles.

6. Shares forming part of the RSU Scheme are held by the RSU Scheme's nominee, Jinxin Employee Holdings Company Limited, for and on behalf of our Company. For further information, see the section headed "D. RSU Scheme" in Appendix V to this prospectus.

7. HRC Management has entered into the MSA with HRC Medical pursuant to which HRC Management will provide certain management services, amongst others, to HRC Medical, in return for a payment of service fees by HRC Medical. See "Business — Our Management Agreements — Management Services Agreement" in this prospectus for further information.

8. Sichuan Jinxin Fertility, Shenzhen Zhongshan Hospital and Chengdu Xinan Hospital have entered into the Contractual Arrangements with the Registered Shareholders, Jinrun Fude, Zeng Yong and other minority shareholders of Shenzhen Zhongshan Hospital. See "Contractual Arrangements" in this prospectus for further information.

9. The equity interests held by other minority shareholders of Shenzhen Zhongshan Hospital consists of additional 5.46% equity interest held by Mr. Zeng Yong (in addition to the 5.46% equity interest mentioned above), 15% equity interest held by Mr. Mei Hua and 0.1% equity interest held by Ms. Qian Minhui. Mr. Zeng Yong is a member of our senior management, Mr. Mei Hua is a director and substantial shareholder of Shenzhen Zhongshan Hospital whereas Ms. Qian Minhui was a director of Shenzhen Meihua and a current director of Shenzhen Yuji, both are our Company's indirect subsidiaries.

10. Chengdu Xinan Hospital has entered into the IVF specialty collaboration agreement with Jinjiang IVF Center, pursuant to which Chengdu Xinan Hospital provides joint management services to Jinjiang IVF Center in return for management service fees. See "Business — Our Management Agreements — IVF Specialty Collaboration Agreements" in this prospectus for further information.

11. CNCB Investment is controlled by CITIC Group Corporation Ltd. (中國中信集團有限公司), which is affiliated with Pluto Connection Limited, which is controlled by CITIC Securities Co., Ltd. (中信證券股份有限公司).

SAFE REGISTRATION AND PRC LEGAL COMPLIANCE

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, "**Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知, "**Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the domestic entity is registered.

As advised by our PRC Legal Advisors, all relevant Onshore Individual Owners who were required to undergo registration under Circular 37 have completed initial registration as of the Latest Practicable Date.

All requisite payments required under the Reorganization have been satisfied by June 6, 2019. Our PRC Legal Advisors also confirmed that the requisite approvals, permits and licenses under the applicable laws and regulations of the PRC in relation to the PRC aspects of the Reorganization, have been obtained.

After consulting with our US Special Counsel, and taking into account their views, we believe that all requisite approvals, permits and licenses from the relevant United States government authorities in relation to the offshore reorganization (to the extent that entities in the United States are concerned) have been obtained, and the aforesaid offshore reorganization has complied with all applicable United States laws and regulations in all material respects.

RSU SCHEME AND SHARE OPTION SCHEME

We have adopted the RSU Scheme and conditionally adopted the Share Option Scheme, the principle terms of which are summarized in the subsection headed "D. RSU Scheme" and "E. Share Option Scheme", respectively, in Appendix V to this prospectus.

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

Our Company is a leading ARS provider in China, according to the F&S Report. According to the 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, our provision of private specialized medical services (the "**Restricted Businesses**") is subject to foreign investment restriction in accordance with the Negative List. For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, please see the section headed "Regulatory Overview".

Our VIE Entities are Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, which were established under the laws of the PRC. We do not directly own 100% equity interest 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%, Mr. Mei Hua as to 15%, Mr. Zeng Yong as to 10.92%, Jinrun Fude as to 3.98% and Ms. Qian Minhui as to 0.10%. Chengdu Xinan Hospital was established on November 10, 2015, and Shenzhen Zhongshan Hospital was established on May 18, 2004.

In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on December 23, 2018 and February 2, 2019. Through shareholdings and the Contractual Arrangements, Sichuan Jinxin Fertility has acquired (i) effective control over the financial and operational policies of Chengdu Xinan Hospital and has become entitled to all the economic benefits from its operations; and (ii) effective control over the financial and operational policies of Shenzhen Zhongshan Hospital and has become entitled to 79.44% of the economic benefits from its operations. We believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between Sichuan Jinxin Fertility (our wholly foreign owned enterprise), the Registered Shareholders, Mr. Zeng Yong, Jinrun Fude and the VIE Entities, (ii) by entering into the Exclusive Operation Services Agreement as defined below with Sichuan Jinxin Fertility, the VIE Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTION

Foreign investment activities in the PRC are mainly governed by the Foreign Investment Provisions, which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Catalog divides industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encourage", "restricted" and "prohibited" categories).

The Regulations on Foreign Investment Guidelines (《指導外商投資方向規定》) and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018) (《外商投資准入特別管理措施 (負面清單) (2018年版)》) ("**Negative List**", collectively, the "**Foreign Investment Provisions**") stipulate that foreign investors are permitted to invest only in Sino-foreign equity and cooperative joint venture medical institutions. In accordance with the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises (《關於外商投資企業境內投資的暫行規定》), the domestic investment by a foreign-invested enterprise shall, by analogy, be governed by the Foreign Investment Provisions. However, the Foreign Investment Provisions does not expressly stipulate the percentage of equity interest or interest indirectly held by a foreign investor in a medical institution by means of domestic investment by a foreign-invested enterprise.

Pursuant to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), which allow foreign investors to partner with Chinese medical entities to establish a healthcare institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture are subject to certain requirements, including the minimum 30% equity percentage held by the Chinese partner in the joint venture. These investor qualification requirements and establishment criteria may be relaxed where the foreign-invested medical institution is to be established in Central and Western China or areas inhabited by more elderly, ethnic-minorities and poorer demographics. Further, according to the Administrative Measures on Sino-Foreign Equity and Cooperative Medical Institutions in the Sichuan Province (《四川省中外合資、合作醫療機構管理辦法》), equity ratio or interests attributable to joint venture, Chinese party among the Sino-Foreign Co-operation and cooperative medical institutes shall not be below 10%.

Our PRC Legal Advisors consulted Sichuan Ministry of Commerce(四川省商務廳) ("**Sichuan MOFCOM**"), Health Commission of Sichuan Province (四川省衛生健康委員會) and Bureau of Industry and Information Technology of Shenzhen (深圳市工業和信息化局) and according to the officers, (i) medical institutions indirectly held by foreign investors via foreign-invested enterprise are not Sino-foreign equity medical institutions or Sino-foreign cooperative medical institutions; (ii) Sichuan MOFCOM, Health Commission of Sichuan Province confirmed that the specific percentage of equity interest indirectly held by a foreign investor in a Chinese medical institution is determined by the competent authority of commerce at the provincial level in its sole discretion. In Sichuan Province, the Administrative Measures of Sichuan Province for Sino-Foreign Equity/Cooperative Joint Venture Medical Institutions shall, by analogy, apply to the percentage of equity interest indirectly held by a foreign investor in a medical institution, i.e. the shareholding percentage is also capped at 90%; (iii) Bureau of Industry and Information Technology of Shenzhen confirmed that there are no local regulations or other regulatory documents in Shenzhen governing the shareholding percentage of a foreign investor in China and the Interim Measures for the Administration of Sino-Foreign Equity and Cooperative Joint Venture Medical Institutions at the national level shall apply, and it follows that a foreign investor may hold, directly or indirectly, equity interest up to 70% in a medical institution in Shenzhen. Our PRC Legal Advisors has advised us that Sichuan MOFCOM, Health Commission of Sichuan Province, and Bureau of Industry and Information Technology of Shenzhen are competent authorities and the officers interviewed are competent to give such confirmation in respect of foreign investments, and are of the view that our Company, as a foreign entity, shall not hold more than 90% and 70% equity interests in any medical institutions in Chengdu and Shenzhen, respectively.

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

The Contractual Arrangements are narrowly tailored to address solely the Foreign Ownership Restriction as set forth in the above paragraph. The Contractual Arrangements are also narrowly tailored to achieve the business purposes of the Company and to minimize the potential for conflict with relevant PRC laws and regulations.

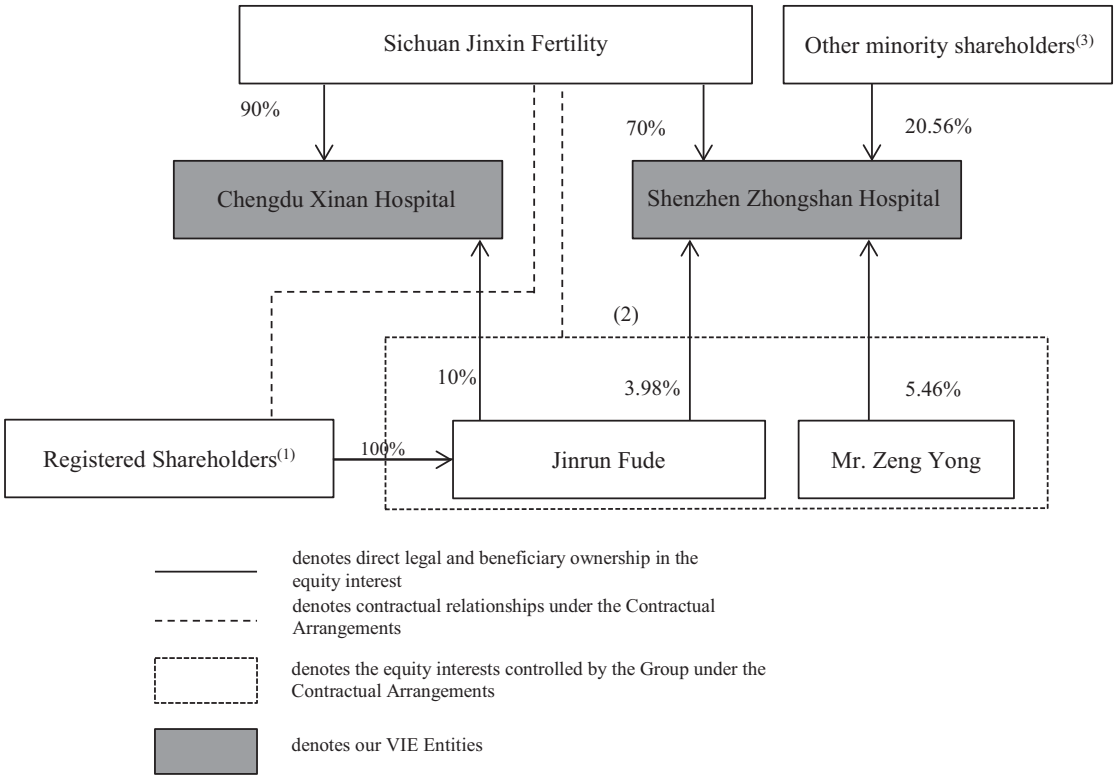
Circumstances in which we will unwind the Contractual Arrangements

As regards the Contractual Arrangements, if and when MOFCOM and/or other relevant governmental departments promulgate any measures for the administration of foreign-invested enterprises engaging in ARS business or such entities invested by foreign investors, depending on the limit of the percentage equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the VIE Entities up to the percentage limit prescribed by such measures; and if there is no prescribed limit of the percentage equity interest permitted to be held by foreign investors and that our Company would be allowed to directly hold 100% of the equity interests in Chengdu Xinan Hospital and 79.44% of the equity interests in Shenzhen Zhongshan Hospital, we will fully unwind the Contractual Arrangements and directly hold the entire equity interest in Chengdu Xinan Hospital and 79.44% equity interest in Shenzhen Zhongshan Hospital.

OUR CONTRACTUAL ARRANGEMENTS

As foreign investment in certain areas of the industry in which we currently operate in is subject to restrictions under current PRC laws and regulations as outlined above, we do not own 100% equity interest in the VIE Entities. The Contractual Arrangements apply to the 10% and 9.44% equity interests in Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, respectively.

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



Notes:

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

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

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

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(1) Exclusive Operation Services Agreements

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

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

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

In addition, absent of a prior written consent of Sichuan Jinxin Fertility, during the term of the Exclusive Operation Services Agreements, the Registered Shareholders, Mr. Zeng Yong, Jinrun Fude and the VIE Entities shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. Sichuan Jinxin Fertility has the right to appoint any third party to provide any or all of the services, or to fulfill its obligations under the Exclusive Operation Services Agreements.

The Exclusive Operation Services Agreements shall become effective from September 30, 2018 (in relation to our Group's operations in Chengdu) and November 15, 2018 (in relation to our Group's operations in Shenzhen), respectively, and shall remain valid for three years and shall, subject to compliance with the Listing Rules, be automatically renewed for three years each time when its term ends, unless being terminated in accordance with the terms therein.

According to the Exclusive Operation Services Agreement, unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreements (except Sichuan Jinxin Fertility) is entitled to unilaterally terminate the agreement. Furthermore, pursuant to the Exclusive Operation Services Agreements, it may only be terminated in the event that (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Jinrun Fude, and all of the Registered Shareholders' equity interests in Jinrun Fude or all of the assets of Jinrun Fude attributable to the Registered Shareholders are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations, (iii) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Chengdu Xinan Hospital and all of the Jinrun Fude's equity interests in Chengdu Xinan Hospital or all of the assets of Chengdu Xinan Hospital attributable to Jinrun Fude are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations (iv) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Shenzhen Zhongshan Hospital and all of the Jinrun Fude's equity interests in Shenzhen Zhongshan Hospital or all of the assets of Shenzhen Zhongshan Hospital attributable to Jinrun Fude are transferred to Sichuan Jinxin Fertility or its designated person pursuant to applicable PRC laws and regulations; and 50% of the Mr. Zeng Yong's equity interests in Shenzhen Zhongshan Hospital or 50% of the assets of Shenzhen Zhongshan Hospital attributable to Mr. Zeng Yong are transferred to Sichuan Jinxin Fertility or its designated person pursuant to applicable PRC laws and regulations or (v) Sichuan Jinxin Fertility unilaterally terminates the agreement.

(2) **Exclusive Option Agreements**

On December 23, 2018 and February 2, 2019, Sichuan Jinxin Fertility, the Registered Shareholders, Jinrun Fude, Mr. Zeng Yong and the VIE Entities entered into exclusive option agreements (the "**Exclusive Option Agreements**").

Pursuant to the Exclusive Option Agreements, (i) each of the Registered Shareholders irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Jinrun Fude itself or through its designated person(s), (ii) Jinrun Fude irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Jinrun Fude itself or through its designated person(s), (iii) Jinrun Fude irrevocably and unconditionally grants an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in the VIE Entities from Jinrun Fude itself or through its designated person(s), (iv) Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital irrevocably and unconditionally grant an exclusive option to Sichuan Jinxin Fertility which entitles Sichuan Jinxin Fertility to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the VIE Entities attributable to Jinrun Fude from the VIE Entities themselves or through their designated person(s), (v) Mr. Zeng Yong irrevocably and unconditionally

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

The Registered Shareholders, Mr. Zeng Yong and Jinrun Fude undertake to develop the business of the VIE Entities and not to take any action which may affect their asset value, goodwill and effectiveness of business licenses. Furthermore, in the absence of prior written consent of Sichuan Jinxin Fertility, Mr. Zeng Yong, the Registered Shareholders and Jinrun Fude shall not (i) transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon; and the VIE Entities shall not assist in transferring or otherwise disposing of any option under the Exclusive Option Agreements, or creating any encumbrances thereon; and (ii) directly or indirectly (by itself or through the entrustment of any other natural person or legal person entity) carry out, own or acquire any business compete with or likely compete with the business of Sichuan Jinxin Fertility or our Group.

In addition, the Registered Shareholders, Jinrun Fude, Mr. Zeng Yong and the VIE Entities undertake that, upon Sichuan Jinxin Fertility issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will implement necessary actions to affect the transfer and relinquish any pre-emptive right, if any. Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of Jinrun Fude and the VIE Entities (as applicable) under the PRC laws, all the residual assets which are attributable to the Registered Shareholders, Jinrun Fude and 50% of the residual assets which are attributable to Mr. Zeng Yong (as applicable) shall be transferred to Sichuan Jinxin Fertility or its designated person(s) at the minimum purchase price permitted under PRC law, and each of the Registered Shareholders, Jinrun Fude, Mr. Zeng Yong and the VIE Entities undertakes that they will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Sichuan Jinxin Fertility or its designated person(s), (ii) in the event of bankruptcy, reorganization or merger of Jinrun Fude, death or incapacity of the Registered Shareholders or Mr. Zeng Yong or any other event which causes changes to the Registered Shareholders' shareholding in Jinrun Fude or Mr. Zeng Yong's 5.46% shareholding in Shenzhen Zhongshan Hospital and Jinrun Fude's shareholding in the VIE Entities, (a) the successor of the Registered Shareholders' equity interest in Jinrun Fude, the successor of Mr. Zeng Yong's 5.46% equity interest in Shenzhen Zhongshan Hospital and the successor of Jinrun Fude's equity interest in the VIE Entities shall be bound by the Contractual Arrangements, and (b) any disposal of shareholding in Mr. Zeng Yong, Jinrun Fude and the VIE Entities shall be governed by the Contractual Arrangements unless Sichuan Jinxin Fertility consents otherwise in writing.

Exclusive Option Agreements shall become effective from September 30, 2018 (in relation to our Group's operations in Chengdu) and November 15, 2018 (in relation to our Group's operations in Shenzhen). Each of the Exclusive Option Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreements (except Sichuan Jinxin Fertility) is entitled to unilaterally terminate the agreements.

Each of the Exclusive Option Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Jinrun Fude, and all of the Registered Shareholders' equity interests in Jinrun Fude or all of the assets of Jinrun Fude attributable to the Registered Shareholders are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations, (iii) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Chengdu Xinan Hospital and all of the Jinrun Fude's equity interests in Chengdu Xinan Hospital or all of the assets of Chengdu Xinan Hospital attributable to Jinrun Fude are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations (iv) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Shenzhen Zhongshan Hospital and all of the Jinrun Fude's equity interests in Shenzhen Zhongshan Hospital or all of the assets of Shenzhen Zhongshan Hospital attributable to Jinrun Fude are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations; (v) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Shenzhen Zhongshan Hospital and 50% of Mr. Zeng Yong's equity interests Shenzhen Zhongshan Hospital or 50% of the assets of Shenzhen Zhongshan Hospital attributable to Mr. Zeng Yong are transferred to Sichuan Jinxin Fertility or its designated person pursuant to applicable PRC laws and regulations or (vi) Sichuan Jinxin Fertility unilaterally terminates the agreement.

Our PRC Legal Advisors has advised us that the Exclusive Option Agreements are legal, valid and binding on the parties, except for the provisions that (i) an arbitral body may grant injunctive relief or directly issue liquidation order against Sichuan Jinxin Fertility, and (ii) interim remedies or enforcement order may be granted by overseas courts such as the courts of Hong Kong and the Cayman Islands, which may not be enforceable under PRC laws.

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

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

Pursuant to the Shareholders' Rights Entrustment Agreements and the Powers of Attorney, (i) the Registered Shareholders irrevocably agree to authorize the Attorney to exercise all of its rights and powers as a shareholder of Jinrun Fude (as applicable), (ii) Jinrun Fude irrevocably agrees to authorize the Attorney to exercise all of its rights and powers of a shareholder of Chengdu Xinan Hospital with 10% equity interest and Shenzhen Zhongshan Hospital with 3.98% equity interest, and (iii) Mr. Zeng Yong irrevocably agrees to authorize the Attorney to exercise all of its rights and powers as a shareholder of Shenzhen Zhongshan Hospital (as applicable) with 5.46% equity 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 Shareholders' Rights Entrustment Agreements and the Powers of Attorney will give the Company control over all corporate decisions of the VIE Entities, 100% equity interests of Jinrun Fude and Chengdu Xinan Hospital, and 79.44% equity interests of Shenzhen Zhongshan Hospital.

Shareholders' Rights Entrustment Agreements shall become effective from September 30, 2018 (in relation to our Group's operations in Chengdu) or November 15, 2018 (in relation to our Group's operations in Shenzhen). Each of the Powers of Attorney has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Sichuan Jinxin Fertility) is entitled to unilaterally terminate it.

Each of the Shareholders' Rights Entrustment Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Jinrun Fude, and all of the Registered Shareholders' equity interests in Jinrun Fude or all of the assets of Jinrun Fude attributable to the Registered Shareholders are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations, (iii) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Chengdu Xinan Hospital and all of the Jinrun Fude's equity interests in Chengdu Xinan Hospital or all of the assets of Chengdu Xinan Hospital attributable to Jinrun Fude are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations; (iv) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Shenzhen Zhongshan Hospital and all of the Jinrun Fude's equity interests in Shenzhen Zhongshan Hospital or all of the assets of Shenzhen Zhongshan Hospital attributable to Jinrun Fude are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations; (v) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Shenzhen Zhongshan Hospital and 50% of Mr. Zeng Yong's equity interests Shenzhen Zhongshan Hospital or 50% of the assets of Shenzhen Zhongshan Hospital attributable to Mr. Zeng Yong are transferred to Sichuan Jinxin Fertility or its designated person pursuant to applicable PRC laws and regulations or (vi) Sichuan Jinxin Fertility unilaterally terminates the agreement.

(4) **Equity Pledge Agreements**

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

If the VIE Entities and Jinrun Fude declare any dividend during the term of the pledge, Sichuan Jinxin Fertility is entitled to receive all dividends or other income arising from the pledged equity interests, if any. In case of any breach of obligations by any of Mr. Zeng Yong, Jinrun Fude, the Registered Shareholders and the VIE Entities, Sichuan Jinxin Fertility, upon issuing a written notice to the Registered Shareholders, Jinrun Fude or Mr. Zeng Yong, will be entitled to all remedies available in the Contractual Arrangements including but not limited to disposing of the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreements, Mr. Zeng Yong, the Registered Shareholders and Jinrun Fude undertake to Sichuan Jinxin Fertility, among other things, not to transfer their pledged equity interests and not to create or allow any pledge or encumbrance thereon that may

affect the rights and interest of Sichuan Jinxin Fertility without its prior written consent. Mr. Zeng Yong, Jinrun Fude and the VIE Entities undertake to Sichuan Jinxin Fertility, among other things, not to consent to any transfer the pledged equity interests or to create or allow any pledge or encumbrance thereon without Sichuan Jinxin Fertility's prior written consent.

The pledges in respect of Jinrun Fude and the VIE Entities takes effect upon the completion of registration with the relevant administration for industry and commerce and we have registered the equity pledges contemplated under the Equity Pledge Agreements withthe relevant PRC legal authority pursuant to PRC laws and regulations.

Equity Pledge Agreements became effective from September 30, 2018 (in relation to our Group's operations in Chengdu) and November 15, 2018 (in relation to our Group's operations in Shenzhen). Each of the Equity Pledge Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Sichuan Jinxin Fertility) is entitled to unilaterally terminate it.

Each of the Equity Pledge Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Jinrun Fude, and all of the Registered Shareholders' equity interests in Jinrun Fude or all of the assets of Jinrun Fude attributable to the Registered Shareholders are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations, (iii) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Chengdu Xinan Hospital and all of the Jinrun Fude's equity interests in Chengdu Xinan Hospital or all of the assets of Chengdu Xinan Hospital attributable to Jinrun Fude are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations (iv) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Shenzhen Zhongshan Hospital and all of the Jinrun Fude's equity interests in Shenzhen Zhongshan Hospital or all of the assets of Shenzhen Zhongshan Hospital attributable to Jinrun Fude are transferred to Sichuan Jinxin Fertility pursuant to applicable PRC laws and regulations; (v) Sichuan Jinxin Fertility or its designated person directly holds all the equity interests in Shenzhen Zhongshan Hospital and 50% of Mr. Zeng Yong's equity interests Shenzhen Zhongshan Hospital or 50% of the assets of Shenzhen Zhongshan Hospital attributable to Mr. Zeng Yong are transferred to Sichuan Jinxin Fertility or its designated person pursuant to applicable PRC laws and regulations or (vi) Sichuan Jinxin Fertility unilaterally terminates the agreement.

(5) **Spouse Undertakings**

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

Our PRC Legal Advisors are of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of Mr. Zeng Yong and the Registered Shareholders and (ii) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and Sichuan Jinxin Fertility or our Company can still enforce their right under the Contractual Arrangements against Mr. Zeng Yong, the Registered Shareholders and their successors.

Common terms of the Contractual Arrangements

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Chengdu Arbitration Commission for arbitration, in accordance with the then effective arbitration rules.

The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Jinrun Fude and the VIE Entities or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Jinrun Fude and the VIE Entities; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Sichuan Jinxin Fertility or Jinrun Fude or our VIE Entities are located for interim remedies or injunctive relief.

However, our PRC Legal Advisors have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Jinrun Fude and the VIE Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Mr. Zeng Yong, Jinrun Fude, the VIE Entities or the Registered Shareholders breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert (i) fully effective control over Jinrun Fude and Chengdu Xinan Hospital, (ii) 79.44% effective control over Shenzhen Zhongshan Hospital and conduct our business could be materially and adversely affected. See the section headed "Risk Factors — Risks Relating to Our Corporate Structure" in this prospectus for further details.

Succession

As advised by our PRC Legal Advisors, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of Mr. Zeng Yong, the Registered Shareholders as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the succession

laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In the case of a breach, Sichuan Jinxin Fertility can enforce its rights against the successors. Pursuant to the Contractual Arrangements, in the event of changes in the shareholding of Jinrun Fude, any successor(s) of Jinrun Fude shall assume any and all rights and obligations of Jinrun Fude under the Contractual Arrangements as if such successor were a signing party to the relevant contract.

Conflicts of Interests

Each of Registered Shareholders, Mr. Zeng Yong and Jinrun Fude undertake that, during the period that the Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Sichuan Jinxin Fertility or Sichuan Jinxin Fertility's direct or indirect shareholders. If there is any conflict of interest, Sichuan Jinxin Fertility shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. Registered Shareholders, Mr. Zeng Yong and Jinrun Fude will unconditionally follow the instructions of Sichuan Jinxin Fertility to take any action to eliminate such conflict of interest.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company or Sichuan Jinxin Fertility is legally required to share the losses of, or provide financial support to Jinrun Fude and the VIE Entities. Further, Jinrun Fude and the VIE Entities are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through Jinrun Fude and the VIE Entities, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if Jinrun Fude and the VIE Entities suffer losses.

Liquidation

Pursuant to the Equity Interest Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Jinrun Fude and the VIE Entities shall, upon the request of Sichuan Jinxin Fertility, give the proceeds they received from liquidation as a gift to Sichuan Jinxin Fertility or its designee(s) to the extent permitted by the PRC laws.

Accordingly, in the event a winding up of Jinrun Fude and the VIE Entities, Sichuan Jinxin Fertility is entitled to liquidation proceeds of Jinrun Fude and the VIE Entities based on the Contractual Arrangements for the benefit of our Company's creditors and shareholders.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through Jinrun Fude and the VIE Entities under the Contractual Arrangements.

Legality of the Contractual Arrangements

As advised by our PRC Legal Advisors, Sichuan MOFCOM, Health Commission of Sichuan Province and Bureau of Industry and Information Technology of Shenzhen as the competent authorities for foreign investment administration in Sichuan and Shenzhen respectively, are of the view that the Company, as a foreign entity, shall not hold more than 90% and 70% shares in any medical institution in Chengdu and Shenzhen, respectively.

Our PRC Legal Advisors conducted an interview with officers of Sichuan MOFCOM and Health Commission of Sichuan Province in respect of the proposed Contractual Arrangements entitling the Company to control Jinrun Fude and the 10% equity interest in Chengdu Xinan Hospital. According to the officers, (i) no approval from the authority is required for the execution of the Contractual Arrangements; (ii) the execution of the Contractual Arrangements does not fall into the current supervision of Sichuan MOFCOM and Health Commission of Sichuan Province concerning foreign investment activities; and (iii) the Contractual Arrangements does not violate any prohibitive or restrictive provisions with respect to under current PRC law. Our PRC Legal Advisors are of the view that Sichuan MOFCOM and Health Commission of Sichuan Province are the competent authorities and the officers interviewed are competent to give such confirmation in respect of foreign investments.

Our PRC Legal Advisors also conducted an interview with an officer of Bureau of Industry and Information Technology of Shenzhen in respect of the proposed Contractual Arrangements entitling the Company to control Jinrun Fude and Mr. Zeng Yong with the 3.98% and 5.46% equity interest respectively in Shenzhen Zhongshan Hospital. According to the officer, no approval from the authority is required for the execution of the Contractual Arrangements; and the Contractual Arrangements does not violate any prohibitive or restrictive provisions with respect to current PRC law. Our PRC Legal Advisors are of the view that Bureau of Industry and Information Technology of Shenzhen is the competent authority and the officer interviewed is competent to give such confirmation in respect of foreign investments.

Our PRC Legal Advisors, following completion of reasonable due diligence steps, are of the following legal opinion:

- each of Sichuan Jinxin Fertility, Jinrun Fude and the VIE Entities is duly established and validly existing under the PRC laws, and has obtained or completed all requisite approvals, permits, registrations or filings that are material for carrying out its business operations as required by the applicable PRC laws and regulations;

- each of the agreements under the Contractual Arrangements, taken individually and collectively, constitutes legal, valid and binding obligations of the parties thereto except that (a) the Chengdu Arbitration Commission has no power to grant injunctive relief, nor will it be able to order the winding up of Jinrun Fude and the VIE Entities pursuant to the current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;

- the Contractual Arrangements do not, individually or collectively, violate the mandatory provisions of the PRC Contract Law (《中華人民共和國合同法》), the General Principles of the PRC Civil Law (《中華人民共和國民法通則》) and other applicable PRC laws and regulations and shall not be deemed as "concealing illegal intentions with a lawful form" resulting in the invalidity of the Contractual Arrangements;

- none of the agreements under the Contractual Arrangements violates any provisions of the existing articles of association of each of Sichuan Jinxin Fertility, Jinrun Fude and the VIE Entities; and

- according to the confirmation of relevant competent authorities, the execution and performance of the Contractual Arrangements do not require any approvals from any PRC governmental authority, except that each of the Equity Pledge Agreements is subject to registration requirements with the relevant Administration for Industry and Commerce and the exercising of the exclusive options by Sichuan Jinxin Fertility, according to the Exclusive Option Agreements, shall be subject to the then effective PRC laws and regulations and relevant approval procedures (if applicable).

We have been advised by our PRC Legal Advisors, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to the above opinion of our PRC Legal Advisors. We have been further advised by our PRC Legal Advisors that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the Restricted Businesses, we could be subject to severe penalties, which could include:

(a) revoking the business and operating licenses of Sichuan Jinxin Fertility, Jinrun Fude and our VIE Entities;

(b) restricting or prohibiting the Contractual Arrangements between Sichuan Jinxin Fertility, Jinrun Fude and our VIE Entities;

(c) imposing fines or other requirements with which our Company, Sichuan Jinxin Fertility, Jinrun Fude and our VIE Entities may find difficult or impossible to comply;

(d) requiring us, Sichuan Jinxin Fertility, Jinrun Fude and our VIE Entity to restructure the relevant ownership structure or operations; and

(e) restricting or prohibiting the use of any proceeds from the Global Offering to finance our business and operations in the PRC.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. Please refer to the section headed "Risk Factors — Risks Relating to Our Corporate Structure."

Development in the PRC Legislation on Foreign Investment

Background of the FIL

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**") and will become effective on January 1, 2020. After the FIL comes into effect, the FIL will replace 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.

The Potential Impact of the FIL on the Contractual Arrangements

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 our PRC Legal Advisors, since the definition of "actual control" and "variable interest entities" are not explicitly provided in the FIL which will become effective on January 1, 2020, 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 us which may have a material adverse effect on the trading of our Shares. Please refer to the section headed "Risk Factors — Risks Relating to Our Corporate Structure".

Compliance with the Contractual Arrangements

Our Group will adopt the following measures to ensure the effective operation of our 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 our Board, if necessary, for review and discussion on an occurrence basis;

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

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

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

In addition, notwithstanding that one of the Directors, Ms. Yan Xiaoqing, is also one of the Registered Shareholders, our Company believes that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;

(c) our Company will appoint four independent non-executive Directors, comprising more than one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole; and

(d) our Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

Accounting Aspects of the Contractual Arrangements

Under the Exclusive Operation Services Agreements, it was agreed that, in consideration of the services provided by Sichuan Jinxin Fertility, each of Jinrun Fude and Mr. Zeng Yong will pay service fees to Sichuan Jinxin Fertility. The annual service fees payable are determined with the services provided. The amount and payment deadline will be determined by Sichuan Jinxin Fertility, Jinrun Fude and Mr. Zeng Yong through arms' length negotiations after considering (i) the complexity and difficulty of the services provided by Sichuan Jinxin Fertility, (ii) the title of and time consumed by employees of Sichuan Jinxin Fertility providing the services, (iii) the contents and value of the services provided by Sichuan Jinxin Fertility, (iv) the market price of the same type of services, (v) the operation conditions of the Registered Shareholders, Mr. Zeng Yong and Jinrun Fude, and (vi) the essential cost, expenses, taxes and statutory reserve or retaining funds. Accordingly, through the Exclusive Operation Services Agreement, Sichuan Jinxin Fertility has the ability, at its sole discretion, to extract substantially (i) 10% of the economic benefit of Sichuan Jinxin and Jinrun Fude derived from Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital, respectively, and (ii) 5.46% of the economic benefit of Mr. Zeng Yong derived from Shenzhen Zhongshan Hospital.

In addition, under the Exclusive Operation Services Agreements, Sichuan Jinxin Fertility has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Jinrun Fude and the VIE Entities (exclude other minority shareholders of Shenzhen Zhongshan Hospital) as Sichuan Jinxin Fertility's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from Jinrun Fude, Mr. Zeng Yong and Jinrun Fude receive any profit distribution or dividend from the VIE Entities, (i) Mr. Zeng Yong must immediately pay or transfer half of such amount (i.e. relating to 5.46% of his equity interest in Shenzhen Zhongshan Hospital) (subject to the relevant tax payment being made under the relevant laws and regulations) and (ii) the Registered Shareholders and Jinrun Fude must immediately pay or transfer all of such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company.

As a result of the aforementioned Contractual Arrangements, our Company has obtained control of the VIE Entities through Sichuan Jinxin Fertility and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by Chengdu Xinan Hospital as well as 79.44% of the economic interest returns generated by Shenzhen Zhongshan Hospital.

OVERVIEW

We are a leading ARS provider in China and the United States. The assisted reproductive medical facilities in our network in China ranked third in China's ARS market in 2018 with 20,958 IVF treatment cycles performed, representing approximately 3.1% of total China market share, according to 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' ARS market in 2018 with 4,500 IVF treatment cycles performed, representing approximately 7.5% of total western U.S. market share, according to the F&S Report. The ARS market in China and the United States are fragmented. However, China presents a vast opportunity for ARS providers as a result of a low ARS penetration rate, an increasing rate of infertility, and limited supply of ARS. At the same time, the United States is an attractive ARS market, which offers comprehensive, sophisticated and high-end ARS. Leveraging our existing market leadership in China and the United States, we believe we are uniquely positioned to capture unmet demand of ARS patients in China and the United States as well as growth opportunities in both markets. We endeavor to provide patients with personalized solutions to fulfill their dreams of becoming parents.

In the ARS market, success rate, calculated as the total number of resulting clinical pregnancies divided by the total number of fresh and frozen embryo transfers, is the widely accepted industry standard used to assess the quality of ARS. Our market leadership, superior success rates and substantial scale have well positioned us to benefit from the unmet market demand in China and to take full advantage of constrained supply in China's ARS industry. In China, as of the Latest Practicable Date, we own and operate Chengdu Xinan Gynecological Hospital (成都西囡婦科醫院) ("Chengdu Xinan Hospital") and Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) ("Shenzhen Zhongshan Hospital"), and jointly manage the IVF center of Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院生殖中心) ("Jinjiang IVF Center"). According to the F&S Report, we, together with Jinjiang IVF Center, are one of only approximately 23 licensed ARS providers who have conducted over 5,000 IVF treatment cycles in China in 2018. In addition to achieving significant scale compared to our competitors, we have reinforced our leadership position through maintaining our superior success rate, acquiring extensive experience and satisfying high threshold requirements for IVF licenses. The assisted reproductive medical facilities in our network in China achieved a higher success rate of 54% in 2018, compared to the national average of 45%, according to the F&S Report. Likewise, HRC Fertility had achieved a success rate of 62% in 2016, higher than the United States national average of 53% and the California state average of 57%, according to the F&S Report. All of these factors represent significant entry barriers for new competitors. Leveraging these competitive advantages, we provide increasingly personalized and sophisticated services to meet the evolving demands from patients in China.

Through our recent acquisition of HRC Management, which manages HRC Medical pursuant to the MSA, we have enhanced our capabilities to provide high-value ARS to international patients, in particular, those from China. HRC Fertility is a leading full-service ARS provider in the United States with more than 30 years of experience, providing PGS services in addition to similar IVF services we provide in China, and PGD services through third-party clinics or agencies. It ranked first among all

ARS providers in the United States, in terms of IVF treatment cycles provided to ARS patients traveling from China to the United States for treatment in 2017, according to the F&S Report. These patients seek a higher standard of service in the United States and can access a wider range of advanced services in the United States compared to in China. By acquiring HRC Management, we have gained access to the United States ARS market — the most sophisticated and high-end ARS market in the world. By leveraging our access to the United States market, we are able to synergize the technically excellent and sophisticated services in the United States with our existing leading national platform in China, allowing us to capture fast-evolving demand for personalized and sophisticated ARS in China and the United States.

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

During the Track Record Period, we generated our revenue primarily from providing ARS, management services, and ancillary medical services. In 2016, 2017 and 2018, our revenue was RMB346.4 million, RMB662.8 million and RMB922.0 million, respectively. In 2016, 2017 and 2018, our profit and total comprehensive income for the year was RMB103.7 million, RMB198.6 million and RMB212.1 million, respectively. In 2016, 2017 and 2018, our Adjusted Net Profit was RMB103.7 million, RMB198.6 million and RMB250.3 million, respectively. For a reconciliation of profit and total comprehensive income for the period to Adjusted Net Profit, see "Financial Information — Non-IFRS Measures". For the period from January 1, 2018 to December 23, 2018, the revenue and profit for the period of Willsun BVI, the indirect holding company of HRC Management, and its subsidiaries, was RMB560.2 million and RMB184.0 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to leverage our network of leading assisted reproductive medical facilities in China and the United States to capture unmet demand, in particular from Chinese patients, and have differentiated us from our competitors:

A leading ARS provider in China well-positioned in a fast-growing market with significant unmet demand

As a leading ARS provider in China, the assisted reproductive medical facilities in our network in China ranked third in China's ARS market in 2018 with 20,958 IVF treatment cycles performed, according to the F&S Report. These facilities also ranked first among China's non-state-owned ARS providers in 2018 based on the same metric.

Our market leadership, superior success rates and substantial scale have well positioned us to benefit from the unmet market demand in China. In China, there were approximately 47.8 million infertile couples, among which only approximately 568,000 received ARS in 2018, according to the F&S Report, which represent significant unmet demand. China presents a vast opportunity for ARS providers as a result of a low ARS penetration rate (calculated as the number of couples who received ARS divided by the number of infertile couples in need of ARS) of 7.0% in 2018, as compared to that of 30.2% in the United States. In addition, China's ARS market is also driven by an increasing rate of infertility, the implementation of the Two-child Policy in 2015 and increasing affordability and awareness of ARS, according to the F&S Report. China's ARS market size increased from RMB14.0 billion in 2014 to RMB25.2 billion in 2018, representing a CAGR of 15.8%, and is expected to grow further to RMB49.6 billion in 2023, representing a CAGR of 14.5% from 2018, according to the F&S Report.

The significant entry barriers in China's ARS industry are expected to continue to constrain supply in the industry. The industry is heavily regulated and a significant number of high threshold requirements must be satisfied in order to obtain a license to conduct IVF procedures, including attaining and maintaining the status of a Class III hospital or Class III maternal and child care service center, which requires significant capital outlays and ongoing resource commitments. Furthermore, given ongoing review of the qualifications of license holders, license holders are expected to maintain their quality of medical services and performance in order to continue to qualify for license renewal.

Built on decades of experience and knowhow, we have achieved significant scale relative to competitors and have built a strong reputation in our industry. The medical facilities in Chengdu ranked first in the Sichuan ARS market in 2018 with 15,606 IVF treatment cycles performed, according to the F&S Report, and commanded a significant market share of 50.1%, and we have become a significant partner with many public local hospitals in Sichuan which have entered into mutual referral agreements with us. In addition, Shenzhen Zhongshan Hospital ranked third in the Guangdong ARS market in 2018 with 5,352 IVF treatment cycles performed. According to the F&S Report, we are one of the only approximately 23 licensed ARS providers who have conducted over 5,000 IVF treatment cycles in China in 2018.

In addition to our scale, we have reinforced our leadership position through strengthening our reputation based on superior success rate and through accumulating extensive experience and know-how through years of operations. These factors also represent significant entry barriers for competitors. Leveraging these competitive advantages, we have continuously expanded our network to provide increasingly personalized and sophisticated services to meet the evolving demands from patients in China.

A leading ARS provider in the United States providing a full range of ARS services

Through our recent acquisition of HRC Management, which manages HRC Medical, a leading full-service comprehensive ARS provider in the United States with more than 30 years of experience, we have gained capabilities to provide high-value ARS to international patients, in particular, those from China. HRC Fertility ranked first in the Western United States ARS market in 2018 with 4,500

IVF treatment cycles performed, according to the F&S Report. As testament to its technical excellence, HRC Fertility is a recognized pioneer in the application of IVF with ICSI and PGS technology, and its physicians have worked with multinational pharmaceutical companies in clinical studies in assisted reproductive technology.

Globally, ARS patients have increasingly sought a broad range of highly personalized and customized services delivered with technical and operational excellence, which HRC Fertility provides. Since 2015, our management team has been continuously and strategically identifying international alliance and acquisition opportunities. These efforts have culminated in us acquiring access to the United States — the most sophisticated and high-end ARS market in the world. With our acquisition of HRC Management, we have gained the ability to provide sophisticated and high-quality ARS to patients with diverse profiles and needs.

HRC Fertility attributes its long track record of success to its renowned physicians, and its ability to provide a full range of services, allowing it to satisfy the increasing demand for advanced, high-end and sophisticated ARS from international patients, including those from China. In particular, HRC Fertility ranked first among all ARS providers in the United States, in terms of IVF treatment cycles provided to ARS patients traveling from China to the United States for treatment in 2017. These patients seek a higher standard of service in the United States and can access a wider range of advanced services in the United States compared to in China. According to the F&S Report, the number of Chinese patients going to the United States for ARS grew at a CAGR of 16.8% between 2014 to 2018, and is expected to continue to grow at a CAGR of 20.1% from 2018 to 2023; and the number of Chinese patients going to California for ARS is expected to grow at a CAGR of 21.1% from 2018 to 2023.

HRC Fertility has extensive experience serving Chinese patients with deep understanding of Chinese patient profiles. In particular, HRC Fertility is equipped with Chinese-speaking personnel, including nurses, facilitators and translators, who are familiar with the health condition and culture of Chinese patients. HRC Fertility is therefore well-positioned to benefit from market growth driven by Chinese patients travelling to the United States for treatment. As a result, HRC Fertility ranked first in terms of brand awareness compared to other ARS providers in California and was mentioned in 70.8% of respondents in a consumer survey included in the F&S Report. During the Track Record Period, HRC Medical performed no less than 1,050, 1,180 and 1,430 IVF treatment cycles for Chinese patients for each of 2016, 2017 and 2018, respectively, which represented no less than 25.2%, 27.0% and 31.8% of total IVF treatment cycles performed by HRC Medical.

By leveraging our access to the United States market, we are able to synergize the technically excellent and sophisticated services in the United States with our existing leading national platform in China. Through this synergy and our continuous integration efforts, we believe we are uniquely positioned to capture the fast-evolving demand for high-value ARS in China and the United States.

Superior success rates underpinned by medical excellence

We have established a strong reputation, built on consistently delivering ARS with superior success rates, which we have achieved through accumulating decades of experience and know-how, investment in upgrading laboratory facilities and equipment and recruitment and retention of a group of renowned physicians. Success rates are important benchmarks in the ARS industry. The assisted reproductive medical facilities in our network in China and the United States have attained success rates higher than the national average in China and the United States, respectively. The assisted reproductive medical facilities in our network in China achieved a higher success rate of 54% in 2018, compared to the national average of 45%, according to the F&S Report. Likewise, HRC Fertility had achieved a success rate of 62% in 2016, higher than the United States national average of 53% and the California state average of 57%, according to the F&S Report. In addition, HRC Fertility had higher success rates in every age group as defined by the CDC than the United States national average and California state average for non-donor embryo transfers in 2016, according to the F&S Report. In particular, according to the F&S Report, HRC Fertility ranked second and third in terms of fresh embryo transfer success rate and frozen embryo transfer success rate, respectively, among high-volume ARS providers in the United States in 2016, which exemplifies our medical excellence. We believe we are able to maintain superior success rates leveraging our significant scale, the well-trained physicians and embryologists at the assisted reproductive medical facilities in our network and our extensive experience in diagnosing and treating a variety of infertility problems through IVF treatment. Our superior success rates are also supported by up-to-date standardized operating procedures and a robust quality control system that has been implemented throughout the medical facilities in our network, all of which have allowed us to enhance the efficacy of the treatment process.

We are one of the pioneers in the ARS industry in both China and the United States. Shenzhen Zhongshan Hospital performed the first conventional IVF-ET procedure in Shenzhen which led to a successful birth and the first IVF procedure with ICSI technology in Shenzhen which led to a successful birth, according to the F&S Report. As proof of our commitment to investing in research, Jinjiang IVF Center was rated as a Grade A core specialty center in reproductive medicine in Sichuan in 2016. In the Western United States, HRC Fertility is a recognised pioneer in the application of IVF with ICSI and PGS technology. Leveraging on their expertise in precision medicine, genome sequencing and genomics, we also strategically cooperate with WuXi NextCODE, which provides us with genetic testing services in China. In addition, we also cooperate with them on genetics research, as well as genomics research outside of China.

One of our core competitive strengths that underpins our market leadership and strong reputation is a team of highly experienced physicians. A sizable and stable team of 154 professional physicians, operate and manage the assisted reproductive medical facilities in our network, led by Dr. Chi Ling, our Chief Science Officer, Mr. Zhong Ying, Mr. Zeng Yong, Dr. John G. Wilcox, Dr. Bradford A. Kolb and Dr. Robert Boonstafar, all of whom are experts in their practices with an average of more than 20 years of experience in the ARS industry. These physicians and scientists are supported by professional embryologists responsible for oocyte fertilization and embryo culture, both of which are critical steps in the assisted reproductive process. Embryologists perform advanced procedures, such as IVF with ICSI or assisted hatching, in order to improve the chances of embryo survival and therefore, success rate.

High productivity from optimized operating model

We employ standardized operating procedures and optimized workflows in order to provide highly productive, high quality and high standards of patient service. The average number of IVF treatment cycles performed by each fertility physician in the medical facilities in our network in China was approximately 437 in 2018, much higher than the national average of approximately 220, according to the F&S Report. Likewise, the average number of IVF treatment cycles performed by HRC Fertility's physicians was approximately 346 in 2018, 2.2 times of the national average of approximately 155, according to the F&S Report.

We have developed a replicable and scalable operating model that supports the high productivity at the assisted reproductive medical facilities within our network in China. Under this model, the medical facilities have established standardized operating procedures to optimize the treatment process according to each patient's profile. Our medical and operational personnel are organized into specialized teams according to the different steps of the IVF process and different patient profiles. When patients are admitted, they are assigned to a medical team which we believe is best suited to them taking into account the patient's diagnosis and preferences. We believe this model allows each team to maximize their efficiency while ensuring patients are served with the best and most suitable physicians, which in turn maintains our high success rate.

The physicians of HRC Medical have also developed and employed a highly productive operating model. This model seeks to maximize the effectiveness of physicians by utilizing standardized workflows and optimal operating procedures and teams of supporting nurses and medical assistants to increase the number of IVF treatment cycles that physicians can perform while providing treatment customized based on patient conditions. We plan to explore ways to replicate this model throughout our network.

Experienced and visionary management team

We attribute our success to our experienced management team, which has broad medical and management experience. A considerable number of our management are physicians who possess extensive experience in the assisted reproductive industry and are leaders and experts in their respective fields. In particular, Mr. Zhong Ying, our Chief Executive Officer, the incumbent general manager and former president of Chengdu Xinan Hospital, founder and former head of of Jinjiang IVF Center, who has been managing the assisted reproductive medical facilities in our network in Chengdu for over nine years, and Dr. John G. Wilcox, a member of the board of managers of HRC Management and former partner of HRC Medical, who has been managing the assisted reproductive medical facilities in our network in the U.S. for over 15 years, are our executive directors and Dr. Chi Ling, our Chief Scientific Officer, and Mr. Zeng Yong, the president of Shenzhen Zhongshan Hospital, are also part of our senior management. All of them have extensive experience in managing assisted reproductive medical facilities. We are also led by other members of the professional management team, who are intimately involved in the operational and financial management of our Group. Leveraging their experience, our management team has successfully executed acquisitions in Guangdong and California and are well positioned to expand our network as part of our goal to

becoming a global leading ARS platform with integrated capabilities. To align the incentives of our management team with our shareholders, we have established the RSU Scheme, which we believe will encourage our management team to fully dedicate their experience and know-how to the growth of our platform.

Our shareholders include prominent investors such as Warburg Pincus LLC, Sequoia Capital, WuXi AppTec and CITIC Bank. In addition to financial support, we draw on their extensive experience in the healthcare industry to help formulate and govern our acquisition and growth strategy.

OUR STRATEGIES

Our vision is to establish a leading global ARS platform with integrated capabilities, aiming to address increasing unmet demand, in particular from Chinese patients. We endeavor to provide patients with personalized solutions to fulfill their dreams of becoming parents. To realize this vision, we plan to adopt the following strategies.

Increase market share, productivity and capacity

In both China and the United States, we intend to employ a variety of strategies to increase our market share. Leveraging our existing market leadership in Sichuan and Guangdong, we intend to increase market share in Sichuan and Guangdong through increasing productivity, expanding and upgrading facilities and recruiting more qualified professionals. For example, in Chengdu, we relocated operations at Chengdu Xinan Hospital to the New Hospital Building in February 2019 which has more than seven times the previous floor area. In addition, we will upgrade and expand the facilities at Jinjiang IVF Center and Shenzhen Zhongshan Hospital once these facilities reach full utilization. We will continue to focus on training medical professionals to improve the productivity of the medical teams, in particular, through on-the-job training, providing overseas training opportunities, and implementing standardized assessments. In the United States, HRC Fertility intends to increase productivity through replicating its existing successful model based on standardized operating procedures. HRC Fertility also intends to expand its facilities to increase its capacity and service offerings to achieve higher economies of scale. In particular, it intends to increase its capacity at Pasadena through expanding its facilities and hiring new physicians which we believe will enhance its ability to deliver high-end ARS and in turn to command and expand its price premium. In addition, we will continue to hire, retain and train experienced physicians and embryologists in both China and the United States.

Continue to invest in research and development to enhance overall performance

Leveraging our position as one of the pioneers in the ARS industry in both China and the United States, we intend to continue to invest in research and development initiatives to maintain our leading position in the application of assisted reproductive technologies. We intend to continue to invest in research and development at both Chengdu and Shenzhen facilities, which have been focusing on fundamental research relating to heredity and reproductive immunology, respectively. We also focus on research to identify the physiologic appearance of embryos which are associated with higher success rates. We are applying machine learning to the large amounts of embryo and clinical data we have to develop computer-enhanced embryo analysis and selection. We are also correlating our data

on patient treatment protocols to the embryo physiologic data and the pregnancy success rate-related data to identify optimal treatment protocols to optimize success rates. We intend to continue to actively promote technological cooperation with tertiary institutions in China and overseas to discover ways to improve our IVF success rates. Furthermore, we seek to actively deploy the technology that we possess to expand the services we provide. For example, Jinjiang IVF Center, a center which we jointly manage, plans to obtain the license to utilize PGD/PGS assisted reproductive technology.

Continue to improve our brand awareness

We intend to reinforce our brand building efforts, allowing us to maintain and enhance our reputation and attract new patients. Leveraging our existing market leadership, long-standing experience and strong reputation in the ARS market, we intend to adopt effective strategies to improve our brand awareness and educate intended parents of the ARS we provide. Firstly, we intend to apply social media tools, for example our WeChat official account, to increase publicity and to improve patient care by providing online appointment and consultation services. We will also continue to build up our business development team through engaging consultants to improve our brand awareness strategy and to conduct market surveys. Our business development team plans to increase publicity and educational activities, such as academic seminar and consultation, to further increase awareness of ARS we provide. We also intend to further strengthen our cooperation with insurance companies to offer customized insurance products to attract patients. We also intend to establish an adolescent sexual health education center which will incorporate virtual reality technology in its educational activities.

We also seek to further expand our cooperation with local hospitals, companies and institutions to expand our patient reach. For example, we are in the process of increasing the number of hospitals covered under referral agreements and are involved in our "Life Ark" program. We have entered into mutual referral agreements with more than 50 local hospitals in Sichuan, facilitating physicians at such hospitals to refer their patients to us when there is an identified clinical need based on initial consultation, diagnosis and certain fertility tests, and we refer these patients back to such hospitals for prenatal services upon the completion of IVF treatment at the assisted reproductive medical facilities in our network. Built on such agreements, we have established our "Life Ark" program through which we provide consultation services at standardized remote consultation rooms at 11 general and gynecological hospitals (of which eight are Class III hospitals) in Sichuan. At such consultation rooms, physicians from the medical facilities in our network in Chengdu can provide consultation to patients from these hospitals, further facilitating more patients to utilize our ARS. Through entering into more referral agreements and expanding the Life Ark program, we are able to continue to leverage our existing reputation to increase brand awareness and patient reach.

In the United States, HRC Fertility plans to target its marketing activities towards international patients to drive organic growth. HRC Fertility intends to continue to engage marketing professionals to leverage cost-effective media channels to increase brand awareness. HRC Fertility will continue to work with partners to promote its brand and reach out to local and international patients seeking high-quality ARS in the United States, especially Chinese patients. HRC Fertility will organize

educational seminars in China and the United States to increase awareness of its services among international patients. Leveraging the leading market position of the assisted reproductive medical facilities in our network in China, we also intend to increase brand awareness in China with the goal of increasing the number of Chinese patients going to the United States for IVF treatment.

Expand our platform reach through acquisitions

Leveraging our successful history of acquisitions and replicability of our business expansion model, we plan to expand our network in China, the United States and other regions to address unmet demand from international patients, in particular Chinese patients.

In China, leveraging our leadership, we intend to expand our national network by acquiring ARS providers and/or entering into cooperation arrangements with other ARS providers with an established business in populous and affluent urban centers with limited ARS providers. For example, we have made an indirect investment in HRC China, which has entered into a collaboration arrangement to set up an IVF center in Hainan province under Hainan Hospital. We plan to focus on ARS providers which perform more than 2,000 IVF treatment cycles per year, have a locally recognized brand, and already possess conventional IVF-ET and/or ICSI licenses. In particular, we are targeting assisted reproductive medical facilities in East China and the Beijing-Tianjin-Hebei Region, which had a low ARS penetration rate of 7.0% and 8.0% in 2017, respectively, according to the F&S Report, representing significant unmet demand. Furthermore, leveraging our existing leadership in Sichuan and Guangdong, we intend to further penetrate into neighboring provinces in Southwestern and Southern China.

Overseas, we seek to expand our market share for international patients seeking full-service ARS. To that end, we intend to further expand our footprint through acquiring fertility clinics in California, particularly in the Bay Area, Los Angeles, and San Diego, which are preferred medical tourism destinations for Chinese patients and would allow us to better cater to their growing demands. Furthermore, we intend to extend our services along the ARS value chain, for example, by acquiring established surrogacy and egg donor agencies, particularly those which are located in the Greater Los Angeles area, and establishing egg banks, all of which would complement and strengthen HRC Fertility's core IVF services by offering one-stop-shop services to attract more potential patients. We are also plan to set up and/or acquire embryology laboratories that provide standardized services, have an replicable business model and have achieved high profit margins. These laboratories can provide laboratory space to HRC Medical's physicians as well as physicians outside our network. We believe such laboratories can help expand our service offering and capabilities into wider geographical regions, attract qualified physicians to join our platform, and further enhance efficiency. We are particularly targeting established IVF laboratories that operate as a chain or franchise. We would selectively consider entering into other countries with a relatively high demand for ARS due to high infertility rates and markets that are of particular significance for providing ARS to international patients, such as Thailand and other Southeast Asia countries that are increasingly becoming medical tourism destinations for Chinese patients.

OUR BUSINESS MODEL

We operate and manage assisted reproductive medical facilities in China and the United States. As of the Latest Practicable Date, we own and operate Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital, RSA Centers and NexGenomics, jointly manage Jinjiang IVF Center, and manage HRC Medical. During the Track Record Period, we generated our revenue from providing (i) ARS, (ii) management services, and (iii) ancillary medical services.

The table below sets forth a summary of our network of assisted reproductive medical facilities during the Track Record Period and up to the Latest Practicable Date:

Assisted Reproductive Medical Facilities	Location	Nature	Operating History[2]	Status
Self-owned[1]				
Chengdu Xinan Hospital (成都西囡婦科醫院)	Chengdu, China	For-profit specialty hospital	Since March 2010	In operation[3]
Gaoxin Xinan Hospital (成都高新西囡婦科醫院) (together with Chengdu Xinan Hospital, as "Xinan Hospital Group")	Chengdu, China	For-profit gynecological and obstetrics specialty hospital	Since May 2013	Operations ended in January 2019[4]
Shenzhen Zhongshan Hospital (深圳中山泌尿外科醫院)	Shenzhen, China	For-profit specialty hospital	Since May 2004	Acquired in January 2017
RSA Centers	California, United States	Surgical centers	Since January 2008	Acquired in December 2018[5]
NexGenomics	California, United States	PGS laboratory	Since February 2015	Acquired in December 2018
Jointly-managed				
Jinjiang IVF Center (成都市錦江區婦幼保健院生殖中心)	Chengdu, China	IVF center of a non-profit maternity and child healthcare hospital	Since January 2003	Jointly managed since September 2016
Jinxin Fertility Center (四川錦欣婦女兒童醫院生殖健康與不孕症門診)	Chengdu, China	Fertility center of a for-profit women and children hospital	Since April 2016	Jointly managed from September 2016 to March 2018[6]
Managed				
HRC Medical[7]	California, United States	Fertility clinics	Since May 1988	Managed by HRC Management pursuant to the MSA since July 2017, which we indirectly acquired in December 2018

Notes:

(1) For more details about our Group's ownership and control of economic benefits in each facility, see "History, Reorganization and Corporate Structure — Our Group".

(2) The date listed refers to the operating history of the medical facility or their respective predecessors.

(3) In February 2019, we relocated our operations at Chengdu Xinan Hospital to the New Hospital Building in Jinjiang District, Chengdu to expand our service capacity. For more details, see "— Assisted Reproductive Medical Facilities in China — Xinan Hospital Group — Relocation of Chengdu Xinan Hospital" and "— Properties" and "History, Reorganization and Corporation Structure — Our Group — Chengdu Jinyi".

(4) Business operations of Gaoxin Xinan Hospital were taken up and succeeded by Chengdu Xinan Hospital and the ownership of Gaoxin Xinan Hospital was transferred to Chengdu Jinxin Investment in January 2019.

(5) We are in the process of applying for the transfer of all of RSA's permits to HRC Management after HRC Management acquired the entire partnership interests in RSA after which RSA was dissolved as a partnership in July 2017.

(6) In March 2018, we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated.

(7) HRC Medical was established in January 1995 and succeeded the operations of Huntington Reproductive Centre Inc.

The table below sets forth certain operating data and revenue generated from our network of assisted reproductive medical facilities during the Track Record Period:

	Year ended December 31,		
	2016	2017	2018
ARS			
Xinan Hospital Group[1]			
Number of IVF patients	5,775	6,114	8,903
Number of IVF treatment cycles	7,158	7,819	11,005
Average spending per IVF treatment cycle (in RMB)[2]	37,982	33,400	41,935
Success rate	53.6%	52.8%	54.3%
Revenue of ARS (RMB in thousands)	**322,400**	**322,409**	**539,097**
Shenzhen Zhongshan Hospital			
Number of IVF patients	N/A	3,418[3]	3,976
Number of IVF treatment cycles	N/A	4,713[3]	5,352
Average spending per IVF treatment cycle (in RMB)	N/A	43,731[3]	48,983
Success rate	N/A	52.6%[4]	52.0%
Revenue of ARS (RMB in thousands)	**N/A**	**206,106**	**262,155**
Sub-total (RMB in thousands)	**322,400**	**528,515**	**801,252**
Management services			
Jinjiang IVF Center and Jinxin Fertility Center[5][6]			
Number of IVF patients[7]	1,500	4,689	3,736
Number of IVF treatment cycles[7]	1,553	5,151	4,601
Average spending per IVF treatment cycle (in RMB)[8]	29,268	29,725	34,616
Success rate	49.2%	55.1%	57.4%
Combined revenue of Jinjiang IVF Center and Jinxin Fertility Center (RMB in thousands)	64,188	236,310	173,189
Revenue of management services (RMB in thousands)	**24,008**	**100,780**	**89,741**
Ancillary medical services (RMB in thousands)	**N/A**	**33,479**	**31,001**
Total (RMB in thousands)	**346,408**	**662,774**	**921,994**

Notes:

(1) The operating data and revenue in 2016 include those of Prior Chengdu Xinan Hospital and Prior Gaoxin Xinan Hospital, as applicable.

(2) Calculated by using the ARS revenue of Chengdu Xinan Hospital divided by the number of IVF treatment cycles, since Gaoxin Xinan Hospital served as the VIP center of Xinan Hospital Group and did not provide IVF treatment.

(3) The figures in 2017 only cover those after the completion of our acquisition of Shenzhen Zhongshan Hospital in January 2017.

(4) Represents the success rate for the entire year of 2017, including the operating data before our acquisition of Shenzhen Zhongshan Hospital. For risks relating to such data, see "Risk Factors — Risks Relating to Our Business and Industry — The historical operating results of HRC Management, HRC Medical and Shenzhen Zhongshan Hospital may not be indicative of the result of such entities after their acquisition."

(5) The figures in 2016 only cover data starting from September 1, 2016, when the IVF specialty collaboration agreements became effective.

(6) The revenue in 2018 relating to Jinxin Fertility Center only include up to March 2018, when we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated.

(7) The numbers of IVF patients and IVF treatment cycles represent only those of Jinjiang IVF Center, as Jinxin Fertility Center only provided pre-IVF treatment and did not provide IVF treatment.

(8) Calculated by using the ARS revenue of Jinjiang IVF Center divided by the number of IVF treatment cycles, since Jinxin Fertility Center only provided pre-IVF treatment and did not provide IVF treatment.

ARS

During the Track Record Period, we generated a majority of our revenue from ARS provided by the medical facilities that we own and operate. We primarily provide our patients with two treatment solutions: (i) artificial insemination (AI), which can be performed with either the husband's sperm (AIH) or a donor sperm (AID); and (ii) IVF technology, whereby fertilization is achieved through conventional in vitro fertilization and embryo transfer (IVF-ET) or IVF with intracytoplasmic sperm injection (ICSI). In accordance with the relevant PRC laws, under circumstances where indications would permit the use of donor sperm (for example, where the male patient has an irreversible condition of azoospermia, serious oligospermia, persistent ejaculatory duct obstruction after unsuccessful deoppilation operation or ejaculation disorder), the assisted reproductive medical facilities in our network in China may, after advising the patient of available alternative procedures as required by PRC laws and receiving informed consent from the patient, undergo ARS using donor sperm. Under such circumstances, the assisted reproductive medical facilities in our network in China obtain the donor sperm from government licensed sperm-banks with which they have entered into sperm provision agreements. The assisted reproductive medical facilities in our network in the U.S. do not source the donor sperm used in the ARS, as the patients are responsible for sourcing it. During the Track Record Period, we primarily provided conventional IVF-ET services. For more details, see "— Overview of ARS and IVF Treatment Process". In addition, we also offer related services such as nutrition guidance, Chinese medicine treatment and psychological counseling to support the ARS.

For the years ended December 31, 2016, 2017 and 2018, the revenue from our ARS was RMB322.4 million, RMB528.5 million and RMB801.3 million, respectively, representing 93.1%, 79.7% and 86.9% of our total revenue in the corresponding periods. During the Track Record Period, we did not generate any ARS revenue from Shenzhen Zhongshan Hospital before we acquired it in January 2017.

Management Services

During the Track Record Period, we provided joint management services to Jinjiang IVF Center and Jinxin Fertility Center in return for management service fees pursuant to our IVF specialty collaboration agreements with Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital, respectively. In March 2018, we terminated our management services

to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated. See "Our Management Agreements — IVF Specialty Collaboration Agreements" for detail.

We acquired HRC Management in December 2018, which has been providing management services to HRC Medical in the United States pursuant to the Prior MSA since July 2017. For more details of the arrangement and financial performance of HRC Management, see "— Our Management Agreements" in this section, the accountants' report of Willsun BVI, the indirect holding company of HRC Management, and its subsidiaries, as set forth in Appendix IC to this prospectus, and "Financial Information — Results of Operations of Willsun BVI Group".

For the years ended December 31, 2016, 2017 and 2018, the revenue from our management services provided to Jinjiang IVF Center and Jinxin Fertility Center was RMB24.0 million, RMB100.8 million and RMB89.7 million, respectively, representing 6.9%, 15.2% and 9.7% to our total revenue in the corresponding periods.

Ancillary Medical Services

At Shenzhen Zhongshan Hospital, we also provide medical services in the areas of gynecology, urology and internal medicine. These medical services are designated as our ancillary medical services.

For the years ended December 31, 2017 and 2018, the revenue from our ancillary medical services was RMB33.5 million and RMB31.0 million, respectively, representing 5.1% and 3.4% to our total revenue in the corresponding periods. We did not generate any revenue from ancillary medical services in 2016 and the one month ended January 31, 2017 before we acquired Shenzhen Zhongshan Hospital in January 2017.

OVERVIEW OF ARS AND IVF TREATMENT PROCESS

ARS

According to the F&S Report, infertility refers to a disease of the reproductive system defined by the failure of a couple to achieve a clinical pregnancy after 12 months or more of regular unprotected sexual intercourse. Female infertility causes include problems with ovulation, damage to the fallopian tubes or uterus, problems with the cervix, or other reasons. Male infertility causes include low sperm production, abnormal sperm function or blockages that prevent the delivery of sperm, or other reasons. Infertility is increasing in prevalence globally, primarily driven by the increasing average age of first birth, as well as various lifestyle and environmental factors. The global prevalence of infertility, calculated as the number of infertile couples divided by the number of couples of reproductive age, which is defined for women as between the ages of 15 and 49, has increased globally from 11.0% in 1997 to 15.4% in 2018, and is expected to increase to 17.2% by 2023. In response to the increase in the global infertility rate, a number of treatments has emerged, including (i) medication, (ii) surgery and (iii) ARS.

ARS encompass the following:

- Artificial insemination (AI), which can be performed with either the husband's sperm (AIH) or a donor's sperm (AID). AIH and AID involve the deliberate introduction of sperm into a female's uterus or cervix for the purpose of achieving a pregnancy through in vivo fertilization;

- IVF technology, whereby fertilization can be achieved through

    - Conventional in vitro fertilization and embryo transfer (IVF-ET), during which eggs and sperm are incubated together in a laboratory to develop an embryo; or

    - IVF with intracytoplasmic sperm injection (ICSI), during which a single sperm is injected into each egg to assist fertilization using micromanipulation equipment and can be used when male infertility is a cause;

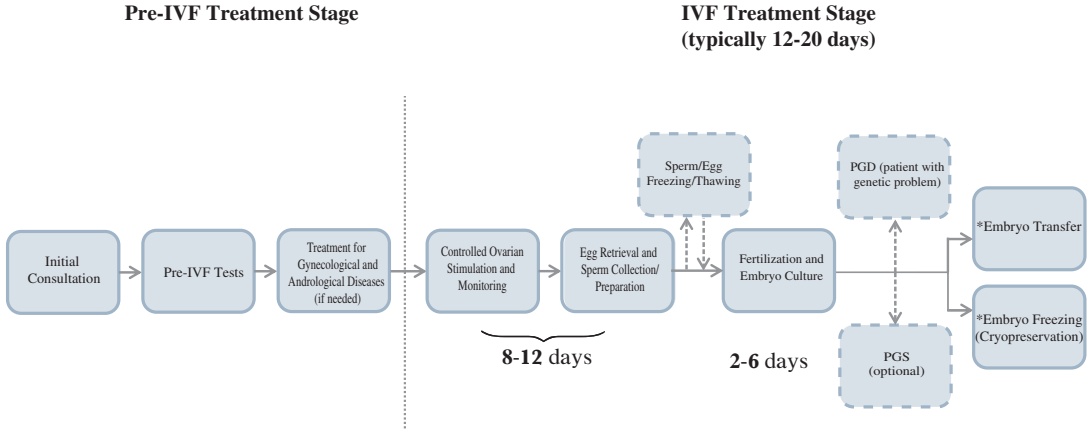
- Preimplantation genetic diagnosis and screening (PGD/PGS). PGD is used when one or both biological parents carry a gene mutation or a balanced chromosomal rearrangement. PGD is performed to determine whether that specific mutation or an unbalanced chromosomal complement has been transmitted to the oocyte or embryo. PGS is a technique used to detect the presence of an abnormal number of chromosomes (aneuploidy) in an embryo in order to select and implant embryos that are chromosomally normal.

After the embryo develops into certain stages, the embryo will be transferred into a woman's uterus, where it may implant and result in a successful pregnancy.

IVF Treatment Process

The assisted reproductive medical facilities in our network primarily provide IVF treatment. A typical IVF treatment process mainly includes two stages, the pre-IVF treatment stage and the IVF treatment stage. During the IVF treatment process, we also provide support services such as nutrition

guidance, Chinese medicine treatment and psychological counseling. The flow chart below shows the steps involved in a typical IVF treatment process:



Note:

*completed on the same day

dash line boxes denote service steps which are optional

Pre-IVF treatment stage

At the pre-IVF treatment stage, patients attend an initial consultation, undergo pre-IVF tests, and undergo treatment for gynecological and andrological diseases (if needed).

At the initial consultation, the physician reviews the patient's detailed medical history to collect more information relating to the potential cause of their infertility. The patient then undergoes various pre-IVF tests, which may include, among others, hormone level, ultrasound, infectious disease screening, uterine evaluation and male fertility test. The physician will then design a treatment plan based on the patient's medical history and results of the tests. The patient may be required to undergo treatment of gynecological or andrological diseases before entering into the IVF treatment stage.

IVF treatment stage

The IVF treatment stage starts when the female patient begins controlled ovarian stimulation. After controlled ovarian stimulation ends, egg retrieval, sperm collection and preparation, embryo culture, fresh embryo transfer or embryo cryopreservation, and other procedures are conducted. The IVF treatment stage typically lasts for 12 to 20 days, depending on the specific medical condition of each patient.

- Controlled ovarian stimulation: Either oral and/or injectable fertility medications will be used during this process to stimulate the development of ovarian follicles. Patients undergo frequent ultrasounds and hormone tests during this process to closely monitor the development of the patient's follicles. The process may take about eight to 12 days, depending on the patient.

- Egg retrieval and sperm collection/preparation: Once the follicles grow to desired size, the physician will induce ovulation by using appropriate medications and harvest the eggs after around 36 hours. The physician will closely monitor the development of follicles during this period of time. When the egg retrieval procedure is being performed, paternal semen is collected and prepared.

- Fertilization and embryo culture: After the eggs are retrieved and the sperm prepared, the embryologists will fertilize the patient's eggs with paternal sperm through the conventional IVF-ET method or ICSI method. After the eggs are fertilized, the embryologists will culture the normal fertilized eggs, so they can develop into embryos.

- Embryo transfer/cryopreservation: Once the embryos develop to a certain stage, the embryologists will identify the embryos with the best implantation potential. Then the physician will transfer one or two such embryos to the patient's uterus. The rest will be frozen for future use. With the help of current human embryo culture techniques, human embryos can be cultured in vitro to the blastocyst stage, the last development stage before an embryo is implanted into the uterus. Depending on the individual patient and the embryo development, embryo transfer and cryopreservation can be performed at different embryo development stages to increase the probability of a successful pregnancy. For example a three day embryo (a cleavage stage embryo) or a five day embryo (a blastocyst stage embryo may be transferred. The transfer is performed with a specially designed embryo) transfer catheter guided by ultrasound. After transfer, the patient is prescribed with a progesterone supplement to help the uterus accept embryo implantation and support the further development of the embryo.

OUR NETWORK OF ASSISTED REPRODUCTIVE MEDICAL FACILITIES

During the Track Record Period, our network of assisted reproductive medical facilities consist of Chengdu Xinan Hospital, Gaoxin Xinan Hospital, Shenzhen Zhongshan Hospital, Jinjiang IVF Center and Jinxin Fertility Center in China. Up to the Latest Practicable Date, our network was optimized and extended to include RSA Centers, NexGenomics and HRC Medical in the United States. The table below sets forth a summary of our network of assisted reproductive medical facilities during the Track Record Period and up to the Latest Practicable Date:

Assisted Reproductive Medical Facilities	**Location**	**Nature**	**Operating History[2]**	**Status**
Self-owned[1]				
Chengdu Xinan Hospital (成都西囡婦科醫院)	Chengdu, China	For-profit specialty hospital	Since March 2010	In operation[3]
Gaoxin Xinan Hospital (成都高新西囡婦科醫院) (together with Chengdu Xinan Hospital, as "Xinan Hospital Group")	Chengdu, China	For-profit gynecological and obstetrics specialty hospital	Since May 2013	Operations ended in January 2019[4]

Assisted Reproductive Medical Facilities	Location	Nature	Operating History[2]	Status
Shenzhen Zhongshan Hospital (深圳中山泌尿外科醫院)	Shenzhen, China	For-profit specialty hospital	Since May 2004	Acquired in January 2017
RSA Centers	California, United States	Surgical centers	Since January 2008	Acquired in December 2018[5]
NexGenomics	California, United States	PGS laboratory	Since February 2015	Acquired in December 2018
Jointly-managed				
Jinjiang IVF Center (成都市錦江區婦幼保健院生殖中心)	Chengdu, China	IVF center of a non-profit maternity and child healthcare hospital	Since January 2003	Jointly managed since September 2016
Jinxin Fertility Center (四川錦欣婦女兒童醫院生殖健康與不孕症門診)	Chengdu, China	Fertility center of a for-profit women and children hospital	Since April 2016	Jointly managed from September 2016 to March 2018[6]
Managed				
HRC Medical[7]	California, United States	Fertility clinics	Since May 1988	Managed by HRC Management pursuant to the MSA since July 2017, which we indirectly acquired in December 2018

Notes:

(1) For more details about our Group's ownership and control of economic benefits in each facility, see "History, Reorganization and Corporate Structure — Our Group".

(2) The date listed refers to the operating history of the medical facility or their respective predecessors.

(3) In February 2019, we relocated our operations at Chengdu Xinan Hospital to the New Hospital Building in Jinjiang District, Chengdu to expand our service capacity. For more details, see "— Assisted Reproductive Medical Facilities in China — Xinan Hospital Group — Relocation of Chengdu Xinan Hospital" and "— Properties" and "History, Reorganization and Corporation Structure — Our Group — Chengdu Jinyi".

(4) Business operations of Gaoxin Xinan Hospital were taken up and succeeded by Chengdu Xinan Hospital and the ownership of Gaoxin Xinan Hospital was transferred to Chengdu Jinxin Investment in January 2019.

(5) We are in the process of applying for the transfer of all of RSA's permits to HRC Management after HRC Management acquired the entire partnership interests in RSA after which RSA was dissolved as a partnership in July 2017.

(6) In March 2018, we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated.

(7) HRC Medical was established in January 1995 and succeeded the operations of Huntington Reproductive Centre Inc.

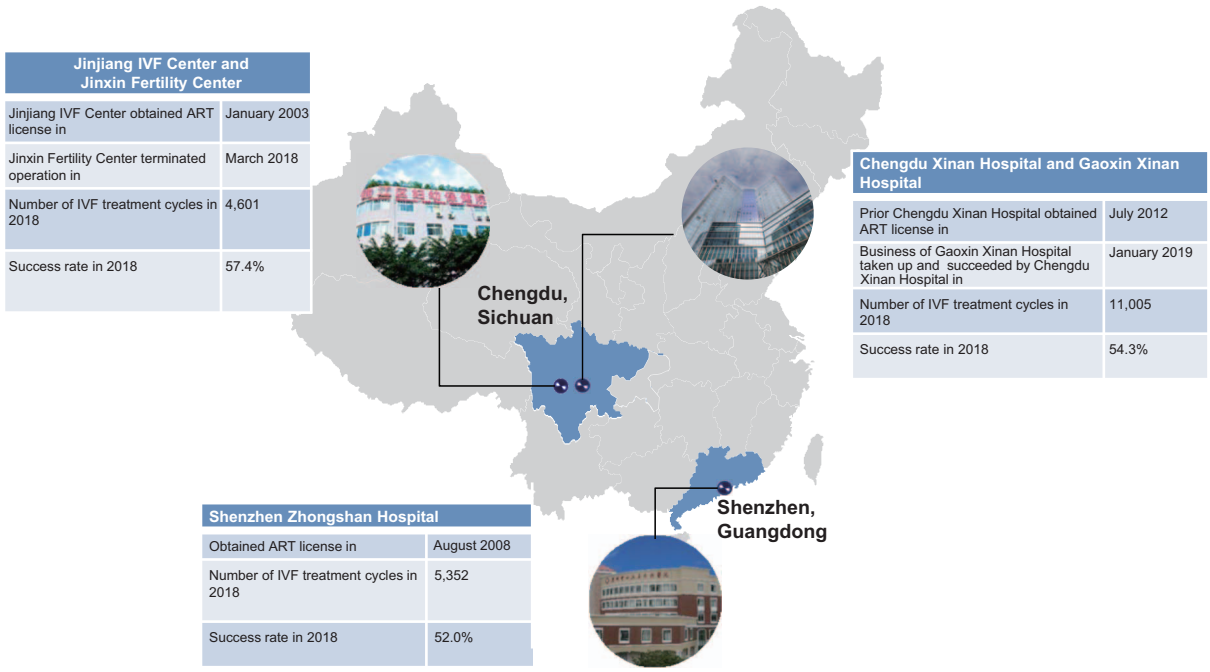
Assisted Reproductive Medical Facilities in China

As a leading ARS provider in China, the assisted reproductive medical facilities in our network in China ranked third in China's ARS market in 2018 with 20,958 IVF treatment cycles performed, according to the F&S Report. These facilities also ranked first among China's non-state-owned ARS providers in 2018 based on the same metric. Furthermore, the assisted reproductive medical facilities in our network in China have attained a higher success rate of 54% in 2018, which is higher than the national average of 45%, according to the F&S Report.

In addition to our scale, we have reinforced our leadership position in China through strengthening our reputation based on a superior success rate and accumulating extensive experience and know-how through years of operations, which represent significant entry barriers for new competitors. Leveraging these competitive advantages, we have continuously expanded our network to provide increasingly personalized and sophisticated services to meet the evolving demands from patients in China. In particular, we have been able to recruit renowned physicians and train and retain professional medical staff, which have allowed us to increase our productivity, maintain our success rate and expand our patient reach across China. The assisted reproductive medical facilities in our network in China are supported by an experienced leadership team with an average of more than 20 years of experience in assisted reproductive medicine, which includes our Chief Scientific Officer, Dr. Chi Ling. For more information relating to Dr. Chi Ling's background, see "Directors and Senior Management — Senior Management". Our market leadership, superior success rates, substantial scale and strong brand reputation, have well positioned us to benefit from the unmet market demand in China.

As of the Latest Practicable Date, in Sichuan, we owned and operated Chengdu Xinan Hospital and jointly managed Jinjiang IVF Center, pursuant to an IVF specialty collaboration agreement. During the Track Record Period, we also jointly managed Jinxin Fertility Center pursuant to an IVF specialty collaboration agreement. The medical facilities in our network in Sichuan ranked first, and had a market share of 50.1%, in the ARS market in Sichuan in 2018, in terms of the number of IVF treatment cycles, according to the F&S Report, and we have become a significant partner with many public local hospitals in Sichuan which have entered into mutual referral agreements with us. Mr. Zhong Ying is the incumbent general manager and former president of Chengdu Xinan Hospital who has been managing the assisted reproductive medical facilities in our network in Chengdu for over nine years. For more information relating to Mr. Zhong Ying's background, see "Directors and Senior Management — Board of Directors — Executive Directors".

As of the Latest Practicable Date, in Guangdong, we owned and operated Shenzhen Zhongshan Hospital. Shenzhen Zhongshan Hospital ranked third, and had a market share of 4.9%, in the ARS market in Guangdong in 2018, in terms of the number of IVF treatment cycles, according to the F&S Report. Mr. Zeng Yong has served as the president of Shenzhen Zhongshan Hospital. For more information relating to Mr. Zeng Yong's background, see "Directors and Senior Management — Senior Management".



Xinan Hospital Group

Xinan Hospital Group comprises Chengdu Xinan Hospital (成都西囡婦科醫院) and Gaoxin Xinan Hospital (成都高新西囡婦科醫院). Prior Chengdu Xinan Hospital, the predecessor of Chengdu Xinan Hospital, was established in March 2010 and obtained the license to provide ARS in July 2012. In August 2016, Prior Chengdu Xinan Hospital transferred its assets and liabilities to Chengdu Xinan Hospital which operates as a for-profit specialty hospital. Prior Gaoxin Xinan Hospital was established in May 2013. In November 2016, Prior Gaoxin Xinan Hospital transferred its assets and liabilities to Gaoxin Xinan Hospital. From May 2016 to January 2019, Gaoxin Xinan Hospital served as the VIP center of Xinan Hospital Group. In January 2019, the business of Gaoxin Xinan Hospital was taken up and succeeded by Chengdu Xinan Hospital in anticipation of the increased capacity upon the relocation of Chengdu Xinan Hospital to the New Hospital Building in February 2019. After such transfer, we disposed Gaoxin Xinan Hospital to Chengdu Jinxin Investment to optimize our group structure and resources.

At Xinan Hospital Group, we offer our patients customized fertility treatment solutions including AIH, AID, conventional IVF-ET and IVF with ICSI. Our medical and operational personnel are organized into specialized teams according to the different steps of the IVF treatment process and different patient profiles. When patients are admitted, they are assigned to a team which we believe

is best suited to them taking into account the patients' diagnosis and preferences. Furthermore, we also provide related services such as nutrition guidance, Chinese medicine treatment consultations, psychological counseling to support the IVF treatment. We pride ourselves on providing consistent quality and customized treatment to our patients on a day-to-day basis.

An array of services to VIP patients is available at Xinan Hospital Group. During the Track Record Period, Gaoxin Xinan Hospital served as the VIP center of Xinan Hospital Group. We aim to provide our VIP patients with a private and convenient treatment experience. Each VIP patient is assigned an experienced medical assistant and a butler to provide timely and personalized concierge services throughout the whole treatment process. Our VIP patients are given more opportunities to consult our physicians, and are given a customized treatment plan that is tailored to the patients' diagnosis and physical condition. In addition, we deploy advanced equipment to serve our VIP patients, such as the advanced embryo culture and monitoring system (time-lapse). This system makes constant and real-time embryo monitoring possible without disturbing the embryo culture environment, as is the case with the traditional embryo culture system, in which an embryo has to be taken out from the culture incubator for observation and monitoring purposes. This advanced system combines embryo culture with monitoring, allowing the embryo to grow in a controlled environment at a stable temperature, pH level and suitable oxygen concentration without interruption, which improves embryo culture conditions. Such system also allows us to observe the embryos during the culture process and collect data and readings, which enables better embryo selection. Moreover, VIP patients are given access to exclusive privileges, such as a private consultation area and flexible appointment schedule. Further, complimentary nutrition guidance, Chinese medicine treatment, psychological counseling and fitness courses are provided to our VIP patients to support the IVF treatment process. Given the business of Gaoxin Xinan Hospital was taken up and succeeded by Chengdu Xinan Hospital in January 2019, the services for VIP patients will be provided at Chengdu Xinan Hospital going forward.

The following table sets forth certain operating data and revenue of Xinan Hospital Group for the periods indicated:

	Year ended December 31,		
	2016[1]	2017	2018
Chengdu Xinan Hospital			
Number of IVF patients	5,775	6,114	8,903
Number of IVF treatment cycles	7,158	7,819	11,005
Average spending per IVF treatment cycle (in RMB)	37,982	33,400	41,935
Success rate	53.6%	52.8%	54.3%
Revenue generated from Chengdu Xinan Hospital (RMB in thousand)	271,875	261,156	461,493
Gaoxin Xinan Hospital[2]			
Number of IVF patients	N/A	N/A	N/A
Number of IVF treatment cycles	N/A	N/A	N/A

	Year ended December 31,		
	2016[1]	2017	2018
Average spending per IVF treatment cycle (in RMB)	N/A	N/A	N/A
Success rate	N/A	N/A	N/A
Revenue generated from Gaoxin Xinan Hospital (RMB in thousand)	50,525	61,253	77,604
Revenue generated from Xinan Hospital Group (RMB in thousand)	322,400	322,409	539,097

Notes:

(1) The operating data and revenue in 2016 include those of Prior Chengdu Xinan Hospital and Prior Gaoxin Xinan Hospital, as applicable.

(2) Gaoxin Xinan Hospital served as the VIP center of Xinan Hospital Group and did not provide IVF treatment. Accordingly, the number of IVF patients, number of IVF treatment cycles, average spending per IVF treatment cycle and success rate are not applicable to Gaoxin Xinan Hospital.

As of the Latest Practicable Date, Xinan Hospital Group had 69 full-time physicians (including 22 fertility physicians and 47 gynecological, andrological, Chinese medicine and other physicians), 13 embryologists and 158 nurses. Among the physicians, one is a chief physician, 14 are associate-chief physicians, 24 are attending physicians and 30 are junior physicians.

Relocation of Chengdu Xinan Hospital

Prior to the relocation of Chengdu Xinan Hospital, Chengdu Xinan Hospital was located at No. 3-300 Jianshe Xijie, Jianshe Road, Chenghua District, Chengdu, the PRC, with a total a gross floor area of 5,400 sq.m. With a view to increasing the capacity of our operations in Sichuan, the PRC, on February 11, 2019, we agreed to purchase the New Hospital Building and the Carpark Facilities pursuant to the Share Purchase Agreement and the Property Transfer Agreement, respectively. For more details, see the sections headed "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Chengdu Jinyi".

We relocated our operations at Chengdu Xinan Hospital to the New Hospital Building in February 2019, located at No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, the PRC with a total gross floor area of 42,659.64 sq.m. The New Hospital Building is a well-equipped modern high-rise building with more than seven times of our existing floor area in Chengdu Xinan Hospital. We expect the New Hospital Building would improve our efficiency and patient treatment environment, enhance service quality, and increase our capacity to serve more patients in Chengdu.

As of the Latest Practicable Date, we had obtained all necessary licenses and permits in all material aspects as required by PRC laws and regulations for the relocation to and operations at the New Hospital Building, except for, (i) the Sewage Treatment Permit (排污許可證); and (ii) the Acceptance Approval of Completion of Environmental Assessment (環評竣工驗收批復). Our PRC Legal Advisors interviewed with officers of Chengdu Jinjiang District Environmental Protection Bureau, which is the competent authority to give the below confirmations. According to the officers

and the certificate issued by the Chengdu JinJiang District Environmental Protection Bureau, we have not been imposed, and will not been imposed of, any administrative penalty as a result of operating at the New Hospital Building without such licenses and permits, and there is no material legal impediment to obtaining such licenses and permits. As of the Latest Practicable Date, there is no material adverse impact on our ability to operate Chengdu Xinan Hospital at the New Hospital Building as a result of a lack of the above-mentioned licenses and permits.

Shenzhen Zhongshan Hospital

The history of Shenzhen Zhongshan Hospital (深圳中山泌尿外科醫院) can be traced back to May 2004. It now operates as a for-profit specialty hospital specializing in ARS. After obtaining the assisted reproductive technology license in August 2008, Shenzhen Zhongshan Hospital became one of the first assisted reproductive facilities in Shenzhen, according to the F&S Report. After ten years of development, Shenzhen Zhongshan Hospital has become a leading ARS provider in Guangdong. The non-profit predecessor of Shenzhen Zhongshan Hospital was the first to use conventional IVF-ET technology which led to a successful birth in 1997, and was the first to use IVF with ICSI technology which led to a successful birth in 1998 in Shenzhen. Shenzhen Zhongshan Hospital achieved more than 5,000 IVF treatment cycles in 2016. We acquired Shenzhen Zhongshan Hospital in January 2017. For more details about the acquisition, see "History, Reorganization and Corporate Structure".

At Shenzhen Zhongshan Hospital, we provide our patients with ARS including AIH, conventional IVF-ET and IVF with ICSI. After our acquisition, with the intention to further improve the efficiency of the ARS we provide, we are in the process of implementing the standardized operating procedures of providing customized treatment that we established and developed in Chengdu Xinan Hospital to Shenzhen Zhongshan Hospital. In addition, we commenced a phased renovation of Shenzhen Zhongshan Hospital in July 2017 to upgrade our facilities, enhance the patient experience and expand our capacity, the major part of which was completed in February 2018. In April 2018, we started to provide VIP services at Shenzhen Zhongshan Hospital, which include the use of private consultation and treatment area and psychological counseling services.

Shenzhen Zhongshan Hospital has proven capabilities in the field of reproductive immunology. In May 2016, together with a hospital affiliated with a prestigious university, Shenzhen Zhongshan Hospital established a joint research and development center focusing on the study of immunological factors in recurrent spontaneous abortion and recurrent implantation failure. The research and development center is equipped with advanced testing and laboratory instruments and staffed with more than 20 research staff, including physicians, nurses, and laboratory technicians. Over the years, we have accumulated extensive expertise and know-how in reproductive immunology and our findings have been published in a number of renowned journals. We have also received awards from various institutions in recognition of our expertise and know-how. We believe such expertise and know-how can help to improve the success rate of our IVF treatments. For more details of the publications and awards relating to the research findings, see "— Major Publications and Accreditations".

The following table sets forth certain operating data and revenue of Shenzhen Zhongshan Hospital for the periods indicated:

	Pre-acquisition[1][2]		Post-acquisition	
	Year ended December 31, 2016	One month ended January 31, 2017	February 1, 2017 to December 31, 2017	Year ended December 31, 2018
Number of IVF patients	3,855	286	3,418	3,976
Number of IVF treatment cycles	5,128	335	4,713	5,352
Average spending per IVF treatment cycle (in RMB)	41,027	41,570	43,731	48,983
Success rate	55.0%	52.6%[3]	52.6%[3]	52.0%
ARS Revenue generated from Shenzhen Zhongshan Hospital (RMB in thousands)	210,384	13,926	206,106	262,155
Ancillary medical services revenue generated from Shenzhen Zhongshan Hospital (RMB in thousands)	56,598	3,819	33,479	31,001
Total revenue generated from Shenzhen Zhongshan Hospital (RMB in thousands)	266,982[2]	17,745[2]	239,585	293,156

Notes:

(1) The figures represent Shenzhen Zhongshan Hospital's operating data before our acquisition of Shenzhen Zhongshan Hospital. For risks relating to such data, see "Risk Factors — Risks Relating to Our Business and Industry — The historical operating results of HRC Management, HRC Medical and Shenzhen Zhongshan Hospital may not be indicative of the result of such entities after their acquisition."

(2) The figures represent Shenzhen Zhongshan Hospital's revenue before our acquisition of Shenzhen Zhongshan Hospital. For risks relating to the figures, see "Risk Factors — Risks Relating to Our Business and Industry — The historical financial information of Shenzhen Zhongshan Hospital and Willsun BVI Group may not be representative of the result of such entities after their acquisition, and pro forma financial information may not be representative of our results as a combined company in the future."

(3) Represents the success rate for the entire year of 2017.

As of the Latest Practicable Date, Shenzhen Zhongshan Hospital had 54 full-time physicians (including 21 fertility physicians and 33 gynecological, andrological, Chinese medicine and other physicians), 12 embryologists and 92 nurses. Among the physicians, one is a chief physician, 18 are associate-chief physicians, 21 are attending physicians and 14 are junior physicians. As of the Latest Practicable Date, Shenzhen Zhongshan Hospital owns five properties with a gross area of 1,394.61 sq.m., and leased an additional 9,613.42 sq.m. for use as clinical and hospital facilities, as well as more than 620 sq.m. for use of as its employees' dormitories.

In 2015, prior to our acquisition of Shenzhen Zhongshan Hospital, it entered into agreements with an Independent Third Party (the "**Manager**") pursuant to which the Manager was entrusted to manage Shenzhen Zhongshan Urology Hospital Zhusheng Community Health Service Center (深圳中山泌尿外科醫院竹盛社區健康服務中心) ("**Zhusheng Community Health Center**") and Shenzhen Zhongshan Urology Hospital Shen'an Community Health Service Center (深圳中山泌尿外科醫院深安社區健康服務中心) ("**Shen'an Community Health Center**", together with the Zhusheng Community

Health Center, the "**Community Health Centers**"), such that the Community Health Centers might benefit from better management through utilizing the Manager's experience of managing community health centers.

As advised by our PRC Legal Advisors, there is a possibility that the management of Community Health Centers by the Manager may be seen as a lending of practice license for medical institutions of the Community Health Centers under relevant laws of the PRC. According to Regulations for the Administration of Medical Institutions (《醫療機構管理條例》), the lending of practice license for medical institutions may result in the confiscation of such gains by the relevant county level health medical administrative department, and a fine of up to RMB5,000 may be imposed and in severe cases, the practice license for medical institutions can be revoked.

On January 25, 2019, our PRC Legal Advisors interviewed the competent health administration authority of the Community Health Centers, namely, Shenzhen Futian District Health and Family Planning Bureau (深圳市福田區衛計局) ("**Bureau**"). The Bureau confirmed that (i) Shenzhen Zhongshan Hospital is entitled to manage the Community Health Centers in the way it deemed appropriate and it had chosen the "entrustment" method to manage the Community Health Centers; and (ii) the Community Health Centers were already closed on January 7, 2019.

Based on the above confirmation, and the fact that the practice license for medical institutions held by the Community Health Centers has ceased to be effective following their closure on January 7, 2019, our PRC Legal Advisors are of the view that the risk that the possible confiscation of gains derived from, or imposition of fines on medical institutions of Community Health Centers may cause material adverse effects on Shenzhen Zhongshan Hospital's operation is very remote. Further, as the practice license for medical institutions held by the Community Health Centers has ceased to be effective following their closure on January 7, 2019, our PRC Legal Advisors are of the view that the risk of the revocation of the practice license for medical institutions of the Community Health Centers are not applicable anymore.

Jinjiang IVF Center and Jinxin Fertility Center

Jinjiang IVF Center (成都市錦江區婦幼保健院生殖中心) is the IVF center of 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. For more details, see "History, Reorganization and Corporate Structure — Our Group". Jinjiang District Maternity and Child Health Hospital obtained the license to provide ARS in January 2003 and became one of the first medical facilities licensed to offer ARS in Sichuan, according to the F&S Report. Jinjiang IVF Center provides ARS including AIH, conventional IVF-ET and IVF with ICSI. Physicians at Jinjiang IVF Center have also accumulated expertise in treating older patients with premature ovarian failure and patients who have had recurrent implementation failure. Jinjiang IVF Center achieved more than 5,000 IVF treatment cycles in 2017.

Jinxin Fertility Center (四川錦欣婦女兒童醫院生殖健康與不孕症門診) is the fertility center of Jinxin Women and Children Hospital (四川錦欣婦女兒童醫院), a for-profit women and children hospital that commenced operation in April 2016. Jinxin Fertility Center primarily provided pre-IVF treatment, such as initial consultation and pre-IVF assessment.

During the Track Record Period, we provided joint management services through Chengdu Xinan Hospital pursuant to the IVF specialty collaboration agreements relating to Jinjiang IVF Center and Jinxin Fertility Center starting from September 2016. In March 2018, we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated. To minimize any inconvenience caused by the termination, Xinan Hospital Group and Jinjiang IVF Center have offered ARS to patients originally receiving services at Jinxin Fertility Center. For more details, see "— Our Management Agreements — IVF Specialty Collaboration Agreements".

According to the agreements, each of Jinjiang IVF Center and Jinxin Fertility Center, and us, jointly carry out comprehensive specialty collaboration and technical cooperation in clinical diagnosis and treatment, scientific research, academic exchanges and personnel training to complement each of our respective advantages, improve the level of medical services, and promote the development of clinical reproductive embryology, nursing and gynecological endocrinology. The scope of our key services includes the following:

- Establishing a reproductive medicine specialty alliance to jointly promote the use of grading in diagnosis and treatment and cross-regional consultation and referral;
- Integrating expert resources and forming a joint expert group to conduct academic discussions on the development of specialties, new technologies and new projects involved in different subjects;
- Sharing medical resources, and medical experts and professionals through multi-site practice, joint outpatient services, ward visits by experts, consultations and referrals;
- Sharing external expert contacts and resources;
- Jointly selecting or applying for research projects, sharing laboratory resources, carrying out research and development, and developing applications based on research results;
- Jointly hosting seminars and other academic activities, inviting external experts for discussion and training, and sharing academic resources;
- Sharing relevant database resources and information;
- Building and sharing a clinical specialty training system to provide opportunities and support for talent cultivation;
- Providing administrative support on supply chain management, including, but not limited to, procurement of pharmaceuticals and medical consumables; and
- Providing support and sharing management resources for quality control, information systems, logistics and human resources.

Under such agreements, we are entitled to receive management service fees based on the scope and frequency of services provided, which are calculated in accordance with the price and formula set forth in the agreements.

The following table sets forth certain operating data and revenue of Jinjiang IVF Center and Jinxin Fertility Center for the periods indicated:

	Year ended December 31,		
	2016[1]	2017	2018[2]
Jinjiang IVF Center			
Number of IVF patients	1,500	4,689	3,736
Number of IVF treatment cycles	1,553	5,151	4,601
Average spending per IVF treatment cycle (in RMB)	29,268	29,725	34,616
Success rate	49.2%	55.1%	57.4%
Revenue of Jinjiang IVF Center (RMB in thousands)	45,453	153,112	159,266
Jinxin Fertility Center[3]			
Number of IVF patients	N/A	N/A	N/A
Number of IVF treatment cycles	N/A	N/A	N/A
Average spending per IVF treatment cycle (in RMB)	N/A	N/A	N/A
Success rate	N/A	N/A	N/A
Revenue of Jinxin Fertility Center (RMB in thousands)	18,735	83,198	13,923
Combined revenue of Jinjiang IVF Center and Jinxin Fertility Center (RMB in thousands)	**64,188**	**236,310**	**173,189**
Revenue of management services (RMB in thousands)	**24,008**	**100,780**	**89,741**

Notes:

(1) The figures in 2016 only cover data starting from September 1, 2016, when the IVF specialty collaboration agreements became effective.

(2) The revenue in 2018 relating to Jinxin Fertility Center only include up to March 2018, when we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated.

(3) Jinxin Fertility Center only provided pre-IVF treatment, and did not provide IVF treatment. Accordingly, the number of IVF patients, number of IVF treatment cycles, average spending per IVF treatment cycle and success rate are not applicable to Jinxin Fertility Center.

As of the Latest Practicable Date, there were 18 full-time physicians (including 15 fertility physicians), seven embryologists and 23 nurses at Jinjiang IVF Center. Among the physicians, three are associate-chief physicians, ten are attending physicians and five are junior physicians. Under the IVF specialty collaboration agreement, Chengdu Xinan Hospital may dispatch medical professionals to Jinjiang IVF Center to facilitate the provision of our joint management services. See "— Medical Professionals in China."

Medical Professionals in China

In China, full-time medical professionals who practice at our owned and jointly-managed medical facilities are registered in accordance with the physician registration system stipulated by the relevant healthcare authorities. The full-time medical professionals are considered employees at the medical facility where they are registered. The respective medical facility at which the medical professionals are registered is responsible for making relevant social insurance and housing provident fund contributions for and on behalf of the medical professionals as required by the applicable PRC law.

In China, multi-site practice medical professionals (多點執業醫生) also practice at the assisted reproductive medical facilities in our network in Chengdu and Shenzhen. Certain medical professionals of Chengdu Xinan Hospital practice at Jinjiang IVF Center and Jinxin Fertility Center as part of the IVF specialty collaboration agreements. A small number of medical professionals who are employees of Jinjiang IVF Center also practice at Xinan Hospital Group on an as-needed basis. At Shenzhen Zhongshan Hospital, the multi-site practice medical professionals primarily consist of radiologists, gynecologists and Chinese medicine specialists who are employees of third-party hospitals and also provide services at Shenzhen Zhongshan Hospital.

Assisted Reproductive Medical Facilities in the United States

Through our recent acquisition of HRC Management, which manages HRC Medical, a leading full-service ARS provider in the United States with more than 30 years of experience, we have gained the capabilities to provide high-value ARS to international patients, in particular, those from China. In 2018, HRC Fertility (including HRC Medical, which is managed by HRC Management pursuant to the MSA) ranked first in the Western United States ARS market with 4,500 IVF treatment cycles performed, according to the F&S Report. HRC Fertility attained a success rate of 62% in 2016, higher than both the national average of 53% and the California state average of 57%, according to the F&S Report. In addition, HRC Fertility had higher success rates in every age group as defined by the CDC than the national and California state average for non-donor embryo transfers in 2016, according to the F&S Report.

HRC Fertility attributes its long track record of success and strong reputation to its renowned physicians, and its ability to provide a full range of services, allowing it to satisfy the increasing demand for advanced, high-end and sophisticated ARS from international patients. In particular, HRC Fertility ranked first among all ARS providers in the United States, in terms of IVF treatment cycles provided to ARS patients traveling from China to the United States for treatment in 2017. HRC Fertility also ranked first in terms of brand awareness compared to other ARS providers in California.

Our management team has continuously strategically identified international alliance and acquisition opportunities, including possible strategic access to the United States market. Since 2015, our founder, Jinxin Group, had been actively exploring different forms of collaboration and strategic alliance opportunities with leading international and regional healthcare institution. Driven by demand

from both domestic and international patients due to an increasingly sophisticated market environment, our management team focused on the United States where we believe there is substantial potential domestically and for synergies with our national platform in China.

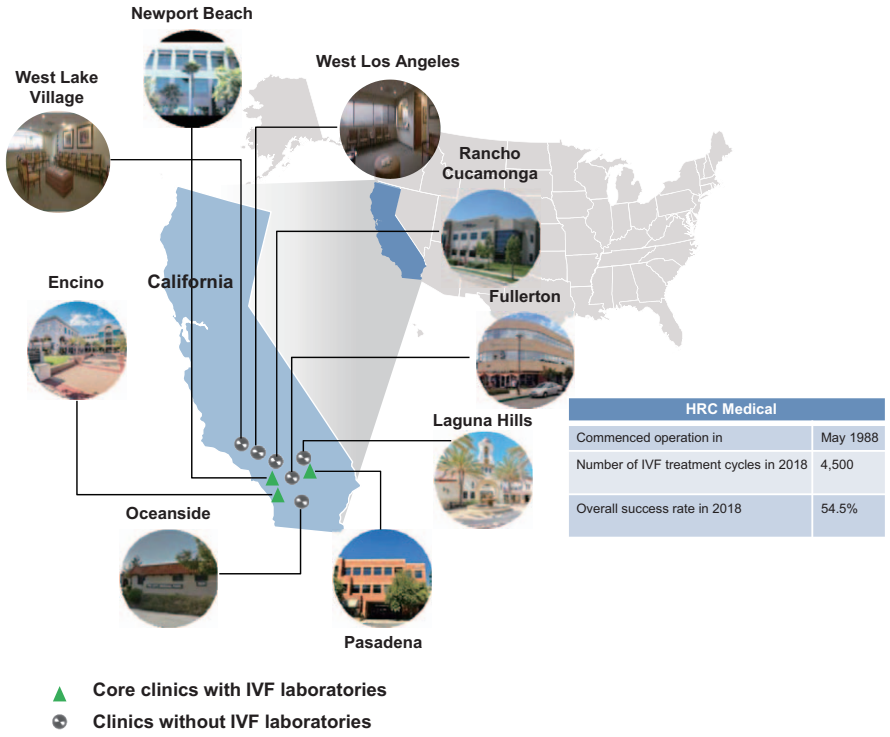
In early 2017, we became aware of our former shareholder Willsun Fund's intended entry into the United States market through the acquisition of HRC Management, which was ultimately completed in July 2017. Through the Reorganization, we have successfully integrated HRC Management into our platform, and augmented our management team with key management of our former shareholder, Willsun Fund, including Mr. Zhong Yong and Ms. Zhang Jing, who led the negotiations that culminated in the successful execution of the MSA with HRC Medical. Dr. John G. Wilcox, manager of HRC Management and former partner of HRC Medical, also became one of our executive directors.

HRC Management was established in November 2015 as a management services organization. Through the MSA, it renders management services to the nine fertility clinics under HRC Medical by providing management, financial, supervisory, administrative, and other non-medical services necessary to operate HRC Medical in return for a management service fee. For more details, see "— Our Management Agreements — Management Services Agreement" and "Risk Factors — Risks Relating to Our Business and Industry — If the validity of our MSA cannot be upheld or our MSA is terminated under applicable law, our results of operations and financial condition will be materially impaired." HRC Management also owns and operates RSA Centers and a PGS laboratory under NexGenomics (HRC Medical together with HRC Management, collectively referred to as "**HRC Fertility**").

HRC Medical funds the operating costs of its medical services business from its revenues from providing ARS to its patients. Prior to the entering of the Prior MSA, the operating costs of HRC Medical primarily included the salary and benefits of physicians and non-physician personnel, cost of medication, agency promotional fees and rent. Under the Prior MSA and the Existing MSA, the operating costs of HRC Medical primarily include management service fee, medical professional fee paid to the Physician Shareholders for professional services, the salary and benefits of physicians other than the Physician Shareholders, credit card fees and consultant fees.

As of the Latest Practicable Date, HRC Fertility had 21 embryologists, 60 IVF coordinators, 23 laboratory support staff, 14 financial counselors and 80 surgical and medical support staff. IVF coordinators are medical staff in charge of liaising with assigned physicians. They meet with potential patients and help them to analyze and review the different treatment plans and manage their

expectations throughout the IVF treatment process. They are also responsible for coordinating the activities that are required to initiate the IVF treatment plan such as surgery, IVF and PGD, maintaining medical records and preparing calendar or schedules for patients.



HRC Medical	
Commenced operation in	May 1988
Number of IVF treatment cycles in 2018	4,500
Overall success rate in 2018	54.5%

HRC Medical, RSA Centers and NexGenomics

HRC Medical could be traced back to May 1988 and specializes in reproductive endocrinology and reproductive medicine. It provides ARS such as conventional IVF-ET, IVF with ICSI, as well as pre-IVF treatment for fertility problems such as endometriosis, fibroids and blocked fallopian tubes.

HRC Medical owns three core clinics (in Pasadena, Encino and Newport Beach) and six satellite clinics (Rancho Cucamonga, Oceanside, West Los Angeles, West Lake Village, Fullerton and Laguna Hills). Each core clinic is equipped with an onsite IVF and andrology laboratory and staffed with board-certified fertility specialists. As of the Latest Practicable Date, HRC Fertility occupied an aggregate gross floor area of 80,212 sq.ft.

As of the Latest Practicable Date, supported by employees of HRC Management, HRC Medical had 13 full-time physicians. The following are the top 5 physicians who performed the highest number of IVF treatment cycles at HRC Medical in 2017:

- Dr. John G. Wilcox, an executive Director of our Company. For more information relating to Dr. John G. Wilcox's background, see "Directors and Senior Management — Board of Directors — Executive Directors".

- Dr. Bradford A. Kolb, a reproductive endocrinologist and infertility specialist who has worked at HRC Medical since 2001. He is board-certified for reproductive endocrinology and infertility and obstetrics and gynecology, and previously served as an Assistant Clinical Professor at University of Southern California's Keck School of Medicine, Department of Obstetrics and Gynecology.

- Dr. Robert Boostanfar, a reproductive endocrinologist and infertility specialist who has worked at HRC Medical since 2002. He is board-certified for reproductive endocrinology and infertility and obstetrics and gynecology, and previously served as an Assistant Clinical Professor at University of Southern California's Keck School of Medicine, Department of Obstetrics and Gynecology. Dr. Boostanfar has been actively involved in a number of clinical studies with multinational pharmaceutical companies on assisted reproductive technology.

- Dr. Daniel A. Potter, a reproductive endocrinologist and infertility specialist who has worked at HRC Medical since 1998. He is board-certified for reproductive endocrinology and infertility and obstetrics and gynecology.

- Dr. Jane L. Frederick, a reproductive endocrinologist and infertility specialist who has worked at HRC Medical since 2000. She is board-certified for reproductive endocrinology and infertility and obstetrics and gynecology.

From July 1, 2010 to July 12, 2017, each of the Physician Shareholders held 12.5% partnership interest in HRC Medical. On July 12, 2017, HRC Medical converted from a California general partnership to a California professional corporation. From July 12, 2017 up to the Latest Practicable Date, HRC Medical was jointly-owned by Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane. L. Frederick, each holding 33.3% equity interest, who were directors of HRC Medical. Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick act as the treasurer, president and secretary, respectively, and are responsible for managing the day-to-day operations of HRC Medical.

HRC Medical physicians can perform egg retrieval and other surgical procedures on their patients at RSA Centers located at each core clinic. At RSA Centers, HRC Management maintains a skilled medical team consisting of anesthesiologists and surgical nurses, which ensures patient care from pre-procedure to recovery to discharge. We also offer surgical space at RSA Centers to physicians to use for a fee. For more detail on outpatient setting licensure, see "— Licenses, Permits and Certificates — Medical Facilities in the United States".

HRC Medical physicians can use the PGS services provided at a clinical lab located at HRC Medical's Pasadena clinic, which HRC Management owns through NexGenomics. PGS technology can be used to improve the success rate of the IVF treatment in certain patient groups by reducing implantation failure and early miscarriage.

The following table sets forth certain operating data of HRC Medical for the periods indicated[(1)]:

	Year ended December 31, 2016	Year ended December 31, 2017	Period from July 1, 2017 to December 31, 2017	Year ended December 31, 2018
Number of IVF patients	3,362	3,610	1,991	3,722
Number of IVF treatment cycles	4,172	4,371	2,213	4,500
ARS revenue (RMB in thousands)	495,532	577,108	292,302	650,561
Average spending per IVF treatment cycle (RMB)	118,776	132,031	132,084	144,569
Management service revenue received by Willsun BVI Group[(2)] (RMB in thousands)	**N/A**	**271,860**	**271,860**	**592,907**

	Year ended December 31,		
	2016	2017	2018
Success rate			
Age <35	67.6%	61.7%	58.1%
Age 35-37	64.9%	61.6%	55.2%
Age 38-40	57.9%	54.0%	51.0%
Age 41-42	55.6%	56.8%	51.6%
Age >42	59.5%	54.4%	51.5%

Notes:

(1) The figures include HRC Medical's operating data before the inclusion of the operating results of HRC Management in our Group's results on December 24, 2018. For risks relating to such data, see "Risk Factors — Risks Relating to Our Business and Industry — The historical operating results of HRC Management, HRC Medical and Shenzhen Zhongshan Hospital may not be indicative of the result of such entities after their acquisition."

(2) The management service revenue received by Willsun BVI, the indirect holding company of HRC Management, and its subsidiaries, represents financial information for the periods from March 31, 2017 (date of incorporation of Willsun BVI) to December 31, 2017 and from January 1, 2018 to December 23, 2018, which was before the inclusion of the operating results of Willsun BVI Group in our Group's results on December 24, 2018. For risks relating to such information, see "Risk Factors — Risk Relating to Our Business and Industry — The historical financial information of Shenzhen Zhongshan Hospital and Willsun BVI Group may not be representative of the result of such entities after their acquisition, and pro forma financial information may not be representative of our results as a combined company in the future".

OUR MANAGEMENT AGREEMENTS

IVF Specialty Collaboration Agreements

In China, our relationships with Jinjiang IVF Center and previously with Jinxin Fertility Center are governed by IVF specialty collaboration agreements with Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital, respectively. In September 2016, we commenced an IVF specialty collaboration agreement with Jinjiang District Maternity and Child Health Hospital, under which we provided joint management services to Jinjiang IVF Center and Jinxin Fertility Center, which was subsequently amended to formalize our management arrangements. The IVF specialty collaboration agreements provide a high-level framework governing the management relationship as well as detailed service items and a relevant price list as basis for management fee calculation. Given that the pre-IVF treatment provided at Jinxin Fertility Center has a lower profit margin than IVF treatment at other assisted reproductive medical facilities in our network in China and we already maintained a team specializing in pre-IVF treatment at Xinan Hospital Group, we terminated our management services to Jinxin Fertility Center in March 2018 to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated. For risks relating to IVF specialty collaboration agreements, see "Risk Factors — Risks Relating to Our Business and Industry — If we fail to successfully jointly manage Jinjiang IVF Center or manage HRC Medical, or if the IVF specialty collaboration agreement or the MSA is terminated, our revenue and profitability may suffer." The terms of the two agreements are similar in substance, and their key terms are as follows.

Duration

The IVF specialty collaboration agreements have a term of three years, effective from September 1, 2016 and will be automatically renewed for another three years each time upon expiration, provided that such agreements are in compliance with the Listing Rules and other applicable laws and regulations.

Scope of Services

According to the agreements, each of Jinjiang IVF Center and Jinxin Fertility Center, and us, jointly carry out comprehensive specialty collaboration and technical cooperation in clinical diagnosis and treatment, scientific research, academic exchanges and personnel training to complement each of our respective advantages, improve the level of medical services, and promote the development of clinical reproductive embryology, nursing and gynecological endocrinology. The scope of our key services includes the following:

- Establishing a reproductive medicine specialty alliance to jointly promote the use of grading in diagnosis and treatment and cross-regional consultation and referral;

- Integrating expert resources and forming a joint expert group to conduct academic discussions on the development of specialties, new technologies and new projects involved in different subjects;

- Sharing medical resources, and medical experts and professionals through multi-site practice, joint outpatient services, ward visits by experts, consultations and referrals;

- Sharing external expert contacts and resources;

- Jointly selecting or applying for research projects, sharing laboratory resources, carrying out research and development, and developing applications based on research results;

- Jointly hosting seminars and other academic activities, inviting external experts for discussion and training, and sharing academic resources;

- Sharing relevant database resources and information;

- Building and sharing a clinical specialty training system to provide opportunities and support for talent cultivation;

- Providing administrative support on supply chain management, including, but not limited to, procurement of pharmaceuticals and medical consumables; and

- Providing support and sharing management resources for quality control, information systems, logistics and human resources.

Management Services Fees

Under each of the agreements, we are entitled to receive management service fees, which consist of:

(1) A fixed base fee per year based on our services and support for sales and marketing, supply chain management, quality control management, personnel training and information technology. Notwithstanding the above, if we fail to provide all the services specified in the agreement, including but not limited to failing to achieve the minimum number of IVF patient visits, a certain amount can be deducted from the fixed fee.

(2) fees based on the scope and the frequency of services provided which are calculated in accordance with the price and formula set forth in the agreements on a quarterly basis. For example, (i) we provide ward visits, consultations and case discussions by medical professionals in exchange for a specific fee amount each visit; (ii) we provide administrative support on supply chain management for a fee, which is calculated as the amount of total procurement multiplied by a specific percentage; and (iii) we provide business development services, including ARS market education, in exchange for a fee which is calculated as the revenue of such medical facility of that year multiplied by a specific percentage.

(3) performance-related awards, taking into account the difference between the net income before tax in the year and the preceding year.

The sum of the management service fees per year shall not exceed the net income before tax from ARS generated by each of the jointly managed medical facilities of such year. If the net income before tax generated by a medical facility in a calendar year is negative, we shall reimburse such medical facility in cash to cover the loss.

Termination

The agreements may be terminated: (i) by the non-defaulting party in the event of a default; or (ii) if the ongoing performance will result in a breach of, or non-compliance with, applicable laws and regulations, including the Listing Rules or relevant requirements of the Hong Kong Stock Exchange.

Our PRC Legal Advisors are of the view that the IVF specialty collaboration agreements are legal, valid and binding on the parties under PRC laws and regulations.

Management Services Agreement

Under California's corporate practice of medicine doctrine, medical corporations can only be owned and operated by physicians. As a result, we cannot own HRC Medical. HRC Medical remains the owner and operator of its medical practice and the holder of all licenses, accreditations and certificates, and is solely and exclusively in control of all aspects of the medical practice and the professional medical services provided to patients, including all medical training and medical supervision of licensed personnel. It also has the exclusive authority to decide the professional ability and suitability for personnel that it engages or employs. To comply with the relevant California laws, HRC Management, as a management services organization, does not offer medical services or exercise influence or control over the medical practice of HRC Medical's physicians. The management arrangement between HRC Medical and HRC Management is a generally accepted practice in the healthcare market and frequently used by companies that provide management services to physician groups in California and other states in which the corporate practice of medicine doctrine is applied. The terms of our management services agreement and related agreements are tailored to preserve judgment regarding medical matters for the physicians and therefore ensure compliance with the California corporate practice of medicine doctrine. Further, HRC Medical is owned and governed by physicians, such that the applicable governance documents provide that the directors and officers of HRC Medical are elected and/or appointed by the physician shareholders of HRC Medical, all in compliance with the California corporate practice of medicine doctrine. However, for potential relevant risks, see "Risk Factors — Risks Relating to Our Business and Industry — If the validity of our MSA cannot be upheld or our MSA is terminated under applicable law, our results of operations and financial condition will be materially impaired." For further explanation of similar management arrangements by other publicly traded companies in the U.S. healthcare market, see "Industry Overview — The United States ARS Market — MSA Arrangements."

Before our Reorganization, which resulted in HRC Management becoming a member of our Group, HRC Management provided management services to HRC Medical under the Prior MSA. HRC Medical first entered into the Prior MSA on July 13, 2017 with HRC Management. Under the Prior MSA, HRC Management received a management service fee equal to the sum of (i) the reimbursements of all office expenses paid or accrued by HRC Management; and (ii) a base monthly fee, subject to certain adjustments specified in the agreement.

Following the Reorganization, to optimize the overall business arrangement, allow our Group to enjoy the economic benefits derived from HRC Medical, and safeguard the underlying assets and values in the interest of our Company and Shareholders as a whole, we entered into the Existing MSA on January 22, 2019. The Existing MSA, along with the Ancillary Agreements, superseded the Prior MSA and the assignable option agreement described below. The scope of services under the Existing MSA are generally the same as the Prior MSA. The replacement of the Prior MSA with the Existing MSA was completed in connection with the Reorganization, and was predominantly motivated by the parties' mutual desire to alter the compensation structure from a fixed base fee to a percent of HRC Medical's gross revenue, as the cost of management services (including staffing, supplies, infrastructure and other costs) increases as HRC Medical sees more patients and undertakes more revenue-generating activities. A fixed base fee may not accurately reflect the cost of HRC Medical doing business at specific points of time, especially in times of growth or changes in its business, but a percentage of revenue fee can more accurately and currently capture those potentially increasing or changing costs. For more details on the management fees, see the subsection titled "Management Service Fees" below.

A management fee equivalent to a percentage of a medical group's gross revenue is a common market compensation arrangement for agreements such as the Existing MSA, and is generally accepted as compliant with applicable federal and California state laws and regulations governing such arrangements. Under the applicable federal and California state laws and regulations, the setting of a management fee linked to the profitability of a medical group is expressly prohibited under California law (Section 650 of the California Business and Professions Code), as doing so would amount to the corporate practice of medicine, which is expressly prohibited under California state laws and regulations. Rather, the management service fee must be commensurate with the fair market value of the services rendered under the MSA, and otherwise permitted under California laws and regulations, including but not limited to Section 650 of the California Business and Professions Code. A summary of the material differences between the Existing MSA and Prior MSA is set forth in the following table:

Term	Existing MSA	Prior MSA
Term	20 years; automatically renews for additional 1 year on each anniversary date of its effective date.	20 years; automatic renewal for additional 5-year terms.
Without Cause Termination Rights	None.	HRC Management may terminate without cause after 10th anniversary date of its effective date upon 180 days' notice.

Term	Existing MSA	Prior MSA
Compensation Structure	Percent of revenue with discretionary bonus.	Base fee plus reimbursable operating and non-operating expenses.
Assignment	HRC Management may assign to an affiliate or a successor in interest. HRC Medical is not permitted to assign without HRC Management's prior consent.	Neither party may assign.

Under the MSA, HRC Medical engages HRC Management as its sole and exclusive provider of certain management services, including but not limited to 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 in return for a management service fee equal to 90% of HRC Medical's revenue accrued from the preceding month, plus a discretionary bonus incentive. The management fee will be subject to review by our Company and HRC Medical on an annual basis to reflect the level and complexity of services provided and to ensure that the total compensation paid to HRC Management shall be commensurate with the fair market value for the services rendered, which is a requirement of the U.S. federal and state laws and regulations. The Existing 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 Existing MSA is terminated in accordance with its terms.

Existing MSA

Under the Existing MSA, HRC Medical engages HRC Management as its sole and exclusive provider of certain non-medical services to operate HRC Medical, including, without limitation:

- overall management of the non-professional and non-medical part of the operation, design and development of standard operating procedures to promote the efficiency of medical services of HRC Medical;
- provision of premises, fixtures and all equipment required by HRC Medical;
- accounting and financial services, including budgeting, book-keeping, record keeping, billing and collections;
- assisting with marketing development, advertising and promotion arrangements;
- personnel management, including employment of non-clinical personnel, and training of physicians, clinical personnel and non-clinical personnel regarding administrative and non-clinical policies and procedures, and payroll processing;

- granting a worldwide, non-revocable, non-exclusive, non-transferable, limited license with respect to the use of trademarks and trade names;

- producing and distributing descriptive materials concerning professional medical services; and

- procurement, development, maintenance and repair of information technology hardware and software.

Management Service Fee

HRC Medical is required to pay a management service fee to HRC Management for management services and the use of HRC Management's premises within 15 days from the end of the corresponding month which management service fees are accrued. The management service fee is equal to 90% of the gross revenue of HRC Medical accrued during the preceding month plus a bonus incentive which can be granted at HRC Medical's sole discretion after considering factors related to the services and benefits provided by HRC Management to HRC Medical. To allow the maximum amount of the management service fee to be paid to our Company to the extent permitted under the applicable federal and California state laws, the parties to the Existing MSA have agreed to adopt 90% of HRC Medical's gross revenue, being the high end of the fair market value as determined by an independent professional valuer, as the revenue percentage for the management service fee. In practice, after satisfying its operational liabilities, HRC Medical will settle the management service fee with HRC Management using its remaining available cash.

The management fee will be subject to review by our Company (including approval by our independent non-executive Directors) and HRC Medical on an annual basis to ensure that the total compensation paid to HRC Management will continue to be commensurate with the fair market value for the services rendered, which is a requirement of the U.S. federal and state laws and regulations. In doing so, the parties will decide on the fair market value of the management services provided by HRC Management based on the valuation conducted by an independent professional valuer. The typical effective period for a valuation report may range from one to five years from the date of valuation, but each report will have its own effective period. In the event that the valuation report prepared by independent professional valuer has ceased to be effective, or there is any substantial change to the scope of services or terms of the Existing MSA, our Company will at least every three years re-engage the independent professional valuer to prepare a new valuation report so as to ensure the management service fee is commensurate with the fair market value for the services rendered from time to time. For details of valuation of the management service fee, see subsection "Independent Valuation of Management Service Fee" below.

Further, in order to avoid any insolvency of HRC Medical, the Existing MSA provides that only if HRC Medical at any point does not have the available cash to pay the management fee owed to HRC Management, HRC Management may in its sole and absolute discretion: (i) allow HRC Medical to defer payment; (ii) make principal advances to HRC Medical to enable HRC Medical to meet its liabilities and financial obligations; or (iii) elect to waive any management fee for any period where the payment of such fee would render HRC Medical insolvent. There are no other circumstances under

the Existing MSA which allow any waiver or deferral of the management service fee. Under the terms of the Existing MSA, HRC Management does not assume financial liability for HRC Medical's debts and financial obligations.

Independent Valuation of Management Service Fee

In determining the fair market value of the management service fee to HRC Management for management services and the use of HRC Management's premises, an independent professional valuer was engaged and confirmed that a management service fee between 75% and 90% would be consistent with the fair market value, based upon economic and market factors, such as historical and projected costs and revenues of HRC Medical and HRC Management, profit margins of comparable entities providing management services, the terms and services of similar management agreements, and the fees charged by management organizations for similar services. In doing so, the independent professional valuer considered three generally accepted valuation methodologies: the market approach, the cost approach, and the income approach. After considering all three approaches, the independent professional valuer relied on the allocated margin method of the cost approach, which is consistent with the industry norm, in its analysis and conclusion.

The cost approach is utilized as a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset. In conducting its analysis, the independent professional valuer considered two specific cost approach methods: (i) the cost-plus method and (ii) the allocated margin method.

By applying the allocated margin method, the independent professional valuer assessed the management service fee by adding the calculated profit based on Adjusted EBITDA margins to HRC Management's total expenses to derive an annual management service fee range, which is concluded to be between 75% and 90% of 2019 gross revenue. To determine the total expenses, the independent professional valuer reviewed income statement budgets, discussed with HRC Management and reviewed the Existing MSA. To determine a reasonable level of profit, the independent professional valuer identified EBITDA margins of companies providing similar services as HRC Management including IVF companies and ambulatory surgical center companies. The valuer's selection of profit considered the comparability of the IVF and surgical companies' services to HRC Management as well as the risk assumed by HRC Management through the terms of the Existing MSA. By applying this method, both the relative risk assumed by HRC Management and the scope of services provided by HRC Management are recognized.

The cost-plus method was not applied because it does not necessarily recognize the relative risk assumed by HRC Management, such as the assumption of long-term fixed costs and variable fee structure. The income approach was not utilized due to difficulties in measuring the relative impact of the management services performed by HRC Management and the profitability of HRC Medical. Additionally, it is often inappropriate to use the income approach in valuing management service arrangements.

The comparable management fee method under the market approach was not applied in this analysis due to its limitations. Under the comparable management fee method, the independent professional valuer compared the management service fees of ten agreements wherein comprehensive management and administrative services were provided to physician practices (including those that specialize in IVF treatment) against the Existing MSA. The independent professional valuer found that while the comparable fee method was reasonable to consider, it was difficult to identify management agreements identical to the Existing MSA as the Existing MSA appeared to be more comprehensive than the other agreements reviewed.

Management service fees paid by HRC Medical to HRC Management are subject to U.S. corporate federal and state income tax when accrued under applicable U.S. tax principles. Such tax is imposed on a net basis (i.e., taking into account any deductible expenses) at a top rate of 21% in the case of the U.S. federal corporate income tax, and at varying applicable state income tax rates to the extent apportioned to each state under applicable state income tax rules. Management service fees paid by HRC Medical to HRC Management are not subject to PRC tax. Prior to July 12, 2017, HRC Medical was a general partnership and treated as a pass-through entity for U.S. income tax purposes. As a result, its partners were liable for the applicable income tax payment on their share of HRC Medical's income. On July 12, 2017, HRC Medical was converted into a corporation and, as confirmed by its U.S. tax advisor, was subject to a corporate income tax representing a progressive rate of 15% to 35% for the U.S. federal corporate income tax rate and an average of 8.84% for California state corporate income tax. After the Reorganization, HRC Medical became a professional corporation and continues to be subject to the same corporate tax treatment prior to the Reorganization. As a result of the enactment of The Tax Cuts and Jobs Act of 2017, HRC Medical, as confirmed by its U.S. tax advisor, became subject to a lower U.S. federal income tax rate of 21% in 2018. However, as HRC Medical is expected to have limited profits under the MSA, it is expected that it would not incur significant tax expenses and/or payables going forward.

Term and Termination

The Existing MSA has a term of 20 years commencing from January 1, 2019, and on each anniversary date, the term shall automatically extend for an additional one year.

The Existing MSA may be terminated upon mutual agreement, or the occurrence of any of the following events:

- Material breach: if HRC Medical materially fails to perform any material obligation under the Existing MSA as reasonably determined by HRC Management, and such failure shall continue for thirty (30) calendar days after written notice is given by HRC Management to HRC Medical specifying the nature and extent of such failure, then the agreement shall terminate automatically and immediately upon the expiration of such thirty (30) calendar day period;

- Insolvency: circumstances involving but not limited to, if either party shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or of all or a

substantial part of its assets, file a voluntary petition in bankruptcy, or if an order shall be entered by a court of competent jurisdiction, and such order shall continue unstayed and in effect for a period of one hundred and twenty (120) consecutive days, then the other party may terminate the agreement upon ten (10) days prior written notice to such party; or

- Immediate termination: if HRC Management terminates the Existing MSA for cause, upon one (1) day's prior written notice to HRC Medical, upon the occurrence of certain specified events.

Ancillary Agreements

HRC Medical is jointly-owned by three physicians licensed in the State of California, namely Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick, each holding 33.3% equity interest, in compliance with the rules related to the corporate practice of medicine in California. Dr. Feinman, Dr. Kolb and Dr. Frederick each own one share of common stock of HRC Medical. Additionally, all three physicians are directors and officers of HRC Medical, and Dr. Frederick also is a manager of HRC Management.

In addition to the Existing MSA, HRC Management entered into consulting agreements, each dated January 22, 2019, with the aforesaid three physicians (each a "**Consulting Agreement**"). Under each Consulting Agreement, HRC Management has engaged three physicians to provide certain consulting services, including providing strategic advice regarding the management of HRC Management and facilitating communications with the physicians of HRC Fertility. The initial term of the Consulting Agreement is two years, and thereafter the Consulting Agreements renew for successive two year periods until terminated. Under each Consulting Agreement, HRC Management is entitled to terminate the relevant Consulting Agreement for cause immediately upon written notice to the physician after the occurrence of one or more of the following events: (i) the physician's breach of his or her obligations under the Consulting Agreement, (ii) the death of the physician, (iii) the date on which HRC Management determines that the physician is unable to adequately provide consulting services in a professionally competent manner due to being mentally incompetent or physically disabled, (iv) the revocation, suspension, qualification, restriction, loss, termination or discontinuation of the physician's license to practice medicine, and/or (v) the date on which HRC Management determines that the physician has not satisfactorily performed the consulting services after notice has been given of the unsatisfactory performance, provided that the physician shall be given a 5-day period to cure the performance issues if such matters are all curable within that period of time. Additionally, each Consulting Agreement provides the respective physician the right to terminate at any time without cause upon 10 days' prior written notice to HRC Management.

HRC Management has also entered into an amended and restated succession and indemnification agreement with each Physician Shareholder dated January 22, 2019 (each a "**Succession and Indemnification Agreement**"). Under each Succession and Indemnification Agreement, effective retroactively as of July 13, 2017 and continuing in effect until the occurrence of a succession event

as stated below, the Physician Shareholder may be required to transfer his or her share of common stock of HRC Medical in the event of a succession event to maintain an orderly transition of ownership and management. The succession events include:

- Death of a Physician Shareholder;
- A Physician Shareholder being unable to provide required services in a professionally competent manner due to being mentally incompetent or physically disabled;
- The revocation, suspension, qualification, restriction, loss, termination or discontinuation of a Physician Shareholder's license to practice medicine;
- Any shares held by a Physician Shareholder being transferred or attempted to be transferred voluntarily, involuntarily by operation of law, divorce of a Physician Shareholder or otherwise to any person other than the determined successor Physician Shareholder;
- Any issue or attempts to issue of additional shares of common stock or another class of stock (preferred or other common classes) by HRC Medical to someone other than a Physician Shareholder;
- The voluntary or involuntary termination or breach of any written agreement between or among any of HRC Management (or any parent company, subsidiary or affiliate of HRC Management) and/or HRC Medical, on the one hand, and a Physician Shareholder (or any affiliate thereof), on the other hand, including, without limitation, the Existing MSA, the Consulting Agreement and the Succession and Indemnification Agreement;
- The merger, consolidation, attempted sale or issuance of a majority of the voting stock of HRC Medical, or any other type of reorganization of HRC Medical with another entity or the sale of its assets in other than the normal course of its business;
- The loss of legal ability or ineligibility under applicable state or federal law or regulation of a Physician Shareholder to be a shareholder of HRC Medical;
- The termination of a Physician Shareholder, as a manager, employee, officer, director or independent contractor consultant of HRC Medical or as an employee or independent contractor consultant of HRC Management or its parent company, subsidiary or affiliates;
- The filing any petition for or other document causing or intended to cause a judicial, administrative, voluntary or involuntary liquidation or dissolution of HRC Medical;
- The filing of any documentation with any governmental authority the effect of converting HRC Medical from a professional corporation into any other legal entity, including, but not limited to, a non-professional corporation; or
- Any other action or inaction by a Physician Shareholder which would jeopardize the provision of professional medical services provided by HRC Medical.

The above succession events have been included in the Succession and Indemnification Agreement for the protection of our shareholders, while at the same time ensuring compliance with California law and the corporate practice of medicine doctrine in California. If an above succession event occurs, HRC Management may appoint a licensed physician to have input on a successor Physician Shareholder of HRC Medical, provided that the successor is ultimately chosen by HRC Medical from among its physicians. Each Succession and Indemnification Agreement provides further protection for our shareholders by requiring each Physician Shareholder to obtain HRC Management's approval prior to amending HRC Medical's articles of incorporation, bylaws or other governing organizational document. While HRC Medical's current bylaws provide that authority to amend such bylaws is held by the Physician Shareholders, the Succession and Indemnification Agreement's provision requiring HRC Management's prior approval before making such amendments ensures that the bylaws cannot be amended without the approval of HRC Management. The Succession and Indemnification Agreement superseded and replaced the Assignable Option Agreement dated July 13, 2017 by and among HRC Medical, HRC Management and the Physician Shareholders.

The Succession and Indemnification Agreement differs from the Assignable Option Agreement in a couple of material respects. First, the Succession and Indemnification Agreement provides HRC Management, upon the occurrence of a succession event, with the assignable right to require the respective Physician Shareholder to transfer his or her share of HRC Medical stock to a successor shareholder chosen by HRC Medical as set forth in the Succession and Indemnification Agreement. In contrast, the Assignable Option Agreement provided HRC Management with the assignable right to either (i) designate a duly licensed physician in the State of California to purchase all of HRC Medical's stock, or (ii) purchase all or a portion of HRC Medical's assets, to the extent permitted by law, or delegate such right to a physician or physician group.

Second, the two agreements further differ in the obligations and restrictions to which the Physician Shareholders are subject regarding their management and control over HRC Medical. The Assignable Option Agreement includes lists of affirmative and negative covenants governing the Physician Shareholders' oversight of HRC Medical, while the Succession and Indemnification Agreement imposes similar covenants on the Physician Shareholders as well as providing for additional succession events that give rise to HRC Management's assignable right to require a Physician Shareholder to transfer his or her share of HRC Medical, including: (i) the Physician Shareholder's death; (ii) determination by HRC Management that the Physician Shareholder is unable to provide medical services competently due to being physically disabled or mentally incompetent; (iii) revocation, suspension, qualification, restriction, loss, termination or discontinuation of the Physician Shareholder's license to practice medicine; or (iv) the voluntary or involuntary termination or breach of any agreement between HRC Management and/or HRC Medical, on the one hand, and the Physician Shareholder, on the other hand (the Assignable Option Agreement only accounts for termination of the Prior MSA). The authority and control that HRC Management maintains over HRC Medical by way of the Succession and Indemnification Agreement provides reasonable protections for our shareholders while continuing to ensure that the Physician Shareholders' control over professional services is not infringed.

HRC Medical's bylaws provide that the authority to make amendments to such bylaws is held by the Physician Shareholders, specifically requiring the affirmative vote of 75% or more of HRC Medical's outstanding shares entitled to vote. Considering that each of the current Physician Shareholders owns one share, amending the bylaws as permitted thereunder would require the unanimous approval of the Physician Shareholders. Further, each Succession and Indemnification Agreement requires such Physician Shareholders to obtain HRC Management's approval prior to amending HRC Medical's bylaws, articles of incorporation, or other governing organizational document. Such requirement effectively gives HRC Management ultimate control over amending HRC Medical's organizational documents, thereby providing further protection for our Shareholders.

Furthermore, HRC Management's limited liability company agreement (the "**HRC Management LLC Agreement**") requires the unanimous approval of its members in order to effectively amend such agreement. Given that HRC Management's two members, Willsun US and US New Co, are wholly-owned subsidiaries of our Company, authority to amend the HRC Management LLC Agreement is ultimately held by our Company. Such control that our Company possesses over amending the organizational documents of both HRC Management and HRC Medical ensures that our Company's shareholders are protected from any changes to the organizational documents of either entity that would be counter to our Company's interests.

After consulting with our US Special Counsel, and taking into account their views, we believe that both the Existing MSA and the Ancillary Agreements described above are, and the Prior MSA was, valid, legally binding and enforceable, as a matter of California law and federal law of the United States, and therefore do not, and in the case of the Prior MSA did not, violate applicable California or federal law of the United States, and that the arrangements contemplated by the Existing MSA, the Prior MSA and the Ancillary Agreements will not be seen as a means to circumvent the relevant laws and regulations of California and the United States.

PRICING AND PAYMENT

The medical facilities in our network in China are generally entitled to set the prices of their ARS and related services, at their own discretion, as patients are not entitled to be reimbursed for ARS under China's government medical insurance scheme. The prices are determined taking into account certain factors, such as operating costs, market conditions, patient needs and pricing policies of competitors. In addition, for services provided to VIP patients, Xinan Hospital Group and Shenzhen Zhongshan Hospital charge an additional premium of RMB10,000 to RMB50,000 per patient, respectively.

As Shenzhen Zhongshan Hospital and Jinjiang District Maternity and Child Health Hospital (including Jinjiang IVF Center) are Medical Insurance Designated Medical Institutions (醫保定點醫療機構), they are required to set prices for certain services based on price catalogs published by the relevant governmental authority. Shenzhen Zhongshan Hospital sets the prices for ancillary medical services provided at its gynecology, urology and internal medicine departments, based on the price catalog of Class II Hospitals in Guangdong published by the relevant governmental authority. Jinjiang IVF Center sets the price for its non-IVF related services based on the price catalog of Class III

Hospitals in Sichuan published by the relevant governmental authority. All of these services are covered by the government medical insurance scheme, under which payments 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.

In the United States, HRC Medical offers services by providing separate procedures as part of the IVF treatment process, targeting domestic patients, and through packages, targeting international patients. For services delivered separately, HRC Medical charges based on the IVF treatment procedures performed. Packages are designed to address the sophisticated needs of international patients, allowing the patients to receive more comprehensive services. HRC Medical sets its prices taking into account certain factors, such as operating costs, market conditions, patient needs and pricing policies of competitors.

In both the PRC and the United States, patients mainly pay for their treatments primarily with cash, credit card, or online payment. Patients in the U.S. can also pay through commercial medical insurance plans for certain services. If medical expenses are covered by commercial medical insurance plans, depending on the terms of such plans, either (i) patients are required to make full payment for services upfront and then submit a claim with their insurance company, (ii) patients are required to make a partial payment with the remainder settled between the medical facilities and the insurance company directly or (iii) the medical facility will settle the full amount with the insurance company directly. The medical facilities in our network generally do not extend credit to patients.

OUR CUSTOMERS

Our customers primarily fall into two categories: (i) patients that receive medical services at Xinan Hospital Group and Shenzhen Zhongshan Hospital, and (ii) Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital (before March 2018) for our joint management services pursuant to IVF specialty collaboration agreements and HRC Medical that we manage through the MSA.

The assisted reproductive medical facilities in our network upholds the principle of providing high-quality patient-centered healthcare services at every critical stage during the IVF treatment process, which we believe is vital to achieving patient satisfaction. Our patient-centered philosophy is reinforced by high-quality patient service that goes beyond medical diagnosis and treatment.

Jinjiang District Maternity and Child Health Hospital was our largest customer during the Track Record Period and Jinxin Women and Children Hospital was our second largest customer in 2017 and 2018. For the years ended December 31, 2016, 2017 and 2018, revenue generated from Jinjiang District Maternity and Child Health Hospital accounted for 8.1%, 13.9% and 9.7% of our revenue, respectively. For details, see "Our Management Agreements — IVF Specialty Collaboration Agreements" in this section. For the same periods, revenue generated from our five largest customers accounted for 8.2%, 15.3% and 9.8% of our total revenue, respectively. Except for Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital, no single customer accounted for more than 0.1% of our revenue during the Track Record Period.

To the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5.0% of our issued share capital had any interest in any of our five largest customers during the Track Record Period except Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital. Mr. Zhong Ying, Ms. Yan Xiaoqing and Mr. Dong Yang, being our Directors, are three of the Individual Shareholders. The Individual Shareholders own Chengdu Jinxin Investment which is the beneficial owner (實際權益持有人) of Jinjiang District Maternity and Child Health Hospital and Jinxin Women and Children Hospital.

SALES AND MARKETING

We mainly relied on word of mouth for sales and marketing historically. Based on patient needs and market feedback, we have also promoted brand awareness through organizing educational activities and cooperating with third-party agencies and partners at the Group level.

Each assisted reproductive medical facility in our network conducts different promotional activities, as described below.

Sales and Marketing Activities in China

The medical facilities in our network in China organize and conduct the following activities and events to promote brand awareness:

- Chengdu Xinan Hospital works with a commercial insurance company to customize an insurance product, under which their patients are entitled to be reimbursed certain amount of treatment fee by the insurance company if they fail to become pregnant after three embryo transfers within one year, encouraging patients to use our ARS.

- We have entered into mutual referral agreements with more than 50 local hospitals in Sichuan, facilitating physicians at such hospitals to refer their patients to us when there is an identified clinical need based on initial consultation, diagnosis and certain fertility tests, and we refer these patients back to such hospitals for prenatal services upon the completion of IVF treatment at the assisted reproductive medical facilities in our network in Chengdu. Built on such agreements, we have established our "Life Ark" program through which we provide consultation services at standardized remote consultation rooms at 11 general and gynecological hospitals (of which eight are Class III hospitals) in Sichuan. At such consultation rooms, physicians from the medical facilities in our network in Chengdu can provide consultation to patients from these hospitals, further facilitating more patients to utilize our ARS. As part of the "Life Ark" program with these 11 local hospitals, we provide medical support in relation to fertility treatment and management support for these hospitals' outpatient departments specializing in fertility treatment. We also provide free training programs at these local hospitals on an as-needed basis, and invite the medical professionals of such hospitals to academic seminars and brand awareness activities organized by the medical facilities in our network in Chengdu. We do not receive or pay referral fees under such agreements, nor do we or our physicians receive any commission under such agreements. During the Track Record Period and up to the Latest Practicable Date, we did not receive or pay referral fees under such agreements, and we or our

physicians did not receive any commission under such agreements. Each of the agreements has a three-year term and is renewable upon both parties' consensus. We are in the process of increasing the number of hospitals covered under referral agreements and are involved in our "Life Ark" program.

- The medical facilities in our network in Chengdu co-host lectures with women associations and labor unions on protecting women's health. These lectures increase ARS awareness in general, and awareness of female reproductive health, disease prevention, infertility and related knowledge to help improve quality of life for women.

- The medical facilities in our network host events for former patients, who are pregnant or have given birth, to foster relationships between physicians and former patients, and to enhance trust in our ARS. These activities encourages patients to introduce our ARS to others, allowing us to benefit from word of mouth.

- We leverage different digital channels, such as hotline services and our official WeChat account through which patients can access information about the medical facilities and their services. Through this method, we are able to better promote the ARS provided at the medical facilities in our network.

- We cooperate with local organizations and foundations to conduct free consultations and screenings, and provide materials on gynecological diseases and fertility issues to ethnic minorities in Sichuan, for example, the Tibetan minority group, to promote brand awareness as well as ARS awareness in general. We also engage in other corporate social responsibility activities such as assisting in relief efforts in response to the Wenchuan earthquake in 2008.

Medical advertising is strictly regulated in China and the NHFPC regulates advertising for ARS. In China, we have provided our advertisements and the underlying filing records that we issued during the Track Record Period to our PRC Legal Advisors, who has advised us after verifying such documents that except as otherwise disclosed in this prospectus, we and our jointly managed assisted reproductive medical facilities were not in material violation of applicable laws and regulations in relation to medical advertising in all material respects during the Track Record Period.

Sales and Marketing Activities in the United States

In the United States, HRC Fertility organizes or conducts the following sales and marketing activities and events to promote brand awareness:

- HRC Fertility has extensive experience serving Chinese patients with deep understanding of profiles of Chinese patients. In particular, HRC Fertility is equipped with Chinese-speaking medical personnel, including nurses, facilitators and translators, who are familiar with the health condition and culture of Chinese patients. HRC Fertility's

physicians can also hold remote initial discussions with patients in China providing information about HRC Fertility's ARS. HRC Fertility is therefore well-positioned to benefit from market growth driven by Chinese patients travelling to the United States for treatment.

- Led by its physicians, HRC Fertility organizes educational and promotional seminars and one-on-one consultations to intended parents, and follow-ups with past patients who successfully achieved pregnancy. These activities aim to promote the success of HRC Fertility's ARS and improve its reputation through multiple channels.

- Patients of HRC Medical can enroll in an IVF guarantee program administered by a company owned by Dr. John G. Wilcox ("**Guarantee Program Company**"). Subject to the terms of the agreements entered into with enrolled patients, the Guarantee Program Company may provide a guarantee to enrolled patients and issue refunds of all or part of the costs of ARS, if the enrolled patient does not achieve pregnancy, as defined as a viable pregnancy at 12-week gestation. In certain cases, patients may also be offered a gender guarantee, whereby if the patient gives birth to a baby of a different gender than that which was guaranteed, the program would also refund the cost charged for the gender guarantee under the program. Under the program, patients deposit the costs of ARS provided by HRC Medical into an account held for their benefit by the Guarantee Program Company, who then pays HRC Medical the fees for the ARS received by the patient. If the desired result is not achieved (i.e. pregnancy or desired gender), the costs of ARS is refunded to the patients from the account. As the Guarantee Program Company provides the guarantee and is responsible for paying the refund, the patients do not have recourse to HRC Fertility. For the years ended December 31, 2016, 2017 and 2018, US$0.7 million, US$0.8 million and US$1.0 million was received under the IVF guarantee program, respectively, which represents 0.9%, 0.9% and 1.0% of HRC Medical's ARS revenue during the same periods. In addition to encouraging patients to use HRC Fertility's ARS, the program promotes brand awareness and assists in patient outreach.

- HRC Fertility works with a number of agencies to enhance patient outreach. These agencies promote HRC Fertility's services to international patients looking to receive ARS in the United States. Generally, these promotion agencies organize educational activities and seminars to promote ARS, periodically held with physicians from HRC Fertility as speakers. For international patients, they also arrange consultations and translation and concierge service during the process, and assist with the necessary documentation and logistics arrangements to facilitate travel to the United States. HRC Fertility pays the agencies for promotion activities, and have generally maintained a good relationship with them.

- HRC Fertility leverages digital channels for marketing, such as social media and the Internet. Recently, HRC Fertility engaged a marketing agency to implement a comprehensive marketing campaign that includes website redesign, search engine optimization, lead management, media planning, social media management, and creative development to provide information about HRC Fertility's ARS and increase brand awareness as well as ARS awareness in general.

After consulting with our US Special Counsel, and taking into account their views, we believe that neither U.S. federal law nor California law prohibits advertisements for ARS.

SUPPLY AND PROCUREMENT

The assisted reproductive medical facilities in our network primarily require pharmaceutical products and consumables, such as chemical solutions, and medical equipment. We procure pharmaceutical products and consumables from suppliers that are primarily located in China. A majority of the suppliers are distributors.

We are responsible for procurement at medical facilities that we own and operate. In addition, pursuant to the IVF specialty collaboration agreements, we provide supply chain management services to Jinjiang IVF Center and previously to Jinxin Fertility Center. Suppliers are selected based on stringent criteria and applicable laws and regulations to ensure the quality of supplies. When selecting suppliers, their product offerings, pricing, reputation, service or product quality, and delivery schedule are generally considered. The assisted reproductive medical facilities in our network do not rely on any single supplier for any of our major pharmaceutical products or consumables. From time to time, performance of the suppliers and the quality of the supplies are reviewed and assessed and the qualifications of the suppliers are checked to ensure the legality of the supplies. We maintained amicable business relationships with our suppliers during the Track Record Period.

In China, we generally enter into a framework agreement with our suppliers based on which we subsequently place supply orders. Depending on the type of supplies and our relationship with the supplier, the terms of the supply agreement vary from supplier to supplier. We generally do not enter into any long-term agreements with our suppliers. We are generally entitled to return supplies that do not meet our standards upon inspection after delivery. During the Track Record Period, we did not return any material supplies or suffer any significant loss or damage due to quality problems with the supplies. Our suppliers typically grant credit terms of one to six months. We primarily pay our suppliers via wire transfer. During the Track Record Period, we did not experience any significant fluctuation in the prices of our supplies.

In the United States, physicians of HRC Medical procure pharmaceuticals and medical consumables at their own discretion. Under the Existing MSA, HRC Management facilitates the purchase of pharmaceuticals prescribed by the physicians of HRC Medical ("**Patient Direct Drugs**") from manufacturers, licensed pharmaceutical wholesale distributors, licensed pharmacies, or other appropriate sources for their patients (the "**Medication Supply Program"**). In the event that a physician makes payment directly to any vendor for any Patient Direct Drugs authorized in accordance with the requirements of the Medication Supply Program, HRC Medical shall reimburse the physician for the actual cost of such Patient Direct Drugs. HRC Medical shall, and shall cause each of its physician: (i) to coordinate and cooperate with HRC Management with respect to the operations of the Medication Supply Program, and (ii) to execute any and all documents, and take any other actions,

reasonably necessary to facilitate HRC Management's performance of its duties as the exclusive purchasing agent for HRC Medical and its physicians relating to the purchase of Patient Direct Drugs, including, the performance of any group ordering, receipt, payment and/or other administrative duties required to acquire the Patient Direct Drugs and/or otherwise necessary to the administration of the Medication Supply Program as determined in the discretion of HRC Management in accordance with the requirements of payors and applicable laws, rules and regulations.

In 2016, 2017 and 2018, our five largest suppliers accounted for approximately 74.3%, 57.7% and 53.1% of our total purchases, respectively. For the same periods, purchases attributable to our largest supplier accounted for 37.9%, 24.5% and 16.1% of our total purchases, respectively. For risks relating to such concentration, see "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to concentration risk of suppliers." Our five largest suppliers during the Track Record Period on average had approximately six years of relationship with us. We believe that we would be able to find alternative suppliers if required given the relatively homogeneous nature of our supplies our procurement capabilities, and couple suppliers in the market. To ensure stable supply, we maintain a list of alternative suppliers from whom we could procure at comparable price and quality. Our Directors confirm that our Group did not experience any material shortage or delay in the supply of pharmaceutical products and consumables during the Track Record Period.

To the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5.0% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period except for Hejun Technology. See "Financial Information — Related Party Transactions of our Group — Amounts due to related parties".

MEDICAL RESEARCH AND DEVELOPMENT

Medical research and development is a critical part of the operations of the medical facilities in our network. The research and development teams in the medical facilities in Chengdu and Shenzhen undertake research initiatives in conjunction with clinical practice.

As of the Latest Practicable Date, the research and development teams of Xinan Hospital Group and Jinjiang IVF Center consist a total of 65 professionals who work full-time at the assisted reproductive medical facilities. They cooperate with a number of experts and professors from domestic and international institutions on their research. We also focus on research to identify the physiologic appearance of embryos which are associated with higher success rates. We are applying machine learning to the large amounts of embryo and clinical data we have to develop computer-enhanced embryo analysis and selection. We are also correlating our data on patient treatment protocols to the embryo physiologic data and the pregnancy success rate-related data to identify optimal treatment protocols to optimize success rates. In addition, the research personnel are also studying the transmission mechanism of hepatitis B virus through the reproductive system to develop new technology to prevent transmission.

As of the Latest Practicable Date, the research and development team in Shenzhen Zhongshan Hospital consists of 44 research staff from different departments who are full-time employees of the hospital. Particularly, in May 2016, together with a hospital affiliated with a prestigious university, Shenzhen Zhongshan Hospital established a joint research and development center focusing on reproductive immunology, in particular, relating to recurrent spontaneous abortion and recurrent implantation failure. The center is equipped with advanced testing and laboratory instruments and staffed with more than 20 members, including physicians, nurses, laboratorians and academic staff.

In the United States, physicians at HRC Medical may work with leading multinational pharmaceutical companies on clinical studies, focusing on the research of new technologies in the IVF treatment process to facilitate treatment of patients and improve clinical experience. Such cooperation benefits research progress and ultimately improves the success rate and the medical care provided to patients. From time to time, the research and development teams publish their research findings in both domestic and international peer-reviewed scientific journals.

Our research and development expenses primarily consist of staff costs of our research team at Shenzhen Zhongshan Hospital, and cost of materials used by them. In 2017 and 2018, our research and development expenses were RMB10.3 million and RMB12.0 million, respectively, representing 1.6% and 1.3% of our revenue for the same periods. We did not capitalize the research and development expenses during the Track Record Period.

MAJOR PUBLICATIONS AND ACCREDITATIONS

The assisted reproductive medical facilities in our network have gained widespread recognition for their research and publications. The following table sets forth the major accreditations that were received by the medical facilities in our network in China in recent years:

Year	Name of Project	Accreditations	Issuing Body
2018	Innovation and Application of Maternal-Fetal Immune System and Immune Recurrent Abortion Diagnosis and Treatment System	China Medical Science and Technology Award, Second Prize	Chinese Medical Association
2017	Establishment and Its Mechanism of a Standardized Assessment and Treatment System for Unexplained Recurrent Spontaneous Abortion	The 2nd Maternal and Child Health Science and Technology Award, Second Prize	Maternal and Child Health Research Association
2017	Innovation and Application of Maternal-Fetal Immune System and Immune Recurrent Abortion Diagnosis and Treatment System	Science and Technology Progress Award of Hubei Province, Second Prize	Provincial People's Government of Hubei
2017	Study on Related Factors of Clinical Outcome of In Vitro Fertilization — Embryo Transfer	Science and Technology Award, Third Prize	Medical Association of Sichuan

Year	Name of Project	Accreditations	Issuing Body
2015	Establishment of Assessment System of Immune System for Unexplained Recurrent Spontaneous Abortion	Science and Technology Progress Award of Shenzhen, First Prize	People's Government of Shenzhen

The following table sets forth the major publications of the assisted reproductive medical facilities in China:

Year	Publications	Journal
2018	Taxifolin Suppresses Rat and Human Testicular Androgen biosynthetic enzymes	Fitoterapia
2018	Preimplantation Genetic Screening with Spent Culture Medium/Blastocoel Fluid for In Vitro Fertilization	Scientific Reports
2017	Clinical Study on Treatment of Recurrent Abortion with Antiphospholipid Syndrome by TCM Syndrome Differentiation and Western Medicine	Journal of Sichuan of Traditional Chinese Medicine
2017	Comparison of Pregnancy Outcomes in Women of Different Ages in Single Blastocyst Resuscitation	Journal of Reproductive Medicine
2016	CpG Methylation Participates in Regulation of Hepatitis B Virus Gene Expression in Host Sperm and Sperm-derived Embryo	Epigenomics
2016	Effects of Human Sperm Morphology on Embryonic Development	Journal of Southern Medical University

INVENTORY

Medical supplies are delivered by our suppliers to the medical facilities we own and operate in China under the terms of the supply contracts. Upon inspection, the medical supplies are placed into climate-controlled storage areas in accordance with the storage requirements of the medical supplies. During the Track Record Period, we had been in full compliance with the applicable laws and regulations in relation to the storage of medical supplies in all material aspects.

For pharmaceutical products, we generally maintain seven to ten days of inventory. For consumables, we generally maintain seven days of inventory to meet the needs of our medical facilities, subject to actual consumption levels. We closely monitor the level of inventory at each medical facility and identify inventories that are obsolete or close to expiration. We carry out regular physical inventory counts and shelf life examinations for all medical supplies. Once the pharmaceutical products or other supplies have expired, we will safely dispose them in accordance with applicable laws and regulations, and such medical supplies will be written off accordingly. During the Track Record Period, we recorded inventories of RMB12.7 million, RMB18.7 million and RMB16.5 million as of December 31, 2016, 2017 and 2018 and we had not experienced any significant write-offs of our inventories.

HRC Management does not maintain inventories as HRC Medical's physicians manages its pharmaceutical products and consumables inventory. For more details, see "— Supply and Procurement" and "Regulatory Overview — Relevant Regulations on Pharmaceuticals of Medical Institutions and Supervision of Medical Devices".

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 42 trademarks and three patents registered in the PRC, one trademark registered in Hong Kong, three trademarks registered in the United States, and 17 registered domain names. We are also in the process of applying for two trademarks and two patents in the PRC, one trademark in Hong Kong and one trademark in the United States. See Appendix V — "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" for more information.

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in or threatened with any claim for material infringement of any intellectual property rights, whether as a claimant or as a defendant.

COMPETITION

In China's ARS market, we primarily compete with public general hospitals and reproductive specialty hospitals and a small number of private medical institutions, while in the United States, we primarily compete with private ARS clinics. Both China's and U.S.'s markets are relatively fragmented, with the top five market players in each market taking up less than 20% and 15% of the market shares, respectively, in terms of number of IVF treatment cycles performed in 2017. For more details on our market position and the competitive landscape of the markets we operate in, see "Industry Overview—The PRC ARS Market — Competitive Landscape of the PRC ARS Market" and "Industry Overview — The United States ARS Market — Competitive Landscape of the U.S. ARS Market".

The medical facilities in our network face competition based on several factors, including success rate, reputation, service quality, price, professional staff and range of service offering.

In China and the United States, high entry barriers exist in the ARS industry, such as brand reputation, shortage of seasoned qualified medical professionals, and access to abundant capital. New competitors also face difficulties in obtaining the requisite license(s) to provide ARS and attaining a critical number of IVF treatment cycles.

The expected growth of the ARS industry in the PRC and the United States is supported by an array of favourable factors, such as relatively low penetration rate in China and the increasing number of international patients seeking ARS in the United States. As a leading full-service ARS provider with technical and operational excellence in the United States and one of the two non-state owned medical institution in China with track record of providing over 5,000 IVF treatment cycles, we believe our leading market position and superior success rates underpinned by medical excellence will continue to enable us to compete effectively against existing and new market players regardless of their size of operation, capture growth opportunities and gain market share.

EMPLOYEES

We categorize the employees involved in our business into two categories: our centralized management team and other employees at the Group level and employees of assisted reproductive medical facilities in our network. As of the Latest Practicable Date, we and the medical facilities in our network had a total of 1,207 employees. The following table shows a breakdown of the employees at the medical facilities in China and the United States and our Group-level employees by function as of the Latest Practicable Date:

Function	Number
Medical facilities in China:	
Xinan Hospital Group	
Medical professionals	
Physicians	69
Embryologists	13
Nurses	158
Medical support staff	125
Administrative staff and others	132
Sub-total	**497**
Shenzhen Zhongshan Hospital	
Medical professionals	
Physicians	54
Embryologists	12
Nurses	92
Medical support staff	118
Administrative staff and others	97
Sub-total	**373**

Function	Number
Jinjiang IVF Center	
Medical professionals	
Physicians	18
Embryologists	7
Nurses	23
Medical support staff	9
Administrative staff and others	3
Sub-total	**60**
Medical facilities in the United States:	
HRC Medical	
Physicians	13
Sub-total	**13**
HRC Management	
Medical professionals	
Embryologists	21
IVF coordinators	60
Laboratory support staff	23
Surgical and medical support staff	80
Non-medical professionals	74
Sub-total	**258**
Group-level	**6**
Total	**1,207**

Each of the medical facilities in our network directly recruits their employees and generally enters into employment contracts with them. Recruiting is conducted through different channels, such as internal referrals, campus recruiting and social media.

The medical facilities in our 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 our employees primarily comprise of: base salary, performance-based compensation and/or discretionary bonus. We also offer our employees the option to participate in our RSU Scheme. For more details on the RSU Scheme, see "Appendix V — Statutory and General Information — D. RSU Scheme".

We believe that we maintain a good relationship with all our employees. Our employees at Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital are represented by a labor union. We recorded labor union fees of RMB1.2 million, RMB1.0 million and RMB1.2 million for 2016, 2017

and 2018, respectively. We handle our labor disputes in accordance with applicable laws, rules and regulations. During the Track Record Period and up to the date of this prospectus, none of the medical facilities in our network experienced any material strike or labor dispute.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury insurance and unemployment insurance.

During the Track Record Period and up to the Latest Practicable Date, our Group did not make full payments in relation to social insurance and housing provident fund contributions for certain of their employees. This was primarily a result of administrative oversight, our human resources staff being unfamiliar with relevant regulatory requirements, and inconsistent implementation or interpretation of the relevant regulations by local authorities in the PRC. We estimate the aggregate amounts of mandatory social insurance contributions in accordance with the Law on Social Insurance (社會保險法) and the housing provident fund contributions in accordance with the Regulations on Management of Housing Provident Fund (住房公積金管理條例) that were not fully paid during each of the years ended December 31, 2016 and 2017 and 2018 were (i) (in respect of social insurance contributions for its employees) approximately RMB13.3 million, RMB14.6 million and RMB14.7 million; and (ii) (in respect of housing provident fund contributions for its employees) RMB1.8 million, RMB3.0 million and RMB2.7 million, respectively. For the six months ended June 30, 2016, Prior Chengdu Xinan Hospital, the predecessor of Chengdu Xinan Hospital, did not make full mandatory social insurance contributions. As as a result of a payment of RMB2.69 million, representing the outstanding contributions together with interest accrued thereon, such amount became fully settled.

As of the Latest Practicable Date, save as disclosed above, no penalty had been imposed by relevant government authorities on our Group with respect to their non-compliance on social insurance and housing provident fund contributions, nor has any order or notification has been received by the Company to settle any outstanding amounts under the applicable laws and regulations. Further, as of the Latest Practicable Date, and up to the date of this prospectus, we had not received any material claim from any employee and have not been involved in any labor dispute in relation to social insurance and housing provident fund contributions.

We have made full provisions in the amount of approximately RMB50.2 million equivalent to the aggregate sum of the estimated unpaid amounts of social insurance and housing provident fund contributions during the Track Record Period. We believe our provisions are sufficient to cover our liabilities in respect of the unpaid social insurance and housing provident fund contributions. Based on the interviews conducted with the competent regulatory authorities concerning our Group, namely, Chengdu Jinjiang Social Insurance Administration Bureau (成都市錦江區社會保險事業管理局), Shenzhen Social Insurance Fund Administration Bureau Futian Branch (深圳市社會保險基金管理局福田分局), Shenzhen Housing Provident Fund Management Center (深圳市住房公積金管理中心) and

Chengdu Housing Provident Fund Management Center (成都市住房公積金管理中心), on March 26, 2019, the authorities confirmed that any supplementary payment for the shortfall for social insurance and housing provident fund concerning contribution by the employer and the employee involved had to be paid in full. We have communicated with the employees who remain with us and encouraged them to make supplementary payments. Should any of them decide to make the supplementary payments, we will together with them settle in full the outstanding contributions in accordance with the applicable laws and regulations. Nevertheless, for those employees who left employment and cannot be traced, or are unwilling to pay their portion of the contribution shortfall, we have not made the supplementary payments as such payments require contributions by the employer and the employee involved to be paid in full.

In addition, Jinxin Fertility Shareholders have undertaken to, pursuant to the terms and condition of the Deed of Indemnity, indemnify us against any losses and penalties which we may suffer as a result of failure of our Group to comply with relevant laws, rules or regulations concerning social insurance and housing provident fund contributions, to the extent that such amount has not been covered by the provisions made in the audited consolidated financial statements of our Company during the Track Record Period.

As of the Latest Practicable Date, we have arranged, and will arrange, payment of full contributions in relation to social insurance and housing provident fund for our employees. Based on the interviews with Chengdu Jinjiang Social Insurance Administration Bureau (成都市錦江區社會保險事業管理局) and Shenzhen Social Insurance Fund Administration Bureau (深圳市社會保險基金管理局) on February 12, 2019, February 13, 2019 and March 26, 2019. The authorities confirmed that our Group duly made payments of social insurance in compliance with the applicable laws and regulations as of January 1, 2019 (for Shenzhen Zhongshan Hospital, Shenzhen Yuji and Sichuan Jinxin Fertility) and February 1, 2019, (for Chengdu Xinan Hospital). Our PRC Legal Advisors have advised that the above authorities are the competent authorities to give such confirmation.

Furthermore, we have established an internal control and audit department headed by our chief compliance officer, to closely monitor our ongoing compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. For details of our chief compliance officer, please see the section headed "Directors and Senior Management". We have also retained our PRC Legal Advisors to keep us abreast of all relevant legal developments and assist us with any legal enquiries. Our Directors will continue to use their best endeavors to comply with applicable laws and regulations and will make full payments required of social insurance and housing provident fund for all their employees so as to ensure our full compliance in this regard going forward. For details of the possible legal consequences and potential maximum penalties on our Group, please see "Risk Factors — Risks Relating to Our Business and Industry — We have not paid certain social insurances and housing provident fund contributions in full for and on behalf of our employees during the Track Record Period."

Based on the above, our Directors are of the view that the above historical non-compliance incident related to social insurance and housing provident fund do not and will not have any material financial or operational impact on us.

INSURANCE

We currently maintain medical liability insurance for physicians (醫師執業責任險) covering settlement payments made by the physicians of Shenzhen Zhongshan Hospital if adjudicated by a court of law to be liable up to RMB500,000 per dispute, which is renewable on an annual basis. Chengdu Xinan Hospital does not maintain any medical liability insurance and settles all payments pertaining to medical disputes. In the United States, pursuant to the MSA, HRC Management provides professional liability insurance for the physicians who work at HRC Medical.

As of the Latest Practicable Date, all of the assisted reproductive medical facilities in our network maintain property insurance, covering assets such as medical devices and equipment. We do not maintain key employee insurance for our executive officers. We believe that our policies with respect to insurance are in line with industry practice in the PRC and the United States. However, we cannot assure you that we will have sufficient insurance coverage for all liabilities, losses or damages that may arise in our business operations. See "Risk Factors — Risks Relating to Our Business and Industry — The assisted reproductive medical facilities in our network may not carry adequate insurance for professional and other liabilities which may arise in the course of business."

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the section headed "Legal Proceedings" in this section, we had not made or been required to make any insurance claims that are material in nature.

LICENSES, PERMITS AND CERTIFICATES

We, our jointly managed medical facilities and HRC Medical are required by applicable laws and regulations in the PRC and the United States, to obtain various licenses, permits, approvals and certificates to provide ARS. For details of the relevant requirements, see "Regulatory Overview — Laws and Regulations Applicable to Our Business in the PRC" and "Regulatory Overview — California and U.S. Healthcare Regulatory Matters."

The table sets forth key information regarding the major licenses held by our owned and jointly managed assisted reproductive medical facilities as of the Latest Practicable Date:

Our Owned Medical Facilities in China

Licenses/Permit/ Approval/Certificate	Certificate Number	Holder	Authority	Issuance Date	Expiration Date
Practice License of Medical Institution (醫療機構執業許可證)	MA61RFXP151010419A5182	Chengdu Xinan Hospital	Chengdu Jinjiang District Health and Family Planning Bureau (成都市錦江區衛生和計劃生育局)	March 21, 2019	February 25, 2034
Approval for Human Assisted Reproduction (人類輔助生殖技術執業許可)	N/A	Chengdu Xinan Hospital	Health Commission of Sichuan Province (四川省衛生健康委員會)	February 26, 2019	February 25, 2022

Licenses/Permit/ Approval/Certificate	Certificate Number	Holder	Authority	Issuance Date	Expiration Date
Maternal and Child Healthcare Technical Service License (母嬰保健技術服務執業許可)	N/A	Chengdu Xinan Hospital	Chengdu Jinjiang District Health and Family Planning Bureau (成都市錦江區衛生和計劃生育局)	March 13, 2019	March 12, 2022
Practice License of Medical Institution (醫療機構執業許可證)	PDY31024-544030314A5392	Shenzhen Zhongshan Hospital	Shenzhen Health and Family Planning Committee (深圳市衛生和計劃生育委員會)	May 27, 2019	May 26, 2034
Maternal and Child Healthcare Technical Service License (母嬰保健技術服務執業許可證)	M44030039010010301	Shenzhen Zhongshan Hospital	Shenzhen Health and Family Planning Committee (深圳市衛生和計劃生育委員會)	June 15, 2018	June 14, 2021
Approval for Human Assisted Reproduction (人類輔助生殖技術批准證書)	0206	Shenzhen Zhongshan Hospital	Health and Family Planning Committee of Guangdong Province (廣東省衛生和計劃生育委員會)	May 25, 2015	May 24, 2025

Our Jointly Managed Medical Facilities in China

Licenses/Permit/ Approval/Certificate	Certificate Number	Holder	Authority	Issuance Date	Expiration Date
Practice License of Medical Institution (醫療機構執業許可證)	45076962651010411G1001	Jinjiang District Maternity and Child Health Hospital	Chengdu Jinjiang District Health and Family Planning Bureau (成都市錦江區衛生和計劃生育局)	January 2, 2018	December 30, 2030
Approval for Human Assisted Reproduction in Medical Institutions (醫療機構開展人類輔助生殖技術批件)	Chuan Wei Ren Fu Zi No. (2017)003 (川衛人輔字(2017)003號)	Jinjiang District Maternity and Child Health Hospital	Health Commission of Sichuan Province (四川省衛生健康委員會)	October 9, 2017	October 8, 2020
Practice License of Medical Institution (醫療機構執業許可證)	PDY00947951010419A5392	Sichuan Jinxin Women and Children Hospital	Chengdu Jinjiang District Health and Family Planning Bureau (成都市錦江區衛生和計劃生育局)	June 27, 2018	December 25, 2031

As advised by our PRC Legal Advisors, we and our jointly managed medical facilities in the PRC had obtained all material licenses, permits, approvals and certificates for the current operations as of the Latest Practicable Date and that there was no material legal impediment in renewing these licenses, permits, approvals and certificates as long as we and our jointly managed medical facilities in the PRC are in compliance with applicable laws, rules and regulations.

With a view to confirm the legality and validity of the IVF licenses obtained by our early providers, namely, Prior Chengdu Xinan Hospital and the IVF Center of Jinjiang District Maternity and Child Health Hospital (the "**Early Providers**"), during the period from 2011 to 2014 (the "**Relevant Period**"), we have obtained written confirmations dated August 25, 2017 issued by, and conducted interview on January 17, 2018 with, the Health Commission of Sichuan Province

(四川省衛生健康委員會) (formerly known as Sichuan Health and Family Planning Commission (四川省衛生和計劃生育委員會)), being the competent authority for giving such confirmation as advised by our PRC Legal Advisors. Our PRC Legal Advisors confirmed that the IVF licenses obtained by the Early Providers had been validly issued, and subsequently renewed, during the Relevant Period in compliance with the applicable PRC laws and regulations.

Medical Facilities in the United States

After consulting with our US Special Counsel, and taking into account their views, we believe that HRC Medical is not required to maintain a specific license to provide ARS to patients in the United States, provided, however, that (i) HRC Medical is regulated by federal and California state laws governing the licensure of tissue banks, and California state laws governing the performance of in vitro fertilization procedures in outpatient settings; and (ii) the physicians performing in vitro fertilization procedures must be duly licensed.

Regarding the outpatient setting licensures, RSA Centers are duly accredited by the Accreditation Association for Ambulatory Healthcare. The applications to transfer the the permits from RSA to HRC Management were filed in July 27, 2017 and are still currently pending.

As of the Latest Practicable Date, all nine facilities of HRC Medical currently possess active tissue bank licenses issued by the California Department of Health, and we believe that there is no material legal impediment in renewing these licenses annually as long as the facilities are in compliance with applicable laws, rules and regulations.

The following table is a list of the tissue bank licenses:

HRC Medical — Tissue Bank Licenses

Encino (Tissue Bank ID no.: CTB 00080532)	State of California Department of Public Health	July 12, 2018	July 11, 2019
Fullerton (Tissue Bank ID no.: CTB 00080533)	State of California Department of Public Health	July 12, 2018	July 11, 2019
Laguna Hills (Tissue Bank ID no.: CTB 00080917)	State of California Department of Public Health	July 12, 2018	July 11, 2019
Newport Beach (Tissue Bank ID no.: CTB 00080186)	State of California Department of Public Health	July 12, 2018	July 11, 2019
Oceanside (Tissue Bank ID no.: CTB 00080916)	State of California Department of Public Health	July 12, 2018	July 11, 2019
Pasadena (Tissue Bank ID no.: CTB 00080085)	State of California Department of Public Health	July 12, 2018	July 11, 2019

Rancho Cucamonga (Tissue Bank ID no.: CTB 00080997)	State of California Department of Public Health	July 12, 2018	July 11, 2019
West Los Angeles (Tissue Bank ID no.: CTB 00080534)	State of California Department of Public Health	July 12, 2018	July 11, 2019
Westlake Village (Tissue Bank ID no.: CTB 00080215)	State of California Department of Public Health	July 12, 2018	July 11, 2019

As of the Latest Practicable Date, certain licenses necessary for HRC Medical's operations have expired and are pending renewal, including the Clinical Laboratory License and the Certificate of Compliance for the HRC Medical-Encino laboratory. For risks relating to the expiration, see "Risk Factors — Risks Relating to our Business and Industry — 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, our Group". After consulting with our US Special Counsel, and taking into account their views, we believe that, other than the laboratory licenses described above, we and our managed medical facilities in the United States have obtained all material licenses, permits, approvals and certificates required under U.S. federal and California law for our and their operations as of the Latest Practicable Date.

PROPERTIES

As of the Latest Practicable Date, we owned a total of seven properties with a total gross floor area of approximately 75,962 sq.m. in China, which are owned by Chengdu Jinyi and Shenzhen Zhongshan Hospital, for hospital, office and staff dormitory usages. We also leased a total of eight properties with a total gross floor area of over 87,500 sq.m. and 13 properties with a total gross floor area of approximately 80,212 sq. ft. for the premises of our medical facilities and offices in China and the United States, respectively.

With a view to increasing the capacity of our operations in Sichuan, the PRC, on February 11, 2019, we agreed to purchase the New Hospital Building and the Carpark Facilities through acquisition of the entire equity interest in Chengdu Jinyi pursuant to the Share Purchase Agreement and the Property Transfer Agreement. The transfer of the entire equity interest of Chengdu Jinyi (which owns the New Building and the Carpark Facilities) was completed on May 10, 2019. For more details, see the sections headed "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Chengdu Jinyi" and "Appendix III — Property Valuation Report", respectively.

The New Hospital Building has a gross floor area of 42,659.64 sq.m. and will be used as the new site of Chengdu Xinan Hospital. The New Hospital Building is a well-equipped modern high-rise building and has more space than the hospital buildings currently occupied by Chengdu Xinan Hospital. The Carpark Facilities have 602 parking spaces and a gross floor area of 38,646.31 sq. m., and will serve to complement the facilities available at the New Hospital Building. We relocated our operations at Chengdu Xinan Hospital to the New Hospital Building in February 2019 and are in the process of application for certain of the necessary licenses and approvals from the PRC authorities. For further information on the relocation plan, see the section headed "— Relocation of Chengdu Xinan Hospital".

Land Defects related to Our Leased Properties

Among our leased properties, the property ownership certificates in respect of the six leased properties have been obtained by the relevant lessors, while the property ownership certificates in respect of the two remaining leased properties have not been obtained from relevant authorities. Set forth below are the details of the said land defects:

1. ***Our Hospital Building***

Prior to the relocation of our operations of Chengdu Xinan Hospital to the New Hospital Building in February 2019, Chengdu Xinan Hospital leased the property located at No. 300, 3 Construction West Street, Construction Road, Chenghua District, Chengdu, the PRC from Chengdu Guangming Guangdian Company Limited (成都光明光電有限責任公司) ("**Guangming Guangdian**"), an Independent Third Party, and used such property as our then hospital building prior to the aforementioned relocation. The land use right of the subject land on which our then hospital building is owned by the parent company of Guangming Guangdian, namely, China Weapon Equipment Company Limited (中國兵器裝備集團有限公司) ("**China Weapon**"), while Guangming Guangdian is the registered owner of the leased property as shown in the building ownership certificate. Furthermore, according to the land use right certificate, the property located on the subject land might only be used for hostel purpose, which is inconsistent with its current use as a hospital. In light of the above, we had obtained confirmation from Guangming Guangdian to indemnify us all costs, expenses and losses arising from our inability to continue occupying the property if China Weapon or its parent company dispute our occupation of the property during the terms of the lease agreement.

Notwithstanding (i) the uncertainty as to the title of the leased property due to the inconsistency between the land use right certificate and the building ownership certificate, and (ii) the then use of the land which was in violation of the permitted usage under the land use right certificate, considering the fact that China Weapon is the parent company of Guangming Guangdian and the above-mentioned undertaking obtained from Guangming Guangdian, as the registered owner, our PRC Legal Advisors are of the view that the risk of any material adverse effect on the financial conditions of Chengdu Xinan Hospital in relation to it as a prior lessee relatively low. For associated risks, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Industry — Certain of our leased properties are subject to land defects, and we could be required to vacate such properties which could adversely affect our business, financial condition and results of operations" of this prospectus.

To further minimize our exposure to the risk of relocation, we have relocated our operations of Chengdu Xinan Hospital to the New Hospital Building in February 2019 and acquired Chengdu Jinyi in May 2019 which owns the New Hospital Building and the Carpark Facilities. Please refer to the section headed "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Chengdu Jinyi" of this prospectus for more details. For the above reasons, our Directors are of the view that the said land defects to our leased property will not result in any material adverse impact on the business and results of operations of our Group.

2. ***Our Office Premises***

As of the Latest Practicable Date, Sichuan Jinxin Fertility leased the premises located at 6th Floor, No. 301, Jingsha North Road, Chengdu, the PRC from Jinjiang District Maternity and Child

Health Hospital, a sub-lessor, who leased the premises from Chengdu Zhongjin Construction Investment Co., Ltd. (成都市中錦建設投資有限責任公司), the landlord, an Independent Third Party, for office use. As advised by our PRC Legal Advisors, such parcel of land was obtained by the landlord by way of government allocation (劃撥地). In order to lease allocated land, one must obtain necessary approval from relevant government authorities and comply with legal procedures to convert allocated land into assigned land (出讓地). Therefore, the lease entered into by us may be deemed invalid and unenforceable under the applicable PRC laws. For associated risks, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Industry — Certain of our leased properties are subject to land defects, and we could be required to vacate such properties which could adversely affect our business, financial condition and results of operations" of this prospectus.

The premises is used for general office space and a comparable replacement site is readily available in the vicinity in Chengdu. As of the Latest Practicable Date, we were not aware of any challenge by a third party or government authority on the titles of any of our leased properties that might affect our current occupation. Given the reasons above, our Directors believe that such title defects do not and will not have any material financial or operational impact on us.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

The medical facilities in our network are subject to various PRC and the United States laws, rules and regulations with regard to environmental matters, including hospital sanitation, disease control, disposal of medical waste, and discharge of wastewater and pollutants. For details of the relevant laws, rules and regulations, see "Regulatory Overview — Relevant Regulations on Environmental Protection related to Medical Institutions." During the Track Record Period, we retained third-party companies to dispose medical waste for us.

In 2016, 2017 and 2018, we incurred RMB31,000, RMB137,938 and RMB237,551, respectively, as costs of compliance with the applicable PRC environmental rules and regulations. Subject to any future changes to relevant laws and regulations, we do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forward.

We value the importance of maintaining a safe, healthy and efficient work environment for all of our employees. Our employees are required to abide by occupational health and safety regulations in the PRC and the U.S., as well as health guidelines in our employee handbooks.

During the Track Record Period and up to the Latest Practicable Date, there had neither been any material accidents in the course of the operation of the medical facilities in our network, nor did we encounter any material non-compliance or complaints with regard to environmental protection in all material aspects.

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, except for those disclosed in "— Employees", we did not experience any material or systemic non-compliance incidents, which, taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations.

LEGAL PROCEEDINGS

We are subject to legal proceedings and claims that may arise in the ordinary course of our business, which primarily include medical disputes brought by our patients and/or their families against the medical facilities in our network. These medical disputes related mostly to bodily injuries that our patients claim to have suffered during or after receiving medical treatments at the medical facilities in our network. As part of our internal control and risk management procedures, the medical facilities in our network have taken sufficient steps to inform their patients of the inherent risks of the relevant medical services and procedures, and obtain their informed consents before conducting the relevant treatments or procedures, as appropriate.

Medical disputes relating to the medical facilities in our network in the PRC

During the Track Record Period, most of the medical disputes between the medical facilities in our network in the PRC and their patients and/or their families were settled through private negotiations or mediations. However, patients may choose to seek claims against us through legal proceedings if the initial negotiation or mediation fails to reach a settlement. For the years ended December 31, 2016, 2017 and 2018, the total number of medical disputes relating to the medical facilities occurred in our network in the PRC was seven, 13 and 20, respectively.

Other than four which are still ongoing and four for which the claimants are no longer in contact with us, all of such disputes have been settled. The total amount of monetary compensation paid by us for the settlement of medical disputes was approximately RMB6.13 million, RMB20,000 and RMB554,778 in each of the corresponding periods, respectively, which is less than 2% relating to our total revenue in the relevant periods. Among these medical disputes, a total of five cases involved settlement amounts over RMB50,000 during the Track Record Period.

As of the Latest Practicable Date, we have one ongoing medical dispute in the PRC during the Track Record Period involving a patient of Shenzhen Zhongshan Hospital who intended to retrieve her frozen embryos but was unable to comply with our internal control procedures which were implemented for compliance with the applicable laws. Further, as of the Latest Practicable Date, there were three ongoing medical disputes in the PRC during the Track Record Period which were not covered by our insurance policy. Such disputes involved one patient of Chengdu Xinan Hospital and two patients of Jinjiang IVF Center, who did not request for any specific amount of monetary compensation. As a gesture of goodwill, we are willing to offer them free medical services. As of the Latest Practical Date, none of the aforementioned three patients have filed any legal proceedings against us.

The following table sets out the details of material medical disputes relating to the medical facilities in our network in the PRC either resolved or settled within the Track Record Period and up to the Latest Practicable Date:

Date of incident	Summary of the incident	Resolution/ settlement method	Settlement amount of damages paid/ payable by the hospital	Liability of the hospital	Penalty, if any, imposed by the relevant authority
Chengdu Xinan Hospital					
September 28, 2016	The chromosome report generated by the hospital's chromosome analysis equipment failed to show chromosome abnormalities	Private negotiation/ settlement	RMB280,000	No liability[(1)]	None
November 12, 2014	Patient suffered injuries due to abortion and surgical removal of fallopian tube after successful embryo transfers at our hospital	Mediation	RMB140,000	No liability[(2)]	None
Prior Gaoxin Xinan Hospital					
June 13, 2014	Patient received surgery for ectopic pregnancy and remained in state of unconsciousness after receiving anesthesia prescribed as part of the surgery	Private negotiation/ settlement	RMB5.58 million	No liability[(3)]	None
Shenzhen Zhongshan Hospital					
September 5, 2016	Patient suffered from necrosis of her small appendix as a result of intestinal inflammation from an appendectomy procedure	Court adjudication	RMB511,257.80	Primarily liable[(4)]	None
September 25, 2015	Alleged injuries due to laparoscopic sacrocolpopexy	Court adjudication	RMB183,814.25	Primarily liable[(5)]	None
June 24, 2013	Unable to locate patient's embryo or prove its retrieval by patient	Court adjudication	RMB100,000	Primarily liable[(6)]	None

Notes:

1. This was an exceptional incident that Chengdu Xinan Hospital's chromosome analysis equipment did not reveal accurately the chromosome abnormalities possessed by the patient which led to the performance of standard medical procedures by Chengdu Xinan Hospital, and the patient experienced miscarriages subsequently. As a gesture of goodwill and to avoid negative publicity that may tarnish our reputation, we nevertheless paid the settlement amount to the client even though we are of the view that we were not liable for the incident. To prevent similar incidents from occurrence, the chromosome analysis equipment was upgraded and no such incident has since reoccurred.

2. This incident occurred at Prior Chengdu Xinan Hospital and was settled through mediation in 2016. Prior to the incident, the patient already had her right fallopian tube removed in another hospital in 2008. After receiving embryo transfers at Prior Chengdu Xinan Hospital in September 2014, she successfully achieved pregnancy. During the post-pregnancy checkup, we found out that her fetus had died and immediately recommended her to undergo abortion. The next day, the patient received an abortion and had her other fallopian tube removed due to ectopic pregnancy at another hospital and suffered injuries as a consequence. Despite our position that we were not liable for the incident, we reached settlement with the patient through mediation and agreed to pay the settlement amount to her as a gesture of goodwill and to protect our reputation.

3. Based on the interview with the Health and Family Planning Commission of Neighbourhood Governance and Social Bureau of Chengdu High-Tech Industrial Development Zone (the "**Commission**"), it confirmed that (i) it conducted an investigation into the incident and there had been no finding of any material medical malpractice of Prior Gaoxin Xinan Hospital, (ii) the patient refused to conduct medical evaluation to assess the liability of the hospital, and (iii) the hospital had reported to the authority regarding the incident and its settlement, and the authority confirmed the handling of the incident by the hospital was in compliance with the relevant laws and regulations. As advised by our PRC Legal Advisors, Prior Gaoxin Xinan Hospital has been in compliance with the applicable PRC laws and regulation and the requirement of the Commission in handling the incident. Although we were not liable for the incident, we reached settlement with the patient's family and paid the settlement amount comprising compensation in sum of RMB4.02 million and reimbursement of expenses in sum of RMB1.56 million as a gesture of goodwill and to avoid negative publicity that may tarnish our reputation. Since this incident, we have further enhanced our internal control policies regarding medical procedures and no similar incident has reoccurred.
4. The incident occurred prior to the acquisition of Shenzhen Zhongshan Hospital by us in 2017. The patient suffered from necrosis of her small appendix as a result of intestinal inflammation from an appendectomy procedure, which required the use of an endoscope. Although the responsible doctor is an experienced doctor in performing medical surgeries, she did not possess the requisite license to use endoscopes in surgeries at the time of the surgery. On such basis, the hospital was held to be primarily liable for the incident and our insurer will cover approximately 50% of the settlement amount. To prevent future reoccurrences, we have implemented enhanced medical procedures and internal control policies at Shenzhen Zhongshan Hospital, including measures to ensure surgical physicians are appropriately and adequate qualified and licensed. Please refer to the internal control measures our Group has adopted below. Since this incident, the responsible doctor has left the hospital and we have not experienced any similar incidents since.
5. This related to a surgery conducted by Shenzhen Zhongshan Hospital. The patient alleged that she suffered from numbness and pain in her lower extremities after receiving laparoscopic sacrocolpopexy. At the trial, after seeking opinion from The Second People's Hospital of Shenzhen Clinical Forensic Laboratory (深圳市第二人民醫院法醫臨床司法鑒定所), the hospital was held to be primarily labile for the incident. We have decided not to contest the judgement and agreed to pay the settlement amount as a gesture of goodwill and to avoid negative publicity that may tarnish our reputation. To prevent future reoccurrences, we have established standardized medical procedures when dealing with medical incidents and have not experienced any similar incidents since.
6. According to the judgement dated July 31, 2016, Shenzhen Zhongshan Hospital did not provide sufficient evidence to show that the patient had retrieved her embryo, and therefore, it was held to be liable for the missing embryo handed over to the hospital 12 years before the legal proceedings. To prevent future reoccurrences, since our acquisition of Shenzhen Zhongshan Hospital, we have strengthened its administrative protocols which requires the patient to sign an informed consent form before the embryo is allowed to be removed. Since the implementation of such protocols, we have not experienced any similar incidents.

Medical disputes relating to HRC Medical

During the Track Record Period, most of the medical disputes between HRC Medical and their patients and/or their families were settled through private negotiations or mediations. However, patients may choose to seek claims against us through legal proceedings if the initial negotiation or mediation fails to reach a settlement. HRC Medical has maintained medical malpractice insurance that protects it from liability associated with these medical disputes in the United States. For the years ended December 31, 2016, 2017 and 2018, the total number of medical disputes relating to HRC Medical in the United States was one, five and two, respectively. Other than three ongoing medical disputes as set out below, all of such disputes have been settled and the total settlement amount of monetary compensation paid by us in each of the corresponding periods was nil, US$30,000 and nil, respectively. During the Track Record Period, we have settled a total of two cases involved settlement amounts over US$30,000, one of which was paid by us after the Track Record Period, and both cases were covered under medical malpractice insurance policies maintained by HRC Medical.

Ongoing medical disputes

As of the Latest Practicable Date, there were three ongoing medical disputes that concerned HRC Medical. The first ongoing medical dispute relates to a patient, which, after experiencing a failed IVF attempt, claimed that the responsible doctor at HRC Medical had provided assurance of a successful IVF treatment. The second one relates to a heterosexual couple claiming to have suffered from emotional and physical injuries as well as financially as a result of the HRC Medical responsible doctor's statement that such IVF treatment would result in a baby girl, when they ultimately had a baby boy.

The above medical disputes are expected to be covered under medical malpractice insurance policies maintained by HRC Medical. With respect to the third ongoing medical dispute, which may not be covered by the medical malpractice insurance, the details are set out below.

On May 13, 2019, HRC Medical was notified of a claim by a patient (who was the spouse of a former nurse of HRC Medical) (the "**Claimant**"), where the Claimant is claiming against each of HRC Medical, Dr. Bradford A. Kolb, Dr. John G. Wilcox, and two other physicians employed by HRC Medical (the "**Defendants**"), damages for alleged negligent training and supervision of two former nurses employed by HRC Medical. The Claimant alleged that her former spouse, who was previously a nurse of HRC Medical, along with another former nurse of HRC Medical, took advantage of their positions to make allegedly fraudulent alterations to the Claimant and the aforementioned former spouse's medical documents. HRC Medical took immediate steps to investigate the matter and concluded that the nurses were found to be in breach of HRC Medical's established protocol of handling patient information and thus made a swift decision to dismiss them with cause. HRC Medical believes that this incident is highly exceptional and specific to the pattern of facts surrounding the matter. The Claimant also claimed vicarious liability on part of the Defendants for the wrongdoings by the two former nurses. As of the Latest Practicable Date, there was no specified amount of compensation sought for this case that will be further adjudicated at the trial, which has yet to proceed to. Our Directors are of the view that such claim would be covered by medical malpractice insurance maintained by HRC insurance. Regardless of the potential outcome of this claim, to prevent future reoccurrences we have reviewed our internal control policies regarding the handling of patient information as set out in "— Internal Control and Corporate Governance — Adoption and implementation of internal control policies" below.

We believe the above medical disputes reflect the inherent risks related to our business and operations. We may continue to face potential legal proceedings and claims in our operations. See the section headed "Risk Factors — Risks Relating to Our Business and Industry — The assisted reproductive medical facilities in our network have been and could become the subject of litigation and other claims, and we may not be adequately insured against these liabilities."

Among these medical disputes, none of the medical facilities in our network and their medical staff has been involved in any disciplinary proceedings or determined to be liable for any medical malpractice incidents in all material respects as of the Latest Practicable Date. Save as disclosed above, as of the Latest Practicable Date, we are not a party to any other ongoing litigation, arbitration

or administrative proceedings arising from medical disputes which may have a material adverse effect on our Group, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect the business, financial conditions or results of our Group.

INTERNAL CONTROL AND CORPORATE GOVERNANCE

Internal Control and Corporate Governance Enhancement Measures

Our Directors are responsible for monitoring our internal control system and reviewing its effectiveness. We have implemented various internal control and corporate governance measures to ensure our compliance with the applicable laws and regulations.

Our internal control system

We have established an Audit and Risk Management Committee under our Board. Its primary duties are to assist our Board by monitoring our ongoing compliance with the applicable laws and regulations that governs our business operations, providing an independent view on the effectiveness of our internal control policies, financial management processes and risk management systems, in particular, the implementation of our anti-corruption and anti-bribery measures. Our Audit and Risk Management Committee is chaired by our independent non-executive Director, Mr. Ye Changqing, and consists of another two independent non-executive Directors, Dr. Chong Yat Keung and Mr. Wang Xiaobo, and two non-executive Directors, Mr. Dong Yang and Mr. Fang Min. Please see "Directors and Senior Management" for their biographies. There are regular meetings held between our Audit and Risk Management Committee and the non-executive chairman of our Board to allow direct communication on internal control and compliance issues without any interference from our management team. To ensure an effective operation of our Audit and Risk Management Committee, we have established the following under our organizational structure:

- We have appointed a chief compliance officer who is responsible for overseeing all compliance matters within our Group. The chief compliance officer is the head of our internal audit and compliance department and reports directly to our Audit and Risk Management Committee, and as appropriate, to the chairman of our Board when she has been made aware of any potential or actual breach or violation of any applicable laws and regulations or, internal policies and practices of our Group. For details of our chief compliance officer, please see the section headed "Directors and Senior Management".

- We have established an internal audit and compliance department, which reports directly to our chief compliance officer on a regular basis. Our internal audit and compliance department is primarily responsible for overseeing our implementation of internal control procedures, conducting internal audit, monitoring our ongoing compliance with the applicable laws and regulations, implementing anti-corruption and anti-bribery policies, and reviewing all other internal policies.

In addition, we have established a Medical Quality Control and R&D Committee whose primary responsibilities are to assist our Board by managing the quality control and research and development

on all aspects of the Group, supervising the implementation of medical systems, functions, operational rules and procedures of all medical facilities of the Group, and assessing the quality of all medical facilities of our Group. Our Medical Quality Control and R&D Committee consists of Dr. Chi Ling, Mr. Zhong Ying, Dr. Chong Yat Keung, Dr. John G. Wilcox and Mr. Zeng Yong, and reports to our Board on a regular basis, and where appropriate, directly to the non-executive chairman of our Board. Please see "Directors and Senior Management" for their biographies. For further information on our Group's internal control measures designed for the prevention of medical disputes and to uphold our medical safety, see "— Legal Proceedings".

Adoption and implementation of internal control policies

To enhance our corporate governance and strengthen our internal control system, we have engaged an independent external firm (the "**Internal Control Consultant**") to perform certain agreed-upon procedures in connection with the internal control of our Company before the Listing. Our Internal Control Consultant has identified factors relevant to enhancing our Company's internal control system including, but not limited to, corporate governance, financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, cash and treasury management and inventory management. Apart from the Internal Control Consultant, we have also engaged an independent external firm (the "**Regulatory Compliance Consultant**") to provide findings and recommendations regarding our compliance with the applicable laws and regulations.

Following the advice from the Internal Control Consultant and the Regulatory Compliance Consultant, we have adopted and implemented a series of new internal control policies as well as measures and procedures designed to provide further assurance on effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Going forward, we will continue to regularly review and improve these internal control policies, measures and procedures. Below is a summary of the policies, measures and procedures that we have implemented or plan to implement to minimize our exposure to the risk of medical disputes and to ensure medical safety and compliance with relevant laws and regulations:

(i) We have adopted measures on medical dispute resolution (醫療糾紛處置機制) reporting system relating to operation in the PRC. According to these measures, a material adverse event (i.e., an event that may result in material damage to the reputation or property of our Group, such as a material medical dispute) should be reported to a supervisor of the relevant hospital, who is expected to efficiently and effectively handle medical complaints and disputes. In addition, we will seek the views of external legal counsel, personnel from the relevant departments and medical experts to discuss and assess whether we have any responsibilities and propose solutions for the incident.

(ii) We have adopted the Medical Risk Management Rules (醫療風險管理制度) in the PRC, according to which the medical division of each of our medical facilities is principally in charge of medical risk management, and each of our medical facilities shall form a medical

risk management team to (1) establish rules, responsibilities, and a work process as well as training plans in relation to medical risk management; (2) organize emergency drills and enhance the staff's ability to deal with emergencies; and (3) organize the provision of first-aid measures under emergency situations.

(iii) We have established a clear financial control system which includes the features of: (i) a clear schedule of authorities on all finance matters (e.g. purchases and payments); (ii) reasonable division of duties (e.g. avoiding the same person for initiating and approving a payment); (iii) a computerized financial system integrated with our operational processes for accurate recording of all business and financial transactions; (iv) all financial transactions and payments must be verified by our finance department; (v) conducting regular financial transactions reports and management accounting reports to facilitate management review and monitoring; and (vi) establishing financial report and filing system ensuring all report and filing are prepared by competent financial staff and subsequently reviewed and approved by authorised senior management;

(iv) We have adopted policies for the reimbursement of business expenses, which include filling out business reimbursement forms and providing details of meal, entertainment and travel expenses, under which our employees and officers are required to seek approvals from the respective head of department and as appropriate, entity's general manager, members of our senior management team, and the Board of our Group for different thresholds of reimbursement expenses;

(v) We have adopted and implemented policies in the PRC requiring our physicians to inform the patients of the risks involved with the procedures and allowing our patients to make informed and independent decisions, which consequently prevents our medical facilities from abusing human assisted reproductive technology for economic gains. These include the Policy on Patient Notification (患者知情告知制度), and the Policy on Maintenance of Patient's Informed Consent, Rights and Privacy (維護病人診療服務知情同意權、選擇權、隱私權制度). As such, the medical facilities in our network in the PRC have prepared standardized procedures that complements these policies. In particular, the medical facilities in our network in the PRC will, prior to the commencement of any treatment and especially immediately before the treatment is carried out, conduct examinations and interviews with the patients to ensure the correct diagnosis and treatment is proposed. During the interview, the patients will be informed of his or her medical condition as assessed by our medical staff, and be informed of the details of the proposed procedure(s), all of the risks involved, and the patients are provided with their list of expenses. With the aforementioned information and advice, our patients will be able to make an informed and independent decision as to whether they will accept a particular form of treatment, if at all. If the patient and their family agree to receive the treatment, they are required to sign a confirmation letter signifying that they have been informed of the relevant information as described above.

(vi) We have adopted various standardized procedures in the PRC with respect to medical practice and the provision of medical services by our medical staff, such as standard procedures dealing with medical disputes, patient complaints, medication errors, medical

and emergent incidents. For example, we have adopted detailed procedures in dealing with patient complaints, which are designed to resolve all patient complaints in an efficient manner. We offer a number of channels though which our patients may lodge a complaint. After which, we would have experienced personnel communicate with the patients to collect facts and conduct initial analysis, and depending on the nature of the complaint, determine whether such complaint should be escalated internally. For critical complaints involving clinical safety or possible health implications, we would take immediate actions to protect patient safety. Our procedures mandate every complaint be properly lodged and dealt with, and prohibit our staff from reaching a private settlement with the complainants, as such settlement may potentially put us in a disadvantaged position if such complaints were to be escalated further. In addition, we have implemented comprehensive policies and guidelines with respect to public relations during an emergency situation, such as a material medical dispute that, regardless of its veracity, could be detrimental to our brand image. Our human resources and other personnel in charge are required to strictly follow these procedures throughout any emergency situation to minimize any adverse impact these events may have on our reputation and day-to-day operations.

(vii) The medical facilities in our network in the United States established a quality management committee, composed of medical directors, the director of nursing, nurse manager, office manager, anesthesiologist and other members, to monitor the quality of all patient and ancillary services. The committee's objective is to improve and monitor patient care and to prevent risks that may lead to patient injuries. The committee is also responsible for identifying any issues and determining if issues have been resolved or reduced to an acceptable level. If not, the committee will re-evaluate the issue to propose an appropriate resolution. The committee meets quarterly, and will prepare minutes and reports of these meetings to be presented to the partners. The quality management committee prioritizes on issues that have the highest negative impact on patient care if not resolved. Furthermore, the medical facilities in our network in the United States has established a system to help identify problems through various channels, such as patient surveys, and all outstanding issues will be documented in a log for record keeping. In addition, the committee is responsible for eliminating or reducing identified problems through designated mechanisms, including educational programs, new or revised policies and procedures, staff changes, equipment or facility modification, and adjustment in clinical privileges. The quality management committee is responsible for eliminating or reducing identified problems through designated mechanisms, including educational programs, new or revised policies and procedures, staff changes, equipment or facility modification, and adjustment in clinical privileges.

(viii) We have established internal control policies in HRC Medical in line with the Health Insurance Portability and Accountability Act of 1996 and the Health Information Technology for Economic and Clinical Health Act, to ensure the privacy and security of patients' data. New measures introduced to our internal control policies include, but not limited to, (i) implementing access control through assigning unique username and

password to each user and regulating the release or disclosure of electronic protected health information (ePHI); (ii) introducing disciplinary policy for any failure to comply with HIPAA regulations; and (iii) preventing unauthorized access to ePHI by organizations and subcontractors.

(ix) We have adopted policies to ensure that the information charts of our patients are accurately completed. We require that our nurses to review the charts for the accuracy, legibility and completeness and that our patients review the charts and sign a consent form before we perform procedures on our patients. The consent form documents the patients' permission for (i) the procedure to be performed; (ii) the medical staff member to perform the procedure; (iii) any assistant (if applicable); (iv) the anesthesia provider (if applicable); and (v) any other expectations, alternatives, risks and complications as discussed with the patient, which will also be documented. In the event of any chart is not completed with all necessary patient information or is not properly signed, we have procedures requiring immediate rectification and remediation. We require our medical staff to strictly comply with our internal rules and policies, which include, but not limited to, completion of medical records within 30 days after the provision of service.

(x) We have a confidentiality clause in our employee handbooks to ensure that our employees handle patient information accurately. Our employees agree that they will, among others, (i) regard and preserve information concerning the patient, business, and finance as confidential, and (ii) not disclose any confidential information to any person or other third parties without proper approval or consent.

Licenses and qualifications of the Early Providers

As advised by our PRC Legal Advisors, all of our currently owned and jointly managed medical facilities in China have obtained the approval for human assisted reproduction (人類輔助生殖技術批准證書) and the approval for human assisted reproduction in medical institutions (醫療機構開展人類輔助生殖技術批件) issued by competent medical regulatory authorities (the "**IVF licenses**") under the applicable PRC laws in order to operate and continue to operate as IVF service providers as of the Latest Practicable Date. For details, please refer to the section headed "Licenses, Permits and Certificates". Jinjiang District Maternity and Child Health Hospital was among the first batch of medical institutions endorsed by the technical team at the Ministry of Health (衛生部) of the PRC to become a qualified IVF service provider in 2006, whilst Prior Chengdu Xinan Hospital (together with the IVF Center of Jinjiang District Maternity and Child Health Hospital known as the "**Early Providers**") was established at later stage and had demonstrated the competent level of technical capability. We believe that the Early Providers have attained their IVF licenses strictly on the strength of their technical standards and capability, as demonstrated by the results of the technical periodic review and validation procedures performed by the relevant PRC authorities. Considering a historical incident involving the Early Providers (described in detail below), though we consider has no bearing or impact on the IVF licenses obtained by us, we have adopted and implemented a series of enhanced internal control policies out of abundance of caution, including the enhanced anti-corruption and

anti-bribery measures as summarized below, in preparation for the Listing. To the best of our knowledge, other than the incident below, we are not aware of any investigation related to bribery involving any members of our Group or our Directors from the occurrence of the incident up to the Latest Practicable Date.

Mr. Su Lin ("**Mr. Su**"), the former director of the Science and Education Division of the Health and Family Planning Commission of Sichuan Province (四川省衛計委科教處) (formerly known as the Science and Education Division of Sichuan Provincial Health Department (四川省衛生廳科教處)) (the "**Health Department**"), was convicted of bribery in late 2016 for receiving bribes in a total sum of over RMB 12 million from 2002 to 2014 in exploitation of his official position which involved a large number of Sichuan healthcare institutions. One of the 20 underlying cases mentioned in the judgement (the "**Judgment**") leading to the conviction of Mr. Su related to the Early Providers. Two former directors of our certain subsidiaries (the "**Subsidiaries' Former Directors**") served as witnesses to testify against Mr. Su's acts of bribery. The Subsidiaries' Former Directors, who historically were responsible for advising on corporate strategies for various members of the Group and monitoring the overall performance of the Group as representatives from Jinxin Group, have ceased to hold any position within our Group. During the Track Record Period and up to the Latest Practicable Date, the indirect interests held by them in our Group had experienced changes from the highest level (before the Reorganization, in Chengdu Xinan Hospital) of 2.69% and 1.94% to the current level (after the Reorganization, in the Company) of 1.42% and 1.01%, respectively. They were also interested in, together with other Individual Shareholders, the Sister Group which comprises Jinxin Ob-Gyn and Jinxin Geriatrics. For details, please see section headed "Relationship with Jinxin Fertility Shareholder — Individual Shareholders — Sister Group".

According to the Judgment, the Subsidiaries' Former Directors testified against Mr. Su that Mr. Su received a total sum of RMB210,000 from 2011 to 2014 (the "**Relevant Period**") from one of the Subsidiaries' Former Directors. According to the Subsidiaries' Former Directors, such payments were made in the hope that Mr. Su could consider and act on the applications lodged by the Early Providers for the issue and renewal of their IVF licenses. Our Directors confirm that our Group and our Directors have never endorsed such payments. As advised by our PRC Legal Advisors, (i) neither of the Early Providers had committed any criminal offence under the applicable laws as a result of the incident, given that no improper benefit had been sought by our Group through such payments; (ii) none of the Subsidiaries' Former Directors, our Directors or members of our Group were under any criminal investigation, nor any prosecution had been, or would be, made against any of them as a result of the incident; and (iii) none of the other employees of our Group were implicated in any way or accused of any wrongdoing by the court in the Judgement.

In light of the aforesaid, our Directors believe that the above incident has no impact on our ability to obtain and renew the applicable IVF licenses for our operations going forward. Such a position was confirmed by our PRC Legal Advisors. Further, our PRC Legal Advisors confirmed that the IVF licenses obtained by the Early Providers had been validly issued, and subsequently renewed, during the Relevant Period in compliance with the applicable PRC laws and regulations.

Enhanced anti-corruption and anti-bribery measures

In order to better ensure our compliance with the applicable laws and regulations, we have taken the initiative to adopt the following anti-corruption and anti-bribery precautionary measures after the above incident:

- We have adopted policies on anti-corruption and anti-bribery, including (i) the Measures for the Management of Anti-Corruption (反舞弊管理辦法) for our PRC business, which, among other things, prohibits corruption and bribery acts of our employees in the medical facilities in the PRC to ensure its compliance with the applicable PRC laws and regulations, and (ii) the U.S. Foreign Corruption Practices Act Anti-Corruption and Anti-Bribery Policy for the medical facilities in the United States, which, among other things, prohibits our employees in the United States from bribes, kickbacks, improper or illegal inducements, or other unlawful payments to ensure compliance with the applicable US laws and regulations. These policies aim to uphold our professional ethics and integrity to ensure that we are operating in an honest and diligent environment, acting in our shareholders' best interest, and that our employees conduct activities in an appropriate manner that complies with the applicable laws and regulations of each jurisdiction in which it operates;

- Our policies on anti-corruption and anti-bribery include the features of: (i) maintaining top level commitment to adopt ethical and anti-corruption business practices; (ii) scope of the policy; (iii) policy statements against corruption in doing business; (iv) key integrity and conduct requirements for our Company's personnel; (v) activities that are considered as misconduct; (vi) whistle-blowing policy for violation of the policy on anti-corruption and bribery; and (vii) brief description of the Company's policy on anti-corruption and bribery. In preparing our policies, we sought advice from the Regulatory Compliance Consultant to ensure that such policies strictly follow the suggestions and recommendations set out in the "Anti-Corruption Programme — A Guide for Listed Companies" issued by the Corruption Prevention Department of the Independent Commission Against Corruption of Hong Kong;

- Our whistle-blowing policy encourages employees to report immediately when they recognize employees within our Company engaging in suspicious activities in connection with corruption or bribery practices. If preferred, our whistle-blowing policy allows our employees to report corruption or bribery acts on an anonymous basis to our dedicated hotline and email address;

- We currently require all of our new employees to sign an anti-corruption confirmation to prevent corruption and fraudulent practices. Our existing employees are required to attend regular trainings and comply with our employee handbook in connection with the compliance with applicable laws and regulations. The confirmation ensures our employee's compliance with the applicable anti-corruption laws in their respective jurisdictions, and those of other jurisdictions that applies to them, including financial impropriety, improper conduct or unethical behavior, and fraudulent activities;

- Our chief compliance officer is responsible for the overall legal compliance within our Group. She, together with our internal audit and compliance department, will, among other things, conduct internal audit, monitor legal compliance and implement anti-corruption and anti-bribery policies. Our internal audit and compliance department also organizes regular trainings in connection with anti-corruption and anti-bribery matters for our Directors, senior management and employees in the PRC to enhance their understanding and keep them abreast of any updates of the relevant laws and regulations; and

- Each of our Directors is aware of the fiduciary duties of a director which require, among other things, that he must act for the benefit and in the best interest of the Company and must not allow any conflict between his duties as a director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) will be abstained from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum.

Our Directors are of the view that our enhanced internal control measures are adequate and effective, including, but not limited to, preventing any bribery or corruption from taking place within our Group. We have engaged the Internal Control Consultant to review the effectiveness of our internal control associated with our major business processes, identify deficiencies and improvement opportunities, provide recommendations on remedial actions and review the implementation status of these remedial actions. We have adopted the recommendations suggested by the Internal Control Consultant who has completed the follow-up review procedures on our internal control system and has not identified any material deficiencies in our anti-corruption and anti-bribery internal control system. Taking into account the anti-corruption and anti-bribery precautionary measures implemented by the Group and the result of the review conducted by the Internal Control Consultant, the Sponsors concur that there is no material deficiencies in the Company's anti-corruption and anti-bribery internal control system.

Further, our Directors are of the view that the suitability and competency of our Directors are compliant with Rules 3.08 and 3.09 of the Listing Rules and that our Company is suitable for Listing under Rule 8.04 of the Listing Rules.

Based on the above and taking into account that (i) none of our Directors was involved in the above-mentioned incident, and (ii) the PRC Legal Advisors have advised that (a) given that no improper benefit had been sought by the Group through such payments, neither of the Early Providers had committed any criminal offence under the applicable laws as a result of the above-mentioned incident, and (b) none of our Directors were implicated in any way or accused of any wrongdoing by the court in the Judgment, nothing has come to the Joint Sponsors' attention which would reasonably cause them to believe that the above incident would affect the suitability and competency of the Company's Directors under Rules 3.08 and 3.09 of the Listing Rules.

Risk Management

We are dedicated to the establishment and maintenance of a robust internal control system. Our internal control system covers corporate governance, operation, management, legal matters, finance and auditing. In particular, we have established internal rules and policies pursuant to the applicable laws and regulations and Listing Rules. These rules and policies have stipulated, among others, the duties and responsibilities for our Board and senior management. Also, we have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations, such as financial reporting, legal compliance and human resource management.

Further, we have engaged TUS Corporate Finance Limited, as our compliance advisor, to provide advice to our Directors and management team regarding compliance matters relating to the Listing Rules after the Listing. Among others, our compliance advisor will assist to ensure our use of funding complies with the section headed "Future Plans and Use of Proceeds" in this prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing trainings to our finance team to ensure that these policies are well-observed and efficiently implemented. As of the Latest Practicable Date, our finance team consisted of 5 full-time employees and has extensive experience in financial reporting. Also, relevant authority of the Company monitors our financial reporting system and gives recommendations on any issue identified.

Operational Risk Management

We have a dedicated internal audit and compliance department that is responsible for monitoring any changes in the applicable laws and regulations and ensuring ongoing regulatory compliance of our business. Our management is committed to staying informed of the latest development of the laws and regulations governing our business activities, and working with our internal audit and compliance department and external legal advisors to take all necessary actions to ensure our compliance with such laws and regulations. In situations where the relevant laws and regulations are not clear as to what action should or should not be taken, we take the more conservative approach to avoid any compliance issues.

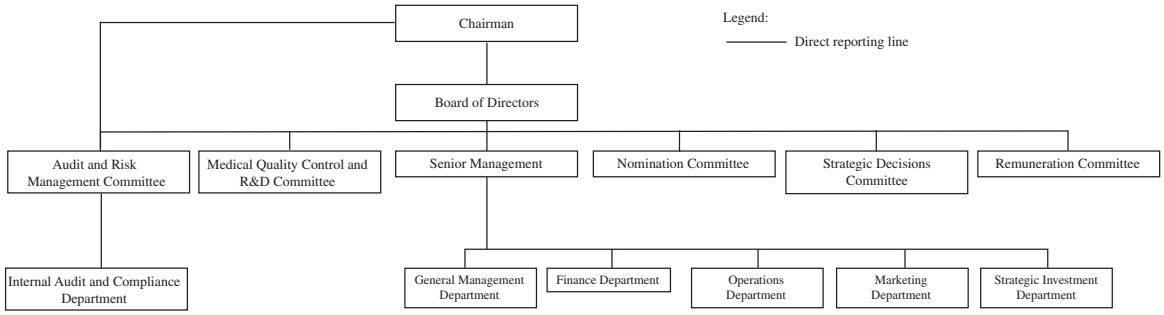
Human Resources Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. We provide specialized trainings tailored to the needs of our employees in different departments. Our employee handbooks and policies contain guidelines regarding work ethics and prevention of fraud, negligence, bribery and

corruption, and acting in the best interest of our Group. Our employees are required to provide confirmation that he or she understands and is committed to observing the requirements set forth in the given employee handbook. We have also made available a reporting channel where potential violations of our internal policies or illegal acts of employees at all levels of the Company can be reported to management in a timely fashion and appropriate measures are to be taken to minimize damage.

Organisation Structure

The main organizational structure of our Company in respect of our ARS business in China is as follows:



The key functions of our committees and major departments are summarized as follows:

Audit and Risk Management Committee	Responsible for overseeing the internal control, accounting and financial reporting processes of our Company, auditing of the financial statements of our Company, and monitoring our ongoing compliance with the applicable laws and regulations that governs our businesses and operations.
Medical Quality Control and R&D Committee	Responsible for managing quality control and research and development, supervising the implementation of medical systems, functions, operational rules and procedures of all medical facilities of the Group and assessing the quality of all medical facilities of the Group.
Nomination Committee	Responsible for reviewing the structure, number of members and composition of our Board, studying the standards for the election of Directors and senior management members, and searching for qualified candidates for Directors and senior management members.

Remuneration Committee	Responsible for making recommendations to the Board on remuneration policy and structure for our Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy, reviewing and approving our Director's and senior management's remuneration proposals with reference to the Board's corporate goals and objectives and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management members.
Strategic Decisions Committee	Responsible for establishing the basic framework for our Company's strategy-making procedures and studying and advising on our Company's medium and long-term strategic development plan, major financing and investment plans and annual business plans.
General Management Department	Responsible for the management of our shareholders, directors and board meeting, the daily administrative affairs of the Company, procurement and management of fixed assets, and human resources management.
Finance Department	Responsible for the financial management, financing activities, and investor relations management activities of our Group. Furthermore, they also manage our budget and costs, and conducts financial and operational management for our Group.
Internal Audit and Compliance Department	Responsible for overseeing our implementation of procedures, conducting internal control and internal audit, monitoring our ongoing compliance with the applicable laws and regulations, implementing anti-corruption and anti-bribery policies, and reviewing all business contracts, employment contracts and internal policies.
Marketing Department	Responsible for promoting our brand awareness, managing our brand image and public relations, and expanding our network.
Operations Department	Responsible for monitoring and improving the operational efficiency of the business, such as patient conversion rate, integration of various departments of the medical facilities, and project planning.
Strategic Investment Department	Responsible for formulating strategic mergers and acquisitions plans and investing in both domestic and foreign medical facilities.

The table below sets forth information regarding our current Directors and members of our senior management team:

DIRECTORS

Name	Age	Date of appointment as Director	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Wang Bin (王彬)	54	December 25, 2018	June 2017	Chairman and non-executive Director	Responsible for developing corporate strategies and development planning
Mr. Zhong Ying (鍾影)	61	August 17, 2018	March 2010	Executive Director and chief executive officer	Responsible for the overall management of the business of our Group and the development of our medical business
Ms. Yan Xiaoqing (嚴曉晴)	49	May 3, 2018	March 2010	Executive Director and senior vice president	Responsible for the overall management of our Group and overseeing operations and internal audit
Dr. John G. Wilcox	56	December 25, 2018	December 2018	Executive Director	Responsible for the management of clinical operations and business development in North America
Mr. Fang Min (方敏)	40	December 25, 2018	August 2017	Non-executive Director	Responsible for providing guidance on financial management and business development to our Group
Ms. Hu Zhe (胡喆)	45	December 25, 2018	December 2018	Non-executive Director	Responsible for providing guidance on corporate strategies and governance to our Group
Mr. Dong Yang (董陽)	33	May 3, 2018	May 2018	Non-executive Director	Responsible for providing guidance on financial management and business development to our Group
Dr. Chong Yat Keung (莊一強)	55	June 3, 2019	June 3, 2019	Independent non-executive Director	Supervising and providing independent judgment to our Board
Mr. Lim Haw Kuang (林浩光)	65	June 3, 2019	June 3, 2019	Independent non-executive Director	Supervising and providing independent judgement to our Board
Mr. Wang Xiaobo (王嘯波)	43	June 3, 2019	June 3, 2019	Independent non-executive Director	Supervising and providing independent judgement to our Board
Mr. Ye Changqing (葉長青)	48	June 3, 2019	June 3, 2019	Independent non-executive Director	Supervising and providing independent judgement to our Board

SENIOR MANAGEMENT

Name	Age	Date of appointment as Senior Management	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Zhong Ying (鍾影)	61	July 4, 2017	March 2010	Executive Director and chief executive officer	Responsible for the overall management of the business of our Group and the development of our medical business
Ms. Yan Xiaoqing (嚴曉晴)	49	September 12, 2018	March 2010	Executive Director and senior vice president	Responsible for the overall management of our Group and overseeing operations, and internal audit
Mr. Zhong Yong (鍾勇)	47	September 12, 2018	June 2017	Co-chief executive officer	Responsible for the overall management of our Group's daily operations and implementing mergers and acquisitions
Ms. You Fei (由飛)	40	October 8, 2018	October 2018	Chief financial officer	Responsible for the financial management of our Group and its member companies, financing activities and investor relations management
Dr. Chi Ling (池玲)	64	September 12, 2018	June 2018	Chief science officer	Responsible for the overall coordination, standardization, quality control, quality insurance, and technical improvement of our Group's IVF clinical laboratories, and the development our Group's clinical embryologist training center
Mr. Zeng Yong (曾勇)	53	September 12, 2018	May 2017	Senior vice president	Responsible for medical research and development of our Group and management of Shenzhen Zhongshan Hospital
Ms. Zhang Jing (張婧)	37	September 12, 2018	September 2018	Vice president	Responsible for implementing our international development strategies and international mergers and acquisitions, and the management of HRC Management
Ms. Liu Jing (劉敬)	50	September 12, 2018	March 2010	Vice president	Responsible for the medical quality control of our Company and management of Chengdu Xinan Hospital

Name	Age	Date of appointment as Senior Management	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Ms. Zhu Yujuan (朱玉鵑)	39	September 12, 2018	March 2010	Vice president	Responsible for managing the daily affairs of medical business of our Company
Ms. Deng Meixi (鄧梅希)	47	January 1, 2019	January 2019	Chief compliance officer	Responsible for overseeing all compliance matters within our Group

BOARD OF DIRECTORS

As at the Latest Practicable Date, the Board consisted of 11 Directors, comprising three executive Directors, four non-executive Directors and four independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and financial accounts, and formulating our proposals for profit distributions and for any change in registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

Chairman

Mr. Wang Bin (王彬), aged 54, has been the chairman of our Board and a non-executive Director of our Company since December 25, 2018. His main responsibilities include developing corporate strategies and development planning for our Group. He joined our Group in June 2017. Outside of our Group, Mr. Wang has been the chairman and executive director of Grand Concord International Holdings Limited (廣豪國際控股有限公司) (HKEx stock code: 844) and the chairman of Willsun AM since October 2016 and June 2016, respectively. He also served as the vice chairman of Hainan Haide Industry Co., Ltd. (海南海德實業股份有限公司) (SZSE stock code: 000567) from October 2015 to October 2018, where he concurrently served as the general manager from October 2015 to September 2016. Before joining our Group, Mr. Wang assumed various positions in government authorities and state-owned enterprises including deputy director of SASAC in Sichuan province (四川省人民政府國有資產監督管理委員會) and chairman of Sichuan Development Holdings Co., Ltd. (四川發展(控股)有限責任公司).

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

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

Executive Directors

Mr. Zhong Ying (鍾影), aged 61, has been an executive Director and chief executive officer of our Company since August 17, 2018 and July 4, 2017, respectively. He joined our Group in March 2010 and has been managing our medical institutions for over nine years. Mr. Zhong is primarily responsible for the overall management of the business of our Group and the development of our medical business. He has been working as the general manager of Chengdu Xinan Hospital since July 2017 and served as the president of Prior Chengdu Xinan Hospital and Chengdu Xinan Hospital from March 2010 to July 2017.

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

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

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

Ms. Yan Xiaoqing (嚴曉晴), aged 49, has been an executive Director and senior vice president of our Company since May 3, 2018 and September 12, 2018, respectively. Her main responsibilities include the overall management of our Group and overseeing operations and internal audit matters. She joined our Group in March 2010. From March 2010 to October 2015, she served as the finance director of Prior Chengdu Xinan Hospital and continued to be the finance director of Chengdu Xinan Hospital until October 2018. Between November 2006 and January 2010, Ms. Yan acted as the head of finance at Jinjiang District Maternity and Child Health Hospital and from February 2000 to January 2006, she was employed as an accountant. Prior to joining our Group, from January 1992 to January 2000, she worked at Luzhou Baoguang Pharmaceutical Company (瀘州寶光醫藥公司).

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

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

Dr. John G. Wilcox, M.D., FACOG, aged 56, has been an executive Director of our 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. He was successively a member of the voluntary faculty of Keck School of Medicine at the University of Southern California, assistant clinical professor at the department of obstetrics and gynecology of University of Southern California School of Medicine, and a medical staff of Healthcare Network at the University of Southern California from 2002 to 2008. Dr. Wilcox's research interests include substantial aspects of reproductive health.

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 has not held directorship in any listed company in the three years immediately preceding the date of this prospectus. Dr. Wilcox holds interests in Hainan HRC Hospital Management and Consulting Co., Ltd., which has entered into a collaboration agreement with a Hainan-based general hospital, Hainan Boao Ciming Aoya Hospital Co., Ltd., to set up and operate an IVF centre in Hainan Island, PRC. For further information, see the section headed "substantial shareholders" in this prospectus.

Non-executive Directors

Mr. Fang Min (方敏), aged 40, has been a non-executive Director of our Company since December 25, 2018. He is primarily responsible for providing guidance on financial management and business development to our Group. He has been a managing director at Warburg Pincus Asia LLC since July 2016 and is primarily responsible for investment and management consulting. Prior to joining Warburg Pincus Investment Consulting Company Limited (Shanghai Branch) in July 2011 as investment manager, he worked at Boston Consulting (Shanghai) Company Ltd. as a consultant between September 2001 and November 2006.

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

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

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

Ms. Hu Zhe (胡喆), aged 45, has been a non-executive Director of our Company since December 25, 2018. She is primarily responsible for providing guidance on corporate strategies and governance to our Group.

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

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

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

Mr. Dong Yang (董陽), aged 33, has been a non-executive Director of our Company since May 3, 2018. He is primarily responsible for providing guidance on financial management and business development to our Group. Since October 2017, he has been the chief financial officer of Jinxin Medical Investment Co., Ltd. (錦欣醫療投資有限公司). Since December 2018, he has been the director of Jinxin Hospital Management Group Limited. Since September 2018, he has been the chief financial officer of Bontec Investment Limited and Jinxin Hospital Management Group Limited. Prior to joining our group, between July 2017 and November 2017, he was a director of the asset management department at Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券(香港)金融控股有限公司). Before that, from October 2015 to June 2017, Mr. Dong served as a manager of capital markets accounting advisory services at PricewaterhouseCoopers. Mr. Dong was a manager of the assurance practice of Chongqing branch of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所(特殊普通合夥)) from October 2009 to September 2015.

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

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

Independent non-executive Directors

Dr. Chong Yat Keung (莊一強), aged 55, has been an independent non-executive Director of our Company since June 3, 2019. He is primarily responsible for supervising and providing independent judgment to our Board.

Dr. Chong has over 23 years of experience in the medical industry. He has been an independent non-executive director of Wenzhou Kangning Hospital Co., Ltd. (HKEx stock code: 2120) since April 2015. From February 2012 to February 2015, Dr. Chong served as the deputy secretary-general of 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 in a number of pharmaceutical companies including AstraZeneca Pharmaceutical Co., Ltd (阿斯利康制藥有限公司) and Beijing Novartis Pharmaceuticals Co., Ltd (北京諾華製藥有限公司), where he was primarily responsible for the sales and marketing of medicine.

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 of 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 listed company in the three years immediately preceding the date of this prospectus.

Mr. Lim Haw Kuang (林浩光), aged 65, has been an independent non-executive Director of our Company since June 3, 2019. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Lim is currently serving as a director of Bank Negara Malaysia (Central Bank of Malaysia) since March 2015, a senior independent non-executive director of Sime Darby Berhad (MYX stock code: 4197) since December 2017, and an executive director of Ranhill Holdings Berhad (MYX stock

code: 5272) since September 2014. Prior to that, from March 2013 to April 2016, he successfully acted as an independent non-executive director and a non-executive director of ENN Energy Holdings Limited (HKEx stock code: 2688) and from March 2013 to February 2016, he was a non-executive director of BG Group Plc (then LSE stock code: BG.L).

Mr. Lim worked at Royal Dutch Shell Plc ("**Shell**") prior to joining our group. During his tenure, Mr. Lim held various director and senior management positions in the company including executive chairman of Shell (China) Ltd. from July 2005 to February 2013, vice president of corporate strategy and planning for Shell, president of oil products in Asia Pacific and Middle East regions, chairman of Shell Malaysia Limited, as well as general manager of exploration and production in Shell Malaysia. From 2012 to 2016, Mr. Lim was an international council member of China Council for International Cooperation on Environment and Development.

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

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

Mr. Wang Xiaobo (王嘯波), aged 43, has been an independent non-executive Director of our Company since June 3, 2019. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Wang has over 17 years of experience in the legal service industry with a focus on corporate law. In April 2000, Mr. Wang joined Duan & Duan Law Firm (段和段律師事務所) and is currently acting as the executive chairman, chief executive officer and partner. He has been an independent non-executive director of Shanghai Tunnel Engineering Co., Ltd. (上海隧道工程股份有限公司) (SSE stock code: 600820) since December 2018 and Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (SSE stock code: 603885) since July 2017.

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

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

Mr. Ye Changqing (葉長青), aged 48, has been an independent non-executive Director of our Company since June 3, 2019. He is primarily responsible for supervising and providing independent judgment to our Board.

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

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

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

SENIOR MANAGEMENT

Mr. Zhong Ying (鍾影), is an executive Director and chief executive officer of our Company. See "— Executive Directors" for details of his background.

Ms. Yan Xiaoqing (嚴曉晴), is an executive Director and senior vice president of our Company. See "— Executive Directors" for details of her background.

Mr. Zhong Yong (鍾勇), aged 47, is a co-chief executive officer of our Company. He joined our Group in June 2017 and was appointed as a co-chief executive officer on September 12, 2018. He is mainly responsible for the overall management of our Company's daily operations and implementing mergers and acquisitions strategies. Furthermore, Mr. Zhong has over 20 years of experience in investment.

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

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

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

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

Ms. You Fei (由飛), aged 40, is the chief financial officer of our Company and she is mainly responsible for the financial management of our Group, financing activities and investor relations management. She joined our Group and was appointed as our chief financial officer on October 8, 2018. Ms. You has more than 15 years of experience in financial management, auditing and investment management. Before joining our Group, she has held several roles, including director of the finance department and senior director of strategic investment department at 3SBio Inc. (HKEx stock code: 1530) from February 2011 to September 2018. During her tenure at 3SBio Inc., she was responsible for overseeing the accounting, financial reporting, financial analysis and capital market matters of the group.

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

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

Dr. Chi Ling (池玲), aged 64, has been chief scientific officer of our Group since September 12, 2018, primarily overseeing the overall coordination, standardization, quality control/quality assurance, and technical improvement of our Group's IVF clinical laboratories, and the development of our Group's clinical embryologist training center.

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

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

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

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

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

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

Mr. Zeng Yong (曾勇), aged 53, has been a senior vice president of our Group since September 12, 2018 and he is primarily responsible for medical research and development of our Group and management of Shenzhen Zhongshan Hospital. Also, he has been the technical director of Chengdu Xinan Hospital since May 2017, the president of Shenzhen Zhongshan Hospital since August 2017. From October 2006 to July 2017, he was working as the vice president of Shenzhen Zhongshan Hospital and from April 1999 to August 2003, he served as the subject leader at the medical school of Zhongshan Medical University at Shenzhen Zhongshan Hospital (中山醫科大學深圳泌尿醫院醫學中心).

Mr. Zeng has nine utility model patents and four invention patents. He is currently a standing committee member of China Medical Association Reproductive Medicine Branch (中華醫學會生殖醫學分會), and he was also a member of several other committees and councils, including Guangdong Medical Association Reproductive Medicine Branch (廣東醫學會生殖醫學分會), and Shenzhen Medical Association (深圳市醫學會). He was a member of the China Genetic Society Genetic Consulting Branch (中國遺傳學會遺傳諮詢分會) from 2015 to 2018 and the Health Exchange and Cooperation Across the Taiwan Straits Society Genetics and Reproduction Special Committee (海峽兩岸醫藥衛生交流協會遺傳與生殖專業委員會) from 2015 to 2018. He has been a member of the

Guangdong Immunology Society (廣東省免疫學會), China Healthcare International Exchange Promotion Association (中國醫療保健國際交流促進會生殖醫學分會) and China Eugenics Science Association Reproductive Medicine and Ethics Branch (中國優生科學協會生殖醫學與倫理學分會) since August 2016, August 2016 and June 2018, respectively.

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

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

Ms. Zhang Jing (張婧), aged 37, joined our Group in September 2018 and has been our vice president since September 12, 2018. She is responsible for implementing our international development strategies and international mergers and acquisitions, and the management of HRC Management. Ms. Zhang has served as the chairman and manager of HRC Management since July 2017. Also, she has been the vice general manager at Willsun AM since August 2016, where she was responsible for overseas mergers and acquisitions. Previously, from November 2009 to November 2015, she was the legal director at CCB International Wealth Management (Tian Jin) Ltd.(建銀國際財富管理(天津)有限公司) and from June 2009 to October 2009, she was a legal specialist of CCB International (China) Limited (建銀國際(中國)有限公司). Between May 2007 and May 2009, she served as an associate of Jingtian & Gongcheng (競天公誠律師事務所) and between February 2006 and May 2007, she was an associate of Tian Yuan Law Firm (天元律師事務所). From September 2003 to September 2005, she worked as a legal assistant of JT&N Law Firm (金誠同達律師事務所) where she later became an associate.

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

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

Ms. Liu Jing (劉敬), aged 50, has been our vice president since September 12, 2018 and she is responsible for the medical quality control of our Group and management of Chengdu Xinan Hospital. She joined our Group in March 2010 and has been a vice president and director of IVF clinical medicine of Chengdu Xinan Hospital since November 2018. From December 2013 to November 2018, she was seconded to Jinxin Fertility Center, Jinjiang IVF Center and Gaoxin Xinan Hospital from Chengdu Xinan Hospital as directors. Previously, she served as a director of IVF Center of Prior Chengdu Xinan Hospital from March 2010 to December 2013. From November 2005 to February 2010, she worked as a physician at the Jinjiang IVF Center. From July 2004 to October 2005, she was a physician at IVF Center in Chengdu Jinjiang Gynecological Hospital (成都市錦江區婦產科醫院).

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

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

Ms. Zhu Yujuan (朱玉鵑), aged 39, has been our vice president since September 12, 2018 and she is responsible for coordinating and managing the daily affairs of medical business of our Company. She joined our Group in March 2010 and has served in various positions in Chengdu Xinan Hospital, including its vice president since November 2018, president of Chengdu Xinan Hospital from July 2017 to November 2018 and director of the medical department from March 2010 to July 2017. From August 2005 to February 2010, Ms. Zhu was the chief nurse of Jinjiang IVF Center.

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

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

Ms. Deng Meixi (鄧梅希), aged 47, has been the chief compliance officer of our Company since January 1, 2019 and she is responsible for overseeing all compliance matters within our Company and ensuring our business is in compliance with the relevant rules and regulations. From July 2015 to December 2017, Ms. Deng served as a director at Warburg Pincus Investment Consulting Company Limited (Shanghai Branch).

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

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

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

JOINT COMPANY SECRETARIES

Ms. Liu Hongkun (劉竑琨), aged 31, has been a joint company secretary of our Company since January 22, 2019. She has been serving as the general manager of Tibet Taisheng Venture Capital Co., Ltd. (西藏泰昇創業投資管理有限公司) since June 2016, and the deputy general manager and assistant to the president of Willsun AM since June 2016. From April 2014 to May 2016, she was the senior manager of the trust team of Sichuan Development Holding Co., Ltd. From July 2013 to April 2014, she served as an investment manager in the investment banking department at Sichuan Shuxiang Venture Capital Co., Ltd. (四川蜀祥創業投資有限公司).

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

Ms. Leung Suet Wing (梁雪穎), was appointed as one of our joint company secretaries on January 22, 2019. Ms. Leung has more than seven years of experience in the company secretarial profession and currently works as an assistant manager in listing services at TMF Hong Kong Limited. From June 2011 to June 2013, she consecutively served as an associate and an officer at the corporate services division of Tricor Services Limited.

Ms. Leung graduated with a master's degree in science with a major in professional accounting and corporate governance from City University of Hong Kong in July 2016. Ms. Leung has been an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since December 2016.

BOARD COMMITTEE

Audit and Risk Management Committee

We established an Audit and Risk Management Committee on June 3, 2019 with effect from the Listing, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code.

The Audit and Risk Management Committee has the authority to:

(a) conduct investigations on all Company employees in line with our Company's internal control policies. Simultaneously, the Board has permitted and is willing to pay for the relevant expenses, as reasonable, associated with the Audit and Risk Management Committee in obtaining external legal or other professional advice, and inviting outsiders to participate in meetings and investigations;

(b) report directly to our Board, and as appropriate, the non-executive chairman of any suspicious fraud, activities or misconducts found within our Group or suspected infringements of relevant laws and regulations which they believe are of adequate importance to their attention;

(c) express their opinions in the corporate governance report section of the Company's annual report in the event of our Board disagreeing with the Audit and Risk Management Committee regarding the selection, appointment, resignation or dismissal of external auditors, and explain their reason for such disagreement; and

(d) obtain sufficient resources from the Company necessary to perform its duties.

The Audit and Risk Management Committee has the responsibilities to:

(a) act as point of contact for our Board in regards to audit and risk management issues. Matters raised by our Board regarding financial reporting, internal control, external audit, internal audit and ongoing compliance with laws and regulations shall be handled by the external auditors, internal auditors and our Audit and Risk Management Committee in a timely manner;

(b) provide an independent view of the effectiveness of the financial reporting process, internal control, external audit, internal audit and ongoing compliance with the relevant rules and regulations; and

(c) perform other duties as required by the Listing Rules from time to time.

The Audit and Risk Management Committee has the following functions, among others, in assisting our Board in matters regarding auditing and ongoing compliance with the relevant rules and regulations of the Company:

In relation to Audit matters

(a) make recommendations to our Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

(b) review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with the applicable standards. The Audit and Risk Management Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) monitor the integrity of our Company's financial statements, accounts, annual reports and half-year reports, and to review significant judgements made in them. In reviewing these reports, the Audit and Risk Management Committee should consider: (i) any changes in

accounting standards and policies; (ii) major judgment areas; (iii) significant adjustments resulting from audit; (iv) the going concern assumptions and any qualifications; (v) compliance with accounting standards; and (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and

(d) oversee our Company's financial reporting system, risk management and internal control systems and provide judgement on the adequacy of resources, staff qualifications and experience, training programs and budget of our accounting and financial reporting function.

In relation to Compliance matters

(a) establish objectives, guidelines and policies to ensure ongoing compliance with the relevant laws and regulations;

(b) clarify the organizational structure of our legal and compliance department and ensuring the independence of our Company's legal counsel (such that there is no conflict of interest between the duties of the legal and compliance department and our Company's legal counsel);

(c) review and approve of our Company's compliance system and monitor the implementation of the compliance system;

(d) review and approve of our Company's compliance and risk management reports, as submitted by the legal and compliance department and evaluate the effectiveness of our Group and its subsidiaries in managing compliance risks so that any non-compliance issues can be resolved in a timely manner; and

(e) review major issues in compliance management and report to our Board in a timely manner.

The Audit and Risk Management Committee currently comprises Mr. Ye Changqing, Dr. Cheng Yat Keung, Mr. Dong Yang, Mr. Fang Min and Mr. Wang Xiaobo. Mr. Ye Changqing is the chairman of the Audit and Risk Management Committee.

Remuneration Committee

We established a Remuneration Committee on June 3, 2019 with effect from the Listing, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The main duties of the Remuneration Committee include, but are not limited to:

(a) formulating remuneration policies for Directors and senior management in accordance with the respective scope, responsibilities and significance of Directors and senior management and remuneration levels of similar positions in other enterprises within the same industry;

(b) making recommendations to our Board on the establishment of a formal and transparent procedure for developing remuneration policies;

(c) monitoring the implementation of remuneration system of our Company for the Directors and senior management;

(d) assessing the fulfillment of duties of Directors and senior management of our Company and appraising their annual performance;

(e) determining or making recommendations to our Board, with delegated responsibility, the remuneration packages of individual Directors and senior management members;

(f) reviewing and approving compensation payable to Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) reviewing and managing the share incentive scheme(s) of our Company, including determining the scope of the eligible participants and conditions of a grant and auditing the exercise conditions; and

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

The Remuneration Committee currently comprises Dr. Chong Yat Keung, Mr. Fang Min, Mr. Wang Xiaobo, Ms. Yan Xiaoqing and Mr. Ye Changqing. Dr. Chong Yat Keung is the chairman of the Remuneration Committee.

Nomination Committee

We established the Nomination Committee on June 3, 2019 with effect from the Listing, with written terms of reference in compliance with Code Provision A.5.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The main duties of the Nomination Committee include, but are not limited to:

(a) making recommendations to our Board on its size and composition to complement our Company's business operation and shareholding structure;

(b) reviewing and making recommendations to the selection standard and procedure of Directors and senior management;

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

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

(e) assessing the independence of our independent non-executive Directors; and

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

The Nomination Committee currently comprises Mr. Wang Bin, Dr. Chong Yat Keung, Dr. John G. Wilcox, Mr. Wang Xiaobo, and Mr. Ye Changqing. Mr. Wang Bin is the chairman of the Nomination Committee.

Strategic Decisions Committee

We established a Strategic Decisions Committee on June 3, 2019 with effect from the Listing. The primary duties of the Strategic Decisions Committee include, but are not limited to, the following:

(a) establishing the basic framework for our Company's strategy-making procedures, studying and advising on our Company's medium and long-term strategic development plan;

(b) studying and advising on major financing and investment plans which, according to the Articles of Association, should be approved by our Board or at the general meeting;

(c) auditing and advising on our Company's annual business plan;

(d) studying and advising on major projects approved by our Board or at the general meeting in accordance with the Articles of Association;

(e) studying, advising and making suggestions on plans for corporate reorganization, mergers and acquisitions, equity transfer and restructuring which, according to our Articles of Association, should be approved by our Board or at the general meeting;

(f) studying and advising on other major events which may have influence on our Company's development;

(g) conducting post-investment project assessments;

(h) supervising the implementation of the above matters; and

(i) performing other duties and responsibilities authorized by our Board.

The Strategic Decisions Committee currently comprises Mr. Zhong Ying, Mr. Dong Yang, Mr. Fang Min, Dr. John G. Wilcox and Mr. Wang Bin. Mr. Zhong Ying is the chairman of the Strategic Decisions Committee.

Medical Quality Control and R&D Committee

We established a Medical Quality Control and R&D Committee on June 3, 2019 with effect from the Listing. The Medical Quality Control and R&D Committee currently comprises Dr. Chi Ling, Mr. Zhong Ying, Dr. Chong Yat Keung, Dr. John G. Wilcox and Mr. Zeng Yong. Dr. Chi Ling is the chairman of the Medical Quality Control and R&D Committee.

The primary responsibilities of the Medical Quality Control and R&D Committee include, but are not limited to, the following:

(a) conducting quality control management and scientific research development on all aspects of our Group such as medical care;

(b) supervising the implementation of medical system, functions, operational rules and procedures for all medical institutions of our Group;

(c) assessing the medical quality of all medical facilities of our Group;

(d) analyzing the dynamics of medical quality control and performing specific or general quality assessment and reporting the findings to our Board;

(e) supervising the achievement of various medical-related targets formulated by individual medical institutions of our Group;

(f) conducting effectiveness assessment, providing feedback and encouraging positive development of our Group's medical quality;

(g) considering development plan for our Group's key academic profession and key specialty;

(h) reviewing the professional setup, adjustment and development of our Group's medical facilities from an academic view and provide academic basis for our Group's decision;

(i) reviewing and concluding academic level and value of various annual or periodic scientific research report submitted by our Group's medical facilities;

(j) determining the level of scientific research result and appraising outstanding scientific research of our Group;

(k) providing opinion and recommendation and submitting the scientific research result to higher level academic appraisal institutes.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the retirement benefits scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, performing related incentive payments and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for the years ended December 31, 2016, 2017 and 2018 were approximately RMB3.9 million, RMB6.3 million and RMB10.6 million, respectively, which were determined based on a number of factors, including (i) profitability performance of our Group, (ii) the macro-economic environment and (iii) achievement of strategic and business milestones by our Group.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals for the years ended December 31, 2016, 2017 and 2018 were approximately RMB12.0 million, RMB11.2 million and RMB15.2 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2016, 2017 and 2018. No Director has waived or has agreed to waive any emoluments during the years ended December 31, 2016, 2017 and 2018.

Under the arrangements presently in force, the estimated aggregate remuneration and benefits in kind payable to our Directors for the year ending December 31, 2019, excluding discretionary bonus, is expected to be approximately RMB8.5 million.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Note 11 of the Accountants' Report set out in Appendix IA to this prospectus and the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Service Contracts — (c) Others" set out in Appendix V to this prospectus.

BOARD DIVERSITY POLICY

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

Our 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 ARS industry. They obtained degrees in various areas including economics, business administration, medicine, law, bioengineering, international finance, management, computing science, literature and journalism. Our Directors range from 32 years old to 65 years old.

Our Board is responsible for reviewing the diversity of our Board. After the Listing, our Board will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

COMPLIANCE ADVISOR

We have appointed TUS Corporate Finance Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance advisor on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;

(iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, possible development of a false market in our Shares or any other matter.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

You should read the following discussion and analysis relating to our Group in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018 included in the accountants' report of our Group set out in Appendix IA to this prospectus, together with the accompanying notes, and the audited consolidated financial information of Shenzhen Zhongshan Hospital as of and for the year ended December 31, 2016 and for the one month ended January 31, 2017 included in the accountants' report of Shenzhen Zhongshan Hospital set out in Appendix IB to this prospectus, together with the accompanying notes. Our consolidated financial information and the consolidated financial information of Shenzhen Zhongshan Hospital have been prepared in accordance with IFRS.

You should also read the following discussion and analysis relating to Willsun BVI Group with the audited consolidated financial information of Willsun BVI Group as of December 31, 2017 and December 23, 2018 and for the periods from March 31, 2017 (date of incorporation of Willsun BVI) to December 31, 2017 and from January 1, 2018 to December 23, 2018 included in the accountants' report of Willsun BVI Group set out in Appendix IC to this prospectus, together with the accompanying notes. The consolidated financial information of Willsun BVI Group has been prepared in accordance with IFRS.

The following discussions and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading ARS provider in China and the United States. The assisted reproductive medical facilities in our network in China ranked third in China's ARS market in 2018 with 20,958 IVF treatment cycles performed, according to 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' ARS market in 2018 with 4,500 IVF treatment cycles performed, according to the F&S Report. China presents a vast opportunity for ARS providers as a result of a low ARS penetration rate, an increasing rate of infertility, and limited supply of ARS. At the same time, the United States is an attractive ARS market, which offers comprehensive, sophisticated and high-end ARS. Leveraging our existing market leadership in China and the United States, we believe we are uniquely positioned to capture unmet demand of ARS patients in China and the United States as well as growth opportunities in both markets. We endeavor to provide patients with personalized solutions to fulfill their dreams of becoming parents.

During the Track Record Period, we generated our revenue primarily from providing ARS at two medical facilities in Chengdu, Sichuan Province and one medical facility in Shenzhen, Guangdong Province. During the Track Record Period, we also generated a portion of our revenue from management services to Jinjiang IVF Center and Jinxin Fertility Center in China, and HRC Management in the U.S. which we acquired in December 2018, as well as from ancillary medical services at Shenzhen Zhongshan Hospital. In 2016, 2017 and 2018, our revenue was RMB346.4 million, RMB662.8 million and RMB922.0 million, respectively. In 2016, 2017 and 2018, our profit and total comprehensive income for the period was RMB103.7 million, RMB198.6 million and RMB212.1 million, respectively. In 2016, 2017 and 2018, our Adjusted EBITDA was RMB123.5 million, RMB275.7 million and RMB354.6 million, and our Adjusted Net Profit was RMB103.7 million, RMB198.6 million and RMB250.3 million, respectively. For a reconciliation of profit before taxation to Adjusted EBITDA and profit and total comprehensive income for the period to Adjusted Net Profit, please see "— Non-IFRS Measures." Assuming the acquisition of the entire equity interest in Willsun BVI Group and the remaining 49% interest in HRC Management had taken place on January 1, 2018, the unaudited pro forma revenue and profit for the year of the enlarged Group (i.e. the Group including Willsun BVI Group and HRC Management) would be RMB1,482.1 million and RMB365.1 million for the year ended December 31, 2018, respectively. For further details on the basis of the preparation of the unaudited pro forma financial information of the enlarged Group, please refer to Appendix II (B) to this prospectus. For risks associated with the unaudited pro forma information of the enlarged Group, see "Risk Factors — Risks Relating to Our Business and Industry — The historical financial information of Shenzhen Zhongshan Hospital and Willsun BVI Group may not be representative of the result of such entities after their acquisition, and pro forma financial information may not be representative of our results as a combined company in the future."

BASIS OF PRESENTATION

This prospectus includes three accountants' reports, set forth in Appendixes IA, IB and IC, all of which have been prepared in accordance with IFRS:

- Appendix IA sets forth the accountants' report of our Group, including the audited consolidated financial information of our Company and our subsidiaries, together with the accompanying notes, as of and for the years ended December 31, 2016, 2017 and 2018;

- Appendix IB sets forth the accountants' report of Shenzhen Zhongshan Hospital, which we acquired in January 31, 2017, including the audited consolidated financial information of Shenzhen Zhongshan Hospital and its subsidiaries, together with the accompanying notes, as of and for the year ended December 31, 2016 and as of and for the one month period ended January 31, 2016 (unaudited) and January 31, 2017; and

- Appendix IC sets forth the accountants' report of Willsun BVI Group, including the audited consolidated financial information of Willsun BVI and its subsidiaries, together with the accompanying notes, as of December 31, 2017 and December 23, 2018 and for the periods from March 31, 2017 (date of incorporation of Willsun BVI) to December 31, 2017 and from January 1, 2018 to December 23, 2018.

The Company was incorporated in the Cayman Islands on May 3, 2018 as an exempted company with limited liability. During the Track Record Period, the main operating activities of our Group were carried out by (1) Prior Chengdu Xinan Hospital and its subsidiary, and their successors, Chengdu Xinan Hospital and its subsidiary, which provide ARS and management services, (2) Prior Gaoxin Xinan Hospital and its successor, Gaoxin Xinan Hospital, which provide ARS-related services, and (3) Shenzhen Zhongshan Hospital, which provides ARS and ancillary medical services and was acquired by our Group in January 2017. All of these entities were established and operate in the PRC.

Upon completion of the Group Reorganization, as defined and further set forth in Note 2 to the accountants' report of our Group set forth in Appendix IA, the Company became the holding company of the companies comprising our Group as of July 30, 2018. Our Group comprising the Company and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity. For more details on the basis of presentation, see Note 2 to the accountants' report of our Group set forth in Appendix IA.

Through its shareholdings and the Contractual Arrangements, the Company controls the economic benefit of 100.0% of the equity interest in Chengdu Xinan Hospital and of 79.44% of the equity interest in Shenzhen Zhongshan Hospital, respectively. For more details on the Contractual Arrangements, please refer to "Contractual Arrangements."

In January 31, 2017, we acquired Shenzhen Zhongshan Hospital. The consolidated financial information of Shenzhen Zhongshan Hospital prior to our acquisition, as of and for the year ended December 31, 2016 and as of and for the one month periods ended January 31, 2016 and January 31, 2017, are included in the accountants' report of Shenzhen Zhongshan Hospital as set out in Appendix IB. Given the substantial assets, liabilities and operations of Shenzhen Zhongshan Hospital, our results for the years ended December 31, 2017 and 2018 and our financial position as of December 31, 2017 and 2018 differ substantially from the previous respective periods and dates and may not be comparable with our consolidated financial information for such periods and dates. For further details, see "Risk Factors — Risks Relating to Our Business and Industry — Our consolidated financial statements during the Track Record Period set forth in Appendix IA of this prospectus and the historical financial statements of Willsun BVI Group set forth in Appendix IC of this prospectus will not be comparable."

On December 24, 2018, we acquired Willsun BVI, which owns HRC Management that manages HRC Medical. Willsun BVI was incorporated in the BVI on March 31, 2017 as an exempted company with limited liability. As a result, this prospectus includes the accountants' report of Willsun BVI and its subsidiaries, or together, Willsun BVI Group, set forth in Appendix IC which includes the consolidated financial information of Willsun BVI Group as of December 31, 2017 and December 23, 2018 and for the periods from March 31, 2017 (date of incorporation of Willsun BVI) to December 31, 2017 and from January 1, 2018 to December 23, 2018. Given the difference in the period of time, the consolidated financial information of Willsun BVI Group may not be comparable. For further details, see "Risk Factors — Risks Relating to Our Business and Industry — Our consolidated financial statements during the Track Record Period set forth in Appendix IA of this prospectus and

the historical financial statements of Willsun BVI Group set forth in Appendix IC of this prospectus will not be comparable." For a discussion and analysis relating to the financial information of Willsun BVI Group, please refer to "— Results of Operations of Willsun BVI Group."

Although we completed the acquisition of HRC Management on December 24, 2018, we have considered that the revenue and results of HRC Management for the period after such acquisition and up to December 31, 2018 was insignificant and accordingly, such revenue and results have not been reflected in our statements of profit and loss and other comprehensive income for the year ended December 31, 2018.

The table below sets forth a summary of our network of assisted reproductive medical facilities during the Track Record Period and up to the Latest Practicable Date:

Assisted Reproductive Medical Facilities	Location	Nature	Date Reflected in the Results of Operations of our Group	Results of Operations Reflected in Appendix	Remarks
***Self-owned*[(1)]**					
Chengdu Xinan Hospital (成都西囡婦科醫院)	Chengdu, China	For-profit specialty hospital	Entire Track Record Period	IA	In operation[(3)]
Gaoxin Xinan Hospital (成都高新西囡婦科醫院)	Chengdu, China	For-profit gynecological and obstetrics specialty hospital	Entire Track Record Period	IA	Operated until January 2019[(4)]
Shenzhen Zhongshan Hospital	Shenzhen, China	For-profit specialty hospital	February 2017	IA and IB	Acquired in January 2017
RSA Centers	California, US	Surgical centers	N/A[(2)]	IC[(2)]	Acquired in December 2018[(5)]
NexGenomics	California, US	PGS laboratory	N/A[(2)]	IC[(2)]	Acquired in December 2018
Jointly managed					
Jinjiang IVF Center (成都市錦江區婦幼保健院生殖中心)	Chengdu, China	IVF center of a non-profit maternity and child healthcare hospital	September 2016	IA	Jointly managed since September 2016
Jinxin Fertility Center (四川錦欣婦女兒童醫院生殖健康與不孕症門診)	Chengdu, China	Fertility center of a for-profit women and children hospital	September 2016	IA	Jointly managed from September 2016 to March 2018[(6)]
Managed					
HRC Medical[(7)]	California, US	Fertility clinics	N/A[(2)]	IC[(2)]	Managed by HRC Management through the MSA since July 2017, which we indirectly acquired in December 2018.

Notes:

(1) For further details on our Group's ownership and control of economic benefits in each facility, see "History, Reorganization and Corporate Structure — Our Group" and "Contractual Arrangements."

(2) On December 24, 2018, we acquired Willsun BVI, which owns HRC Management. The accountants' report of Willsun BVI Group's financial information is set forth in Appendix IC. On July 12, 2017, Willsun BVI acquired HRC Management. The historical financial information of HRC Management for the year ended December 31, 2016 and the period from January 1, 2017 to July 12, 2017 is set forth in Note 31 to Appendix IC.

(3) In February 2019, we relocated our operations at Chengdu Xinan Hospital to the New Hospital Building in Jinjiang District, Chengdu to expand our service capacity. For more details, see "Business — Assisted Reproductive Medical Facilities in China — Xinan Hospital Group — Relocation of Chengdu Xinan Hospital" and "Business — Properties" and "History, Reorganization and Corporation Structure — Our Group — Chengdu Jinyi".

(4) Business operations of Gaoxin Xinan Hospital were taken up and succeeded by Chengdu Xinan Hospital, and the ownership of Gaoxin Xinan Hospital was transferred to Chengdu Jinxin Investment in January 2019.

(5) We are in the process of applying for the transfer of all of RSA's permits to HRC Management after HRC Management acquired the entire partnership interest in RSA after which RSA was dissolved as a partnership in July 2017.

(6) In March 2018, we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated.

(7) HRC Medical was established in January 1995 and succeeded the operations of Huntington Reproductive Centre Inc.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the following are key factors that affect our results of operations:

Growth of ARS market in the PRC and the United States

Our financial results are driven primarily by the growing demand for ARS. Infertility is increasingly becoming prevalent globally, primarily driven by increasing average age of first birth, as well as various lifestyle and environmental factors. Driven by an increased infertility rate and growing demand for children without birth defects, resulting from improving living standards and improved awareness about birth defects and prevention, the global ARS market is expected to continue to grow.

Our revenue has been historically primarily derived from ARS in the PRC. The PRC ARS market size increased from RMB14.0 billion in 2014 to RMB25.2 billion in 2018, representing a CAGR of 15.8%, according to the F&S Report. Due to the increased fertility rate and recent government incentive policies, such as the Two-child Policy in 2015, the PRC ARS market size to RMB49.6 billion in 2023, representing a CAGR of 14.5% from 2018, according to the F&S Report.

As a result of our acquisition of Willsun BVI in December 2018, we also derive management service fee from HRC Medical, which will be affected by the provision of ARS in the United States. Primarily due to the increased average age of first birth, increased obesity rates and increased incidence of sexual transmitted diseases, the ARS market size in the United States increased from US$2.87 billion in 2014 to US$3.71 billion in 2018, representing a CAGR of 6.6%, and is expected to grow further to US$4.93 billion by 2023, representing a CAGR of 5.9% from 2018, according to the F&S Report.

Leveraging the leadership positions in the PRC and the United States, respectively, we expect to continue to be well positioned to capture the growth in the demand for ARS in both markets.

Number of IVF patients, IVF treatment cycles and average spending

Our revenue is primarily affected by the number of IVF patients and IVF treatment cycles performed and by the amount spent by the patients. We primarily derive revenue from ARS and management services. We provide ARS at the hospitals we own and operate in Chengdu and Shenzhen and receive service fees directly from IVF patients. For more details, please see "Business — Our Business Model — ARS." The total number of IVF patients at Xinan Hospital Group increased from 5,775 in 2016 to 6,114 in 2017, and further to 8,903 in 2018. The total number of IVF patients at Shenzhen Zhongshan Hospital was 3,418 for the period from February 1, 2017 to December 31, 2017, and 3,976 for the year ended December 31, 2018. The total number of IVF treatment cycles performed at Xinan Hospital Group was 7,158, 7,819 and 11,005 in 2016, 2017 and 2018, respectively. The total number of IVF treatment cycles performed at Shenzhen Zhongshan Hospital was 4,713 and 5,352 for the period from February 1, 2017 to December 31, 2017 and the year ended December 31, 2018, respectively.

During the Track Record Period, we also jointly managed Jinjiang IVF Center and Jinxin Fertility Center and received a management service fee that is dependent on the scope and frequency of services provided which contributes to the operating performance of these facilities. As a result, the number of IVF patients and the number of IVF treatment cycles of Jinjiang IVF Center, and its overall performance will affect our management service income we receive. Given that the pre-IVF treatment provided at Jinxin Fertility Center has a lower profit margin than IVF treatment at other assisted reproductive medical facilities in our network in China and we already maintained a team specializing in pre-IVF treatment at Xinan Hospital Group, we terminated our management services to Jinxin Fertility Center in March 2018 to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated. To minimize any inconvenience caused by the termination, Xinan Hospital Group and Jinjiang IVF Center have offered ARS to patients originally receiving services at Jinxin Fertility Center. The total number of IVF patients at Jinjiang IVF Center and Jinxin Fertility Center increased from 1,500 in the three months ended December 31, 2016 to 4,689 in 2017, and was 3,736 in 2018. The total number of IVF treatment cycles performed at Jinjiang IVF Center and Jinxin Fertility Center was 1,553, 5,151 and 4,601 for the period from September 1, 2016 to December 31, 2016 and the years ended December 31, 2017 and 2018, respectively.

Furthermore, the average spending per IVF treatment cycle is affected by the procedures performed. From time to time, the physicians tailor the medical procedures they use and the procedures performed depending on the IVF patient's condition and need. In addition, at Xinan Hospital Group and Shenzhen Zhongshan Hospital, we began providing VIP services to premium IVF patients in May 2016 and April 2018, respectively. The average spending per IVF treatment cycle at our Xinan Hospital Group was RMB37,982 in 2016, RMB33,400 in 2017 and RMB41,935 in 2018, respectively, which is calculated by using the ARS revenue of Chengdu Xinan Hospital divided by the number of IVF treatment cycles, since Gaoxin Xinan Hospital served as the VIP center of Xinan Hospital Group and did not provide IVF treatment. The average spending per IVF treatment cycle at Shenzhen Zhongshan Hospital was RMB43,731 for the period from February 1, 2017 to December 31, 2017 and RMB48,983 in 2018.

Expansion of our assisted reproductive medical facility network

During the Track Record Period and up to the Latest Practicable Date, we have continued to expand our assisted reproductive medical facility network through acquisition, and entering into IVF specialty collaboration agreements and the MSA.

In January 2017, we expanded our network to Shenzhen by acquiring Shenzhen Zhongshan Hospital. As a result, we began including the results of Shenzhen Zhongshan Hospital in our results upon the completion of the acquisition. We also expanded our network through IVF specialty collaboration agreements effective in September 2016 and began jointly managing Jinjiang IVF Center and Jinxin Fertility Center in Chengdu. As a result, we began generating management service fee. In December 2018, we also acquired Willsun BVI, which owns HRC Management that manages HRC Medical, a network of fertility clinics in California, pursuant to the MSA, also providing us with management service fees. Moving forward, as HRC Management will contribute management service fees to us, we expect that the proportion of management service fees will increase as a percentage of our revenue. For more information regarding the acquisition of Shenzhen Zhongshan Hospital and HRC Management, the IVF specialty collaboration agreements and the MSA, please see the section headed "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Shenzhen Zhongshan Hospital", "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — HRC Management" and "Business — Our Management Agreements."

Our expansion of the assisted reproductive medical facility network may result in different revenue streams and affect our revenue mix in the future.

Fluctuation of costs

Our costs primarily include the cost of pharmaceutical products and consumables and staff costs.

Cost of pharmaceutical products and consumables constitute a significant portion of our cost of revenue. During the Track Record Period, cost of pharmaceutical products and consumables constituted 59.9%, 52.4% and 61.1% of our cost of revenue for 2016, 2017 and 2018. Any change in the cost of pharmaceutical products and consumables will affect our cost of revenue and may affect our results of operations.

In addition, attracting and retaining medical professionals involves a significant cost to our business. In 2016, 2017 and 2018, staff costs recorded as cost of revenue comprised 26.1%, 32.4% and 26.5% of our cost of revenue, respectively, and staff costs recorded as administrative expenses comprised 57.1%, 51.6% and 48.9% of administrative expenses, respectively. We depend on our professional team to provide medical services to our patients who look for quality ARS from a trusted and reputable provider, as well as a professional management team to manage our network of medical facilities. Being able to attract and retain quality medical professionals would provide us with a competitive advantage over our competitors. Any change in staff costs, including salaries and bonuses, social insurance, welfare and other benefits, and other forms of incentives, could affect our results of operations.

Ability to maintain trust of our patients and our reputation in the industry

Reputation is crucial in acquiring new patients, given the high opportunity cost and cost of failure associated with IVF procedures. Therefore, our success will depend on our ability to maintain our reputation in the industry and our patients' trust, which would affect the number of IVF patients and IVF treatment cycles, in turn affecting our revenues.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENT

For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have adopted all new and amendments to IFRS, and the related interpretations, which are effective for the accounting period beginning on January 1, 2018, including IFRS 15 *Revenue from Contracts with Customers*, throughout the Track Record Period, except that we adopted IFRS 9 *Financial Instruments* on January 1, 2018 and IAS 39 *Financial Instruments: Recognition and Measurement* during the two years ended December 31, 2017. Our Directors are of the view that the adoption of IFRS 9 and IFRS 15 have no significant impact on our financial position and performance compared to the requirements of IAS 39 and IAS 18, respectively.

We prepare our financial statements in accordance with IFRS, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies discussed below to be critical to an understanding of our financial information as their application places the most significant demands on our management's judgment.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances we makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. For details of our significant accounting policies, see Note 4 to the accountants' report of our Group set out in Appendix IA to this prospectus.

Revenue recognition

We recognize revenue from the following services: (i) ARS, (ii) management service, and (iii) ancillary medical services. Revenue is recognised to depict the transfer of promised services to our patients or managed assisted reproductive medical facilities in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. We recognize revenue when (or as) a performance obligation is satisfied, when "control" of the services underlying the particular performance obligation is transferred to our patients or the managed reproductive facilities. "Control" of the good or service may be transferred over time or at a point in time.

Under the output method, 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: (a) the customer simultaneously receives and consumes the benefits provided by our performance as we perform; (b) our performance creates and enhances an asset that the customer controls as we perform; or (c) our performance does not create an asset with an alternative use to us and we have 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.

For ARS, other than initial consultation, pre-IVF testing and revenue from sale of pharmaceutical products where revenue is recognized when control of the products or services is transferred at a point in time, revenue is recognized under the output method.

For management services, pursuant to the IVF specialty collaboration agreements, we generate management service income which we recognize under the output method. We do not control the medical facilities to which we provide management services and thus do not consolidate results of these medical facilities.

For ancillary medical services, revenue from in-patient related services is recognized under the output method, while revenue from out-patient related services is recognized when control of services is transferred at a point in time.

For further details, please see "Revenue recognition" under Note 4 to the accountants' report of our Group set out in Appendix IA to this prospectus.

Goodwill and intangible assets

As a result of our acquisition of Shenzhen Zhongshan Hospital in January 2017, we recorded intangible assets of goodwill, trademarks and license during the Track Record Period. As a result of our acquisition of Willsun BVI on December 24, 2018, we recorded intangible assets of goodwill, trademark and contractual right to provide management services. As further explained below, our management has determined that the goodwill, trademarks and contractual right to provide management services have an indefinite useful life and therefore will not be amortised until its useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. See "— Goodwill", "— Trademarks and contractual right

to provide management services" and "— Estimated impairment of goodwill and intangible assets with indefinite useful lives" for further details. Our management has determined that the license has a definite useful life and therefore would be amortised over the life of the license. See "— Licenses" for further details.

Goodwill

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

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

A cash-generating unit (or group of cash-generating units) 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 cash-generating unit (or group of cash-generating units) 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 cash-generating units).

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As of December 31, 2017 and 2018, the carrying amount of goodwill was RMB197.1 million and RMB802.1 million, respectively. During the Track Record Period, we did not impair any of our goodwill.

Trademarks and contractual right to provide management services

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

We determine the useful life of the trademarks for Shenzhen Zhongshan Hospital and HRC Management to have a potentially indefinite life considering the nature of the renewal process and additional financial expenditures, if any, required when renewing the trademarks. Our Directors are of the opinion that we will renew the trademarks continuously and have the ability to do so. As a result, the trademarks are considered to have a potentially indefinite useful life, and will not be

amortized until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. As of December 31, 2017 and 2018, the carrying amount of the trademarks was RMB246.9 million and RMB1,292.4 million, respectively.

We determine the useful life of the contractual right to provide management services to HRC Medical by HRC Management to have an indefinite life based on an analysis on the period of control over the use of such rights. Based on this analysis, our Directors are of the opinion that there is no foreseeable limit to the period over which such right is expected to generate net cash inflows for us. As of December 31, 2017 and 2018, the carrying amount of contractual right to provide management services recorded on our balance sheet was zero and RMB1,939.0 million, respectively.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired. Determining whether intangible assets with indefinite useful life, such as trademarks, are impaired requires an estimation of the recoverable amount of the cash-generating unit to which the intangible asset has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As of December 31, 2017 and 2018, the carrying amount of trademarks with indefinite useful life was RMB246.9 million and RMB1,292.4 million, respectively. As of December 31, 2017 and 2018, the carrying amount of contractual right to provide management services was zero and RMB1,939.0 million, respectively.

License

Intangible assets acquired in a business combination, such as license, contractual right to provide management services and trademarks, are recognized separately from goodwill and are initially recognized at their fair value as of 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 amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

We determine the estimated useful lives and related amortization charges for license. This estimate is based on the historical experience of the management's expectation on the useful lives of the license. Management will increase the amortization 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 amortization lives and therefore depreciation/amortization expense in future periods.

We acquired the medical practice license as a result of our acquisition of Shenzhen Zhongshan Hospital in January 2017. The license has a remaining legal life of 2.4 years at the date of the acquisition, and is renewable every five years at minimal costs. Our Directors have determined the useful life of the medical practice license for Shenzhen Zhongshan Hospital as 32.4 years and are of

the opinion that we would renew the license up to its estimated useful life and have the ability to do so. As of December 31, 2017 and 2018, the carrying amount of licenses was RMB414.4 million and RMB401.3 million, net of accumulated amortization of RMB12.1 million and RMB25.2 million, respectively.

At the end of each reporting period, we review the carrying amounts of our intangible assets with finite useful lives, such as our license, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). During the Track Record Period, we did not impair any of our licenses.

Estimated impairment of goodwill and intangible assets with indefinite useful lives

For the purpose of impairment testing at December 31, 2017 and 2018, goodwill, contractual right to provide management services and trademarks with indefinite useful life arising from the acquisitions of Shenzhen Zhongshan Hospital and HRC Management have been allocated to the operations of Shenzhen Zhongshan Hospital and HRC Management as an individual cash-generating unit of our Group.

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, and a pre-tax discount rate of 20.0% and 20.7% for Shenzhen Zhongshan Group at 31 December 2017 and 2018, respectively, and 16.0% for HRC Management Group at 31 December 2018. The remaining forecast cash flows beyond that five-year period are extrapolated for a two-year period using declining growth rates from 8% to 6% and 7.6% to 6% for Shenzhen Zhongshan Group at 31 December 2017 and 2018, respectively, and for a three-year period from 8% to 4% for HRC Management Group at 31 December 2018 and then a steady 3% growth rate for both units thereafter. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross revenue and cost of revenue, and such estimation is based on the relevant unit's past performance and management's expectations for the market development.

The table below sets forth (i) each key assumption that we used in our goodwill, contractual right to provide management services and trademarks impairment testing at December 31, 2017 and 2018; and (ii) the effect of the reasonably possible change in each of the key assumptions (with all other variables remained constant) on the calculation of value in use of the cash-generating units of Shenzhen Zhongshan Hospital and HRC Management:

Shenzhen Zhongshan Hospital

As of December 31, 2017 and December 31, 2018, the recoverable amount of Shenzhen Zhongshan Hospital exceeded its carrying amount by RMB79.9 million and RMB167.8 million, respectively.

We estimate that, if all other variables were held constant, the recoverable amount of Shenzhen Zhongshan Hospital would be approximate to its carrying value when the annual growth rate of revenue during the five-year forecast period and the following two-year extrapolated period decreases by approximately 2.1% per year at December 31, 2017. Other than this, we believe any reasonably possible changes in the other key assumptions as set out below would not cause the carrying amount of Shenzhen Zhongshan Hospital to exceed its recoverable amount for both years.

At December 31, 2017

Key assumption[1]	**Base case**	**Changes in key assumption**	**Surplus of recoverable amount of the cash-generating unit over its carrying amount**
			RMB'000
Annual growth rate of revenue	15% to 6%	Decrease by 1%	40,796
		Decrease by 2%	3,929
Gross margin rate	34.5% to 39%	Decrease by 1%	52,199
		Decrease by 2%	24,518
Pre-tax discount rate	20%	Increase by 0.5%	47,130
		Increase by 1%	16,951
Long-term growth rate	3%	Decrease by 0.5%	61,528
		Decrease by 1%	44,588

At December 31, 2018

Key assumptions[1]	**Base case**	**Changes in key assumption**	**Surplus of recoverable amount of the cash-generating unit over its carrying amount**
			RMB'000
Annual growth rate of revenue	15% to 6%	Decrease by 1%	124,789
		Decrease by 2%	84,789
Gross margin rate	36% to 39%	Decrease by 1%	137,789
		Decrease by 2%	107,789
Pre-tax discount rate	20.7%	Increase by 0.5%	142,789
		Increase by 1%	118,789
Long-term growth rate	3%	Decrease by 0.5%	148,789
		Decrease by 1%	131,789

HRC Management

As of December 31, 2018, the carrying amount of Willsun BVI approximated to its recoverable amount. Any change in the key assumptions would cause its carrying amount to exceed its recoverable amount.

At December 31, 2018

Key assumptions[1]	Base case	Changes in key assumption	Surplus (shortfall) of recoverable amount of the cash-generating unit over its carrying amount
			RMB'000
Annual growth rate of revenue	10% to 4%	Decrease by 1%	(179,888)
		Decrease by 2%	(349,619)
Gross margin rate	47.9% to 49.5%	Decrease by 1%	(75,606)
		Decrease by 2%	(151,227)
Pre-tax discount rate	16%	Increase by 0.5%	(128,088)
		Increase by 1%	(245,970)
Long-term growth rate	3%	Decrease by 0.5%	(104,522)
		Decrease by 1%	(198,055)

(1) The key assumptions are only used to evaluate our impairment testing above and do not represent a forecast or projection of our future performance or profitability.

We did not record any impairment charge during the years ended December 31, 2017 and 2018.

Useful lives and depreciation of property, plant and equipment

We determine the estimated useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation 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 lives and therefore depreciation expense in future periods. As of December 31, 2016, 2017 and 2018, the carrying amount of property, plant and equipment was RMB48.1 million, RMB118.8 million and RMB137.7 million, net of accumulated depreciation of RMB50.4 million, RMB72.2 million and RMB97.7 million, respectively.

Taxation

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

We recognized deferred tax liabilities in connection with our acquisitions of Shenzhen Zhongshan Hospital and Willsun BVI. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences associated with investments in subsidiaries except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Such liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax 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 by the same taxation authority and our Group intends to settle its current tax assets and liabilities on a net basis.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF OUR GROUP

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Revenue	346,408	662,774	921,994
Cost of revenue	(213,689)	(360,638)	(508,875)
Gross profit	132,719	302,136	413,119
Other income	20,563	12,233	21,795
Other expenses	(30)	(664)	(4,181)
Other losses	—	(1,180)	(590)
Research and development expenses	—	(10,306)	(11,982)
Administrative expenses	(26,678)	(60,637)	(103,435)
Listing expenses	—	—	(38,138)
Finance costs	(17,229)	—	—
Profit before taxation	109,345	241,582	276,588
Income tax expenses	(5,694)	(43,031)	(64,464)
Profit and total comprehensive income for the year	103,651	198,551	212,124
Adjusted Net Profit[(1)]	103,651	198,551	250,262

Note:

(1) For a reconciliation of profit and total comprehensive income for the period to Adjusted Net Profit, see "— Non-IFRS Measures"

Revenue

During the Track Record Period, we generated revenue from the following services: (i) ARS; (ii) management services; and (iii) ancillary medical services. In 2016, 2017 and 2018, our revenue was RMB346.4 million, RMB662.8 million and RMB922.0 million, respectively. The overall increase was primarily attributable to the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017 as a result of the acquisition of Shenzhen Zhongshan Hospital in January 2017, a general increase in the scale of our operations at Chengdu in terms of the number of IVF treatment cycles, and us beginning to provide management services in September 2016 to Jinjiang IVF Center and Jinxin Fertility Center in exchange for management service fee.

The following table sets forth a breakdown of our revenue for the periods indicated, both in actual terms and as a percentage of total revenue of each service category:

	Year ended December 31,					
	2016		2017		2018	
	Revenue	%	Revenue	%	Revenue	%
	(RMB in thousands, except percentages)					
ARS						
Xinan Hospital Group	322,400	93.1	322,409	48.6	539,097	58.5
Shenzhen Zhongshan Hospital	—	—	206,106	31.1	262,155	28.4
Sub-total	322,400	93.1	528,515	79.7	801,252	86.9
Management service fee						
Jinjiang IVF Center and Jinxin Fertility Center	24,008	6.9	100,780	15.2	89,741	9.7
Ancillary medical services						
Shenzhen Zhongshan Hospital	—	—	33,479	5.1	31,001	3.4
Total	346,408	100.0	662,774	100.0	921,994	100.0

ARS

We generate revenue from ARS provided at assisted reproductive medical facilities that we own and operate in Chengdu and Shenzhen, namely Xinan Hospital Group and Shenzhen Zhongshan Hospital. Our revenue from ARS amounted to RMB322.4 million, RMB528.5 million and RMB801.3 million, representing 93.1%, 79.7% and 86.9% of our total revenue in 2016, 2017 and 2018, respectively.

Management service

We began providing management services in September 2016 to Jinjiang IVF Center and Jinxin Fertility Center pursuant to IVF specialty collaboration agreements. Pursuant to such agreements, we receive a management service fee dependent on the scope and frequency of services provided which contributes to the operating performance of these facilities. For more details of such agreements, see "Business — Our Management Agreements." The revenue from management service fee amounted to RMB24.0 million, RMB100.8 million and RMB89.7 million, representing 6.9%, 15.2% and 9.7%, of

our total revenue in 2016, 2017 and 2018, respectively. In March 2018, we terminated our management services to Jinxin Fertility Center to optimize our business structure and resources, and subsequently the business of Jinxin Fertility Center and the related IVF specialty collaboration agreement were also terminated. To minimize any inconvenience caused by the termination, Xinan Hospital Group and Jinjiang IVF Center have offered ARS to patients originally receiving services at Jinxin Fertility Center.

Ancillary medical services

We also generate revenue from ancillary medical services provided at Shenzhen Zhongshan Hospital in the areas of gynecology, urology and internal medicine. The revenue from ancillary medical services amounted to RMB33.5 million and RMB31.0 million in 2017 and 2018, respectively, representing 5.1% and 3.4% of our total revenue for the same periods.

Cost of revenue

Our cost of revenue consists primarily of cost of pharmaceutical products and consumables, staff costs, and depreciation of property, plant and equipment, and others. In 2016, 2017 and 2018, our total cost of revenue was RMB213.7 million, RMB360.6 million and RMB508.9 million, respectively, representing 61.7%, 54.4% and 55.2% of our total revenue, respectively.

The following table sets forth a breakdown of our cost of revenue and percentage contribution to the total cost of revenue for the periods indicated:

	Year ended December 31,					
	2016	%	2017	%	2018	%
	(RMB in thousands, except percentages)					
Cost of pharmaceutical products and consumables	128,075	59.9	189,091	52.4	310,700	61.1
Staff costs	55,743	26.1	116,702	32.4	134,897	26.5
Depreciation	13,465	6.3	18,661	5.2	22,228	4.4
Others[(1)]	16,406	7.7	36,184	10.0	41,050	8.0
	213,689	100.0	360,638	100.0	508,875	100.0

Note:

(1) Others primarily include rent for medical facilities, maintenance fees and utilities.

Cost of pharmaceutical products and consumables consists of the cost of pharmaceutical products and consumables that we use in the course of providing our services. In 2016, 2017 and 2018, cost of pharmaceutical products and consumables was RMB128.1 million, RMB189.1 million and RMB310.7 million, respectively. The increase in cost of pharmaceutical products and consumables during the Track Record Period was primarily attributable to (i) the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017, (ii) an increase in the number of patients

we served, including certain patients from Jinxin Fertility Center, with whom we terminated the IVF specialty collaboration in March 2018, and (iii) changes in the amount of pharmaceutical used, which depends on various reasons, such as patient condition, clinical practices and prevailing treatment practices.

Staff costs are primarily incurred in connection with salaries, benefits, social insurance payments and bonus of our medical staff. In 2016, 2017 and 2018, our staff costs were RMB55.7 million, RMB116.7 million and RMB134.9 million, respectively. The increase in staff costs during the Track Record Period was primarily attributable to (i) the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017, (ii) a general increase in the scale of our operations at Chengdu and Shenzhen, which resulted in an increase in the number of medical staff and (iii) a general increase in salaries.

Depreciation primarily consists of depreciation of property, plant and equipment. In 2016, 2017 and 2018, depreciation of property, plant and equipment was RMB13.5 million, RMB18.7 million and RMB22.2 million, respectively. The change in depreciation during the Track Record Period was primarily attributable to the acquisition of Shenzhen Zhongshan Hospital in January 2017, which resulted in the increase in property, plant and equipment and, to a lesser extent, the accelerated depreciation of property, plant and equipment in anticipation of the relocation of Gaoxin Xinan Hospital which contributed a one-off depreciation of RMB5.8 million.

Gross profit and gross profit margin

In 2016, 2017 and 2018, our gross profit was RMB132.7 million, RMB302.1 million and RMB413.1 million, respectively. The general increase in our gross profit was primarily a result of us beginning to provide management services to Jinjiang IVF Center and Jinxin Fertility Center in September 2016, the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017, and the increase in the scale of our operations in Chengdu and Shenzhen. In 2016, 2017 and 2018, our gross profit margin was 38.3%, 45.6% and 44.8%, respectively. The changes in gross profit margin were primarily a result of improvements in economies of scale and a change in revenue mix due to us beginning to provide management services through IVF specialty collaboration agreements in September 2016 and us subsequently terminating such collaboration with Jinxin Fertility Center in March 2018.

Other income

Other income consists primarily of interest income from related parties, government grants for research and development projects at Shenzhen Zhongshan Hospital, imputed interest income from related parties, consulting service income, and others, including sponsorship honorarium we received. In 2016, 2017 and 2018, our other income was RMB20.6 million, RMB12.2 million and RMB21.8 million, respectively.

The interest income from related parties relates to a reimbursement of RMB17.2 million by Jinjiang District Maternity and Child Health Hospital to Prior Chengdu Xinan Hospital in respect of finance payments under a loan that was extended to Prior Chengdu Xinan Hospital by Chengdu Bank Co., Ltd. Jinhe Branch ("**Jinhe Branch**"). The proceeds of such loan was used to repay a loan provided

by Jinhe Branch to Jinjiang District Maternity and Child Health Hospital as confirmed by Jinhe Branch. As confirmed by the Reporting Accountants, the interest expense of RMB17.2 million under the loan extended to Prior Chengdu Xinan Hospital had been repaid to Jinhe Branch. In light of the above facts, our PRC Legal Advisors are of the view that the receipt of the reimbursement by Prior Chengdu Xinan Hospital does not violate any restrictive or prohibitive provision of the laws of the PRC.

We recognized consulting service income for advisory services provided to pharmaceutical companies for their market analysis based on knowledge and experience from our ARS. We recognise imputed interest income on certain portions of amounts due from related parties. These amounts are unsecured, interest-free and repayable on demand, and are carried at amortised cost using the effective interest method. The effective interest rates for imputed interest income were determined based on the interest rates for comparable bank borrowings for such related parties. During the Track Record Period, we recorded imputed interest income of RMB2.8 million and RMB7.2 million for 2016 and 2018, respectively. Such imputed interest income is only a hypothetical income under IFRS and had no cash inflow during the Track Record Period.

Other expenses

Other expenses consist primarily of donations and other expenses. In 2016, 2017 and 2018, our other expenses was RMB30,000, RMB664,000 and RMB4,181,000, respectively. The increase in other expenses in 2018 was primarily attributable to late fees relating to unpaid PRC EIT and value-added tax, which were incurred as a result of the time gap between our provision of management services pursuant to the IVF specialty collaboration agreements commencing in September 2016 and the finalization of such agreements in 2018.

Other losses

Other losses primarily represent loss on disposal of property and equipment as a result of our discontinuation of hemodialysis services at Shenzhen Zhongshan Hospital after our acquisition in 2017 to further focus on providing ARS, as well as net exchange loss. In 2017 and 2018, we had losses of RMB1.2 million and RMB0.6 million, respectively.

Research and development expenses

Our research and development expenses primarily consist of staff costs of our 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 our research and development team. In 2017 and 2018, our research and development expenses were RMB10.3 million and RMB12.0 million, respectively, representing 1.6% and 1.3% of our revenue for the same periods.

Administrative expenses

Our administrative expenses primarily consist of staff costs, depreciation and amortisation, business development expenses, repairment and maintenance, property-related expenses and others. In 2016, 2017 and 2018, our administrative expenses were RMB26.7 million, RMB60.6 million and RMB103.4 million, respectively, representing 7.7%, 9.1% and 11.2% of our revenue for the same periods. During the Track Record Period, our administrative expenses increased primarily due to the increase in staff costs as a result of the acquisition of Shenzhen Zhongshan Hospital and the increase in the volume of our business, as well as the increase in amortisation of medical practice licenses as a result of the acquisition of Shenzhen Zhongshan Hospital.

The following table sets forth by a breakdown of our administrative expenses and percentage contribution to the total administrative expenses for the periods indicated:

	Year ended December 31,					
	2016	%	2017	%	2018	%
	(RMB in thousands, except percentages)					
Staff costs	15,234	57.1	31,262	51.6	50,599	48.9
Depreciation and amortisation	821	3.1	16,687	27.5	20,042	19.4
Business development expense	905	3.4	1,386	2.3	727	0.7
Repairment and maintenance	731	2.7	555	0.9	7,824	7.6
Property-related expenses[(1)]	312	1.2	159	0.2	1,603	1.5
Others[(2)]	8,675	32.5	10,588	17.5	22,640	21.9
	26,678	100.0	60,637	100.0	103,435	100.0

Notes:

(1) Property-related expenses primarily include property management fees and rent.

(2) Others primarily include transaction fees, travel and entertainment expenses and general administrative fees.

Finance costs

Our finance costs primarily represent interest expense on bank borrowings. In 2016, we recorded finance cost of RMB17.2 million in connection with a bank borrowing from Bank of Chengdu. We did not record any finance costs in 2017 and 2018 as the loan was not transferred along with the assets and liabilities that we transferred from Prior Chengdu Xinan Hospital in 2016.

Income tax expenses

Our income tax expenses primarily consist of PRC enterprise income tax ("**PRC EIT**") and deferred tax.

The statutory EIT rate of the Company's subsidiaries operating in the PRC is 25% under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations thereunder. Chengdu Xinan Hospital and Gaoxin Xinan Hospital are qualified as engaging in "the Encouraged Industries in the Western Region" of China during the Track Record Period and are eligible for a preferential EIT rate of 15% until 2020.

According to the EIT Law and the relevant implementing rules ("**Implementation Rules**"), similar to public hospitals, non-profit hospitals are not subject to PRC EIT. As a result, no income tax expense was recognized for the income from the revenue from Prior Chengdu Xinan Hospital and Prior Gaoxin Xinan Hospital. The enterprise income tax rate applicable to their successors, Chengdu Xinan Hospital and Gaoxin Xinan Hospital, was 15% based on the relevant EIT Law.

The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Current tax			
PRC Enterprise Income Tax	5,694	46,536	61,213
PRC withholding tax on distributed profits of PRC subsidiaries	—	—	7,075
Deferred tax			
Current year	—	(3,505)	(3,824)
	5,694	43,031	64,464

Our effective tax rate, calculated as income tax expenses divided by profit before taxation, was 5.2%, 17.8%, and 23.3% for the years ended December 31, 2016, 2017 and 2018. The increase in the effective tax rate in 2017 was primarily due to the change in tax rate applicable to Chengdu Xinan Hospital as it became a for-profit hospital in September 2016, and the acquisition of Shenzhen Zhongshan Hospital, which is subject to an EIT of 25%. The increase in effective tax rate in 2018 was primarily due to incurrence of listing expenses which are not deductible for tax purposes, and the incurrence of PRC withholding tax relating to the distribution of profits by our PRC subsidiaries.

The withholding tax rate applicable to the distributed profits of our PRC subsidiaries is 10%.

NON-IFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use EBITDA, Adjusted EBITDA, Adjusted Net Profit and Adjusted Net Profit Attributable to Owners of the Company as non-IFRS measures, which is not required by, or presented

in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparison of operating performance from period to period by eliminating potential impacts of items that we do not consider to be indicative of our operating performance.

We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of EBITDA, Adjusted EBITDA, Adjusted Net Profit and Adjusted Net Profit Attributable to Owners of the Company may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

There are two components to the Adjusted EBITDA metric: (1) EBITDA, which we define as profit before taxation plus finance costs, depreciation of property, plant and equipment, and amortization, less interest income and (2) adjustments to EBITDA, which includes items which are non-recurring or extraordinary, including listing expenses.

We define Adjusted Net Profit and Adjusted Net Profit Attributable to Owners of the Company as profit and total comprehensive income for the year and profit and total comprehensive income for the year attributable to owners of the Company adjusted for items which are non-recurring or extraordinary, including listing expenses.

The following table shows our EBITDA, Adjusted EBITDA, Adjusted Net Profit and Adjusted Net Profit Attributable to Owners of the Company for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	(RMB in thousands)		
Profit before taxation	109,345	241,582	276,588
Add:			
Finance costs	17,229	—	—
Depreciation of property, plant and equipment	14,286	23,289	29,114
Amortisation of medical practice license	—	12,059	13,156
Less:			
Interest income (excluding imputed interest from related parties)	17,371	1,237	2,428
EBITDA	123,489	275,693	316,430
Add:			
Listing expenses	—	—	38,138
Adjusted EBITDA	123,489	275,693	354,568

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Profit and total comprehensive income for the year	103,651	198,551	212,124
Add:			
Listing expenses	—	—	38,138
Adjusted Net Profit	103,651	198,551	250,262

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Profit and total comprehensive income for the year attributable to owners of the Company	87,584	98,783	166,600
Add:			
Listing expenses	—	—	38,138
Adjusted Net Profit Attributable to Owners of the Company	87,584	98,783	204,738

RESULTS OF OPERATIONS OF OUR GROUP

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

	Year Ended December 31,	
	2017	2018
	(RMB in thousands)	
Revenue	662,774	921,994
Cost of revenue	(360,638)	(508,875)
Gross profit	302,136	413,119
Other income	12,233	21,795
Other expenses	(664)	(4,181)
Other losses	(1,180)	(590)
Research and development expenses	(10,306)	(11,982)
Administrative expenses	(60,637)	(103,435)
Listing expenses	—	(38,138)
Profit before taxation	241,582	276,588
Income tax expenses	(43,031)	(64,464)
Profit and total comprehensive income for the year	198,551	212,124

Revenue

Our revenue increased by 39.1% from RMB662.8 million for the year ended December 31, 2017 to RMB922.0 million for the year ended December 31, 2018, primarily due to an increase in revenue from both our Chengdu and Shenzhen operations, and, to a lesser extent, because the result of operations of Shenzhen Zhongshan Hospital in January 2017 was not included in the results of Group before our acquisition.

In particular, the revenue contributed by the medical facilities in our network in Chengdu increased by 48.6% from RMB423.2 million for the year ended December 31, 2017 to RMB628.8 million for the year ended December 31, 2018, primarily due to an increase in the revenue from ARS provided at Xinan Hospital Group.

The revenue from ARS provided at Xinan Hospital Group increased by 67.2% from RMB322.4 million for the year ended December 31, 2017 to RMB539.1 million for the year ended December 31, 2018, as a result of an increase in the number of IVF treatment cycles performed at Xinan Hospital Group from 7,819 cycles for the year ended December 31, 2017 to 11,005 cycles for the year ended December 31, 2018, representing an increase of 40.7%. The increase was primarily due to expansion of our business at Xinan Hospital Group and patient flow from Jinxin Fertility Center with whom we terminated the IVF specialty collaboration in March 2018, and an increase in the average spending per IVF treatment cycle by approximately 25.6% over the same period. Fluctuations in the average spending per IVF treatment cycle result from various factors, including the use of different procedures tailored by our physicians to specific patient conditions, especially in the ovarian stimulation stage in the IVF treatment process. There was an increase in the average spending per IVF treatment cycle as doctors prescribed to more patients a type of procedure, which could increase the success rate in the case of fresh embryo transfer and that required the use of medicine with a relatively higher price.

Revenue from management services provided in Chengdu decreased by 11.0% from RMB100.8 million for the year ended December 31, 2017 to RMB89.7 million for the year ended December 31, 2018, primarily due to our termination of the IVF specialty collaboration with Jinxin Fertility Center in March 2018 to optimize our business structure and resources. To minimize any inconvenience caused by the termination, Xinan Hospital Group and Jinjiang IVF Center have offered ARS to patients originally receiving services at Jinxin Fertility Center.

The revenue contributed by our Shenzhen operations increased by 22.4% from RMB239.6 million for the year ended December 31, 2017 to RMB293.2 million for the year ended December 31, 2018, primarily due to an increase in the revenue from ARS as a result of an increase in average spending per IVF treatment cycle by approximately 12.0% over the same period and, to a lesser extent, the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting only from February 2017. In early June 2018, we adjusted the service fees upwards in line with our competitors. The number of IVF treatment cycles performed increased by 6.0% from 5,048 cycles for the year ended December 31, 2017 to 5,352 cycles for the year ended December 31, 2018 mainly due to the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017.

Cost of revenue

Our cost of revenue increased by 41.1% from RMB360.6 million for the year ended December 31, 2017 to RMB508.9 million for the year ended December 31, 2018, primarily due to increase in pharmaceutical products and consumables, and a lesser increase in staff costs and depreciation, all of which were in line with the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased by 36.7% from RMB302.1 million for the year ended December 31, 2017 to RMB413.1 million for the year ended December 31, 2018. Our gross profit margin was generally steady at 45.6% and 44.8% for the years ended December 31, 2017 and 2018.

Other income

Our other income increased from RMB12.2 million for the year ended December 31, 2017 to RMB21.8 million for the year ended December 31, 2018, primarily due to (i) an increase in imputed interest income from related parties as a result of an increase in an amount due from related parties, (ii) an increase in consulting service income received by Shenzhen Zhongshan Hospital, and (iii) an increase in interest income from banks associated with increased bank deposits.

Other expenses

Our other expenses increased from RMB664,000 for the year ended December 31, 2017 to RMB4.2 million for the year ended December 31, 2018, primarily due to late fees relating to unpaid PRC EIT and value-add tax arising from the revenue generated from the provision of management services fee during the Track Record Period, which were accrued as a result of the time gap between our provision of management services pursuant to the IVF specialty collaboration agreements commencing in September 2016 and the finalization of such agreements in 2018.

Other losses

We recorded a decrease in other losses from a loss of RMB1.2 million for the year ended December 31, 2017 to a loss of RMB590,000 for the year ended December 31, 2018, primarily due to the recording of loss on disposal of property, plant and equipment in relation to our disposal of equipment as a result of our discontinuation of hemodialysis service at Shenzhen Zhongshan Hospital after our acquisition in 2017 to further focus on ARS, and the recording of net exchange loss of RMB314,000 in 2018 in relation to payments made to certain of our shareholders in connection with the Reorganization.

Research and development expenses

Our research and development expenses increased by 16.3% from RMB10.3 million for the year ended December 31, 2017 to RMB12.0 million for the year ended December 31, 2018. The increase was primarily due to an increase in staff costs of our research and development team and cost of materials used by the team and, to a lesser extent, the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting only from February 2017.

Administrative expenses

Our administrative expenses increased by 70.6% from RMB60.6 million for the year ended December 31, 2017 to RMB103.4 million for the year ended December 31, 2018. The increase was primarily due to (i) an increase in staff costs and welfare relating to the initial establishment of our centralized management team, hiring of additional experienced professional management personnel to support our global business expansion and the expansion in our Chengdu and Shenzhen operations, and a general increase in salaries, (ii) an increase in depreciation and amortization primarily due to the increased leasehold improvements in Shenzhen in 2018, (iii) repairment and maintenance in relation to our operations in Shenzhen, and (iv) an increase in conference fees, travelling expenses and transaction and handling fee in support of our business expansion.

Income tax expenses

Our income tax expenses increased by 49.8% from RMB43.0 million for the year ended December 31, 2017 to RMB64.5 million for the year ended December 31, 2018, primarily due to (i) the increase in our profit before taxation in line with our business growth, (ii) the PRC withholding tax relating to the distribution of profits by our PRC subsidiaries, (iii) the incurrence of listing expenses in 2018 which are not deductible for tax purposes and (iv) to a lesser extent, the inclusion of the results of operation of Shenzhen Zhongshan Hospital starting only from February 2017.

Profit and total comprehensive income for the year, net profit margin and adjusted net profit margin

As a result of the foregoing, our profit and total comprehensive income for the year increased by 6.8% from RMB198.6 million for the year ended December 31, 2017 to RMB212.1 million for the year ended December 31, 2018. Our net profit margin decreased from 30.0% for the year ended December 31, 2017 to 23.0% for the year ended December 31, 2018, primarily due to a substantial increase in administrative expenses, the incurrence of listing expenses and the recording of PRC withholding tax on distributed profit of the PRC subsidiaries for the year ended December 31, 2018. Our Adjusted Net Profit Margin decreased from 30.0% for the year ended December 31, 2017 to 27.1% for the year ended December 31, 2018, primarily due to a slight decrease in gross profit margin in 2018 as compared to 2017 (partly resulting from the depreciation of property, plant and equipment in connection with relocation of Gaoxin Xinan Hospital of RMB5.8 million) and a decrease in net profit margin in 2018 as compared to 2017 (resulting primarily from the recording of PRC withholding tax on distributed profit of the PRC subsidiaries for the year ended December 31, 2018 of RMB7.1

million, late fees relating to unpaid PRC EIT and VAT arising from the revenue generated from the provision of management services that was paid in 2018 of RMB4.2 million and an increase in our effective tax rate as a result of the incurrence of listing expenses in 2018 that are not deductible for tax purposes).

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

	Year ended December 31,	
	2016	**2017**
	(RMB in thousands)	
Revenue	346,408	662,774
Cost of revenue	(213,689)	(360,638)
Gross profit	132,719	302,136
Other income	20,563	12,233
Other expenses	(30)	(664)
Other losses	—	(1,180)
Research and development expenses	—	(10,306)
Administrative expenses	(26,678)	(60,637)
Finance costs	(17,229)	—
Profit before taxation	109,345	241,582
Income tax expenses	(5,694)	(43,031)
Profit and total comprehensive income for the year	103,651	198,551

Revenue

Our revenue increased by 91.3% from RMB346.4 million in 2016 to RMB662.8 million in 2017, primarily due to the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017 as a result of our acquisition of Shenzhen Zhongshan Hospital, which contributed RMB239.6 million to our combined revenue, and an increase in revenue contributed by the medical facilities in our network in Chengdu, which contributed RMB76.8 million to our combined revenue.

In particular, the revenue contributed by the medical facilities in our network in Chengdu increased by 22.2% from RMB346.4 million in 2016 to RMB423.2 million in 2017, which was due to an increase in our revenue from management services from RMB24.0 million in 2016 to RMB100.8 million in 2017. This increase was a result of us beginning to provide management services provided to Jinjiang IVF Center and Jinxin Fertility Center starting from September 2016, which resulted in the inclusion of revenue from management service for a shorter period in 2016 than in 2017.

The revenue generated from ARS provided by Xinan Hospital Group was steady at RMB322.4 million and RMB322.4 million in 2016 and 2017, respectively. This was a result of an increase in the number of IVF treatment cycles performed by Xinan Hospital Group from 7,158 cycles in 2016 to

7,819 cycles in 2017, which was offset by a decrease in average spending per cycle from RMB37,982 in 2016 to RMB33,400 in 2017. The decrease in average spending per cycle was a result of a higher percentage of patients receiving treatment that required less medicine as determined by our physicians in accordance with clinical practices.

Cost of revenue

Our cost of revenue increased by 68.8% from RMB213.7 million in 2016 to RMB360.6 million in 2017 was due to the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017 which contributed RMB170.2 million to our combined cost of revenue.

Gross profit and gross profit margin

Our gross profit increased by 127.7% from RMB132.7 million in 2016 to RMB302.1 million in 2017, primarily due to the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017 and us beginning to provide management services to Jinjiang IVF Center and Jinxin Fertility Center in September 2016. Our gross profit margin increased from 38.3% to 45.6%, primarily due to improvements in economies of scale and a change in revenue mix due to us beginning to provide management services through IVF specialty collaboration agreements in September 2016.

Other income

We recorded other income of RMB20.6 million in 2016 and RMB12.2 million in 2017. In 2016, our other income primarily consisted of interest income from related parties which represents interest income of RMB17.2 million we received from Jinjiang IVF Center in connection with a related party loan provided to Jinjiang IVF Center. The loan was not transferred along with the assets and liabilities that we transferred from Prior Chengdu Xinan Hospital. In 2017, our other income primarily consisted of RMB5.5 million of government grants mainly representing government grants for research and development projects at Shenzhen Zhongshan Hospital and other income in the form of consulting service income.

Other expenses

We recorded other expenses of RMB30,000 in 2016 and RMB664,000 in 2017, primarily due to late fees relating to accumulated unpaid social insurance and housing provident fund contributions of Prior Chengdu Xinan Hospital. For more details, see "Business — Employees."

Other losses

We had other losses of RMB1.2 million in 2017, which primarily comprised a loss on disposal of property, plant and equipment in relation to our disposal of equipment as a result of our discontinuation of hemodialysis service at Shenzhen Zhongshan Hospital after our acquisition in 2017 to further focus on ARS.

Research and development expenses

We recorded research and development expenses of zero and RMB10.3 million in 2016 and 2017, due to the inclusion of staff and material costs of the research and development team of Shenzhen Zhongshan Hospital starting from February 2017.

Administrative expenses

We recorded administrative expenses of RMB26.7 million in 2016 and RMB60.6 million in 2017, respectively. The increase was primarily due to the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017, which increased our administrative costs by RMB31.3 million. The increase was also, to a lesser extent, a result of an increase in staff costs associated with our Chengdu operations in line with our business expansion.

Finance costs

We recorded finance costs of RMB17.2 million in 2016 in connection with a bank borrowing from Bank of Chengdu. We did not record any finance costs in 2017 as the loan was not transferred along with the assets and liabilities that we transferred from Prior Chengdu Xinan Hospital in 2016.

Income tax expenses

We recorded income tax expenses of RMB5.7 million in 2016 and RMB43.0 million in 2017. This difference was a result in an increase in our profit before taxation due to the inclusion of the results of operations of Shenzhen Zhongshan Hospital starting from February 2017 and the change in tax rate applicable to Chengdu Xinan Hospital as it converted from a non-profit hospital to a for-profit hospital.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, our profit and total comprehensive income for the year increased by 91.6% from RMB103.7 million in 2016 to RMB198.6 million in 2017. Our net profit margin remained steady at 29.9% in 2016 and 30.0% in 2017, respectively.

CERTAIN BALANCE SHEET ITEMS OF OUR GROUP

Intangible Assets

The following table sets forth a breakdown of our intangible assets as of the respective dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Goodwill	—	197,123	802,051
License	—	414,441	401,285
Contractual right to provide management services	—	—	1,939,049
Trademarks	—	246,900	1,292,432

As of December 31, 2018, we had goodwill with carrying value of RMB802.1 million, contractual right to provide management services of RMB1,939.0 million, and trademark of RMB1,292.4 million primarily attributable to our acquisition of Willsun BVI in 2018, resulting in an increase in goodwill and trademarks and the recording of contractual right to provide management services. We do not amortize goodwill, trademarks or contractual right to provide management services with indefinite useful life pursuant to our accounting policies and there were no indications that would require impairment of goodwill, trademarks or contractual right to provide management services. See "— Critical Accounting Policies, Estimates and Judgement — Goodwill and intangible assets". The carrying value of our license decreased by 3.2% from RMB414.4 million as of December 31, 2017 to RMB401.3 million as of December 31, 2018, primarily as a result of amortization of the medical license of Shenzhen Zhongshan Hospital over its useful life. See "— Critical Accounting Policies, Estimates and Judgement — Goodwill and intangible assets — License."

As of December 31, 2017, we recorded goodwill, license and trademark with carrying values of RMB197.1 million, RMB414.4 million and RMB246.9 million, respectively, primarily as a result of our acquisition of Shenzhen Zhongshan Hospital in January 2017.

Inventories

We recorded inventories of RMB12.7 million, RMB18.7 million and RMB16.5 million as of December 31, 2016, 2017 and 2018.

Our inventories decreased by 11.5% from RMB18.7 million as of December 31, 2017 to RMB16.5 million as of December 31, 2018, primarily because of increased focus on inventory management.

Our inventories increased by 46.6% from RMB12.7 million as of December 31, 2016 to RMB18.7 million as of December 31, 2017, primarily due to the acquisition of Shenzhen Zhongshan Hospital, which contributed inventories of RMB7.6 million as of December 31, 2017.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
Inventory turnover days[(1)]	22	19	12

(1) Inventory turnover days were calculated based on the ending balance of our inventories divided by the cost of revenue for the relevant period and multiplied by 365 days.

The decrease in our average inventory turnover days during the Track Record Period was primarily due to change in revenue mix as we began providing management services through IVF specialty collaboration agreements in September 2016 to Jinjiang IVF Center and Jinxin Fertility Center, the inventories of which we do not consolidate, and increased focus on inventory management.

As of April 30, 2019, RMB13.6 million, or 82.5%, of our inventories as of December 31, 2018 had been used.

For details on our inventory policy, please refer to "Business — Inventory."

Accounts and other receivables

Our accounts and other receivables primarily represent accounts receivables, prepaid rental to a related party, prepayments to suppliers and deposits.

The following table sets forth our accounts and other receivables as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Accounts receivables	28	4,583	9,385
Prepaid rental to a related party	—	150,000	150,000
Deferred listing expenses	—	—	6,664
Prepayments to suppliers	2,290	6,239	8,571
Rental and other deposits	—	4,277	2,321
Others	583	2,078	2,061
Accounts and other receivables	2,901	167,177	179,002

Our accounts receivables primarily represent receivables from (i) our patients accrued in connection with ancillary medical services provided at Shenzhen Zhongshan Hospital, which along with certain examination items qualify for social insurance coverage and (ii) from patients in connection with ambulatory surgery center facilities services provided by RSA, which are covered by insurance schemes purchased by such patients. Our patients typically settle payment for our ARS in cash, which patients would usually settle payments by cash, debit cards, or government social insurance schemes. For our ARS and most of our ancillary medical services, our patients are required to pay a deposit in advance of their treatment. The rest of the service fees exceeding the deposit will be paid when the services are rendered. The patients can receive a refund if the final fee is less than the deposit. We do not provide any credit period to our patients. The patients using the ambulatory surgery center facilities services at RSA would typically settle by cash or payment through insurance schemes.

Our accounts receivables increased by 104.8% from RMB4.6 million as of December 31, 2017 to RMB9.4 million as of December 31, 2018, as a result of our acquisition of Willsun BVI in December 2018 which contributed RMB6.3 million of accounts receivables. Our accounts receivables increased from RMB0.03 million as of December 31, 2016 to RMB4.6 million as of December 31, 2017, primarily due to the acquisition of Shenzhen Zhongshan Hospital, which contributed its accounts receivables of RMB4.3 million to us as of December 31, 2017.

As of December 31, 2017 and 2018, we had prepaid rental to a related party of RMB150.0 million. The prepaid rent relates to payments for three years of rent pursuant to a lease agreement entered into with Jinsheng Hospital Management, a related party, in December 2017 for the New Hospital Building for Chengdu Xinan Hospital. This agreement has been terminated upon the signing of the Share Purchase Agreement, the consideration of which was partially satisfied by way of set-off against the RMB150.0 million of prepaid rent. For further details, see "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Chengdu Jinyi".

Our prepayments to suppliers represents primarily payment prepaid for pharmaceutical products consumables and equipment. Our prepayments to suppliers increased by 37.4% from RMB6.2 million as of December 31, 2017 to RMB8.6 million as of December 31, 2018, primarily due to an increase in prepaid rent expenses, prepayment of fees for business licenses and permits, and professional liability insurance relating to our acquisition of Willsun BVI. Our prepayments to suppliers increased from RMB2.3 million as of December 31, 2016 to RMB6.2 million as of December 31, 2017, primarily due to a prepaid consulting fee of RMB2.3 million in connection with the application for the Joint Commission International Certification.

Our rental and other deposits and other receivables represents primarily deposits for rent of the New Hospital Building and utilities. Our rental and other deposits and other receivables increased from RMB0.6 million as of December 31, 2016 to RMB6.4 million as of December 31, 2017, and then decreased to RMB4.4 million as of December 31, 2018, primarily due to the incurrence of deposit we paid to an agent in connection with identifying a new location for Chengdu Xinan Hospital in 2017 which was subsequently recovered in 2018 after the new location was identified.

The following table sets forth an aging analysis of our accounts receivables, net of allowance for doubtful debts, as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Within 90 days	28	3,451	6,126
91 to 180 days	—	165	2,923
Over 180 days	—	967	336
	28	4,583	9,385

Payments by government social insurance schemes in China will normally be settled by the local social insurance bureau or similar government departments which are responsible for reimbursement of medical expenses for patients who are covered by the government medical insurance schemes within 30 to 90 days from the transaction date. Payment by insurance schemes in the US will normally be settled by commercial insurance companies from 60 to 365 days from the transaction date. Our Directors are of the view that there has been no significant increase in credit risk of default because the amounts are from local social insurance bureaus or similar government departments or insurance company with good credit ratings and history of continuous repayments.

As of December 31, 2016, 2017 and 2018, we did not recognize impairment losses on any accounts receivables.

As of April 30, 2019, RMB5.1 million, or 54.8%, of our accounts receivables as of December 31, 2018 had been settled.

The following table sets forth our accounts receivables turnover days for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
Accounts receivables turnover days[(1)]	0.03	3	4

(1) Accounts receivables turnover days were calculated based on the ending balance of our accounts receivables divided by revenue for the relevant period and multiplied by 365 days.

Our average accounts receivables turnover days slightly increased during the Track Record Period, primarily due to (i) the acquisition of Shenzhen Zhongshan Hospital which generated ancillary medical service revenue for which patients may pay partially by using the government social insurance scheme which would settle the payment with us subsequent to the patient's visit, and (ii) the

acquisition of HRC Management which contributed its accounts receivables arising from insurance payment relating to the ambulatory surgery centre facilities services provided by RSA, but our statements of profit and loss and other comprehensive income for the year ended December 31, 2018 do not reflect the revenue of HRC Management.

Accounts and other payables

Our accounts and other payables represent accounts payables and other payables, primarily including accrued employee expenses, refundable customers' deposits, and VAT and other tax payables.

The following table sets forth our accounts and other payables as of the dates indicated:

	As of December 31,		
	2016	**2017**	**2018**
	(RMB in thousands)		
Accounts payables	27,804	54,245	143,010
Construction payables	—	284	2,459
Refundable customers' deposits	15,573	20,257	43,932
Accrued employee expenses (including social insurances and housing provident fund contributions)	15,320	53,269	98,866
Accrued listing expenses/share issue costs	—	—	22,500
Accrued rental expenses	—	3,792	44
Payables to a third party	—	6,794	7,685
Value-added tax and other tax payables	2,948	8,776	22,663
Consultancy fee payable	—	2,000	633
Deferred income	—	5,686	5,601
Dividend payable	—	3,262	23,727
Accrued late fees for unpaid PRC EIT and value added tax	—	—	7,440
Others	277	6,021	12,490
Other payables	34,118	110,141	248,040
Total accounts and other payables	61,922	164,386	391,050

Our accounts and other payables increased by 137.9% from RMB164.4 million as of December 31, 2017 to RMB391.1 million as of December 31, 2018, primarily due to an increase in accounts payables of RMB88.8 million and other payables of RMB137.9 million.

Our accounts payables primarily represent trade payables for pharmaceutical products and consumables. Our accounts payables increased by 163.6% from RMB54.2 million as of December 31, 2017 to RMB143.0 million as of December 31, 2018, primarily due to (i) the increase in our purchases as a result of an increase in volume of our ARS, including due to patient flow from Jinxin Fertility Center with whom we terminated the IVF specialty collaboration in March 2018, (ii) us being able to better utilize our credit terms with our suppliers, and (iii) accounts payables from our acquisition of Willsun BVI, which contributed its accounts payables of RMB18.0 million to us. Our accounts payables increased by 95.1% from RMB27.8 million as of December 31, 2016 and RMB54.2 million as of December 31, 2017, primarily due to the acquisition of Shenzhen Zhongshan Hospital, which contributed its accounts payables of RMB11.0 million as of December 31, 2017, and an increase in our purchases as a result of an increase in volume of our ARS.

Our refundable customers' deposits primarily relates to advance by patients in advance of their treatment. For our ARS and ancillary medical services, our patients are required to pay a deposit in advance of their treatment. The rest of the service fees exceeding the deposit will be paid when the services are rendered. The patients can receive a refund if the final fee is less than the deposit. Our refundable customers' deposits generally increased during the Track Record Period in line with the increase in volume of our ARS.

Our accrued employee expenses primarily relates to salaries, bonus, welfare and social security payments. Our accrued employee expenses generally increased during the Track Record Period due to the expansion of our medical facilities in Chengdu and Shenzhen and our acquisition of Willsun BVI. For details see "Business — Employees".

Our dividend payable primarily relates to dividend our subsidiaries have declared that have not yet been paid. For more details, see " — Dividends."

We are typically provided a credit period of 30 to 90 days from the invoice date for our accounts payables.

The following table sets forth an aging analysis of our accounts payables, as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Within 90 days	27,125	43,764	82,718
91 to 180 days	679	8,433	55,710
181 to 365 days	—	1,558	3,794
Over 365 days	—	490	788
	27,804	54,245	143,010

As of April 30, 2019, RMB107.2 million, or 74.9%, of our accounts payables as of December 31, 2018 had been settled.

The following table sets forth our accounts payables turnover days for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
Accounts payables turnover days[(1)]	47	55	103

(1) Accounts payables turnover days were calculated based on the ending balance of our accounts payables divided by cost of revenue for the relevant period and multiplied by 365 days.

Our average accounts payables turnover days increased during the Track Record Period, primarily because (i) we were able to better utilize credit terms with our suppliers, and (ii) we acquired HRC Management, which contributed its accounts payables to our financial position, but our statements of profit and loss and other comprehensive income for the year ended December 31, 2018 do not reflect the revenue of HRC Management.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and bank and other borrowings, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES OF OUR GROUP

Our business operations and expansion plans require a significant amount of capital, including upgrading our existing medical facilities and establishing and acquiring new medical institutions and other working capital requirement. Historically, we financed our capital expenditures and other working capital requirements mainly through cash generated from operations and capital contribution by our Shareholders. After the Listing, we intend to fund our capital requirements using primarily cash flows generated from our operating activities and the proceeds from the Global Offering.

Cash flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Net cash generated from operating activities	108,982	47,682	356,437
Net cash used in investing activities	(608,949)	(252,029)	(388,004)
Net cash generated from financing activities	663,068	463,139	767,104
Cash and cash equivalents at beginning of the year	27,602	190,703	449,495
Cash and cash equivalents at end of the year	190,703	449,495	1,185,032

Operating activities

In 2018, we had net cash generated from operating activities of RMB356.4 million. In 2018, the difference between our net cash generated from operating activities and our profit before taxation of RMB276.6 million, resulted primarily from (i) adjustment for depreciation of property, plant and equipment of RMB29.1 million and (ii) adjustment for amortization of license of RMB13.2 million, partially offset by (i) PRC EIT paid of RMB35.4 million and (ii) changes in the working capital. Change in the working capital mainly included increase in accounts and other payables of RMB163.9 million partially offset by an increase in amounts due from related parties of RMB90.7 million primarily due to advances in connection with the purchase of the New Hospital Building. For details relating to amounts due from related parties, please see "— Related Party Transactions of our Group — Amounts due from related parties".

In 2017, we had net cash generated from operating activities of RMB47.7 million. In 2017, the difference between our net cash generated from operating activities and our profit before taxation of RMB241.6 million, resulted primarily from (i) changes in the working capital and (ii) PRC EIT paid of RMB21.6 million, partially offset by (i) adjustment for depreciation of property, plant and equipment of RMB23.3 million, and (ii) adjustment for amortisation of license of RMB12.1 million, mainly due to amortisation of medical practice license of Shenzhen Zhongshan Hospital. Change in the working capital mainly included (i) an increase in accounts and other receivables of RMB159.3 million and (ii) an increase in amounts due from related parties of RMB100.8 million primarily due to advances in connection with the purchase of the New Hospital Building, partially offset by an increase in accounts and other payables of RMB47.8 million. For more details relating to amounts due from related parties, see "— Related Party Transactions of our Group — Amounts due from related parties."

In 2016, we had net cash generated from operating activities of RMB109.0 million. In 2016, the difference between our net cash generated from operating activities and our profit before taxation of RMB109.3 million, resulted primarily from (i) changes in the working capital, (ii) adjustment for interest income of RMB20.1 million in connection with a related party loan with Jinjiang IVF Center, imputed interest income from related parties as well as interest income from banks and (iii) interest paid of RMB17.2 million in connection with our bank borrowing, partially offset by (i) adjustment for interest expense of RMB17.2 million in connection with our bank borrowing and (ii) adjustment for depreciation of property, plant and equipment of RMB14.3 million. Change in the working capital mainly included (i) an increase in amounts due from related parties of RMB24.0 million relating to payments due from Jinjiang IVF Center and Jinxin Fertility Center for our management services, and (ii) an increase in accounts and other receivables of RMB11.5 million, partially offset by an increase in accounts and other payables of RMB32.5 million.

Investing activities

In 2018, we had net cash used in investing activities of RMB388.0 million, primarily attributable to (i) advance to related parties of RMB325.1 million, and (ii) purchase of financial assets at fair value through profit or loss of RMB65.0 million as a result of the purchase of wealth management products, partially offset by a cash inflow on acquisition of subsidiaries of RMB40.7 million from the acquisition of Willsun BVI. For more details relating to advance to related parties, see "— Related Party Transactions of our Group."

In 2017, we had net cash used in investing activities of RMB252.0 million, primarily attributable to (i) advance to related parties of RMB149.6 million, (ii) acquisition of subsidiaries of RMB75.5 million, relating to the acquisition of Shenzhen Zhongshan Hospital and (iii) purchase of property, plant and equipment of RMB32.2 million, primarily relating to renovations we undertook at Shenzhen Zhongshan Hospital. For more details relating to advance to related parties, see "— Related Party Transactions of our Group."

In 2016, we had net cash used in investing activities of RMB609.0 million, primarily attributable to (i) a deposit for acquisition of subsidiaries of RMB501.0 million, relating to deposit paid for the acquisition of Shenzhen Zhongshan Hospital, and (ii) advance to related parties of RMB248.1 million, partially offset by repayment from related parties of RMB130.8 million. For more details relating to advance to related parties and repayment from related parties, see "— Related Party Transactions of our Group."

Financing activities

In 2018, we had net cash generated from financing activities of RMB767.1 million, primarily attributable to (i) proceeds from issue of shares of RMB1,132.2 million in connection with the Reorganization and (ii) advance from related parties of RMB 104.0 million, partially offset by (i) deemed distribution to shareholders for acquisition of Sichuan Jinxin Fertility of RMB343.0 million in connection with the Reorganization, and (ii) dividends paid of RMB123.9 million.

In 2017, we had net cash generated from financing activities of RMB463.1 million, primarily attributable to (i) capital contribution from a non-controlling shareholder of RMB333.3 million and (ii) capital injection from equity holders of RMB183.2 million, which was partially offset by dividend paid of RMB60.2 million.

In 2016, we had net cash generated from in financing activities of RMB663.1 million, primarily attributable to (i) capital contribution deposit from shareholder and investors of RMB471.8 million, (ii) advance from related parties of RMB126.5 million, (iii) proceeds from borrowings of RMB70.0 million and (iv) capital injection from equity holders of RMB50.0 million, partially offset by repayments of borrowings of RMB42.9 million.

For more details relating to amounts due from related parties and advance from related parties, see "— Related Party Transactions of our Group."

Net current assets/liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
				(unaudited)
	(RMB in thousands)			
Current assets:				
Inventories	12,746	18,688	16,548	18,877
Accounts and other receivables	2,901	66,720	76,920	39,522
Amounts due from related parties	—	—	70,894	66,289
Tax recoverable	—	—	934	—
Structured bank deposit	—	—	20,000	—
Financial assets at fair value through profit or loss	—	—	65,010	110,000
Bank balances and cash	190,703	449,495	1,184,190	643,454
Assets classified as held for sale	—	—	1,021	—
Total current assets	206,350	534,903	1,435,517	878,142
Current liabilities				
Accounts and other payables	61,922	164,386	391,050	385,243
Capital contribution deposits from shareholder and investors	471,787	—	—	—
Amounts due to related parties	114,609	3,930	916,985	199,655
Lease liability	—	—	—	21,785
Tax payables	6,520	35,854	68,765	78,245
Total current liabilities	654,838	204,170	1,376,800	684,928
Net current (liabilities)/assets	(448,488)	330,733	58,717	193,214

As of December 31, 2018, we had net current assets of RMB58.7 million, consisting of current assets of RMB1,435.5 million and current liabilities of RMB1,376.8 million, compared to our net current assets of RMB330.7 million as of December 31, 2017, consisting of current assets of RMB534.9 million and current liabilities of RMB204.2 million. Our current assets increased primarily due to an increase in bank balances and cash of RMB734.7 million. For discussion of our changes in bank balances and cash, see "— Cash flows" above. Our current liabilities increased primarily due to (i) an increase in amounts due to related parties of RMB913.1 million, and (ii) an increase in accounts and other payables of RMB226.7 million. For details on the changes relating to amounts due to related parties, see "— Related Party Transactions of our Group — Amounts due to related parties". For details on the changes relating to accounts and other payables, see "— Certain Balance Sheet Items of Our Group — Accounts and Other Payables."

As of December 31, 2017, we had net current assets of RMB330.7 million, consisting of current assets of RMB534.9 million and current liabilities of RMB204.2 million, compared to our net current liabilities of RMB448.5 million as of December 31, 2016, consisting of current assets of RMB206.4 million and current liabilities of RMB654.8 million. Our current assets increased primarily due to an increase in bank balances and cash of RMB258.8 million. For discussion of our changes in cash balance, see "— Cash flows" above. Our current liabilities decreased primarily due to the recognition of capital contribution deposits from investors of RMB471.8 million in 2016, representing deposits from non-controlling shareholders for capital contribution to Sichuan Jinxin Fertility, which was subsequently recognised as paid-in capital during 2017.

Wealth management products

The wealth management products we invested during the Track Record Period are issued by financial institutions with no guaranteed principal and return, while the total expected return is up to 4.7% per annum depending on the performance of the underlying financial investments or the change in the interest rate as specified in the relevant deposits placement, with a maturity period of 35 days. As of December 31, 2018, we had investments in wealth management products recorded as financial assets at fair value through profit or loss of RMB65.0 million. All the wealth management products we invested in were offered by reputable commercial banks in China and are of low risk level.

Our investment in wealth management products is managed pursuant to a treasury policy according to the following principles:

(i) only wealth management products with a low risk level will be selected, the risk level of which will be assessed according to past performance of the product and any default risk associated with the bank offering the product;

(ii) wealth management products with a higher profit are only selected after the associated risks can be managed;

(iii) wealth management products are purchased while maintaining adequate liquidity; and

(iv) wealth management products are selected to align their maturity with the use of working capital to maximize capital turnover efficiency.

In order to further reduce risks associated with our financial assets at fair value through profit or loss, we have in the past, and may continue in the future, including after the Listing, to seek investments in low-risk wealth management products. We may also update our investment policies from time to time in accordance with our development, the financial market and the macroeconomic environment in China. We believe that our internal control policies regarding investment in wealth management products and risk management mechanism are adequate.

Working capital

During the Track Record Period, we met our working capital needs mainly from cash generated from operations, capital contributions from our shareholders and bank borrowings. We manage our cash flow and working capital by closely monitoring and managing our operations and hospital expansion plans. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

Taking into account the financial resources available to us including bank balances and cash, cash flow from operating activities and the estimated net proceeds of the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price), our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus. Based on the above financial resources available to us, the Joint Sponsors concur with the view of our Directors.

CAPITAL EXPENDITURES AND CONTRACTUAL COMMITMENTS OF OUR GROUP

During the Track Record Period, our historical capital expenditures included expenditures for purchases of property, plant and equipment. Our capital expenditures for purchase of property, plant and equipment amounted to RMB7.5 million, RMB32.5 million and RMB23.2 million in 2016, 2017 and 2018, respectively.

We expect to incur approximately RMB270.5 million in capital expenditures in 2019, in relation to purchase of property, plant and equipment, including improvements and expansions at medical facilities, and purchase of medical and laboratory equipment. We intend to fund our planned capital expenditures through a combination of cash flow from operating activities and the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds" for further details.

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Capital expenditure in respect of property, plant and equipment contracted for but not provided	—	3,914	22,968
Total	—	3,914	22,968

Capital commitments that were contracted but not provided represent commitments arising out of a contractual relationship where the relevant property, plant and equipment were not provided as of the relevant dates.

Operating leases

We are lessees in respect of a number of properties held under operating leases for office premises and buildings used for provision of hospital services, as well as for medical equipment. Our lease agreements have a term ranging from over one to 20 years with a fixed monthly rental and/or annual rental escalation clauses. The following table sets forth our operating lease commitments which were due within the years indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Within one year	6,200	10,534	34,580
In the second to fifth-year inclusive	16,466	142,747	208,133
Over five years	23,783	1,058,884	1,103,451
	46,449	1,212,165	1,346,164

The operating lease commitments as of December 31, 2018 included future minimum lease payments of RMB1,120.7 million arising from a lease agreement entered into between the Group and a related party with lease commencement date on or after January 31, 2019. In December 2017, the Group entered into a lease agreement with Jinsheng Hospital Management, a related party controlled by Chengdu Jinxin Investment, for the lease of the New Hospital Building for a term of 20 years effective from January 1, 2018. The annual rent is RMB50.0 million for the first three years and an annual 3% escalation thereafter.

On January 31, 2018, a supplemental agreement ("Supplemental Agreement") was entered into with Jinsheng Hospital Management to defer the lease commencement to a date on or after January 31, 2019, due to the delay of the construction and renovation of the New Hospital Building. The Supplemental Agreement was subsequently terminated upon the execution of the share purchase agreement below.

On February 11, 2019, we entered into a share purchase agreement and property transfer agreement, which were supplemented on May 7, 2019 and May 23, 2019, with Youta Pharmaceutical, a related party controlled by Chengdu Jinxin Investment, to acquire the entire equity interest in Chengdu Jinyi which will own the New Hospital Building upon its transfer from Youta Pharmaceutical before completion and the carpark facilities located at the Hospital Building at a consideration of approximately RMB738.2 million. The completion took place in May 2019 upon which, we own the New Hospital Building. Accordingly, we have no lease liability as of March 31, 2019 due to the termination of the above lease arrangement.

INDEBTEDNESS OF OUR GROUP

As of December 31, 2016, 2017 and 2018, we did not have any indebtedness.

Upon application of IFRS 16 since January 1, 2019, we 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 April 30, 2019, we, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB171.8 million. The lease liabilities represent payment for right of using underlying assets, of which RMB82.7 million is secured with the rental deposits and unguaranteed, and the remaining is unsecured and unguaranteed.

Save as aforesaid or otherwise disclosed in the prospectus, as of April 30, 2019, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees, or other contingent liabilities.

The directors of the Company confirm that there has not been any material change in our outstanding indebtedness since April 30, 2019.

Contingent Liabilities

As of April 30, 2019, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since April 30, 2019 and up to the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS OF OUR GROUP

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS OF OUR GROUP

We enter into transactions with our related parties from time to time.

Capital contribution deposit from shareholder and investor

We recorded capital contribution deposit from shareholder and investor of a subsidiary of RMB471.8 million as of December 31, 2016, which represents deposit from shareholder and investor for capital contribution to Sichuan Jinxin Fertility, which was subsequently recognized as paid-in capital during 2017.

Prepaid rental to a related party

As of December 31, 2017 and 2018, we had prepaid rental to a related party of RMB150.0 million. The prepaid rent relate to payments for three years of rent pursuant to a lease agreement entered into with Jinsheng Hospital Management in December 2017 for the New Hospital Building. For more details, see "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Chengdu Jinyi".

Amounts due from related parties

As of December 31, 2017 and 2018, we had amounts due from related parties of RMB125.3 million and RMB509.1 million. We did not have any amounts due from related parties as of December 31, 2016.

During the Track Record Period, amounts due from related parties primarily comprised amounts due from Jinjiang District Maternity and Child Health Hospital, Chengdu Jinxin Investment and Jinxin Fertility BVI.

We recorded amounts due from Chengdu Jinxin Investment of RMB125.0 million and RMB438.2 million as of December 31, 2017 and 2018, relating to advances in connection with the purchase of the New Hospital Building. For more details, please see "History, Reorganization and Corporate Structure — Our Group — Our Subsidiaries — Chengdu Jinyi".

We recorded amounts due from Jinxin Fertility BVI of RMB69.6 million as of December 31, 2018, in connection with payments due to us for shares we issued as part of the Reorganization.

We recorded amounts due from Jinjiang District Maternity and Child Health Hospital of RMB0.3 million as of December 31, 2017 relating to amounts Jinjiang District Maternity and Child Health Hospital received on behalf of us. We did not record any amounts due from Jinjiang District Maternity and Child Health Hospital in 2018 because such amounts were set off as part of the consideration to acquire the New Hospital Building.

Amounts due to related parties

As of December 31, 2016, 2017 and 2018, we had amounts due to related parties of RMB114.6 million, RMB3.9 million and RMB917.0 million, respectively.

During the Track Record Period, amounts due to related parties primarily comprised of (i) amounts that are non-trade in nature due to certain former shareholders of Sichuan Jinxin Fertility, Yong Tai and Chengdu Jinxin Investment and (ii) amounts that are trade in nature due to Jinxin Women and Children Hospital, Jinxin Psychiatric and Hejun Technology.

We recorded amounts due to a number of former shareholders of Sichuan Jinxin Fertility in an aggregate amount of RMB782.6 million as of December 31, 2018, for the acquisition of shares of Sichuan Jinxin Fertility as part of the Reorganization. For further details, please see Note 26(c)(vii) to the accountants' report of our Group set out in Appendix IA to this prospectus.

We recorded amounts due to Yong Tai of RMB56.8 million as of December 31, 2016, relating to an advance for the acquisition of Shenzhen Zhongshan Hospital. These amounts have subsequently been settled in March 2017 after the acquisition of Shenzhen Zhongshan Hospital.

We recorded amounts due to Chengdu Jinxin Investment of RMB57.1 million as of December 31, 2016, relating to (i) our acquisition of assets and liabilities from Prior Chengdu Xinan Hospital, and (ii) collection on behalf of the related party. We recorded amounts due to Chengdu Jinxin Investment of RMB206.4 million as of December 31, 2018 relating to (i) outstanding payables of RMB98.9 million for the acquisition of shares of Sichuan Jinxin Fertility as part of the Reorganization; (ii) fund support of RMB35.6 million provided to the Group; and (iii) outstanding dividend payable of RMB71.9 million transferred from the Group to Chengdu Jinxin Investment.

We recorded amounts due to Jinxin Women and Children Hospital, Jinxin Psychiatric and Hejun Technology of RMB0.8 million, RMB3.9 million and RMB8.2 million as of December 31, 2016, 2017 and 2018, which are trade in nature. Our amounts due to Jinxin Women and Children Hospital related to pathological examination services rendered to us. Our amounts due to Jinxin Psychiatric related to disinfection and cleaning services rendered to us. Our amounts due to Hejun Technology related to equipment and consumables purchased for us and storage services rendered to us.

We also recorded amounts due to HRC Medical of RMB10.9 million as of December 31, 2018, as the bank balances and cash maintained by HRC Management on behalf of HRC Medical exceeded the respective amount of management services fee receivable by HRC Management under the MSA.

We will settle all outstanding non-trade balances with related parties as of December 31, 2018 prior to Listing.

It is the view of our Directors that each of the related party transactions set out in Note 26 to the accountants' report set out in Appendix IA to this prospectus were conducted in the ordinary and normal course of business and between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

FINANCIAL RISK MANAGEMENT OF OUR GROUP

Our activities expose us to a variety of financial risks, including market risk, credit risk and liquidity risk. The market risks to which we are exposed to, as well as our practices to manage such risks, are as follows. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, see Note 41 to the accountants' report of our Group set out in Appendix IA to this prospectus.

Market Risks

Interest rate risk

We are exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 29 to the accountants' report of our Group set out in Appendix IA to this prospectus for details). Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances.

Our Directors consider that the overall interest rate risk is not significant and no sensitivity analysis is presented.

We consider the interest rate risk associated with the financial assets at fair value through profit or loss and fixed rate structured bank deposit to be limited because the tenor of such instruments are short, ranging from 35 to 90 days.

Credit risk and impairment assessment

At the end of respective reporting periods, the carrying amount of our recognized financial assets as stated in our consolidated statements of financial position best represents our maximum exposure to credit risk that will cause a financial loss to us due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk for accounts receivables, our management adopted internal procedures to monitor credit limits, credit approvals and other monitoring measures to ensure that follow-up action is taken to recover overdue debts. In addition, we review 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. We also perform impairment under the expected credit losses (ECL) model upon application of IFRS 9 on trade balances individually and performs impairment assessment under incurred loss model for the years ended December 31, 2016 and 2017. In this regard, our Directors consider that our credit risk is significantly reduced. Accordingly, the loss allowance is measured with reference to the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (i.e. 12m ECL) and the lifetime ECL for our trade receivables of RMB9.4 million are considered insignificant.

For other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables. As such, our Directors consider the risk over ECL to be immaterial after considering counterparty financial background and credibility. Accordingly, the loss allowance of other receivables is measured under 12m ECL which is considered insignificant in respect of other receivables, amounting to RMB11.0 million as of December 31, 2018.

For the amounts due from related companies, our 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 considering the future prospects of the industry in which these related parties operate, our Directors considered the risk of default to be low, and accordingly, no impairment was recognized in respect of the amounts due from related parties amount to RMB509.1 million as of December 31, 2018.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The 12m ECL for our structured bank deposit and bank balances amount to RMB1,205.2 million as of December 31, 2018 is considered to be insignificant. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, we have a concentration of credit risk on receivables as a significant amount were due from our related parties, Chengdu Jinxin Investment, as of December 31, 2017 and 2018. In order to minimise credit risk, our Group closely monitor the liquidity risk of the related parties and reviews the outstanding debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For the risks related to such concentration, see "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to concentration of customers and of credit risk on receivables from our related parties." In connection with our purchase of the New Hospital Building from Youta Pharmaceutical, under the Share Purchase Agreement, the Consideration would be satisfied partly by way of set-off against the amounts due from Youta Pharmaceutical or its affiliates, which includes Chengdu Jinxin Investment, to our Group and partly in cash using internal funding of our Group. For more details, see "History, Reorganization and Corporate Structure — Our Group — Our subsidiaries — Chengdu Jinyi".

Liquidity Risk

We aim 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. Details of the maturity profile of our financial liabilities are set out in Note 41(b)(iii) to the accountants' report of our Group set forth in Appendix IA.

KEY FINANCIAL RATIOS OF OUR GROUP

	For the year ended or as of December 31,		
	2016	2017	2018
Profitability ratios			
Gross profit margin[(1)]	38.3%	45.6%	44.8%
Net profit margin[(2)]	29.9%	30.0%	23.0%
Adjusted net profit margin[(3)]	29.9%	30.0%	27.1%
Return on equity[(4)]	103.1%	14.6%	4.7%
Return on total assets[(5)]	13.7%	11.4%	3.2%
Liquidity ratios			
Current ratio[(6)]	0.32x	2.62x	1.04x
Quick ratio[(7)]	0.30x	2.53x	1.03x
Capital adequacy ratios			
Gearing ratio[(8)]	—	—	—

Notes:

(1) Gross profit for a period divided by revenue for the same period and multiplied by 100.0%.

(2) Profit and total comprehensive income for a period divided by revenue for the same period and multiplied by 100.0%.

(3) Adjusted net profit for a period divided by revenue for the same period and multiplied by 100.0%. For a reconciliation of Adjusted Net Profit to net profit, see "— Non-IFRS Measures".

(4) Profit and total comprehensive income for a period divided by total equity as of the end of such period and multiplied by 100.0%.

(5) Profit and total comprehensive income for a period divided by total assets as of the end of such period and multiplied by 100.0%.

(6) Current assets divided by current liabilities as of the end of a period.

(7) Current assets less inventories divided by current liabilities as of the end of a period.

(8) Total borrowings divided by total equity as of the end of such period.

Return on equity

Our return on equity decreased from 14.6% as of December 31, 2017 to 4.7% as of December 31, 2018, because our profit for the year increased by 6.8% from RMB198.6 million for the year ended December 31, 2017 to RMB212.1 million for the year ended December 31, 2018, while our total equity increased by 230.5% from RMB1,361.6 million as of December 31, 2017 to RMB4,499.8 million as of December 31, 2018. The significant increase in our total equity was mainly due to (i) issuance of shares to acquire a subsidiary of RMB3,111.0 million relating to our acquisition of Willsun BVI, and (ii) issuance of shares of RMB1,201.8 million relating to our Reorganization, partially offset by distribution to shareholders of RMB1,125.5 million.

Our return on equity decreased from 103.1% in 2016 to 14.6% in 2017, primarily due to a significant increase in our total equity from RMB100.6 million as of December 31, 2016 to RMB1,361.6 million as of December 31, 2017, outpacing the change in profit and total comprehensive income for the year which increased by 91.6% from RMB103.7 million in 2016 to RMB198.6 million in 2017. The increase in our total equity was mainly due to capital injection by equity holders of RMB655.0 million, capital contribution from non-controlling shareholders of RMB333.3 million and profit and total comprehensive income for the period of RMB198.6 million.

Return on total assets

Our return on total assets decreased from 11.4% as of December 31, 2017 to 3.2% as of December 31, 2018, because our profit for the year increased by 6.8% from RMB198.6 million for the year ended December 31, 2017 to RMB212.1 million for the year ended December 31, 2018, while our total assets increased by 277.3% from RMB1,738.0 million as of December 31, 2017 to RMB6,558.3 million as of December 31, 2018. The increase in our total assets was primarily due to our acquisition of Willsun BVI, which resulted primarily in the recording of contractual right to provide management services of RMB1,939.0 million and an increase in trademarks of RMB1,045.5 million.

Our return on total assets decreased from 13.7% in 2016 to 11.4% in 2017, primarily due to the increase in our profit for the year by 91.6% from RMB103.7 million in 2016 to RMB198.6 million in 2017 being outpaced by the increase in our total assets which increased by 130.1% from RMB755.4 million as of December 31, 2016 to RMB1,738.0 million as of December 31, 2017. The increase in our total assets was primarily due to our acquisition of Shenzhen Zhongshan Hospital in January 2017.

Current ratio

Our current ratio decreased from 2.62 times as of December 31, 2017 to 1.04 times as of December 31, 2018 because our current assets increased by 168.4% from RMB534.9 million as of December 31, 2017 to RMB1,435.5 million as of December 31, 2018, while our current liabilities increased by 574.3% from RMB204.2 million as of December 31, 2017 to RMB1,376.8 million as of December 31, 2018. The increase in current assets was primarily a result of an increase in bank balances and cash of RMB734.7 million. For discussion of our changes in bank balances and cash, see "— Cash flows" above. The increase in current liabilities was primarily a result of (i) an increase in amounts due to related parties of RMB913.1 million, and (ii) an increase in accounts and other payables of RMB226.7 million. For details on the changes relating to amounts due to related parties, see "— Related Party Transactions of our Group — Amounts due to related parties". For details on the changes relating to accounts and other payables, see "— Certain Balance Sheet Items of Our Group — Accounts and Other Payables".

Our current ratio increased from 0.32 times as of December 31, 2016 to 2.62 times as of December 31, 2017 primarily due to an increase in current assets by 159.2% from RMB206.4 million as of December 31, 2016 to RMB534.9 million as of December 31, 2017 and a decrease in current liabilities by 68.8% from RMB654.8 million as of December 31, 2016 to RMB204.2 million as of December 31, 2017. The increase in current assets was primarily a result of an increase in bank balances and cash of RMB258.8 million. For discussion of our changes in cash balance, see "— Cash flows" above. The decrease in current liabilities was primarily a result of the recognition of capital contribution deposits from shareholder and investors of RMB471.8 million in 2016, representing deposits from a shareholder and investors for capital contribution to Sichuan Jinxin Fertility, which was subsequently recognized as paid-in capital during 2017.

For discussion of the factors affecting our current assets and liabilities, see "— Certain Balance Sheet Items."

Quick ratio

Consistent with the changes in our current ratio, we recorded quick ratios of 0.30 times, 2.53 times, and 1.03 times as of December 31, 2016, 2017 and 2018, respectively.

See "— Our Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during various periods.

RESULTS OF OPERATIONS OF WILLSUN BVI GROUP

The following discussion and analysis relates to Willsun BVI, incorporated in March 31, 2017, that controls HRC Management. We acquired Willsun BVI on December 24, 2018. For more details relating to the acquisition, see "History, Reorganization and Corporate Structure — Our Group — Our subsidiaries — HRC Management." The following discussion and analysis should be read with the audited consolidated financial information of Willsun BVI and its subsidiaries, or Willsun BVI Group, as of December 31, 2017 and December 23, 2018, and for the periods from March 31, 2017 to December 31, 2017 and from January 1, 2018 to December 23, 2018, set out in Appendix IC to this prospectus, together with the accompanying notes. The consolidated financial information of Willsun BVI Group has been prepared in accordance with IFRS.

Period from March 31, 2017 (date of incorporation of Willsun BVI) to December 31, 2017 and Period from January 1, 2018 to December 23, 2018

	From March 31, 2017 to December 31, 2017	From January 1, 2018 to December 23, 2018
	(RMB in thousands)	
Revenue	267,149	560,153
Cost of revenue	(125,444)	(280,016)
Gross profit	141,705	280,137
Other income	140	4,626
Other loss	(156)	(807)
Administrative expenses	(27,067)	(61,848)
Profit before taxation	114,622	222,108
Income tax expenses	(23,036)	(38,139)
Profit for the period	91,586	183,969

Revenue

	From March 31, 2017 to December 31, 2017	From January 1, 2018 to December 23, 2018
	(RMB in thousands)	
Revenue		
Management services	246,438	527,833
Ambulatory surgery centre facility services	13,623	27,605
PGS testing services	7,088	4,715
Total	267,149	560,153

Willsun BVI Group recorded revenue of RMB267.1 million for the period from March 31, 2017 to December 31, 2017 and RMB560.2 million for the period from January 1, 2018 to December 23, 2018. The revenue of Willsun BVI Group consists of revenue from management service, ambulatory surgery centre facility services and PGS testing services.

Willsun BVI Group records management services revenue for the management services it provides under the MSA with HRC Medical. See "Business — Our Management Agreements" for more details on the provisions of the MSA. For the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, Willsun BVI Group recorded RMB246.4 million and RMB527.8 million of management services revenue, respectively.

Willsun BVI Group also records ambulatory surgery centre facilities services revenue in connection with providing ambulatory surgery centre facilities at RSA Centers to doctors in exchange for a fee. For the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, Willsun BVI Group recorded RMB13.6 million and RMB27.6 million of ambulatory surgery centre facilities services fee, respectively.

Willsun BVI Group also records PGS testing services revenue in connection with providing preimplantation genetic screening service at its in-house clinical laboratory called NexGenomics. For the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, Willsun BVI Group recorded RMB7.1 million and RMB4.7 million of PGS testing services fee, respectively.

Cost of revenue

Willsun BVI Group recorded cost of revenue primarily consisting of salary and wages, medical supplies and consumables, agency fee and operating lease expense. Willsun BVI Group recorded cost of revenue of RMB125.4 million and RMB280.0 million for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively.

Gross profit and gross profit margin

Willsun BVI Group recorded gross profit of RMB141.7 million and RMB280.1 million for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively. Willsun BVI Group recorded a gross profit margin of 53.0% and 50.0% for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively.

Other income

Willsun BVI Group recorded other income primarily consisting of proceeds from insurance claim. Willsun BVI Group recorded other income of RMB0.1 million and RMB4.6 million for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December

23, 2018, respectively. The amount of RMB4.6 million recorded in the period from January 1, 2018 to December 23, 2018 primarily represents proceeds from insurance claim received in connection with a clinic that was damaged during a flooding due to drain leakage.

Other losses

Willsun BVI Group recorded other losses of RMB0.2 million for the period from March 31, 2017 to December 31, 2017 and RMB0.8 million for the period from January 1, 2018 to December 23, 2018, respectively.

Administrative expenses

Willsun BVI Group recorded administrative expenses primarily consisting of salaries and wages, legal and other professional fees, utilities, maintenance and office expenses. Willsun BVI Group recorded administrative expenses of RMB27.1 million and RMB61.8 million for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively.

Profit before taxation

Willsun BVI Group recorded profit before taxation of RMB114.6 million and RMB222.1 million for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively.

Income tax expense

Willsun BVI Group recorded income tax expense of RMB23.0 million and RMB38.1 million for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively, relating primarily to income tax on profit of HRC Management attributable to Willsun BVI Group. The effective tax rate, calculated as income tax expenses divided by profit before taxation, was 20.1% and 17.2% for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively as the assessable profit of HRC Management attributable to HRC Investment was passed through to HRC Investment and not subject to income tax at the level of HRC Management. The lower effective tax rate for the period from January 1, 2018 to December 23, 2018 compared to the period from March 31, 2017 to December 31, 2017 was because of the enactment of The Tax Cuts and Jobs Act of 2017 which reduced the US Federal maximum corporate income tax rate from 34% to 21% effective for tax years beginning after December 31, 2017. Willsun BVI Group is also subject to an average of 8.84% for California state income tax rate. As the assessable profit of HRC Management attributable to HRC Investment will no longer be passed through, HRC Management is expected to be subject to a U.S. corporate tax representing 21% of the U.S. federal income tax rate and an average of 8.84% for California state income tax rate.

Profit and total comprehensive income for the period and net profit margin

As a result of the foregoing, Willsun BVI Group recorded a profit and total comprehensive income for the period of RMB91.6 million and RMB184.0 million for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively. Willsun BVI Group recorded a net profit margin of 34.3% and 32.8% for the period from March 31, 2017 to December 31, 2017 and the period from January 1, 2018 to December 23, 2018, respectively.

PROPERTY VALUATION

As of December 31, 2018, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by section 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

We have included in this prospectus as Appendix III the valuation report in respect of the New Hospital Building and the Carpark Facilities that we have acquired from Youta Pharmaceutical, and prepared by the independent professional property valuer. For more details, please see "History, Reorganization and Corporate Structure — Our Group — Our subsidiaries — Chengdu Jinyi."

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to the Reporting Accountant, legal advisors and other professional advisors for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-Allotment Option and any options granted under the Share Option Scheme are not exercised, including underwriting commissions and any discretionary incentive fee which may be payable by us) for the Global Offering are RMB207.3 million, of which RMB90.6 million has or will be recognized on our statement of profit or loss and RMB116.7 million as a deduction in equity. Of the RMB90.6 million that has or will be recognized on our statement of profit or loss, RMB38.1 million was recognized during the Track Record Period. Our Directors do not expect such expenses will have a material and adverse impact on our results of operations for 2019.

DIVIDENDS

Except as set forth below, no dividend has been proposed, paid or declared by us since our incorporation or by any of the subsidiaries of our Group during the Track Record Period.

During the year ended December 31, 2017, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB50.0 million and RMB13.5 million, respectively, to its then shareholders. As of December 31, 2017, all amounts were settled except for a dividend of RMB3.3 million which was subsequently settled in 2018.

During the year ended December 31, 2018, Sichuan Jinxin Fertility declared dividends of an aggregate amount of RMB153.0 million to its shareholders. In the same year, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB256.7 million and RMB80.0 million, respectively, to its respective shareholders of the hospital-holding entities. As of December 31, 2018, the aggregate amount of the Company's dividend payable outstanding was RMB23.7 million, after the Reorganization, of which RMB21.8 million remains outstanding as of the Latest Practicable Date, which would be settled in cash by the end of 2019. The amount of RMB21.8 million will be paid using our existing bank balances and cash, which was RMB643.5 million as of April 30, 2019.

On May 27, 2019, we declared a dividend in the amounts of approximately RMB272.9 million and US$4.6 million to our existing shareholders, which will be paid in cash by the end of 2019. The amount of RMB272.9 million will be paid using our existing bank balances and cash, which was RMB643.5 million as of April 30, 2019.

Our Board has not fixed a dividend rate. However, it may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Islands Companies Law. Our shareholders at a general meeting must approve any declaration of final dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profits calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises, such as most of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2018 and based on the consolidated net tangible assets of our Group attributable to the owners of the Company as of December 31, 2018 as shown in the accountant's report of our Group as set out in Appendix IA to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2018 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2018 (1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2018**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share as of December 31, 2018**	
		(RMB in thousands)		*RMB(3)*	*HK$(4)*
Based on a maximum Offer Price of HK$8.54 (RMB7.50) per Share . . .	97,011	2,503,208	2,600,219	1.11	1.26
Based on a minimum Offer Price of HK$7.76 (RMB6.81) per Share . . .	97,011	2,268,464	2,365,475	1.01	1.15
Based on an Offer Price of HK$7.00 (RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%	97,011	2,039,738	2,136,749	0.91	1.04

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 amounting to approximately RMB97,011,000 is based on the audited consolidated net assets of the Group attributable to owners of the Company of RMB4,363,171,000 as at December 31, 2018 less goodwill, license, contractual right to provide management services and trademarks of the Group attributable to owners of the Company of RMB802,051,000, RMB296,871,000, RMB1,939,049,000 and RMB1,228,189,000, respectively as at December 31, 2018 as extracted/derived from the Accountant's Report of the Group set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 357,124,000 new Shares to be issued at a maximum Offer Price of HK$8.54 (equivalent to RMB7.50) per Share or a minimum Offer Price of HK$7.76 (equivalent to RMB6.81) per Share or an Offer Price of HK$7.00 (equivalent to RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%, respectively, after deduction of the estimated underwriting fees and other related expenses (excluding expenses charged to profit or loss up to December 31, 2018). It does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or pursuant to grants of 32,981,388 Shares under the RSU Scheme, or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and

issue or repurchase of Shares referred to in Appendix V to this prospectus. For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into RMB was made at an exchange rate of HK$1.00 to RMB0.8779 (being the exchange rate prevailing on June 4, 2019). No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 per Share is calculated based on 2,336,952,401 Shares assuming that the Global Offering had been completed on December 31, 2018, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or pursuant to grants of 32,981,388 Shares under the RSU Scheme, or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share amounts in RMB are converted into Hong Kong dollars at an exchange rate of RMB0.8779 to HK$1.00 (being the exchange rate prevailing on June 4, 2019). No representation is made that RMB amounts have been, could have been or could be converted to Hong Kong dollar, or vice versa, at that rate or at any other rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 on the table above have not been adjusted to show the effect of NCI Acquisition and Dividend Declaration as defined and detailed in note (6) below.

(6) On February 2, 2019, YU PENG XIANG Company Limited, a British Virgin Islands incorporated limited liability company wholly-owned by Mr. Zeng Yong, one of the Group's key management personnel, subscribed for 10,882,013 Shares of the Company of US$0.00001 each at par value, representing approximately 0.55% of the Company immediately upon completion of this subscription, which does not take into account any Shares which will be issued upon Global Offering, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or pursuant to grants of 32,981,388 Shares under the RSU Scheme, or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus. On the same day, the Group entered into a series of contractual arrangements with Mr. Zeng Yong to acquire his 5.46% equity interest in Shenzhen Zhongshan Hospital (the "NCI Acquisition").

In addition, on May 27, 2019, the Company declared a dividend in the amounts of approximately RMB272,913,000 and US$4,590,000 (equivalent to RMB31,589,000) to its existing shareholders (the "Dividend Declaration").

Had the NCI Acquisition and Dividend Declaration been completed on December 31, 2018, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would decrease by approximately RMB311,222,000, being the carrying amount of 5.46% equity interests held by Zeng Yong in Shenzhen Zhongshan Hospital less the corresponding share of carrying amounts of license and trademarks of approximately RMB6,720,000 and amount of Dividend Declaration of approximately RMB304,502,000, from RMB2,600,219,000 to RMB2,288,997,000 based on the maximum Offer Price of HK$8.54 (RMB7.50) per Share, or, from RMB2,365,475,000 to RMB2,054,253,000 based on the minimum Offer Price of HK$7.76 (RMB6.81) per Share, or, from RMB2,136,749,000 to RMB1,825,527,000 based on the Offer Price of HK$7.00 (RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%.

The following table illustrates the impact of the Global Offering, NCI Acquisition and Dividend Declaration on the pro forma financial information had the the Global Offering, NCI Acquisition and Dividend Declaration been completed on December 31, 2018.

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company taking into account the Global Offering, NCI Acquisition and Dividend Declaration as at December 31, 2018	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company taking into account the Global Offering, NCI Acquisition and Dividend Declaration as at December 31, 2018 per Share**	
	RMB'000	*RMB*	*HK$*
Based on a maximum Offer Price of HK$8.54 (RMB7.50) per Share	2,288,997	0.97	1.10
Based on a minimum Offer Price of HK$7.76 (RMB 6.81) per Share . .	2,054,253	0.87	0.99
Based on an Offer Price of HK$7.00 (RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%	1,825,527	0.78	0.89

Note: The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of 2,347,834,414 Shares in total, assuming that the Global Offering of 357,124,000 new Shares, NCI Acquisition and Dividend Declaration had been completed on December 31, 2018. It does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or pursuant to grants of 32,981,388 Shares under the RSU Scheme or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

All the amounts stated in this note are based on the translation of Hong Kong dollars into RMB and United States dollars into RMB at an exchange rate of RMB0.8779 to HK$1.00 and RMB6.8822 to US$1.00, respectively (being the exchange rates prevailing on June 4, 2019). No representation is made that RMB amounts have been, could have been or could be converted to Hong Kong dollar and United States dollar, or vice versa, at those rates or at any other rates or at all.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Hong Kong Stock Exchange.

DISTRIBUTABLE RESERVES

As of December 31, 2018, we had distributable reserves comprising the sum of share premium and accumulated losses of the Company amounting to RMB4,278.3 million, which were available for distribution to our equity shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position since December 31, 2018, being the end of the period reported on in the accountant's report of our Group included in Appendix IA — "Accountant's Report."

JINXIN FERTILITY SHAREHOLDERS

The Jinxin Fertility Shareholders are our Controlling Shareholders prior to Listing, which are ultimately controlled by the Individual Shareholders (and none of the Individual Shareholders controlled over 3.00% of the issued share capital in our Company as of the Latest Practicable Date). As of the Latest Practicable Date, Jinxin Fertility Shareholders controlled 31.30% of our total issued share capital. Immediately following the completion of the Global Offering (without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted pursuant to the Share Option Scheme), the Jinxin Fertility Shareholders will continue to control approximately 26.60% of our total issued share capital. Therefore, the Jinxin Fertility Shareholders will cease to be our Controlling Shareholders and remain as one of our substantial shareholders upon Listing.

INDIVIDUAL SHAREHOLDERS

As of the Latest Practicable Date, there were 196 Individual Shareholders who together owned 100% shareholding interest in Jinxin Fertility BVI and each controlled less than 6% voting power in Jinxin Fertility BVI. Among the Individual Shareholders, 175 are currently employees of the Group and the Sister Group, while 21 are former employees who have left employment due to retirement, health or other personal reasons. As part of Chengdu government's efforts to segregate hospital business from government functions, employees of certain underlying hospitals were allowed to acquire interests in such hospitals they worked for. Consequently, the Individual Shareholders became indirect shareholders of Prior Chengdu Xinan Hospital, which was formed in 2010 as an employee stock ownership enterprise. Initially, in 2010, the Individual Shareholders comprised 399 employees of Jinxin Group. Subsequently, the number and composition of Individual Shareholders underwent changes as Jinxin Group streamlined its shareholding base. Please see the section headed "History, Reorganization and Corporate Structure — Corporate Structure — Corporate Structure after the Reorganization and before the Global Offering" for the corporate structure of the Jinxin Fertility Shareholders and the shareholding relationship with our Group.

According to the memorandum and articles of association of Jinxin Fertility BVI, Jinxin Ob-Gyn and Jinxin Geriatrics, there is only one class of shares issued and each share has the same voting entitlement at the general meeting. Neither is there any special voting arrangement agreed among the Individual Shareholders, nor has any veto power been granted to any of them. Also, to the best knowledge of our Directors, there is no proxy given by any Individual Shareholder to another Individual Shareholder. Given the highly diverse shareholding of Jinxin Fertility BVI, Jinxin Ob-Gyn and Jinxin Geriatrics, no Individual Shareholder is able to secure on his or her own the passing any resolutions (whether ordinary or special) at general meetings of Jinxin Fertility BVI, Jinxin Ob-Gyn, Jinxin Geriatrics, or our Company. As confirmed by our Directors, the Individual Shareholders have been exercising their respective voting powers freely and independently. Key corporate decisions concerning our Group are made by resolutions passed at Jinxin Fertility BVI's general meetings, where the Individual Shareholders attend and vote. Currently, Mr. Zhong Ying, Ms. Yan Xiaoqing and Mr. Dong Yang, being our Directors, as well as Ms. Zhu Yujuan and Ms. Liu Jing, being members of our senior management, are among the Individual Shareholders. To avoid conflict of interests, each Individual Shareholder who is also our Director will abstain from voting on any resolutions of Jinxin Fertility BVI or our Company concerning transactions in which he or she has a material interest. Apart

from the aforesaid Individual Shareholders who holds positions within our Group, to our best knowledge, each Individual Shareholder was independent to each other, our Directors or members of our senior management and was not a director or a member of senior management of our Group as of the Latest Practicable Date.

Sister Group

In addition to shareholdings in Jinxin Fertility Shareholders, as of the Latest Practicable Date, the Individual Shareholders through separate holding companies also own two business units in the healthcare and medical industry, namely Jinxin Ob-Gyn and Jinxin Geriatrics (and together with their respective subsidiaries, "**Sister Group**"). Although held via different holding entities, the Individual Shareholdings are beneficial shareholders of the Sister Group with approximate identical shareholding in each of Jinxin Ob-Gyn and Jinxin Geriatrics. The Sister Group, together with the Jinxin Fertility Shareholders, constitutes the entire Jinxin Group.

Jinxin Ob-Gyn and its subsidiaries are principally engaged in the provision of gynecological and psychiatric medical services. Jinxin Geriatrics and its subsidiaries are primarily engaged in the provision of geriatric and traditional Chinese medical services and elderly care service. Jinxin Geriatrics is a 2.88% shareholder in Tibet Fukang Medical Co., Ltd., (西藏阜康醫療股份有限公司), a general hospital which offers assisted reproduction medical services as one of their services.

CLEAR DELINEATION OF BUSINESS

Our core business is the provision of ARS, with our businesses and operations based in the PRC and the United States ("**Core Business**"). As discussed above, while our Group's services also includes gynecological surgery, we are an assisted reproduction services focused corporation and those such surgery services are offered to assist our clients' needs in relation to assisted reproduction medical treatment, unlike Jinxin Ob-Gyn which is a gynecology-focused hospital group. As described above, Jinxin Ob-Gyn and Jinxin Geriatrics have different businesses from the Group. Accordingly, the other businesses and companies in which the Sister Group is interested are different in nature from our Core Business. Except through our Group, none of Jinxin Fertility Shareholders or the Sister Group is engaged in any business that competes or is likely to compete, either directly or indirectly, with our Core Business, which is subject to disclosure pursuant to Rule 8.10(1) of the Listing Rules. Given (i) the clear delineation between our Core Business on the one hand and the other businesses of Jinxin Fertility Shareholders and the Sister Group on the other hand, as well as (ii) the non-competition arrangements, our Board is satisfied that our business is and will continue to be independent of Jinxin Fertility Shareholders and the Sister Group.

INDEPENDENCE FROM JINXIN FERTILITY SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from Jinxin Fertility Shareholders (who will remain as our substantial shareholders upon Listing) and their close associates and the Sister Group after the Global Offering.

Management Independence

Our Board consists of 11 Directors, comprising three executive Directors, four non-executive Directors and four independent non-executive Directors. Our executive management team is led by three executive Directors, Mr. Zhong Ying, Ms. Yan Xiaoqing and Dr. John G. Wilcox, together with co-chief executive officer, Mr. Zhong Yong, and a team of senior management. Each of our senior management possesses relevant management and/or industry-related experience to act as such. As at the Latest Practical Date, nine of the Directors do not hold any directorship, senior management position or supervisor position with the Jinxin Fertility Shareholders and/or the Sister Group. Set out below is a table summarizing the positions held by our Directors with our Company, and their positions, if any, with Jinxin Fertility Shareholders and/or the Sister Group as of the Latest Practicable Date:

Name	Position with our Company	Positions with Jinxin Fertility Shareholders and/or the Sister Group (other than our Group) as of the Latest Practicable Date
Mr. Wang Bin (王彬)	Chairman and non-executive Director	None
Mr. Zhong Ying (鍾影)	Executive Director and co-chief executive officer	Director of Jinxin Geriatrics and one of its subsidiaries
Ms. Yan Xiaoqing (嚴曉晴)	Executive Director	None
Dr. John G. Wilcox	Executive Director	None
Mr. Fang Min (方敏)	Non-executive Director	None
Ms. Hu Zhe (胡喆)	Non-executive Director	None
Mr. Dong Yang (董陽)	Non-executive Director	Holding one directorship in Jinxin Fertility Shareholders, and directorships at five and two subsidiaries of Jinxin Ob-Gyn and Jinxin Geriatrics, respectively, and as chief financial officer of Jinxin Ob-Gyn
Dr. Chong Yat Keung (莊一強)	Independent non-executive Director	None
Mr. Lim Haw Kuang (林浩光)	Independent non-executive Director	None

Name	Position with our Company	Positions with Jinxin Fertility Shareholders and/or the Sister Group (other than our Group) as of the Latest Practicable Date
Mr. Wang Xiaobo (王嘯波)	Independent non-executive Director	None
Mr. Ye Changqing (葉長青).	Independent non-executive Director	None

Please see the section headed "Directors and Senior Management" in this prospectus for further details of their management and industry experience.

We consider that our Board and senior management will function independently from Jinxin Fertility Shareholders and their close associates because:

- each of our Directors is aware of his fiduciary duties as a director which require, among others things, that he must act for the benefit of and in the best interests of our Company and our Shareholders as a whole and must not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company on one hand, and Jinxin Fertility Shareholders and their close associates and/or the Sister Group on the other hand, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;

- the decision-making mechanism as set out in the Articles of Association includes provisions to avoid conflicts of interest, which stipulate, among others, that in the event of conflicts of interest such as reviewing of proposals relating to transactions with Jinxin Fertility Shareholders and their close associates and/or the Sister Group, our Directors who are associated with Jinxin Fertility Shareholders and/or the Sister Group must abstain from voting and shall not be counted for quorum. Besides, when considering connected transactions, our independent non-executive Directors will review the relevant transactions;

- we have appointed four independent non-executive Directors, comprising more than one-third of our Board, all of whom have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules, with a view to promoting the interest of our Company and our shareholders as a whole and to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;

- none of our independent non-executive Directors is associated with the Jinxin Fertility Shareholders and their close associates or the Sister Group in any way that may impede the independence required for acting as an independent non-executive director under Rule 3.13 of the Listing Rules;

- as at the Latest Practical Date, save as disclosed in this prospectus, none of our Directors has any interest in a business that competes or is likely to compete, either directly or indirectly, with our Group's business;

- each of our Directors will not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest and shall not be counted in the quorum present at the particular Board meeting; and

- we have established an internal control mechanism to identify related party transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Based on the above, our Directors believe that our Company has its own management teams at both executive and operational levels, and is satisfied that it is capable of maintaining independence from Jinxin Fertility Shareholders and/or their close associates and the Sister Group.

Operational Independence

Our Directors consider that our operations do not depend on the operations of Jinxin Fertility Shareholders, their close associates and the Sister Group for the following reasons:

(a) our Group possesses sufficient capital, property, equipment, technology and human resources to operate its business independently, and holds concessions and qualifications that are necessary for our business;

(b) our Group has an established organizational structure, comprising various separate departments each charged with specific responsibilities;

(c) our Group also has independent access to, among others, suppliers, technical and medical experts and other resources required for our Group's business, and we operate our business independently, with independent rights to make and implement operational decisions;

(d) we maintain a set of internal control procedures to facilitate the effective operation of our business, see the section headed "Business — Internal Control and Corporate Governance — Internal Control and Corporate Governance Enhancement Measures" in this prospectus;

(e) we have adopted a set of corporate governance manuals, such as rules with respect to the shareholders' meeting, the board meeting, the board committees' meeting and the conduct of connected transactions, pursuant to relevant laws and regulations; and

(f) the continuing connected transactions as set out in the section headed "Connected Transactions" in this prospectus of our Group have been entered into and will continue to be entered into on normal commercial terms and in our ordinary course of business. Please refer to the section headed "Connected Transactions" of this prospectus for the details of the connected transactions that will continue after Listing.

Based on the above, our Directors are satisfied that we are able to operate independently from Jinxin Fertility Shareholders, their close associates and the Sister Group.

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. We are financially independent of Jinxin Fertility Shareholders, their close associates and the Sister Group.

We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decision according to its own business needs. Our source of funding was independent from Jinxin Fertility Shareholders, their close associates and the Sister Group. As of December 31, 2018, there are no loans, advances and balances due to and from and guarantee provided by Jinxin Fertility Shareholders, their close associates or the Sister Group, except an amount of approximately RMB504.34 million due to us by Jinxin Geriatrics and its subsidiaries and affiliates which was settled by March 3, 2019. Further, there are no security over assets and guarantees provided by Jinxin Fertility Shareholders, their close associates or the Sister Group on our Group's borrowing. Our Directors confirm that our Group does not intend to obtain any borrowing, guarantees, pledges and mortgages from Jinxin Fertility Shareholders, their close associates or the Sister Group.

Based on the above, our Directors believe that we are able to maintain financial independence from Jinxin Fertility Shareholders, their close associates and the Sister Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interests between us on one hand, and Jinxin Fertility Shareholders and the Sister Group on the other hand, and to safeguard the interests of our Shareholders:

- in the event that connected transactions, if any, between our Group and other business in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;

- our Directors operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested; and

- pursuant to the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interests between us on one hand, and Jinxin Fertility Shareholders, their close associates and the Sister Group on the other hand, and to protect minority Shareholders' rights after the Listing.

We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgment. We are also committed to the view that our independent non-executive Directors should be of sufficient caliber and number for their views to carry weight. Our independent non-executive Directors, details of whom are set forth in "Directors and Senior Management," are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgment.

Our Company is expected to comply with the CG Code which sets our principles of good corporate governance in relation to, among others, Directors, the chairman, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in our corporate governance report which will be included in our annual report.

OVERVIEW

We have entered into a number of agreements and arrangements with our connected persons (as defined under Chapter 14A of the Listing Rules and set out below) in our ordinary and usual course of business. Upon the Listing, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

Owing to the nature and locality of our business, our continuing connected transactions are divided into two segments: the PRC business and the United States business.

A. CONNECTED TRANSACTIONS OF THE PRC BUSINESS

Connected Persons

We have entered into certain transactions with the following connected persons, which will constitute our connected transactions or continuing transactions upon Listing:

Connected Relationship	Name
Director	Ms. Yan Xiaoqing
Director of Shenzhen Zhongshan Hospital, our subsidiary	Mr. Zeng Yong

Non-Exempt Continuing Connected Transactions

1. Contractual Arrangements

Background:

As disclosed in the section headed "Contractual Arrangements" in this prospectus, in light of the Foreign Ownership Restriction, (i) in order to prevent leakages of assets and values to the minority shareholder of the VIE Entities, and to obtain the 10.0% and 3.98% economic benefits of the VIE Entities respectively attributable to Jinrun Fude; and (ii) in order to prevent leakages of assets and values to the minority shareholder of Shenzhen Zhongshan Hospital, and to obtain 5.46% economic benefits of Shenzhen Zhongshan Hospital attributable to Mr. Zeng Yong, Sichuan Jinxin Fertility, Jinrun Fude, the VIE Entities, Mr. Zeng Yong and the Registered Shareholders will enter into Contractual Arrangements. The Contractual Arrangements will allow Sichuan Jinxin Fertility to control and consolidate economic benefits of Jinrun Fude and the VIE Entities.

See the section headed "Contractual Arrangements" in this prospectus for detailed terms of the Contractual Arrangements.

Listing Rules Implication

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

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of our Group, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into, among others, by the Registered Shareholders, Jinrun Fude, Mr. Zeng Yong and any member of our Group (the "**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, announcement, circular and independent Shareholders' approval requirements.

B. CONNECTED TRANSACTIONS OF THE UNITED STATES BUSINESS

Connected Persons

We have entered into certain transactions with the following connected persons, which will constitute our connected transactions or continuing transactions upon Listing:

Connected Relationship	Name
Substantial shareholders	Physician Shareholders
Associates of Physician Shareholders	Fertility Nexus LLC, Felicia A. Ota, M.D., Inc., HRC Properties LLC, 333 Arroyo Parkway LLC, JGWilcox Capital Building LLC, Koa Rodge Capital LLC, Emerald Bay Capital Partners III LLC, Michael Feinman Real Estate LLC, 135 South Rosemead LLC, Gender Selection Australia Proprietary Limited, HRC Medical

Associates of Physician Shareholders

Physician Shareholders are ultimate beneficial shareholders of HRC Investment, and jointly and indirectly hold 17.83% equity interest of our Company. Therefore, the Physician Shareholders, as a whole, are our substantial shareholders, and each, a substantial shareholder of our Company. Fertility Nexus LLC, HRC Properties LLC, 333 Arroyo Parkway LLC, JGWilcox Capital Building LLC, Koa Rodge Capital LLC, Emerald Bay Capital Partners III LLC, Michael Feinman Real Estate LLC, 135 South Rosemead LLC, Gender Selection Australia Proprietary Limited and HRC Medical is each directly owned as to at least 30% equity interests by one or more Physician Shareholders. Felicia A. Ota, M.D., Inc., is wholly owned by Dr. Felicia Ota, the spouse of one of the Physician Shareholders. As a result, the above entities and individual are all regarded as associates of our substantial shareholders and therefore are connected persons of our Company under Rule 14A.07 of the Listing Rules.

Exempt Continuing Connected Transactions

1. Sub-Lease Framework Agreement

On May 31, 2019, HRC Management as sub-lessor entered into a facilities rental sub-lease framework agreement (the "**Sub-Lease Framework Agreement**") with Fertility Nexus LLC and Felicia A. Ota, M.D., Inc. (the "**Lessees**") as lessee, pursuant to which HRC Management agreed to lease certain premises of (i) approximately 200 sq. ft. located at 1525 Superior Ave Suite 202, Newport Beach, California 92663, the United States to Fertility Nexus LLC, a company wholly-owned by Dr. Daniel A. Potter as the office premises of Fertility Nexus LLC and its subsidiary, Donor Nexus LLC and (ii) approximately 507 sq. ft. located at 15503 Ventura Blvd, Suite 120 and Suite 200, Encino, California, United States to Felicia A. Ota, M.D., Inc., a company wholly owned by Dr. Felicia Ota, the spouse of Dr. Robert Boostanfar as Dr. Felicia Ota's office. HRC Management considers that sub-leasing the unused space of the premises will allow HRC Management to utilise the space to its maximum capacity and generate extra cash flow and at the same time, offset the amount of rent payable to the landlord. The Sub-Lease Framework Agreement has a term of three years commencing from January 1, 2019 to December 31, 2021 at a fixed aggregate annual rent of USD30,108. The rental payable by the Lessees under the Sub-Lease Framework Agreement is negotiated on an arm's length basis between the parties with reference to (i) the floor area leased to lessee; (ii) the prevailing market rent for comparable premises in the vicinity and JLL, an independent property valuer, has confirmed that the rents payable are fair and reasonable and consistent with prevailing rates for similar premises in similar locations. As such, our Directors consider that the pricing terms are fair and reasonable and are in the interests of our Group, and are therefore on normal commercial terms. During the Track Record Period, there is no transaction under the Sub-Lease Framework Agreement as rents were paid to HRC Medical. The aggregated amount is expected to remain constant for the years ending December 31, 2019, 2020 and 2021 at an aggregated amount not exceeding USD30,108 per annum, as no material adjustment is expected to be made to such rent during the term of the Sub-Lease Framework Agreement.

Listing Rules implications

Fertility Nexus LLC is wholly-owned by Dr. Daniel A. Potter and Felicia A. Ota, M.D., Inc. is wholly owned by Dr. Felicia Ota, the spouse of Dr. Robert Boostanfar. Pursuant to Rule 14A.07(4) of the Listing Rules, each of the Lessees is an associate of the Physician Shareholders, our substantial shareholders, and therefore a connected person of our Company.

As the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are, and the total annual fee payable to our Group under the Sub-Lease Framework Agreement will, as our Directors currently expect, be less than 0.1%, the transactions contemplated under such agreements are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Promotional Services Agreement

On May 1, 2019, HRC Management entered into a promotional service agreement (the "**Promotional Services Agreement**") with Gender Selection Australia Proprietary Limited, pursuant to which Gender Selection Australia Proprietary Limited will provide promotional services relating to reproductive treatment in Australia and New Zealand to our Group. Given its experience, HRC Management believes that Gender Selection Australia Proprietary Limited is a vendor that is able to execute the required tasks satisfactorily and add value for the Group's marketing functions. The initial term of the Promotional Services Agreement commenced from May 1, 2019 and will end on December 31, 2021. The term of the agreement will be automatically extended and renewed for successive three year periods upon expiry of the term, until and unless the agreement is terminated in accordance with its terms. The services fees to be paid by us to Gender Selection Australia Proprietary Limited under the Promotional Services Agreement were determined by comparing the fee rates available in the market, making reference to the historical transaction amounts, as well as accessing its costs and the estimated transaction amounts in the future. As such, the Directors consider that pricing terms under the Promotional Services Agreement will be no less favorable to our Group than terms of services available in the market, and the services fees are in line with or lower than market rates and is in the best interests of our Company and our Shareholders as a whole. For each of the three years ended December 31, 2016, 2017 and 2018, the transaction amount with Gender Selection Australia Proprietary Limited for such promotional services were 0, USD61,500 and USD126,000, respectively. The amount of fees payable by HRC Management are expected to remain steady for the years ending December 31, 2019, 2020 and 2021 at an amount not exceeding USD165,000 per annum, as no material adjustment is expected to be made to such fee during the term of the Promotional Services Agreement.

Listing Rules implications

One of the Physician Shareholders, Dr. Daniel A. Potter, owns and controls 51% shareholding in Gender Selection Australia Proprietary Limited, thereby is regarded as an associate of the Physician Shareholders, which are our substantial shareholders. Therefore, Gender Selection Australia Proprietary Limited is a connected person of our Company pursuant to Rule 14A.07(4) of the Listing Rules.

As the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are, and the total annual fee payable by our Group under the Promotional Services Agreement will, as our Directors currently expect, be less than 5% and the total annual fee is less than HK$3 million, the transactions contemplated under such agreements are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. HRC Office Lease Agreement

Principal terms

On April 4, 2016, HRC Medical as lessee entered into a lease agreement (the "**HRC Office Lease Agreement**") with 135 South Rosemead LLC as lessor, pursuant to which 135 South Rosemead LLC agreed to lease to HRC Medical a single-storey building of approximately 8,425 sq. ft. located at 135 South Rosemead Boulevard, Pasadena, Los Angeles, the United States. On July 12, 2017, HRC Medical and HRC Management, our subsidiary, entered into a series of assignment and assumption of agreements, pursuant to which HRC Medical assigned the lease together with rights and obligations under the HRC Office Lease Agreement to HRC Management.

HRC Management is leasing the premises under the HRC Office Lease Agreement as its office. The lease of the premises is necessary for the operations of HRC Management and will ensure its consistent and stable operation. The initial term of the HRC Office Lease Agreement is from April 21, 2016 and will end on April 30, 2026. As advised by our independent property valuer, such length of lease is in line with the typical industry practice in the United States and is a fair and reasonable arrangement. The monthly rent payable by us is USD16,487.73 with an annual rental increase of 3% since 2017. The rent payable by HRC Management under the HRC Office Lease Agreement was negotiated on an arm's length basis between the parties with reference to (i) the size of the area leased to HRC Management (ii) the prevailing market rent for comparable premises in the vicinity. JLL has confirmed that the rents payable by HRC Management under the HRC Office Lease Agreements are fair, reasonable and no less favorable to our Group than those offered by Independent Third Parties. As such, our Directors consider that the pricing terms are fair and reasonable in the interests of our Group and are on normal commercial terms. For each of the three years ended December 31, 2016, 2017 and 2018, the transaction amount with 135 South Rosemead LLC were 0, USD99,887 and USD214,766, respectively.

Listing Rules implications

135 South Rosemead LLC is jointly-owned by Dr. Robert Boostanfar (35%), Dr. David Tourgeman (35%), Timothy J. McGinley (10%), Roger T. Good (10%) and Christian Koch (10%). Therefore, 135 South Rosemead LLC is 70% owned by Physician Shareholders. Pursuant to Rule 14A.07 of the Listing Rules, 135 South Rosemead LLC is an associate of Physician Shareholders, which are our substantial shareholders and therefore a connected person of our Company.

As the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are, and the total annual fee payable by our Group under the HRC Office Lease Agreement will, as our Directors currently expect, be less than 5% and the total annual fee is less than HK$3 million, the transactions contemplated under such agreements are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors are of the view that such a longer lease term is necessary for the operations of HRC Management because it would enable the Group to secure locations for its business operations at fair market price and to prevent unnecessary cost, time and interruption of business caused by relocation in case of a short-term lease. Moreover, we need to make substantial capital commitment, time and management efforts to operate our office in California and to establish a stable base of customers, which makes it commercially desirable for our Group to have a sufficiently long term use of the leased properties to capture the benefits arising from our efforts made and to be made. As such, entering into the HRC Office Lease Agreement for a period of more than three years promotes stability and continuity in operations and is beneficial to our Shareholders as a whole. JLL also has confirmed that terms of HRC Office Lease Agreement is on normal commercial terms. The Joint Sponsors agree with our Directors' view and concur that the more than three years' term is in line with normal business practice.

Non-Exempt Continuing Connected Transactions

4. HRC Clinic Lease agreement

Principal terms

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

Reasons for the transactions

HRC Management leases the premises under the HRC Clinic Lease Agreement to provide office space for the clinical operations of HRC Medical. The decision to lease the premises owned by the Lessors was made after considering factors including, among others, the fees payable by HRC Management to the Lessors and the conditions of the premises. As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors are of the view that such a longer lease term is necessary for the operations of HRC Management because it would enable the Group to secure locations for its business operations at fair market price and to prevent unnecessary cost, time and interruption of business caused by relocation in the case of a short-term lease. Moreover, we need to make substantial capital commitment, time and management efforts to manage HRC Medical in California and to establish a stable base of customers, which makes it commercially desirable for our Group to have a sufficiently long-term use of the leased properties to capture the benefits arising from our efforts made and to be made. As such, our Directors consider that entering into the HRC Clinic Lease Agreement for a period of more than three years promotes stability and continuity in operations and is beneficial to our Shareholders as a whole. The Joint Sponsors agree with our Directors' view and concur that the more than three years' term is in line with normal business practice. We have also compared the rent of the property provided by the Lessors with other potential landlords and have come to the conclusion that the rent offered by the Lessors is cheaper. Also the premises are renovated to function and come with medical equipment to function as clinic. As a result, our Directors consider that entering into the HRC Clinic Lease Agreement will benefit our Group and Shareholders as a whole.

Pricing policies

We assess our business needs and compare the rent and management service fee proposed by Lessors with those offered by at least one other comparable service providers and conclude the rent rates and quality of services provided by Lessors are favorable than those from other Independent Third Party service provider. The monthly rent of USD87,396.28 payable by us since 2019 with an annual rental increase of 3% during the leasing term were determined on normal commercial terms after arm's length negotiations between us and the Lessors, and the rental amount are in line with or no more than the prevailing market rates of properties of comparable size and quality situated in the same locality which is available and are in the best interests of our Company and our Shareholders as a whole. JLL has confirmed that the rents payable by HRC Management under the HRC Clinic Lease Agreements are fair, reasonable and consistent with prevailing market rates for similar premises in similar locations and the lease terms under the HRC Clinic Lease Agreement are market lease terms in the local market. The Directors are of the view that the terms of the HRC Clinic Lease Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms.

Historical transaction amounts

The rent (including base rent and other fees payable) paid by HRC Management in relation to the property rents to the Lessors for the years ended December 31, 2016, 2017 and 2018 are set out below:

	Historical Amount	
	For the year ended December 31, 2017	**For the year ended December 31, 2018**
	(USD'000)	*(USD'000)*
Rent (including base rent and other fees payable) to the Lessors[(1)] . . .	465[(3)]	930

(1) The property concerned is wholly owned by HRC Properties LLC before December 2017. In December 2017, the property became jointly-owned by the Lessors. During the Track Record Period, HRC Management paid the rent to HRC Properties LLC directly.

(2) HRC Properties LLC leased the same premises to HRC Medical before July 2017. In July 2017, HRC Management and HRC Medical entered into an assignment agreement in respect of the prior lease pursuant to which HRC Medical assigned the lease to HRC Management.

(3) Rent (including base rent and other fees payable) was paid by HRC Management to Lessors from July 2017.

Annual caps

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

	Proposed annual caps for the year ending December 31,					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
	(USD'000)	*(USD'000)*	*(USD'000)*	*(USD'000)*	*(USD'000)*	*(USD'000)*
Rent (including base rent and other fees payable) to be paid by our Group to the Lessors	1,050	1,082	1,114	1,148	1,182	1,217

	Proposed annual caps for the year ending December 31,					
	2025	2026	2027	2028	2029	2030
	(USD'000)	*(USD'000)*	*(USD'000)*	*(USD'000)*	*(USD'000)*	*(USD'000)*
Rent (including base rent and other fees payable) to be paid by our Group to the Lessors	1,254	1,291	1,330	1,370	1,411	1,453

Basis of caps

The above proposed annual caps for the rent (including base rent and other fees payable) to be paid by our Group to the Lessors were determined with reference to the following factors:

- the base rent for the properties leased from the Lessors stipulated under the HRC Clinic Lease Agreement for the next eleven years ending December 31, 2030;
- the estimated increase in the service fee of parking and other management services considering the trend of increase in the historical parking and other management expenses, which is in line with market rates; and
- valuation conducted by JLL.

Listing Rules implications

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

As the highest applicable percentage ratio calculated under the HRC Clinic Lease Agreement for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be more than 0.1% but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transaction of the Company subject to the reporting, announcement and annual review requirements but will be exempted from circular and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Arrangements for the MSA and Ancillary Agreements

Principal terms

HRC Medical first entered into the Prior MSA on July 13, 2017 with HRC Management, our management services organization that manages HRC Medical. On January 22, 2019, HRC Management, entered into the Existing MSA together with the Ancillary Agreements 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 Existing 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 Existing MSA is terminated in accordance with its terms.

Apart from the Existing 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.

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 Existing 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 more details about the MSA and Ancillary Agreements, please refer to "Business — Our Management Agreements — Management Services Agreement".

Reasons for the transactions

We, through providing management services to HRC Medical, enjoy the economic benefits derived from HRC Medical. Under California's corporate practice of medicine doctrine, medical corporations can only be owned and operated by physicians. As a result, we cannot own HRC Medical. To comply with the relevant California laws, HRC Management, as a management services organization, does not offer medical services or exercise influence or control over the medical practice of HRC Medical's physicians.

The management arrangement between HRC Medical and HRC Management is a generally accepted practice in the healthcare market and frequently used by companies that provide management services to physician groups in California and other states in which the corporate practice of medicine doctrine is applied. Under such arrangement, HRC Management provides a wide scope of management services including, but not limited to, management, administrative, procurement, facilities, equipment, information technology, infrastructure and other supporting services required for the operation of physician medical practices. In relation to the pharmaceuticals, the physicians in HRC Medical will prescribe medicines for their respective patients, as required by the applicable healthcare laws and regulations on corporate pharmaceutical practices in California, the United States, and HRC Management will facilitate the procurement of such pharmaceuticals and provide ancillary services including reimbursement for the costs of procurement of pharmaceuticals on behalf of HRC Medical, pursuant to the arrangements under the MSA.

In anticipation of the Listing, HRC Management entered into the MSA and Ancillary Agreements to optimize the overall business arrangement, allow our Group to enjoy the economic benefits derived from HRC Medical, and safeguard the underlying assets and values in the interests of our Company and our Shareholders as a whole.

Term

Pursuant to Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors consider that the proposed term under the MSA and Ancillary Agreements is in the best interest of our Group and our Shareholders as a whole for the reasons that:

(a) The MSA and Ancillary Agreements are important to our Group's business and operations in the United States, which would have significant contribution of revenue. To comply with the applicable California law and federal law of the United States, pursuant to the MSA and Ancillary Agreements, HRC Management will provide management services to HRC Medical, in return for the management service fee, which is commensurate with the fair market value for the services rendered. Under such arrangement, our Group will be able to continue to enjoy the economic benefits derived from HRC Medical, while preventing possible leakages of assets and values of HRC Medical on an uninterrupted basis;

(b) In light of the substantial capital commitment, time and management efforts made by us in building the current platform for managing HRC Medical, it is commercially desirable to our Company and our Shareholders for the MSA and Ancillary Agreements to have terms of sufficient duration to capture the benefits arising from our Group's efforts made and to be made. Also, it provides certainty to the ongoing management arrangement so that we can devise long-term plans and objectives for our business in the United States; and

(c) The adoption of a lengthy term for management service arrangement is common in the United States healthcare market. After consulting with our US Special Counsel, and taking into account their views, we and the Joint Sponsors believe that similar management services arrangements utilized by other companies in the United States healthcare market often include lengthy terms comparable to that of the MSA and Ancillary Agreements, subject to termination upon material breach and other for cause termination rights.

Pricing policies

Pursuant to the Existing MSA, HRC Medical shall pay to HRC Management a management service fee for management services and the use of HRC Management's premises within 15 days from the end of the corresponding month which management service fees are accrued. The management service fee is equal to 90% of all gross revenue of HRC Medical accrued during the preceding month plus a bonus incentive which can be granted at HRC Medical's sole discretion after considering factors related to the services and benefits provided by HRC Management to HRC Medical. To allow the maximum amount of the management service fee to be paid to our Company to the extent permitted under the applicable federal and California state laws, the parties to the Existing MSA have agreed to adopt 90% of HRC Medical's gross revenue, being the high end of the fair market value as determined by an independent professional valuer, as the revenue percentage for the management service fee. In practice, after satisfying its operational liabilities, HRC Medical will settle the management service fee with HRC Management using its remaining available cash.

The management fee will be subject to review by our Company (including approval by our independent non-executive Directors) and HRC Medical on an annual basis to ensure that the total compensation paid to HRC Management will continue to be commensurate with the fair market value for the services rendered, which is a requirement of the U.S. federal and state laws and regulations. In doing so, the parties will decide on the fair market value of the management services provided by HRC Management based on the valuation conducted by an Independent Third Party valuer. The typical effective period for a valuation report may range from one to five years from the date of valuation, but each report will have its own effective period. In the event that the valuation report prepared by independent professional valuer has ceased to be effective, or there is any substantial change to the scope of services or terms of the Existing MSA, our Company will re-engage the independent professional valuer to prepare a new valuation report so as to ensure the management service fee is commensurate with the fair market value for the services rendered from time to time. For details of valuation of the management service fee, see section headed "Business — Our Management Agreements — Management Services Agreement — Existing MSA — Independent Valuation of Management Service Fee".

After consulting with our US Special Counsel, we believe that the percentage of revenue methodology for determining the management fee as adopted under the MSA and Ancillary Agreements are commonly used in California management services arrangements that are comparable to that of the MSA and Ancillary Agreements, and the percentage of gross revenue compensation methodology of the type specifically provided under the MSA and Ancillary Agreements are generally accepted as compliant with currently existing applicable US federal and California state laws,

regulations and interpretations governing management fee structures within the California healthcare market. For more details, see "Business — Our Management Agreements — Management Services Agreement — Existing MSA — Management Service Fee" in this prospectus.

Historical transaction amounts

The transaction amount received by HRC Management for the period from March 31, 2017 (date of incorporation of Willsun BVI) to December 31, 2017 and from January 1, 2018 to December 31, 2018 are set out below:

	Historical Amount	
	From March 31 to December 31, 2017	For the year ended December 31, 2018
	(USD'000)	*(USD'000)*
Management service fee by HRC Medical to HRC Management	37,068	89,703

Listing Rules implications

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 our substantial shareholders and thereby a connected person of the Company. Therefore, the transactions contemplated under the MSA and Ancillary Agreements will constitute continuing connected transactions of our Company under the Listing Rules.

In consideration of the importance of the MSA and Ancillary Agreements to our business and operations and the significant revenue contribution to our Group, our Directors (including our 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 our 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 our ordinary and usual course of business of our Group, on normal commercial terms or better and fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

Given the nature of management service fees payable by HRC Medical to HRC Management, which is principally based on a fixed percentage of the gross revenue of HRC Medical, our Directors consider that the strict compliance with the annual cap requirement would be impractical and unduly burdensome to our Company. Although it is expected that the transaction volumes between HRC Management and HRC Medical will continue to increase in the foreseeable future in light of the growth of the ARS industry, the factors driving the increase in transaction volumes are dependent on

economic growth in the United States as well as that of the country of origin of HRC Medical's patients. At the same time, the expertise of the medical staff and equipment conditions of the laboratory will influence the patient volume and number of IVF treatment cycles conducted by the ARS providers, not to mention the ability to maintain reputation in the industry and trust with the patients. As such, our Directors believe that imposing any arbitrary cap on transactions between HRC Management and HRC Medical would not be appropriate as it does not represent an accurate estimate of the actual transaction amounts and/or volumes of the relevant financial years.

WAIVERS GRANTED BY THE STOCK EXCHANGE

The Non-exempt Continuing Connected Transactions for our Group are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application of waiver in respect of the HRC Clinic Lease Agreement

As the above continuing connected transaction is expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements will be unduly burdensome and impractical, and such requirements will lead to unnecessary administrative costs to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of such non-exempt connected transaction. The independent non-executive Directors and reporting accountants of the Company will review whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our reporting accountants will be disclosed annually according to the requirements of the Listing Rules.

Application of waiver in respect of the Contractual Arrangements

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and 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 our Shares are listed on the Stock Exchange, subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Jinrun Fude and the VIE Entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the lowest price as permitted under applicable PRC laws, (ii) the business structure under which the profit generated by Jinrun Fude and the VIE Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Sichuan Jinxin Fertility by Jinrun Fude and Mr. Zeng Yong under the Exclusive Operation Services Agreements, and (iii) our Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the VIE Entities and Jinrun Fude.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, Jinrun Fude, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by Jinrun Fude to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) no dividends or other distributions have been made by the VIE Entities to Jinrun Fude and Mr. Zeng Yong (except the portion held for his own benefit) which are not otherwise subsequently assigned or transferred to our Group; (iv) any new contracts entered into, renewed or reproduced between our Group and Jinrun Fude during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's reporting accountants will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that (i) no dividends or other distributions have been made by Jinrun Fude to the holders of its equity interest which are not otherwise subsequently assigned to our Group; and (ii) no dividends or other distributions have been made by the VIE Entities to Jinrun Fude and Mr. Zeng Yong (except the portion held for his own benefit) which are not otherwise subsequently assigned or transferred to our Group. Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

- Jinrun Fude will undertake that, for so long as the Shares are listed on the Stock Exchange, Jinrun Fude will provide the Group's management and the Company's reporting accountants' full access to its relevant records for the purpose of their review of the continuing connected transactions.

(f) ***Application of Chapter 14A of the Listing Rules in respect of transactions other than the Contractual Arrangements***

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

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and Jinrun Fude will continue to be treated as the Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Jinrun Fude and their respective associates will be treated as connected persons of the Company (excluding for this purpose, Jinrun Fude), and transactions between these connected persons and the Group (including for this purpose, Jinrun Fude), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

Application of waiver in respect of the MSA and Ancillary Agreements

In respect of the MSA and Ancillary Agreements, we have applied to the Stock Exchange for, and 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 our Shares are listed on the Stock Exchange, subject however to the following conditions:

(a) ***No change or waiver of management service fee without independent non-executive Directors' approval***

No change to the MSA and Ancillary Agreements on waiver of any management service fee thereunder will be made without the approval of the independent non-executive Directors.

(b) ***No change without independent Shareholders' approval***

Save as described in paragraph (c) below, no change to the MSA and Ancillary Agreements will be made without the independent Shareholders' approval.

Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the MSA and Ancillary Agreements in the annual reports of our Company (as set out in paragraph (d) below) will however continue to be applicable.

(c) ***Compliance with the requirements under Chapter 14 and Chapter 14A of the Listing Rules in respect of any principal advances to HRC Medical***

We will comply with all applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules if we make any principal advances to HRC Medical pursuant to the MSA and Ancillary Agreements.

(d) ***Economic benefits flexibility***

The MSA and Ancillary Agreements shall continue to enable our 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 our Group as management service fees, subject to review by our 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, which is a requirement of the U.S. federal and state laws and regulations, plus a bonus incentive as may be granted at the discretion of HRC Medical. As such, no annual cap shall be set on the amount of management service fees payable to HRC Management by HRC Medical under the Existing MSA.

(e) ***Automatic extension of the term upon anniversary***

The Existing 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 Existing MSA is terminated in accordance with its terms. No independent Shareholders' approval will be required under Chapter 14A of the Listing Rules for the automatic extension of the term in accordance with the MSA and Ancillary Agreements. The waiver is subject to the condition that such arrangement will comply with California law and federal law of the United States.

(f) ***Ongoing reporting and approvals***

We will disclose details relating to the MSA and Ancillary Agreements on an ongoing basis as follows:

- The MSA and Ancillary Agreements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the MSA and Ancillary Agreements annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year 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 our Company and HRC Medical and approval by our independent non-executive Directors on an annual basis, plus a discretionary bonus incentive; and (ii) the MSA and Ancillary Agreements are on normal commercial terms or better and fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

- Our Company's reporting accountants will carry out review procedures annually on the transactions pursuant to the MSA and Ancillary Agreements, and will provide a letter to our Directors with a copy to the Stock Exchange at least 10 business days before the bulk printing of its annual report, confirming that the transactions have received the approval of our Directors and have been entered into in accordance with the relevant MSA and Ancillary Agreements.

- HRC Medical will undertake that, for so long as our Shares are listed on the Stock Exchange, it will provide our Group's management and our Company's reporting accountants with full access to its relevant records for the purpose of their review of the continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CORPORATE GOVERNANCE MEASURES

In order to ensure that the terms under relevant agreements for the continuing connected transaction are fair and reasonable, and no less favorable to us than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms or better, we will adopt the following internal control procedures upon the Listing:

- our Board and various internal departments of our Company will be jointly responsible for evaluating the terms under relevant agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps;

- our Board and various internal departments of our Company will regularly monitor the fulfillment status and the transaction updates under the relevant agreements. In addition, the management of our Company will also regularly review the pricing policies of the relevant agreements; and

- our independent non-executive Directors and reporting accountants will conduct annual review of the continuing connected transactions under the agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms or better and in accordance with the pricing policy.

CONFIRMATION BY OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions, and for which waivers have been sought, have been entered into and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the Non-exempt Continuing Connected Transactions (if applicable) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and historical figures prepared and provided by the Company in relation to the above Non-exempt Continuing Connected Transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group and the legal advisors of our Company. Based on the above, the Joint Sponsors are of the view that the proposed annual caps of each of the Non-exempt Continuing Connected Transactions, if applicable, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that such transactions have been and will be entered into in the ordinary and usual course of our Company's business, on normal commercial terms, are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

	Number of Shares	US$
Authorized share capital:		
Shares	5,000,000,000	50,000
Issued and to be issued, fully paid or credited as fully paid:		
Shares in issue as of the date of this prospectus	2,023,691,802	20,236.92
Shares to be issued pursuant to the Global Offering	357,124,000	3,571.24
Total	2,380,815,802	23,808.16

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option, any options granted under the Share Option Scheme, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MEETING

Pursuant to the Cayman Islands Companies Law and the terms of the Company's Memorandum and Articles of Association, the Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may reduce or redeem its share capital by shareholders' special resolution. For details, see "Appendix IV — Summary of the Articles of Association of the Company and Cayman Islands Companies Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital."

Pursuant to the Cayman Islands Companies Law and the terms of the Company's Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to "Appendix IV — Summary of the Articles of Association of the Company and Cayman Islands Companies Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares."

SHARE OPTION SCHEME

On June 3, 2019, we have adopted a Share Option Scheme which will be effective upon Listing. Potential participants will include Directors and employees of any member of our Group, as well as certain other persons that the board of Directors considers have contributed or will contribute to our Group. Under this scheme, the maximum amount of options that may initially be granted cannot exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Hong Kong Stock Exchange (subject to such 10% limit being refreshed at a shareholders' meeting, and the overall 10% on-going limit on all share option schemes as imposed by the Listing Rules). Options under this scheme may only be granted after Listing.

The principal terms of the Share Option Scheme are summarized in the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix V to this prospectus.

RSU SCHEME

On February 15, 2019, we have adopted the RSU Scheme. See "Statutory and General Information — "D. RSU Scheme" in Appendix V to this prospectus for details of the RSU Scheme.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — The Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options granted under the Share Option Scheme); and

(ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the sub-section headed "— General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about the Group — Resolutions in Writing of our Shareholders Passed on June 3, 2019" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — The Global Offering", our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options granted under the Share Option Scheme).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — Further Information about Our Group — Repurchases of Our Own Securities" in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — Further Information about Our Group — Resolutions in Writing of Our Shareholders Passed on June 3, 2019" in Appendix V to this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option and any options granted under the Share Option Scheme are not exercised, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held immediately prior to the Global Offering		Shares held immediately following the completion of the Global Offering	
		Number	Percentage	Number	Percentage
Jinxin Fertility BVI	Beneficial owner	502,400,853	24.83%	502,400,853	21.10%
Jinxin Global BVI	Beneficial owner	130,980,306	6.47%	130,980,306	5.50%
Jinxin Fund[(1)]	Interests of controlled corporations	130,980,306	6.47%	130,980,306	5.50%
Amethyst Gem[(2)(3)]	Beneficial owner	446,839,991	22.08%	446,839,991	18.77%
HRC Investment	Beneficial owner	360,725,005	17.83%	360,725,005	15.15%
HRC Investment Cayman LLC	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%
Dr. Michael A. Feinman[(4)]	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%
Dr. Daniel A. Potter[(5)]	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%
Dr. Jane L. Frederick[(6)]	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%
Dr. Bradford A. Kolb[(7)]	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%
Dr. David Tourgeman[(8)]	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%
Dr. John G. Wilcox[(9)]	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%
Dr. Jeffrey Nelson[(10)]	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%
Dr. Robert Boostanfar[(11)]	Interests of controlled corporations	360,725,005	17.83%	360,725,005	15.15%

Notes:

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

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

the general partner of Warburg Pincus XII is Warburg Pincus (Cayman) XII, L.P., the general partner of which is Warburg Pincus (Cayman) XII GP LLC. The managing member of Warburg Pincus (Cayman) China GP LLC and the sole member of Warburg Pincus (Cayman) XII GP LLC is Warburg Pincus Partners II (Cayman), L.P., the general partner of which is Warburg Pincus (Bermuda) Private Equity GP Ltd..

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

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

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

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

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

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

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

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

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

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option and any options granted under the Share Option Scheme are not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

INTERESTS HELD IN AN IVF BUSINESS IN HAINAN, PRC BY THE PHYSICIAN SHAREHOLDERS

Some of the Physician Shareholders the ("**Hainan Shareholders**"), acting through their indirect PRC subsidiary, Hainan HRC Hospital Management and Consulting Co., Ltd. ("**HRC China**"), have entered into a collaboration arrangement with a Hainan-based general hospital, Hainan Boao Ciming Aoya Hospital Co., Ltd ("**Hainan Hospital**"), and certain other third parties described below to set up an IVF center held under Hainan Hospital in Hainan province, which holds an approval from relevant government authority to utilize PGD/PGS assisted reproductive technology. Under the collaboration arrangement, HRC China will provide management services for the IVF center. Currently, HRC China is assisting Hainan Hospital in the preparation for commencement of operations. This collaboration is referred to below as "**Hainan Business**".

HRC China is controlled by Hainan Shareholders through a Delaware-incorporated company, HRC-Hainan Holding Company, LLC ("**HRC Hainan Holding**"), which in turn we have a minority interest in. Specifically, HRC Hainan Holding is owned by Hainan Shareholders (including our Director, Dr. John G. Wilcox), HRC Management and certain Independent Third Parties with respective shareholding interest of 49.49%, 24.95% and 25.57% respectively, and HRC Hainan Holding owns a 55% interest in HRC China. Other shareholders of HRC China include a 35% interest shareholder, D&W Holding Company, LLC ("**D&W**"), which is 41.39% owned by our director Dr. John G. Wilcox. All other shareholders of HRC China are Third Parties.

We believe through our interest in HRC Hainan Holding, we will benefit from the long term growth opportunities offered by the Hainan Business. We expect the Hainan Business to remain loss-making and in early stage of development for two to three years from Listing. Pursuant to a supplemental shareholder agreement dated February 13, 2019 entered into among others, HRC Management and Hainan Shareholders (the "**Hainan Agreement**"), HRC Management shall have the right (but not an obligation) to purchase all or part of the shares held by any Hainan Shareholders in HRC Hainan and the shares held by Dr. Wilcox in D&W, at any time after occurrence of any of the following events: (1) three years from the date of Listing; or (2) any material breach of any professional services agreement, medical director agreement or deed of undertaking between such Hainan Shareholder and HRC Management/HRC Medical by Dr. John G. Wilcox or any of other Hainan Shareholders. The consideration for the purchase shall be determined by an Independent Third Party valuer to be agreed by HRC Management and the respective sellers.

Under the Hainan Agreement, the Hainan Shareholders represent and undertake that HRC China will be managed by professional management team and none of the Hainan Shareholders will be involved in the day to day operation and management of HRC China.

Deed of Undertaking by the Physician Shareholders

Further, pursuant to a deed of undertaking dated December 24, 2018, save those businesses which have been fully disclosed to our Company (including Hainan Business), each of the Physician Shareholders undertakes not to directly or indirectly commence, engage in, participate in or acquire

any business or division of a business (including providing assisted reproductive medical products or services) which competes, directly or indirectly, with the business from time to time carried on by our Group or own any rights or interests in such business during a period of ten (10) years commencing from the Listing Date.

In addition, each of the Physician Shareholders has agreed to a five years' lock-up such that they will not, without the prior consent of our Company:

(i) during the first year after the Listing Date (the "**First Lock-up Period**"), sell or otherwise transfer or dispose of any of the Shares beneficially held by the Physician Shareholders; and

(ii) during a period of four years following the expiry of the First Lock-up Period, sell or otherwise transfer or dispose of any of the Shares held by the Physician Shareholders, provided that if certain performance condition is met in a financial year, a Physician Shareholder will be allowed to transfer up to 10% of his Shares beneficially held by that Physician Shareholder.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the cornerstone investors ("**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price for certain number of our Offer Shares (the "**Cornerstone Placing**").

The Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest board lot of 2,000 Shares) that may be subscribed for an aggregate amount of US$150 million, or approximately HK$1,175 million.

Based on the Offer Price of HK$8.54 per Offer Share, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 137,690,000, representing, assuming that the Over-allotment Option and any options granted under the Share Option Scheme is not exercised, approximately 38.56% of the Offer Shares and approximately 5.78% of the total issued share capital immediately upon completion of the Global Offering.

Based on the Offer Price of HK$8.15 per Offer Share, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 144,280,000, representing, assuming that the Over-allotment Option and any options granted under the Share Option Scheme is not exercised, approximately 40.40% of the Offer Shares and approximately 6.06% of the total issued share capital immediately upon completion of the Global Offering.

Based on the Offer Price of HK$7.76 per Offer Share, being the low-end of the indicative Offer Price rage set out in this Prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 151,532,000, representing, assuming that the Over-allotment Option and any options granted under the Share Option Scheme is not exercised, approximately 42.43% of the Offer Shares and approximately 6.36% of the total issued share capital immediately upon completion of the Global Offering.

Based on the Offer Price of HK$7.00 per Offer Share, being 10% below the low-end of the indicative Offer Price range set out in this Prospectus after making a Downward Price Adjustment, the total number of Shares to be subscribed for by the Cornerstone Investors would be 167,894,000, representing, assuming that the Over-allotment Option and any options granted under the Share Option Scheme is not exercised, approximately 47.04% of the Offer Shares and approximately 7.05% of the total issued share capital immediately upon completion of the Global Offering.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe any Offer Share under the Global Offering other than and pursuant to their respective cornerstone investment agreements. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in the Company. None of the Cornerstone Investors will become a substantial shareholder of the Company.

The Offer Shares to be subscribed for any by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering — The Hong Kong Public Offering" in this Prospectus.

To the best of the knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and not a connected person or existing shareholder or close associate of the Company. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around June 24, 2019.

THE CORNERSTONE INVESTORS

The following tables set forth details of the Cornerstone Placing and approximate percentage of total number of Offer Shares and percentage of total issued share capital of our Company upon Listing, based on different Offer Price scenarios:

			Based on Offer Price of HK$8.54 (being the Maximum Offer Price)			
			Approximate percentage of total number of Offer Shares		**Approximate percentage of total issued share capital of our Company immediately upon Listing**	
Cornerstone Investor	**Investment Amount [(Note)]**	**Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 2,000 Shares)**	**Assuming the Over-allotment Option and any options granted under the Share Option Scheme is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option and any options granted under the Share Option Scheme is not exercised**	**Assuming the Over-allotment Option is exercised in full**
Ally Bridge LB Healthcare Master Fund Limited	US$30 million	27,538,000	7.71%	6.71%	1.16%	1.13%
Cormorant Asset Management, LP	US$20 million	18,358,000	5.14%	4.47%	0.77%	0.75%
Gaoling Fund, L.P. and YHG Investment, L.P.	US$70 million	64,256,000	17.99%	15.65%	2.70%	2.64%
OrbiMed	US$30 million	27,538,000	7.71%	6.71%	1.16%	1.13%
Total	US$150 million	137,690,000	38.56%	33.53%	5.78%	5.66%

Note:

Calculated using the closing Hong Kong and US dollar exchange rate published by Bloomberg at 5 p.m. on the business day immediately before the Price Determination Date.

			Based on Offer Price of HK$8.15 (being the mid-point of the Offer Price)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately upon Listing	
Cornerstone Investor	Investment Amount[(Note)]	Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 2,000 Shares)	Assuming the Over-allotment Option and any options granted under the Share Option Scheme is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option and any options granted under the Share Option Scheme is not exercised	Assuming the Over-allotment Option is exercised in full
Ally Bridge LB Healthcare Master Fund Limited	US$30 million	28,856,000	8.08%	7.03%	1.21%	1.19%
Cormorant Asset Management, LP	US$20 million	19,236,000	5.39%	4.68%	0.81%	0.79%
Gaoling Fund, L.P. and YHG Investment, L.P.	US$70 million	67,332,000	18.85%	16.39%	2.83%	2.77%
OrbiMed	US$30 million	28,856,000	8.08%	7.03%	1.21%	1.19%
Total	US$150 million	144,280,000	40.40%	35.13%	6.06%	5.93%

Note:

Calculated using the closing Hong Kong and US dollar exchange rate published by Bloomberg at 5 p.m. on the business day immediately before the Price Determination Date.

			Based on Offer Price of HK$7.76 (being the Minimum Offer Price)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately upon Listing	
Cornerstone Investor	Investment Amount[(Note)]	Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 2,000 Shares)	Assuming the Over-allotment Option and any options granted under the Share Option Scheme is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option and any options granted under the Share Option Scheme is not exercised	Assuming the Over-allotment Option is exercised in full
Ally Bridge LB Healthcare Master Fund Limited	US$30 million	30,306,000	8.49%	7.38%	1.27%	1.24%
Cormorant Asset Management, LP	US$20 million	20,204,000	5.66%	4.92%	0.85%	0.83%
Gaoling Fund, L.P. and YHG Investment, L.P.	US$70 million	70,716,000	19.80%	17.22%	2.97%	2.90%
OrbiMed	US$30 million	30,306,000	8.49%	7.38%	1.27%	1.24%
Total	US$150 million	151,532,000	42.43%	36.90%	6.36%	6.22%

Note:Calculated using the closing Hong Kong and US dollar exchange rate published by Bloomberg at 5 p.m. on the business day immediately before the Price Determination Date.

			Based on Offer Price of HK$7.00 (being 10% below the low-end of the indicative Offer Price after making a Downward Price Adjustment)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately upon Listing	
Cornerstone Investor	**Investment Amount(Note)**	**Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 2,000 Shares)**	**Assuming the Over-allotment Option and any options granted under the Share Option Scheme is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option and any options granted under the Share Option Scheme is not exercised**	**Assuming the Over-allotment Option is exercised in full**
Ally Bridge LB Healthcare Master Fund Limited	US$30 million	33,596,000	9.41%	8.18%	1.41%	1.38%
Cormorant Asset Management, LP	US$20 million	22,398,000	6.27%	5.45%	0.94%	0.92%
Gaoling Fund, L.P. and YHG Investment, L.P.	US$70 million	78,394,000	21.95%	19.09%	3.29%	3.22%
OrbiMed	US$30 million	33,596,000	9.41%	8.18%	1.41%	1.38%
Total	US$150 million	167,894,000	47.04%	40.90%	7.05%	6.90%

Note:

Calculated using the closing Hong Kong and US dollar exchange rate published by Bloomberg at 5 p.m. on the business day immediately before the Price Determination Date.

Information about Ally Bridge LB Healthcare Master Fund Limited

Ally Bridge LB Healthcare Master Fund Limited ("**Ally Bridge LB**"), an exempted Company incorporated in the Cayman Islands on March 19, 2015, is managed by Ally Bridge LB Management Limited. Ally Bridge LB is a long-bias public equity fund focusing in Asia/Greater China healthcare. The fund primarily invests in public equities, but also selectively participates in high-quality pre-IPO deals. The fund invests across the entire healthcare value chain, in pharmaceuticals, biotech, medical devices, distribution, hospitals and mobile health.

Information about Cormorant Asset Management, LP

Cormorant Asset Management, LP ("**Cormorant**") is a SEC registered investment advisor located in Boston, Massachusetts, USA, which has been providing investment advisory services since March 2013. Cormorant invests primarily in public and private securities of healthcare and life sciences companies. Cormorant Global Healthcare Master Fund, LP, Cormorant Private Healthcare Fund II, LP, and CRMA SPV, LP (the "**Cormorant Funds**") are long-term investment partnerships investing in healthcare and life sciences companies and advised by Cormorant.

Information about Gaoling Fund, L.P. and YHG Investment, L.P.

Gaoling Fund, L.P. and YHG Investment, L.P. are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. ("**Hillhouse Capital**") serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P.

Hillhouse Capital is an investor focused on partnering with entrepreneurs to grow their businesses and expand internationally. With offices in Hong Kong, New York, Beijing and Singapore, Hillhouse Capital looks for opportunities across the world, and has the flexibility to work across the private equity spectrum, from seed investments to buyouts. Hillhouse Capital manages capital on behalf of global institutions such as non-profit foundations and pensions.

Information about OrbiMed

Worldwide Healthcare Trust PLC is a closed-end fund incorporated in the United Kingdom and whose portfolio is managed by OrbiMed Capital LLC ("**OrbiMed Capital**"). OrbiMed Capital is an investment firm dedicated exclusively to the healthcare sector. OrbiMed Capital invests globally across a spectrum of healthcare companies, from venture capital start-ups to large multi-national companies. OrbiMed Capital manages a series of private equity funds, public equity funds, royalty/debt funds and other investment vehicles.

OrbiMed Global Healthcare Master Fund, L.P. is an exempted limited partnership incorporated under the laws of the Cayman Islands. It is a pooled-investment fund with OrbiMed Advisors LLC acting as the investment manager. Being the managing member of the general partner of OrbiMed Global Healthcare Master Fund, L.P., OrbiMed Advisors LLC is the ultimate controlling entity of OrbiMed Global Healthcare Master Fund, L.P. OrbiMed Global Healthcare Master Fund, L.P. is a Pre-IPO Investor. OrbiMed Advisors LLC and OrbiMed Capital are under common control of Sven Borho, Carl Gordon and Jonathan Silverstein.

CONDITIONS PRECEDENT

The obligation of each Cornerstone Investor to subscribe, and the obligation of the Company to issue and deliver, the Offer Shares pursuant to the relevant cornerstone investment agreement is conditional upon the following:

(a) The Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreements of the parties thereto;

(b) Neither of the Underwriting Agreements have been terminated;

(c) No laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the subscription of the Offer Shares under the relevant cornerstone investment agreement and there being no order or injunction of a court of competent jurisdiction in effect which precludes or prohibits the consummation of such transactions;

(d) The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(e) The representation, warranties, undertakings and confirmations of the relevant Cornerstone Investor in the relevant cornerstone investment agreement remaining true and accurate in all material respects and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor; and

(f) the Offer Price having been agreed by, among others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company in connection with the Global Offering

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company, it will not, whether directly or indirectly, at any time during the period of six months commencing from and including the Listing Date, dispose of any of the Shares subscribed by it pursuant to the relevant cornerstone investment agreement and any interest in any Shares or any other securities of the Company which are derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares.

Each Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of Relevant Shares imposed on such Cornerstone Investor.

FUTURE PLANS

See the section headed "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$8.15 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$2,674.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$8.15 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$423.0 million.

If the Offer Price is fixed at HK$8.54 per Offer Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$133.7 million.

If the Offer Price is fixed at HK$7.76 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$130.7 million. If we make a Downward Offer Price Adjustment to set the Offer Price at HK$7.00 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK$260.5 million. This reduction in net proceeds (including where we make a Downward Offer Price Adjustment) will be deducted from the allocation of such net proceeds to the below purposes on a pro rata basis.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 25.0%, or HK$668.6 million, will be used to expand and upgrade existing assisted reproductive medical facilities in our network in China and recruit medical professionals, including physicians and embryologists, in order to increase capacity, expand our service offering and market share. We intend to use (i) 20.0% or HK$534.9 million to (a) expand and upgrade the medical facilities, including additional premises, such as laboratory space for embryo culture, in particular at Jinjiang IVF Center, pursuant to the IVF specialty collaboration agreement, and Shenzhen Zhongshan Hospital once full utilization at these facilities is reached, (b) acquire additional medical equipment and (c) acquire and/or construct patient care facilities, such as facilities to provide prenatal services and a dedicated treatment area for VIP patients, and (ii) 5.0%, or HK$133.7 million to recruit and expand medical professional teams and relevant supporting staff, including introducing professional staff specializing in prenatal services. For further information, see "Business — Our Strategies — Increase market share, productivity and capacity";

- approximately 20.0%, or HK$534.9 million, will be used for the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in. We intend to expand our national network by acquiring ARS providers and/or entering into cooperation arrangements with other ARS providers with an established business in populous and affluent urban centers with limited ARS providers. We focus on ARS providers which perform more than 2,000 IVF treatment cycles per year, have a locally recognized brand, and already possess conventional IVF-ET and/or ICSI licenses. In particular, we are targeting assisted reproductive medical facilities in East China and the Beijing-Tianjin-Hebei Region. As of the Latest Practicable Date, we are in the process of identifying acquisition opportunities in China but have not yet identified any acquisition targets;

- approximately 10.0%, or HK$267.4 million, will be used for investment in research and development to enhance overall performance and maintain our position at the forefront of ART. We intend to (i) establish a dedicated research and development team in Chengdu through recruiting leading experts in their field and (ii) upgrade our equipment to enhance our clinical technology, for example further upgrading our advanced embryo culture and monitoring system (time-lapse) and flow cytometers;

- approximately 20.0%, or HK$534.9 million, will be used for the potential acquisitions of ARS service providers and businesses along the ARS service chain, for example, by acquiring surrogacy and egg donor agencies, particularly those which are established and are in the Greater Los Angeles area, to complement HRC Fertility's current business in the United States, and IVF laboratories which can provide laboratory space to HRC Medical's physicians as well as physicians outside our network. We are particularly targeting IVF laboratories that are established and operate as a chain or franchise. As of the Latest Practicable Date, we are in the process of identifying acquisition opportunities in the United States but have not yet identified any acquisition targets. For more details, see "Business — Our Strategies — Expand our platform reach through acquisitions";

- approximately 15.0%, or HK$401.2 million, will be used to improve brand awareness and general ARS awareness in both China and the United States, such as conducting academic promotions, developing social media tools, and conducting marketing activities in the United States. We currently intend to use approximately 70-80% of the net proceeds of HK$401.2 million primarily for brand awareness activities in the United States, which is expected to principally consist of fees paid to agencies promoting HRC Fertility's services to international patients looking to receive ARS in the United States. We will also continue to build up our business development team through engaging consultants to improve our brand awareness strategy and to conduct market surveys. We also intend to establish an

adolescent sexual health education center which will incorporate virtual reality technology in its educational activities. For more details, see "Business — Our Strategy — Continue to improve our brand awareness"; and

- approximately 10.0%, or HK$267.4 million, will be used for working capital and general corporate purposes.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering (including any net proceeds resulting from the exercise of the Over-allotment Option, if applicable) will accordingly increase or decrease. If we make a Downward Offer Price Adjustment, the estimated net proceeds we will receive from the Global Offering will be further reduced. Under such circumstances, we will increase or decrease the allocation of such net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
CLSA Limited
Citigroup Global Markets Asia Limited
China Merchants Securities (HK) Co., Limited
CMB International Capital Limited
China Securities (International) Corporate Finance Company Limited
ABCI Securities Company Limited
ICBC International Securities Limited
Huatai Financial Holdings (Hong Kong) Limited
Mirae Asset Securities (HK) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Representatives and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 35,716,000 Hong Kong Offer Shares and the International Offering of initially 321,408,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this Prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (for themselves and severally on behalf of the Hong Kong Underwriters), our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written or oral notice from the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors, if any of the events set forth below occur at any time prior to 8:00 a.m. on the Listing Date:

(1) there develops, occurs, exists or comes into force:

(a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands, the British Virgin Islands (each a "Relevant Jurisdiction"); or

(b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis, in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(e) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), Russia, London, Singapore, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(f) any change or prospective change in or affecting taxation, exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(g) the issue or requirement to issue by the Company of a supplemental or amendment to the Prospectus, Application Forms, Preliminary Offering Circular or Offering Circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC that is likely to have a Material Adverse Effect; or

(h) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in the Prospectus; or

(i) any litigation or claim being threatened or instigated against any members of the Group or any Directors; or

(j) a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or action or other proceedings, or announcing an intention to investigate or take other action or proceedings against any members of the Group or any of the chairman, president or the Directors of the Company; or

(k) any order or petition for the winding up of any members of the Group or any composition or arrangement made by any members of the Group with its creditors or a scheme of arrangement entered into by any members of the Group or any resolution for the winding-up of any members of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of the Group or anything analogous thereto occurring in respect of any members of the Group; or

(l) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company or any members of the Group; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

(A) is or will be or is likely to have a material adverse effect or any development involving a prospective material adverse effect, on the assets, liabilities, business, management, performance, position or condition (financial or otherwise), results of operations, or prospects of the Group, taken as a whole ("Material Adverse Effect"); or

(B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(C) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering; or

(D) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

(a) any of the chairman, chief executive officer, Directors of the Company vacating this office, or being charged with an indicatable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company; or

(b) any contravention by any members of the Group or any Directors of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Cayman Companies Law, the Listing Rules or any other applicable Laws; or

(c) a prohibition on the Company for whatever reason from allotting, issuing, selling, or delivering any of the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(d) any demand by creditors for repayment of indebtedness or payment of any indebtedness of any members of the Group or in respect of which any members of the Group is liable prior to its stated maturity is likely to have a Material Adverse Effect; or

(e) that any statement contained in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, inaccurate, incorrect in any material respect, or misleading, or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(f) non-compliance of the Prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other applicable Law; or

(g) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, not having been disclosed, constitutes a material omission from any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(h) either (i) there has been a breach of any of the representations, warranties, undertakings, obligations or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by any parties thereto (other than any of the Hong Kong Underwriters or the International Underwriters) or (ii) any of the representations, warranties and undertakings given by any parties thereto (other than any of the Hong Kong Underwriters or the International Underwriters) in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(i) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties as defined in the Hong Kong Underwriting Agreement; or

(j) any Material Adverse Effect; or

(k) any material breach of any of the obligations of the Company or Jinxin Fertility Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(l) any breach of, or any event rendering any of the representations, warranties and undertakings given by the Company or the Jinxin Fertility Shareholders untrue or incorrect or misleading in any material respect; or

(m) a material portion of the orders in the book-building process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(n) any expert, whose consent is required for the issue of the Prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsors) prior to the issue of the Prospectus; or

(o) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in any of the offering documents or to the issue of any of the offering documents (as defined in the Hong Kong Underwriting Agreement); or

(p) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(q) the Company has withdrawn the Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(r) the Stock Borrowing Agreement is not duly authorized, executed and delivered or it is terminated.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) *Undertakings by Our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) shall be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except (i) pursuant to the Global Offering (including any exercise of the Over-allotment Option); or (ii) in certain circumstances provided under Rule 10.08 of the Listing Rules.

(B) *Undertakings by our Jinxin Fertility Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, our Jinxin Fertility Shareholders has collectively undertaken to the Stock Exchange that, except pursuant to the lending of any Shares pursuant to the Stock Borrowing Agreement (if applicable), it shall not, unless in compliance with the requirements of the Listing Rule in the period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this Prospectus to be the beneficial owner.

Note (2) to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent Jinxin Fertility Shareholders from using the Shares beneficially owned by it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Jinxin Fertility Shareholders has collectively further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is 6 months from the Listing Date, it shall:

(i) when it or the relevant registered holders pledge or charge any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Jinxin Fertility Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by our Company*

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken with each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Hong Kong Underwriters that, we will not, without the prior written consent of the Joint Representatives and unless in compliance with the Listing Rules, at any time during the period commencing on the Latest Practicable Date and ending on the date which is six months from the Listing Date (the "First Six-month Period"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities of our Company or interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i) to (iii) above,

in each case, whether any of the foregoing transactions described in sub-paragraphs (i) to (iii) above is to be settled by delivery of our Shares or such other securities, or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period) provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering or grant of options or issuance of Shares upon exercise of such options pursuant to the Share Option Scheme or any issue of debt securities by our Company or any other member of our Group or any encumbrance created over the shares or other securities of any member of our Group as security for such debt securities, provided that such debt securities are not convertible into equity securities of our Company or any member of our Group.

During the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), we shall not enter into any of the transactions specified in sub-paragraphs (i) to (iii) above or offer to or agree to or announce any intention to effect any such transaction such that the Jinxin Fertility Shareholders, directly or indirectly, would, collectively, cease to be our single largest Shareholders.

In the event that, during the Second Six-month Period, we enter into any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect such transaction, we will take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

(B) *Undertaking by Jinxin Fertility Shareholders*

Each of the Jinxin Fertility Shareholders has undertaken to us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option or (C) the Stock Borrowing Agreement, none of the Jinxin Fertility Shareholders will, without the prior written consent of the Joint Representatives or unless in compliance with or otherwise permitted under the Listing Rules (including, but not limited to, note (2) to Rule 10.07(2) of the Listing Rules), at any time during the First Six-month Period:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree or announce any intention to effect any transaction described in (i) to (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of our Shares or other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period).

During the Second Six-month Period, each of the Jinxin Fertility Shareholders will not enter into any of the transactions in sub-paragraphs (i), (ii) or (iii) above or offer to or agree or announce any intention to enter into any such transactions if, immediately following such sale, transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Jinxin Fertility Shareholders will, directly or indirectly collectively, cease to be our single largest Shareholders.

Until the expiry of the Second Six-month Period, in the event that each of the Jinxin Fertility Shareholders enters into any such transactions or offers to or agrees or announces any intention to enter into any such transactions, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company.

At any time during the First Six-month Period and Second Six-month Period (i) the Jinxin Fertility Shareholders will, if they pledge or charge or intends to pledge or charge any Shares or other securities of our Company in respect of which they are the beneficial owners, immediately inform our Company and the Joint Representatives of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) the Jinxin Fertility Shareholders will, if they receive any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company and the Joint Representatives of any such indication.

Indemnity

We and the Jinxin Fertility Shareholders have agreed to indemnify, among others, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in Our Company

Except for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we and the Jinxin Fertility Shareholders will enter into the International Underwriting Agreement with, among others, the Joint Representatives and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Representatives at their sole and absolute discretion (for themselves and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 53,568,000 Shares, representing no more than 15.0% of the initial Offer Shares, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive a gross underwriting commission equal to 3% of the aggregate Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). Our Company may also in our sole discretion pay the Hong Kong Underwriters an additional incentive fee of up to 1% of the aggregate Offer Price.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) in their sole discretion consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as may be agreed).

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$236.1 million (assuming an Offer Price of HK$8.15 per Offer Share, being the mid-point of the indicative Offering Price range stated in this Prospectus), are payable and borne by our Company.

INDEPENDENCE OF JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 35,716,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in "Structure of the Global Offering — The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of 321,408,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as described in "Structure of the Global Offering — The International Offering" below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15.0% of the issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.2% of the issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "Structure of the Global Offering — The International Offering — Over-allotment Option."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation."

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 35,716,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised, the Hong Kong Offer Shares will represent approximately 1.5% of our Company's issued share capital immediately after the completion of the Global Offering. The Hong Kong Public Offering is open to

members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "Structure of the Global Offering — Conditions of the Global Offering."

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 17,858,000 and 17,858,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5.00 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5.00 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 17,858,000 Hong Kong Offer Shares (being 50% of the 35,716,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer

Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 107,140,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 142,852,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 178,562,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of shares that may be reallocated to the Hong Kong Public Offering shall be not more than 71,432,000 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offering, and the final Offer Price shall be fixed at HK$7.76 per Offer Share, the low-end of the Offer Price range stated in this Prospectus.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretion consider appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$8.54 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Structure of the Global Offering — Pricing and Allocation," is less than the maximum price of HK$8.54 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please see "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 321,408,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Structure of the Global Offering — Pricing and Allocation" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation," the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Representatives at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue an aggregate of 53,568,000 Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price to, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.2% of our Company's issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced,

may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, or any person acting for it, may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Representatives, or any person acting for it may cover such over-allocation by, using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued and/or sold pursuant to the exercise in full of the Over-allotment Option, being 53,568,000 Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 53,568,000 Shares from Jinxin Fertility BVI pursuant to the Stock Borrowing Agreement (the "**Stock Borrowing Agreement**").

If such Stock Borrowing Agreement is entered into, it will comply with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus not subject to the restrictions of Rule 10.07(1) of the Listing Rules, and it will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different price or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, June 19, 2019 and in any event no later than Friday, June 21, 2019, by agreement among the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly hereafter.

The Offer Price will not be more than HK$8.54 per Offer Share and is expected to be not less than HK$7.76 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).**

Announcement of Offer Price Reduction

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date. In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Company and the Stock Exchange at **www.jxr-fertility** and **www.hkexnews.hk** an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Monday, June 24, 2019. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Representatives (for themselves and severally on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this Prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option);

(b) the Offer Price having been agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Friday, June 21, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.jxr-fertility.com**) and the website of the Stock Exchange (**www.hkexnews.hk**). In such eventuality, all application monies will be returned, without interest, on the terms set forth "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued and/or sold pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or deal in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, June 25, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, June 25, 2019. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 2,000 Shares each and the stock code of the Shares will be 1951.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate or close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES WHICH APPLICATION CHANNEL TO USE

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Thursday, June 13, 2019 until 12:00 noon on Tuesday, June 18, 2019:

(i) any of the following offices of the Hong Kong Underwriters:

(a) Morgan Stanley Asia Limited, at 46/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong;

(b) CLSA Limited, at 18/F, One Pacific Place, 88 Queensway, Hong Kong;

(c) China Merchants Securities (HK) Co., Limited, at 48/F, One Exchange Square, Central, Hong Kong;

(d) CMB International Capital Limited, at 45F, Champion Tower, 3 Garden Road, Central, Hong Kong;

(e) China Securities (International) Corporate Finance Company Limited, at 18/F Two Exchange Square, 8 Connaught Place, Central, Hong Kong;

(f) ABCI Securities Company Limited, at 10/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong;

(g) ICBC International Securities Limited, at 37/F, ICBC Tower, 3 Garden Road, Hong Kong;

(h) Huatai Financial Holdings (Hong Kong) Limited, at 4201 42/F & 5801-05 58/F, The Center, 99 Queen's Road Central, Hong Kong; and

(i) Mirae Asset Securities (HK) Limited, at Unit 8501, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(ii) any of the following branches of the receiving bank:

Branch Name	Address
Hong Kong Island	
Head Office	45 Des Voeux Road Central
Central District Branch	189 Des Voeux Road Central
Kennedy Town Branch	28 Catchick Street
Kowloon	
Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	
Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Thursday, June 13, 2019 until 12:00 noon on Tuesday, June 18, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "CMB Wing Lung (Nominees) Limited — Jinxin Fertility Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Thursday, June 13, 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, June 14, 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, June 15, 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, June 17, 2019 — 9:00 a.m. to 5:00 p.m.
- Tuesday, June 18, 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, June 18, 2019, the last application day or such later time as described in "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists."

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Law Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Forms and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

(vi) agree that none of the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Forms;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "Personal Collection" in this section to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person;

(xix) (if you are making the application as an agent for the benefit of another person) warrant that

(i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and

(ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for the YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

GENERAL

Individuals who meet the criteria in "How to Apply for Hong Kong Offer Shares — 2. Who Can Apply" may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, June 13, 2019 until 11:30 a.m. on Tuesday, June 18, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, June 18, 2019 or such later time under "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists."

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2.0 for each "Jinxin Fertility Group Limited" **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square 8 Connaught Place
Central Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, have not indicated or will not indicate an interest for, any Offer Shares under the International Offering nor otherwise participate in the International Offering;

- (if the electronic application instruction are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;

- agree that none of the Company, the Joint Representatives, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Representatives, the Joint Global Coordinators, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or

public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Thursday, June 13, 2019 — 9:00 a.m. to 8:30 p.m.
- Friday, June 14, 2019 — 8:00 a.m. to 8:30 p.m.
- Saturday, June 15, 2019 — 8:00 a.m. to 1:00 p.m.
- Monday, June 17, 2019 — 8:00 a.m. to 8:30 p.m.
- Tuesday, June 18, 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, June 13, 2019 until 12:00 noon on Tuesday, June 18, 2019 (24 hours daily, except on June 13, 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, June 18, 2019, the last application day or such later time as described in "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) The time in this sub-section are subject to change on HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Representatives, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, June 18, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company.

Then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see "Structure of the Global Offering — Pricing and Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 18, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, June 18, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable" an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, June 24, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Company's website at **www.jxr-fertility.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.jxr-fertility.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Monday, June 24, 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, June 24, 2019 to 12:00 midnight on Sunday, June 30, 2019;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, June 24, 2019 to Thursday, June 27, 2019;

- in the special allocation results booklets which will be available for inspection during opening hours from Monday, June 24, 2019 to Wednesday, June 26, 2019 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, please see "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$8.54 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, June 24, 2019.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, June 24, 2019 The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, June 25, 2019 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 24, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, June 24, 2019, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, June 24, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, June 24, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "How to Apply for Hong Kong Offer Shares — 11.Publication of Results." You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, June 24, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the*** **White Form eIPO service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 24, 2019, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, June 24, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via electronic application instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, June 24, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" on Monday, June 24, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, June 24, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, June 24, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, June 24, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JINXIN FERTILITY GROUP LIMITED AND MORGAN STANLEY ASIA LIMITED AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Jinxin Fertility Group Limited (previously known as Sichuan Fertility Company Limited) ("the Company") and its subsidiaries (together "the Group") set out on pages IA-3 to IA-94, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018, the statement of financial position of the Company as at 31 December 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-3 to IA-94 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 June 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016, 2017 and 2018, of the Company's financial position as at 31 December 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company's subsidiaries in respect of the Track Record Period and states that no dividends have been declared or paid by the Company since its incorporation to 31 December 2018 and the dividends declared by the Company subsequent to 31 December 2018.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 June 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	NOTES	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Revenue	6	346,408	662,774	921,994
Cost of revenue		(213,689)	(360,638)	(508,875)
Gross profit		132,719	302,136	413,119
Other income	8a	20,563	12,233	21,795
Other expenses	9	(30)	(664)	(4,181)
Other losses	8b	—	(1,180)	(590)
Research and development expenses		—	(10,306)	(11,982)
Administrative expenses		(26,678)	(60,637)	(103,435)
Listing expenses		—	—	(38,138)
Finance costs	10	(17,229)	—	—
Profit before taxation	7	109,345	241,582	276,588
Income tax expenses	12	(5,694)	(43,031)	(64,464)
Profit and total comprehensive income for the year		103,651	198,551	212,124
Profit and total comprehensive income for the year attributable to:				
- Owners of the Company		87,584	98,783	166,600
- Non-controlling interests		16,067	99,768	45,524
Profit and total comprehensive income for the year		103,651	198,551	212,124
Earnings per share - Basic (RMB)	14	1.29	0.17	0.15

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	16	48,084	118,835	137,737
Goodwill	17	—	197,123	802,051
License	18	—	414,441	401,285
Contractual right to provide management services	19	—	—	1,939,049
Trademarks	20	—	246,900	1,292,432
Equity instrument at fair value through other comprehensive income	22	—	—	9,990
Rental and other deposits	24	—	457	2,082
Deposit for acquisition of a subsidiary	25	500,973	—	—
Prepayments	24	—	100,000	100,000
Amounts due from related parties	26	—	125,349	438,165
		549,057	1,203,105	5,122,791
Current assets				
Inventories	23	12,746	18,688	16,548
Accounts and other receivables	24	2,901	66,720	76,920
Amounts due from related parties	26	—	—	70,894
Tax recoverable		—	—	934
Structured bank deposit	27	—	—	20,000
Financial assets at fair value through profit or loss	28	—	—	65,010
Bank balances and cash	29	190,703	449,495	1,184,190
		206,350	534,903	1,434,496
Assets classified as held for sale	30	—	—	1,021
		206,350	534,903	1,435,517
Current liabilities				
Accounts and other payables	31	61,922	164,386	391,050
Capital contribution deposits from a shareholder and investors	26	471,787	—	—
Amounts due to related parties	26	114,609	3,930	916,985
Tax payables		6,520	35,854	68,765
		654,838	204,170	1,376,800
Net current (liabilities) assets		(448,488)	330,733	58,717
Total assets less current liabilities		100,569	1,533,838	5,181,508
Non-current liabilities				
Deferred rent		—	—	4,769
Deferred tax liabilities	32	—	172,212	676,941
		—	172,212	681,710
Net assets		100,569	1,361,626	4,499,798
Capital and reserves				
Share/paid-up capital	33	60,200	688,267	129
Reserves		19,001	239,602	4,363,042
Equity attributable to owners of the Company		79,201	927,869	4,363,171
Non-controlling interests		21,368	433,757	136,627
Total equity		100,569	1,361,626	4,499,798

STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2018
		RMB'000
Non-current asset		
Investments in subsidiaries	15	4,213,416
Current assets		
Deferred listing expenses	24	6,664
Amounts due from shareholders	26	69,557
Bank balances and cash	29	33,714
		109,935
Current liabilities		
Other payables	31	22,611
Amounts due to subsidiaries	26	22,302
		44,913
Net current assets		65,022
Total assets less current liabilities		4,278,438
Net assets		4,278,438
Capital and reserves		
Share capital	33	129
Reserves	44	4,278,309
Total equity		4,278,438

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share/ paid-up capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	20,000	—	1,946	—	135,998	157,944	(9,982)	147,962
Profit and total comprehensive income for the year	—	—	—	—	87,584	87,584	16,067	103,651
Capital injection by equity holders (note a)	50,000	—	—	—	—	50,000	—	50,000
Sale of equity interest in a subsidiary without losing control (note b)	(9,800)	—	—	—	—	(9,800)	9,800	—
Transfer to reserve (note c)	—	—	—	3,198	(3,198)	—	—	—
Deemed distribution to shareholders (note f)	—	—	(1,100)	—	—	(1,100)	—	(1,100)
Acquisition of non-controlling interests (note e)	—	—	(125,483)	—	—	(125,483)	5,483	(120,000)
Deemed distribution to shareholders arising from restructuring (note d)	—	—	124,637	—	(204,581)	(79,944)	—	(79,944)
At 31 December 2016 and 1 January 2017	60,200	—	—	3,198	15,803	79,201	21,368	100,569
Profit and total comprehensive income for the year	—	—	—	—	98,783	98,783	99,768	198,551
Acquisition of subsidiaries (Note 35)	—	—	—	—	—	—	145,660	145,660
Deemed distribution to shareholder (note f)	—	—	(8,024)	—	—	(8,024)	—	(8,024)
Capital injection by a shareholder and investors (note g)	629,178	—	25,790	—	—	654,968	—	654,968
Capital contribution from a non-controlling shareholder (note g)	—	—	—	—	—	—	333,333	333,333

	Attributable to owners of the Company							
	Share/ paid-up capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sale of equity interest in a subsidiary without losing control (note b)	(1,111)	—	—	—	—	(1,111)	1,111	—
Net effect on deemed disposal of partial interest in a subsidiary without losing control upon contributions from the non-controlling shareholders (note h)	—	—	129,527	—	—	129,527	(129,527)	—
Transfer to reserve (note c)	—	—	—	7,913	(7,913)	—	—	—
Dividends recognised as distribution (Note 13)	—	—	—	—	(25,475)	(25,475)	—	(25,475)
Dividends to non-controlling shareholders (Note 13)	—	—	—	—	—	—	(37,956)	(37,956)
At 31 December 2017	688,267	—	147,293	11,111	81,198	927,869	433,757	1,361,626
Profit and total comprehensive income for the year	—	—	—	—	166,600	166,600	45,524	212,124
Deemed distribution to shareholders (note f)	—	—	(1,484)	—	—	(1,484)	—	(1,484)
Effect of On-shore Restructuring and Group Reorganisation (note i)	(688,267)	—	915,956	—	—	227,689	(227,689)	—
Deemed distribution to shareholders as part of the Group Reorganisation (note j)	—	—	(1,125,518)	—	—	(1,125,518)	—	(1,125,518)
Issuance of shares (note j)	76	1,201,694	—	—	—	1,201,770	—	1,201,770
Issuance of shares for HRC Management Acquisition (Notes 2 and 36)	53	3,110,982	—	—	—	3,111,035	—	3,111,035

	Attributable to owners of the Company							
	Share/ paid-up capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Transfer to reserve (note c)	—	—	—	31	(31)	—	—	—
Dividend recognised as distribution (Note 13)	—	—	—	—	(144,790)	(144,790)	—	(144,790)
Dividends to non-controlling shareholders (Note 13)	—	—	—	—	—	—	(114,965)	(114,965)
At 31 December 2018	129	4,312,676	(63,753)	11,142	102,977	4,363,171	136,627	4,499,798

Notes:

(a) On 12 September 2016, 四川錦欣生殖醫療管理有限公司 (Sichuan Jinxin Fertility Medical Management Co., Ltd., "Sichuan Jinxin Fertility") was incorporated in the People's Republic of China (the "PRC") with a registered and paid-up capital of RMB50,000,000 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").

(b) On 28 October 2016, and 23 June 2017, Chengdu Jinxin Investment transferred a total of 49% and 5.56% equity interest in 成都西囡婦科醫院有限公司 (Chengdu Xinan Gynecological Hospital Co. Ltd., "Chengdu Xinan Hospital"), to several independent investors, respectively.

(c) Amount represented statutory reserve of the entities in 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. There are no specific PRC laws and regulation for not-for-profit hospitals to maintain a statutory reserve and accordingly, no statutory reserve was made prior to the restructuring described in note (d) below.

(d) Pursuant to the restructuring exercise of not-for-profit hospitals to private for-profit hospital of the Group with details set out in note 2, the business of 成都西囡婦科醫院 (Chengdu Xinan Gynecological Hospital, "Prior Chengdu Xinan Hospital") and its subsidiary, 成都高新西囡婦科醫院 (Chengdu Gaoxin Xinan Gynecological Hospital, "Prior Gaoxin Xinan Hospital") were respectively transferred to Chengdu Xinan Hospital and 成都高新西囡婦科醫院有限公司 (Chengdu Gaoxin Xinan Gynecological Hospital Co., Ltd., "Gaoxin Xinan Hospital"), newly formed limited liability companies of the Group, in August and November 2016, respectively. As Prior Chengdu Xinan Hospital and Prior Gaoxin Xinan Hospital do not form part of the Group, certain assets and liabilities with a net carrying amount of RMB79,944,000 not transferred to the Group were recognised as a deemed distribution to their shareholders when their business was transferred to the Group. Further details are set out in Note 45(ii).

(e) During the year ended 31 December 2016, Prior Chengdu Xinan Hospital entered into a share transfer agreement with the non-controlling shareholders of Prior Gaoxin Xinan Hospital, a not-for-profit hospital, to acquire the remaining interest not previously owned for a consideration of RMB120,000,000, of which RMB6,000,000 was paid in cash while the remaining RMB114,000,000 was paid by Chengdu Jinxin Investment. The deficit balance of the relevant non-controlling interests amounting to RMB5,483,000 was derecognised and the difference between the amount by which the non-controlling interests were adjusted, and the fair value of the consideration paid amounting to RMB125,483,000 was credited to capital reserve.

(f) The deemed distribution to shareholders represented the fair value adjustment at initial recognition of the non-interest bearing advances to entities controlled by Chengdu Jinxin Investment.

(g) During the year ended 31 December 2017, Sichuan Jinxin Fertility's registered capital was increased to RMB679,178,000 which the then shareholders had made capital contributions of RMB654,968,000. Amount of RMB471,787,000 was satisfied by a payment made by a shareholder and investors during the year ended 31 December 2016 while the remaining RMB183,181,000 was settled in cash during the year ended 31 December 2017. In addition, the registered capital of Chengdu Xinan Hospital was increased by approximately RMB2,222,000 through capital injections by independent third party shareholders at a total consideration of approximately RMB333,333,000.

(h) During the year ended 31 December 2017, as a result of the deemed disposal of partial interest in subsidiaries upon contributions from the non-controlling shareholders as described in note (g) above, the difference between the capital contribution from the non-controlling shareholders and their attributable share of paid-up capital and net assets of RMB129,527,000 resulted in a deemed gain to the then owners recognised as an addition to capital reserve and a reduction to non-controlling interests.

(i) As part of the on-shore restructuring ("On-shore Restructuring") to put Sichuan Jinxin Fertility as the on-shore investment holding platform of the Group, the non-controlling shareholders of Chengdu Xinan Hospital injected their entire equity interest in Chengdu Xinan Hospital into Sichuan Jinxin Fertility as capital contribution into the Group in April 2018. Upon completion, Chengdu Xinan Hospital becomes a wholly-owned subsidiary of Sichuan Jinxin Fertility. The Group then underwent part of the Group Reorganisation (as defined and detailed in Note 2) during the year ended 31 December 2018 (as detailed in note (j) below) pursuant to which the Company became the holding company of the companies comprising the Group.

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Profit before taxation		109,345	241,582	276,588
Adjustments for:				
Depreciation of property, plant and equipment		14,286	23,289	29,114
Amortisation of license		—	12,059	13,156
Interest income		(20,125)	(1,237)	(9,614)
Interest expenses		17,229	—	—
Loss on disposal of property, plant and equipment		—	1,180	276
Operating cash flows before movements in working capital		120,735	276,873	309,520
Decrease in inventories		7,660	1,613	2,140
(Increase) decrease in accounts and other receivables		(11,519)	(159,348)	2,658
Increase in amounts due from related parties		(24,008)	(100,780)	(90,718)
Increase in accounts and other payables		32,517	47,792	163,928
Increase in amounts due to related parties		—	3,168	4,286
Cash generated from operations		125,385	69,318	391,814
Income tax refunded (paid)		826	(21,636)	(35,377)
Interest paid		(17,229)	—	—
Net cash generated from operating activities		108,982	47,682	356,437
Investing activities				
Interest received from a related party		17,229	—	—
Interest received from banks		142	1,237	2,428
Purchase of property, plant and equipment		(8,012)	(32,199)	(20,981)
Purchase of financial assets at fair value through profit or loss		—	—	(65,010)
Proceeds from disposal of property, plant and equipment		—	635	21
Cash (outflow) inflow on acquisition of subsidiaries	35 & 36	—	(75,485)	40,652
Repayment from related parties		130,765	3,374	—
Advance to related parties		(248,100)	(149,591)	(325,114)
Placement of structured bank deposit		—	—	(20,000)
Deposit paid for acquisition of subsidiaries		(500,973)	—	—
Net cash used in investing activities		(608,949)	(252,029)	(388,004)

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financing activities			
Deferred share issue costs paid	—	—	(3,144)
Proceeds from issue of shares	—	—	1,132,216
Deemed distribution to shareholders for acquisition of Sichuan Jinxin Fertility	—	—	(342,968)
Payment made to acquire non-controlling interests of a subsidiary	(6,000)	—	—
Proceeds from borrowings	70,000	—	—
Repayments of borrowings	(42,850)	—	—
Advance from related parties	126,535	—	104,033
Temporary receipts received on behalf of a not-for-profit organisation	—	6,794	3,803
Temporary receipts paid to a not-for-profit organisation	—	—	(2,912)
Distribution to shareholders for the cash of Prior Chengdu Xinan Hospital and Prior Gaoxin Xinan Hospital not transferred to the Group arising from the restructuring to private for-profit hospitals	(6,404)	—	—
Capital contribution deposit from a shareholder and investors	471,787	—	—
Capital contribution from a non-controlling shareholder	—	333,333	—
Capital injection from equity holders	50,000	183,181	—
Dividend paid	—	(60,169)	(123,924)
Net cash generated from financing activities	663,068	463,139	767,104
Net increase in cash and cash equivalents	163,101	258,792	735,537
Cash and cash equivalents at beginning of the year	27,602	190,703	449,495
Cash and cash equivalents at end of the year	190,703	449,495	1,185,032
Represented by:			
- Bank balances and cash	190,703	449,495	1,184,190
- Bank balances and cash classified as held for sale	—	—	842
	190,703	449,495	1,185,032

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company 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. The address 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 Prospectus.

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; and (iii) ancillary medical services.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

During the Track Record Period, the main operating activities of the Group were carried out by Prior Chengdu Xinan Hospital and its subsidiary, Prior Gaoxin Xinan Hospital, which operated not-for-profit hospitals providing assisted reproductive services ("Chengdu Xinan Business"), and their successors, Chengdu Xinan Hospital and its subsidiary, Gaoxin Xinan Hospital, which operate private for-profit hospitals for assisted reproductive services and management services (hereinafter collectively referred to as the "Chengdu Xinan Group"), and 深圳市中山泌尿外科醫院有限公司 (Shenzhen Zhongshan Urological Hospital Co., Ltd., "Shenzhen Zhongshan Hospital") and its subsidiaries, which operate private for-profit hospital for assisted reproductive services and ancillary medical services and were acquired by the Group in January 2017 (details are set out in Note 35) (hereinafter collectively referred to as the "Shenzhen Zhongshan Group"). All of these entities were established and operate in the PRC. In December 2018, the Company also acquired the entire equity interests in HRC Fertility Management, LLC ("HRC Management") through acquisition of Willsun Fertility (BVI) Company Limited ("Willsun BVI"), which holds 51% equity interests in HRC Management, and its remaining 49% interest through HRC Investment Holding LLC ("HRC Investment"), the 49% shareholder of HRC Management (these two acquisitions are hereinafter collectively referred to as "HRC Management Acquisition"). HRC Management together with its subsidiary (collectively referred to as "HRC Management Group"), principally provides (i) non-medical management and administrative services required for the operation of physician medical practices carried out by Huntington Reproductive Centre Medical Group ("HRC Medical") which is a medical corporation established in the State of California, the United States of America ("U.S.A.") pursuant to a management service agreement (the "MSA") entered into with HRC Management; (ii) ambulatory surgery centre facilities; and (iii) pre-implantation genetic screening testing ("PGS Testing"). HRC Medical is a medical corporation engaged in the provision of (i) in vitro fertilisation ("IVF") services; (ii) cryopreservation services; and (iii) gynaecologic surgery, and other related services. Details are set out in Note 36.

Prior Chengdu Xinan Hospital was a privately funded non-enterprise entity established in 2010 and controlled by a contractual set-up established by the employee shareholders of certain hospitals in Chengdu that were historically collectively-owned enterprises to control and manage those hospitals, which was subsequently transformed into Chengdu Jinxin Investment, a limited liability company established in the PRC.

To rationalise the structure for the Chengdu Xinan Business, Chengdu Xinan Hospital and Gaoxin Xinan Hospital were established by Chengdu Jinxin Investment in the form of a limited liability company and the Chengdu Xinan Business was transferred to these two new entities in August and November 2016, respectively, pursuant to the respective asset transfer agreement. Further details are set out in note (d) to the consolidated statements of changes in equity and Note 45(ii).

In September 2016, Sichuan Jinxin Fertility was established by Chengdu Jinxin Investment to act as the on-shore investment holding entity of the Group. In November 2016 and April 2017, the equity interest of Chengdu Jinxin Investment in both Chengdu Xinan Hospital and Sichuan Jinxin Fertility was reduced from 100% to 51%, respectively, through various shares transfers to new investors.

In January 2017, Sichuan Jinxin Fertility acquired 73.98% equity interest in Shenzhen Zhongshan Group with details set out in Note 35.

In July and August 2017, the equity interest of Chengdu Jinxin Investment in both Chengdu Xinan Hospital and Sichuan Jinxin Fertility was further reduced from 51% to 40.9% through shares transfer to and shares subscription by new investors. Although Chengdu Jinxin Investment only held 40.9% ownership in both Chengdu Xinan Hospital and Sichuan Jinxin Fertility, Chengdu Jinxin Investment has the power to direct the relevant activities of these entities unilaterally by securing majority votes at the boards through an agreement with certain shareholders of Sichuan Jinxin Fertility and Chengdu Xinan Hospital.

On 4 April 2018, Chengdu Jinxin Investment and each of the other shareholders of Chengdu Xinan Hospital injected their respective interests in Chengdu Xinan Hospital to Sichuan Jinxin Fertility as paid-up capital. Upon completion of the On-shore Restructuring, Chengdu Xinan Hospital becomes a wholly-owned subsidiary of Sichuan Jinxin Fertility (hereinafter collectively referred to as the "Sichuan Jinxin Fertility Group"). As Chengdu Xinan Hospital and Sichuan Jinxin Fertility were under the common control of Chengdu Jinxin Investment which became the holding company of Sichuan Jinxin Fertility Group upon the completion of the On-shore Restructuring, the financial information of Sichuan Jinxin Fertility Group has been prepared under the principles of merger accounting as if Chengdu Jinxin Investment had always been the holding company of Sichuan Jinxin Fertility Group throughout the Track Record Period. Equity interest held by the other shareholders in Chengdu Xinan Hospital during the Track Record Period is presented as non-controlling interest in the Historical Financial Information.

In preparation for the initial listing of the shares of the Company on the Stock Exchange, a group reorganisation (the "Group Reorganisation") was undertaken which involved interspersing the Company, LionRock New Hope BVI Company Limited ("BVI Holdco") and Jinxin Fertility HK, between the shareholders of Sichuan Jinxin Fertility Group and Sichuan Jinxin Fertility Group, and included the following steps:

a. On 3 May 2018, the Company was incorporated in the Cayman Islands with JINXIN Fertility Investment Group Limited ("Jinxin Fertility BVI"), which has the same shareholders' structure as Chengdu Jinxin Investment, as the sole shareholder.

b. On 11 May 2018, Sichuan Jinxin Fertility was converted into a sino-foreign equity joint venture through the acquisition of approximately 5.78% of its equity interest by Jinxin Fertility HK, an investment vehicle held by an offshore pre-IPO investor, from Chengdu Jinxin Investment.

c. In July 2018, the Company entered into a share swap arrangement with the pre-IPO investor pursuant to which the Company acquired the entire interest of BVI Holdco, being immediate holding company of Jinxin Fertility HK, in exchange for the Company issuing and allotting shares to the pre-IPO investor. Jinxin Fertility HK thereafter through December 2018 acquired the entire equity interests of Sichuan Jinxin Fertility from its then shareholders and in return the Company issued shares to the shareholders of Sichuan Jinxin Fertility. Upon completion of these transactions, the Company indirectly owned the entire equity interests in Sichuan Jinxin Fertility.

Upon completion of the above steps, the Company became the holding company of the companies comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are prepared as if the group structure upon completion of the Group Reorganisation had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment or acquisition of the relevant entities, where there is a shorter period.

The consolidated statements of financial position as at 31 December 2016 and 2017 present the assets and liabilities of the companies comprising the Group at the end of each reporting period as if the group structure had been in existence at those dates, taking into account the respective dates of incorporation/establishment or acquisition of the relevant entities, where applicable.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which conform with IFRSs issued by the IASB that are effective for the Group's financial year beginning 1 January 2018, including IFRS 15 *Revenue from Contracts with Customers*, throughout the Track Record Period

except that the Group adopted IFRS 9 *Financial Instruments* on 1 January 2018 and International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement* prior to 1 January 2018. The accounting policies for financial instruments under IFRS 9 and IAS 39 are set out in Note 4.

3.1. **Impacts and changes in accounting policies on application of IFRS 9**

On 1 January 2018, the Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening retained profits and other components of equity, without restating the historical financial information for the year ended 31 December 2017.

Accordingly, the financial information for the year ended 31 December 2018 may not be comparable to those financial information for the years ended 31 December 2016 and 2017 prepared under IAS 39.

3.1.1. **Key changes in accounting policies resulting from application of IFRS 9**

Classification and measurement of financial assets

All financial assets classified as loans and receivables under IAS 39 would be classified as financial assets at amortised cost under IFRS 9. All financial liabilities continue to be classified as financial liabilities at amortised cost under IFRS 9. In addition, financial assets and financial liabilities continue to be measured on the same basis as were previously measured under IAS 39.

Impairment under ECL model

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

Measurement and recognition of ECL

The Group has applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its accounts receivables. Details are set out in Note 24.

Loss allowances for other financial assets at amortised cost mainly comprise of amounts due from related parties, bank balances and cash, are measured on 12-month ECL (''12m ECL'') basis as there had been no significant increase in credit risk since initial recognition.

For bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit rating agencies and there has been no recent history of default in relation to these banks. The ECL is not material.

For amounts due from related companies, the Directors make individual assessment on the recoverability of them based on historical settlement records and past experience. Based on assessment by the Directors, the ECL for amounts due from related companies are not material.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No impairment allowance was recognised at 1 January 2018 and further assessment process is set out in Note 24.

New and amendments to IFRSs and an interpretation in issue but not yet effective.

At the date of this report, the Group has not early applied the following new and amendments to IFRSs and interpretations that are not yet effective.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[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 IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

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 2021.

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

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

Except as describe below, the Directors anticipate that the application of all the other new and amendments to IFRSs will have no material impact on the Group's financial performance and financial position and/or on the disclosure in the Group's future financial statements.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows and operating cash flows by the Group, respectively, upfront prepaid lease payment will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB1,346,164,000 as disclosed in Note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately RMB1,679,000 as at 31 December 2018 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess

whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The Directors expect that upon adoption of IFRS 16, the rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. In addition, the adoption of IFRS 16 would increase the consolidated assets and consolidated liabilities of the Group, but would not result in significant impact to the consolidated financial performance of the Group's future financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

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

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

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

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.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements 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 into line with the Group's accounting policies.

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

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

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.

Changes in the Group's ownership interest in existing subsidiaries

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

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

Investments in subsidiaries

Investments in subsidiaries included in the Company's statement of financial position are stated at cost less any identified impairment loss.

The result of the subsidiaries are accounted for on the basis of dividend received and receivable during the Track Record Period.

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

- 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.

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

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

Merger accounting for business combination involving business under common control

The Historical Financial Information incorporates the financial information of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under control of the controlling entity.

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

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

Goodwill

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

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

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

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

Non-current assets held for sale

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

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

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

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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 customers.

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

Control of the good or service may be transferred over time or at a point in time. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

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

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

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

The Group recognises revenue from the following major services:

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

Assisted reproductive services

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

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

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

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

Management services

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

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

Variable consideration

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

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

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

Ancillary medical services

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

Out-patient services

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

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.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. 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 items of assets, other than construction in progress over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Intangible assets

Internally-generated intangible assets — research and development expenditure

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

The recoverable amount of tangible and intangible assets are estimated individually, or when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. 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. 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit

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

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

Before the adoption of IFRS 9 on 1 January 2018

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as accounts receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

After the adoption of IFRS 9 after 1 January 2018

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and 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 hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset 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 fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset 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 the date of initial application/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 acquiree in a business combination to which IFRS 3 *Business Combinations* applies.

financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

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.

Financial assets at FVTPL

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

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

Equity instruments designated as at FVTOCI

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

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

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including bank balances, structured bank deposit, accounts and other receivables and amounts due from related parties). 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, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

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

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.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- 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.

Credit-impaired financial assets

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

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

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

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

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

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

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, e.g. 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. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

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

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all 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 assets is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for trade receivables and trade-related receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities representing accounts and other payables, capital contribution deposits from a shareholder and investors and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual right 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in the other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

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" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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. Provisions are measured at the best

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 Historical Financial Information.

Control over the IVF and fertility centers under IVF specialty collaboration agreements

The Group entered into a series of IVF specialty collaboration agreements with certain IVF and fertility centers that were controlled by Chengdu Jinxin Investment which the Group agrees to manage and operate the centers and receive performance-based fees for a period of three years which will automatically be renewed for additional three years terms indefinitely unless terminated. The management assessed whether or not the Group has control over these centers through the IVF specialty collaboration agreements based on whether the Group has the practical ability to direct the center's relevant activities unilaterally. In making their judgement, the Directors considered the composition of the internal governance bodies which oversee the operations of the centers. 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. Instead, these agreements are considered as management contracts to generate management service income. Details of the revenue generated from these management contracts are set out in Note 6.

Useful life of trademarks and contractual right to provide management services

The Group determines the useful life of the trademarks for Shenzhen Zhongshan Group and the trademarks for HRC Medical held by HRC Management to have an indefinite or definite life considering the nature of the renewal process and additional economic sacrifices, if any, required when renewing the trademarks.

If the useful life of the trademarks determined to be finite, the trademarks are amortised over their useful lives. If the useful lives of the trademarks are determined to be indefinite, the trademarks are not amortised.

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 2017 and 2018, the carrying amount of the trademarks are RMB246,900,000 and RMB1,292,432,000, respectively, with details set out in Note 20.

The Directors determine the useful life of the contractual right to provide management services to be indefinite based on an analysis of the period of control over the use of the rights (including the renewal of the service contracts upon their maturity automatically for additional five-year terms indefinitely unless terminated). Based on this analysis, the Directors consider the useful life of such contractual right to be indefinite because the right is expected to generate net cash inflows for the Group indefinitely and will not be amortised until its useful life is determined to be finite. As at 31 December 2018, the carrying amount of the contractual right to provide management services is RMB1,939,049,000, with details set out in Note 19.

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 twelve months from the end of the reporting period.

Estimated impairment of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets comprising contractual right to provide management services and trademarks with indefinite useful life is impaired requires an estimation of the recoverable amount of the CGU to which goodwill and intangible assets with indefinite useful life has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As at 31 December 2017 and 2018, the carrying amount of goodwill is RMB197,123,000 and RMB802,051,000, respectively, and that of intangible assets comprising (i) contractual right to provide management services is nil and RMB1,939,049,000, and (ii) trademarks of RMB246,900,000 and RMB1,292,432,000, respectively. Details are set out in Note 21.

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

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and license. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and management's expectation on the useful lives of the license based on industry practice and regulatory landscapes. Management will increase the depreciation/amortisation charge where useful lives are expected to be shorter than previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisation lives and therefore depreciation/amortisation expense in future periods.

As at 31 December 2016, 2017 and 2018, the carrying amount of property, plant and equipment was RMB48,084,000, RMB118,835,000 and RMB137,737,000, net of accumulated depreciation of RMB50,426,000, RMB72,157,000 and RMB97,693,000 respectively. Details are set out in Note 16.

As at 31 December 2017 and 2018, the carrying amount of license was RMB414,441,000 RMB401,285,000, net of accumulated amortisation of RMB12,059,000 and RMB25,215,000 respectively. Details are set out in Note 18.

6. REVENUE AND SEGMENT INFORMATION

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

During the year ended 31 December 2016, the Group's revenue is solely contributed from its operation in Chengdu. Upon the Group's acquisition of Shenzhen Zhongshan Group in January 2017, the Group's revenue is contributed from its operations in both Chengdu and Shenzhen.

Although the Group has completed the HRC Management Acquisition on 24 December 2018, the Directors considered that its post-acquisition revenue and results have been insignificant for the rest of the financial year and accordingly, these have not been reflected in the Group's consolidated financial statements for the year ended 31 December 2018.

Information reported to the Directors, being the chief operating decision makers ("CODM") of the Group, review the consolidated revenue analysis of provision of assisted reproductive services, management services and ancillary medical services of the Group and the financial results of the Group as a whole for performance assessment. No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM.

Revenue from major services

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Types of services			
Assisted reproductive services			
A point in time recognition	219,679	326,211	500,493
Over time recognition	102,721	202,304	300,759
	322,400	528,515	801,252
Management services — Over time recognition	24,008	100,780	89,741
Ancillary medical services			
A point in time recognition	—	14,794	14,182
Over time recognition	—	18,685	16,819
	—	33,479	31,001
Total	346,408	662,774	921,994

There is no significant unsatisfied performance obligation at the end of each reporting period.

Geographical information

The revenue of the Group is all derived from operations in the PRC for the Track Record Period. The non-current assets of the Group are all located in the PRC at 31 December 2016, 2017 and 2018 and also the U.S.A. subsequent to the HRC Management Acquisition in December 2018. At 31 December 2018, the non-current assets located in the PRC and the U.S.A. amounted to RMB1,058,166,000 and RMB3,616,470,000, respectively. Non-current assets as at 31 December 2018 excluded equity instrument at FVTOCI and amounts due from related parties.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
成都市錦江區婦幼保健院 (Chengdu Jinjiang District Maternity and Child Health Hospital, "Jinjiang District Maternity and Child Health Hospital")	N/A[1]	92,224	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

7. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation has been arrived at after charging:			
Directors' remuneration (Note 11)	3,909	6,293	10,562
Other staff costs			
- salaries, allowances and other benefits	59,339	122,626	151,360
- retirement benefit schemes contributions for other staff	7,729	19,045	24,250
Total staff costs	70,977	147,964	186,172
Amortisation of license (included in administrative expenses)	—	12,059	13,156
Auditor's remuneration	—	119	392
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	128,075	189,091	310,700
Depreciation of property, plant and equipment	14,286	23,289	29,114
Operating lease expenses in respect of rented hospital premises	6,060	11,753	14,094

8a. OTHER INCOME

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Interest income from a related party (note i)	17,229	—	—
Imputed interest income from related parties	2,754	—	7,186
Interest income from banks	142	1,237	2,428
Government grants (note ii)	—	5,450	5,110
Consulting service income	—	2,017	3,914
Medicine donation income	—	1,548	995
Others	438	1,981	2,162
	20,563	12,233	21,795

Notes:

(i) This related to the advances made by Prior Chengdu Xinan Hospital to Jinjiang District Maternity and Child Health Hospital during the year ended 31 December 2016 which was unsecured and carried interest at the same rate of the bank borrowings taken to finance these advances. The finance costs of such bank borrowings are disclosed in Note 10. Such advances were not transferred to the Group upon the transfer of the business of Prior Chengdu Xinan Hospital to the Group and further details are set out in Note 45(ii).

(ii) The government grants mainly represented the grant on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions. Government grants received for research and development projects but with conditions not yet fulfilled are included in deferred income (Note 31).

8b. OTHER LOSSES

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of property, plant and equipment	—	(1,180)	(276)
Net exchange loss	—	—	(314)
	—	(1,180)	(590)

9. OTHER EXPENSES

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Donations	30	192	—
Late fees relating to unpaid PRC Enterprise Income Tax ("EIT") and value-added tax (note)	—	—	4,164
Other expenses	—	472	17
	30	664	4,181

Note: Amount for the year ended 31 December 2018 primarily represents late fees relating to unpaid PRC EIT and value-added tax arising from the revenue generated from the provision of management services.

10. FINANCE COSTS

Finance costs mainly represent interest expense on bank borrowings of Prior Chengdu Xinan Hospital which had not been transferred to Chengdu Xinan Hospital as detailed in note (d) to the consolidated statements of changes in equity.

11. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS

(a) Directors and the chief executive

The executives and non-executive directors of the Company were appointed on or after 3 May 2018. Details of the Directors appointed during and subsequent to the end of the Track Record Period are as follows:

Name	Position	Date of appointment as the directors of the Company
Mr. Wang Bin (王彬)	Chairman and non-executive director	25 December 2018
Mr. Zhong Ying (鍾影)	Executive director and chief executive officer	17 August 2018
Ms. Yan Xiaoqing (嚴曉晴)	Executive director	3 May 2018
Mr. John G. Wilcox	Executive director	18 January 2019
Mr. Fang Min (方敏)	Non-executive director	25 December 2018
Ms. Hu Zhe (胡喆)	Non-executive director	25 December 2018
Mr. Dong Yang (董陽)	Non-executive director	3 May 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

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 during the Track Record Period for his services rendered to the entities comprising the Group are as follows:

	Fees	Salaries and allowances	Performance-related incentive payments*	Retirement benefit schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2016					
Executive director:					
Mr. Zhong Ying (鍾影)	—	136	3,740	33	3,909

	Fees	Salaries and allowances	Performance-related incentive payments*	Retirement benefit schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2017					
Executive director:					
Mr. Zhong Ying (鍾影)	—	138	6,118	37	6,293
For the year ended 31 December 2018					
Executive directors:					
Mr. Wang Bin (王彬)	676	—	—	—	676
Mr. Zhong Ying (鍾影)	—	136	9,738	12	9,886
Ms. Yan Xiaoqing (嚴曉晴)	—	—	—	—	—
Non-executive directors:					
Mr. Fang Min (方敏)	—	—	—	—	—
Mr. Hu Zhe (胡喆)	—	—	—	—	—
Mr. Dong Yang (董陽)	—	—	—	—	—
	676	136	9,738	12	10,562

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

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

(b) **Employees**

The five highest paid individuals of the Group for the Track Record Period included one director for the years ended 31 December 2016, 2017 and 2018. The emoluments of the remaining four individuals for the Track Record Period are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	241	308	1,586
Performance-related incentive payments	7,761	4,510	3,646
Retirement benefit schemes contributions	132	80	39
	8,134	4,898	5,271

The emoluments of the five highest paid individuals (including a director) of the Group were within the following bands:

	Number of employees Year ended 31 December		
	2016	**2017**	**2018**
HK$500,001 to HK$1,000,000	—	1	—
HK$1,000,001 to HK$1,500,000	—	1	1
HK$1,500,001 to HK$2,000,000	—	2	3
HK$2,000,001 to HK$2,500,000	2	—	—
HK$2,500,001 to HK$3,000,000	2	—	—
HK$4,500,001 to HK$5,000,000	1	—	—
HK$7,500,001 to HK$8,000,000	—	1	—
HK$11,500,001 to HK$12,000,000	—	—	1
	5	5	5

During the Track Record Period, 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 Track Record Period.

12. INCOME TAX EXPENSES

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC EIT	5,694	46,536	61,213
PRC withholding tax on distributed profit of the PRC subsidiaries	—	—	7,075
Deferred tax:			
Current year (Note 32)	—	(3,505)	(3,824)
	5,694	43,031	64,464

The Company is tax exempted under the laws of the Cayman Islands and its subsidiaries incorporated in the British Virgin Islands ("BVI") are also tax exempted under the laws of the BVI from a BVI tax perspective.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

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%.

According to Article 26 of the EIT Laws and Caishui [2015] No. 13, not-for-profit hospital may enjoy preferential tax treatment as public hospitals. As a result, no income tax expense was recognised for the income from the revenue of Prior Chengdu Xinan Hospital and Prior Gaoxin Xinan Hospital prior to the restructuring as described in note (d) to the consolidated statements of changes in equity.

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.

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 upon the Group Reorganisation amounting to approximately RMB133,689,000 as at 31 December 2018, 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 reverse in the foreseeable future.

The income tax expenses for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	109,345	241,582	276,588
Tax at PRC EIT rate of 25%	27,336	60,396	69,147
Tax effect of expenses not deductible for tax purposes	43	3,283	18,002
Withholding tax on dividend income from subsidiaries	—	—	7,075
Effect of tax exemption and concessions granted to certain PRC hospitals	(21,563)	(19,981)	(29,672)
Others	(122)	(667)	(88)
Income tax expenses	5,694	43,031	64,464

13. DIVIDENDS

During the year ended 31 December 2017, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB49,950,000 and RMB13,481,000 to its then shareholders, of which amount of RMB37,956,000 was distributed to its non-controlling shareholders.

During the year ended 31 December 2018, Sichuan Jinxin Fertility, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB153,000,000, RMB256,687,000 and RMB80,000,000, respectively, to its then shareholders, of which approximately RMB159,184,000, RMB70,748,000, RMB144,790,000 and RMB114,965,000 were distributed to Sichuan Jinxin Fertility, Jinxin Fertility HK, the owner of the Company and the non-controlling shareholders, respectively. In addition, among the dividend declared by Chengdu Xinan Hospital, RMB43,451,000 of which was offset against the amount due from a related party and RMB71,915,000 was transferred to Chengdu Jinxin Investment pursuant to agreement entered into between Sichuan Jinxin Fertility and Chengdu Jinxin Investment.

The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

On 27 May 2019, a dividend in the amounts of approximately RMB272,913,000 and US$4,590,000 (equivalent to RMB31,048,000) was declared by the Company, being approximately RMB0.15 per ordinary share.

14. EARNINGS PER SHARE

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	87,584	98,783	166,600

	Year ended 31 December		
	2016	2017	2018
	'000	*'000*	*'000*
Number of shares			
Weighted average number of shares for the purpose of basic earnings per share	67,798	578,201	1,125,870

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that the Group Reorganisation of the Company had been effective on 1 January 2016.

No diluted earnings per share is presented as the Group had no potential ordinary shares in issue during the years ended 31 December 2016, 2017 and 2018.

15. INVESTMENTS IN SUBSIDIARIES

The Company	At 31 December 2018
	RMB'000
Unlisted equity investment, at cost	3,111,035
Shares subscription deposit in a subsidiary	1,102,381
	4,213,416

Shares subscription deposit represents the cash received by a subsidiary of the Company in relation to the issue of the Company's shares during the year ended 31 December 2018 which will be converted into investments in subsidiaries upon the respective share issuance to the Company. On 12 April 2019, a share subscription agreement was entered into between the Company and the subsidiary for a subscription of the shares issued by the subsidiary on the same day for a consideration of RMB1,102,381,000. Accordingly, the deposit is converted into investments in subsidiaries.

16. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Medical equipment	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2016	—	16,551	68,100	5,945	387	—	90,983
Additions	—	801	4,992	1,734	—	—	7,527
At 31 December 2016	—	17,352	73,092	7,679	387	—	98,510
Upon acquisition of Shenzhen Zhongshan Group (Note 35)	40,228	981	20,683	1,277	203	—	63,372
Additions	—	3,500	4,364	2,407	458	21,754	32,483
Disposals	—	—	(3,221)	(152)	—	—	(3,373)
At 31 December 2017	40,228	21,833	94,918	11,211	1,048	21,754	190,992
Upon HRC Management Acquisition (Note 36)	—	8,663	13,480	3,193	—	—	25,336
Additions	—	9,394	4,457	5,314	—	3,991	23,156
Disposals	—	—	(1,864)	(396)	—	—	(2,260)
Reclassification	—	21,754	—	–	—	(21,754)	—
Reclassified as held for sale (Note 30)	—	—	(1,788)	(6)	—	—	(1,794)
At 31 December 2018	40,228	61,644	109,203	19,316	1,048	3,991	235,430
DEPRECIATION							
At 1 January 2016	—	4,393	27,979	3,456	312	—	36,140
Provided for the year	—	2,455	10,733	1,063	35	—	14,286
At 31 December 2016	—	6,848	38,712	4,519	347	—	50,426
Provided for the year	1,663	3,168	16,477	1,864	117	—	23,289
Eliminated on disposals	—	—	(1,478)	(80)	—	—	(1,558)

	Building	Leasehold improvements	Medical equipment	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017	1,663	10,016	53,711	6,303	464	—	72,157
Provided for the year	1,815	9,287	15,288	2,582	142	—	29,114
Eliminated on disposals	—	—	(1,752)	(211)	—	—	(1,963)
Reclassified as held for sale (Note 30)	—	—	(1,609)	(6)	—	—	(1,615)
At 31 December 2018	3,478	19,303	65,638	8,668	606	—	97,693
CARRYING VALUES							
At 31 December 2016	—	10,504	34,380	3,160	40	—	48,084
At 31 December 2017	38,565	11,817	41,207	4,908	584	21,754	118,835
At 31 December 2018	36,750	42,341	43,565	10,648	442	3,991	137,737

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight-line method and at the following rates per annum:

Building and leasehold improvements	5%-20%
Medical equipment	20%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

17. GOODWILL

	RMB'000
COST	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Arising on acquisition of Shenzhen Zhongshan Group (Note 35)	197,123
At 31 December 2017 and 1 January 2018	197,123
Arising on HRC Management Acquisition (Note 36)	604,928
At 31 December 2018	802,051

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

18. LICENSE

	RMB'000
COST	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Arising on acquisition of Shenzhen Zhongshan Group (Note 35)	426,500
At 31 December 2017, 1 January 2018 and 31 December 2018	426,500
AMORTISATION	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Amortisation provided for the year	12,059
At 31 December 2017 and 1 January 2018	12,059
Amortisation provided for the year	13,156
At 31 December 2018	25,215
CARRYING VALUES	
At 31 December 2016	—
At 31 December 2017	414,441
At 31 December 2018	401,285

The amount is determined based on the acquisition-date fair value of the medical practice license ("Medical Practice License") upon the acquisition of Shenzhen Zhongshan Group on 31 January 2017 as described in Note 35. The acquisition-date fair value is determined by the Directors, and comprises the aggregate value of the Medical Practice License as determined using the Multiple Period Excess Earnings Method under the Income Approach, which is, among others, based on the projected cash flows generated from the assisted reproductive service and ancillary medical service business of Shenzhen Zhongshan Group for a period of 32.4 years, being the estimated useful life of the Medical Practice License and the certificate for human assisted reproduction.

Based on the capabilities and successful history without incurring significant expenses on the renewals of the Medical Practice License and the passing of the inspection on the assisted reproduction technology practice in Shenzhen Zhongshan Group to maintain certification, the Directors believe that Shenzhen Zhongshan Group will be able to renew the Medical Practice License and pass the relevant inspection process continuously and has the ability to do so. The Directors also take into account the estimated useful lives of the medical licenses in the PRC acquired in business combinations as determined by healthcare industry players and believe that it is appropriate and in line with industry practice to estimate continuous renewals of the Medical Practice License, which has a legal life of 2.4 years at date of acquisition and is renewable every 5 years, upon its expiry in June 2019, and hence an estimated useful life of 32.4 years at its acquisition in January 2017.

19. CONTRACTUAL RIGHT TO PROVIDE MANAGEMENT SERVICES

	RMB'000
COST	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Arising on HRC Management Acquisition (Note 36)	1,939,049
At 31 December 2018	1,939,049

Contractual right to provide management services was acquired through the HRC Management Acquisition on 24 December 2018 (Note 36).

Contractual right to provide management services represents the MSA with HRC Medical for a period of 20 years which will automatically be renewed for additional five-year terms indefinitely unless terminated.

On 22 January 2019, the overall management service arrangement was reviewed by the Group and, among others, the MSA was replaced with the new MSA ("New MSA") to optimise the overall business arrangement. The scope of service under the MSA and the New MSA generally remains the same. Under the MSA, HRC Management received a management fee from HRC Medical that equals to the sum of the reimbursements of all office expenses paid or accrued by HRC Management and a base fee per month, subject to certain adjustments specified in the agreement. Under the New MSA, the management fee is equal to 90% of all gross revenue of HRC Medical accrued during the preceding month, subject to adjustment stated in the New MSA. The New MSA has a term of 20 years commencing from January 1, 2019, and shall automatically extend for one additional year on each anniversary date unless terminated.

Contractual right to provide management services is considered by the management of the Group to have an indefinite useful life because it is expected to contribute to net cash inflows indefinitely and will not be amortised until its useful life is determined to be finite. Instead, it is tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing are disclosed in Note 21.

20. TRADEMARKS

	RMB'000
COST	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Arising on acquisition of Shenzhen Zhongshan Group (Note 35)	246,900
At 31 December 2017	246,900
Arising on HRC Management Acquisition (Note 36)	1,045,532
At 31 December 2018	1,292,432

The Group's trademarks were acquired through the acquisition of Shenzhen Zhongshan Group and HRC Management Acquisition on 31 January 2017 (Note 35) and 24 December 2018 (Note 36), respectively. Trademark acquired from Shenzhen Zhongshan Group has a legal life of 10 years but is renewable every 10 years at minimal cost while the trademark of HRC Medical from HRC Management Acquisition have legal lives of 10 years and are renewable for same consecutive period six months before expiry at minimal cost. The Directors are of the opinion that the Group would renew both trademarks continuously and has the ability to do so. The trademarks are considered by the management of the Group to have an indefinite useful life because they are expected to contribute to net cash inflows indefinitely and will not be amortised until their useful lives are determined to be finite. Instead they are tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing of both trademarks acquired from Shenzhen Zhongshan Group and HRC Management are disclosed in Note 21.

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill, contractual right to provide management services and trademarks with indefinite useful life acquired at the business combinations set out in Notes 17, 19 and 20 have been allocated to two individual CGUs. The carrying amounts of goodwill, contractual right to provide management services and trademarks as at 31 December 2016, 2017 and 2018 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		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shenzhen Zhongshan Group	—	197,123	197,123	—	—	—	—	246,900	246,900
HRC Management Group	—	—	604,928	—	—	1,939,049	—	—	1,045,532
	—	197,123	802,051	—	—	1,939,049	—	246,900	1,292,432

The basis of the recoverable amount of the above CGUs and its major underlying assumptions are summarised below.

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period, and a pre-tax discount rate of 20.0% and 20.7% for Shenzhen Zhongshan Group at 31 December 2017 and 2018, respectively, and 16.0% for HRC Management Group at 31 December 2018. The remaining forecast cash flows beyond that five-year period are extrapolated for a two-year period using declining growth rates from 8% to 6% and 7.6% to 6% for Shenzhen Zhongshan Group at 31 December 2017 and 2018, respectively, and for a three-year period from 8%

to 4% for HRC Management Group at 31 December 2018 and then a steady 3% growth rate for both units thereafter. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross revenue and cost of revenue and such estimation is based on the relevant unit's past performance and management's expectations for the market development.

As at 31 December 2017 and 2018, the Directors determined that there is no impairment of these CGUs containing goodwill, contractual right to provide management services and trademarks.

The recoverable amount of the CGU of Shenzhen Zhongshan Group exceeds its carrying amount by RMB79,880,000 and RMB167,789,000, respectively, as at 31 December 2017 and 31 December 2018.

As HRC Management Group was acquired on 24 December 2018, its carrying amount approximates to its recoverable amount at 31 December 2018. Any change in the key assumptions would cause its carrying amount to exceed its recoverable amount.

If all other variables were held constant, the recoverable amount of Shenzhen Zhongshan Group would approximate to its carrying value when the annual growth rate of revenue during the five-year forecast period and the following two-year extrapolated period decreases by approximately 2.1% per year at 31 December 2017. Other than this, the Directors believe any reasonably possible changes in the other key assumptions as set out below would not cause the carrying amount of Shenzhen Zhongshan Group to exceed its recoverable amount for both years.

The table below sets forth (i) each key assumption that is used in goodwill, trademarks and contractual right to provide management services impairment testing at 31 December 2017 and 2018; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of value in use of the CGUs of Shenzhen Zhongshan Group and HRC Management Group:

Shenzhen Zhongshan Group

At 31 December 2017

Key assumption	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amount
			RMB'000
Annual growth rate of revenue..	15% to 6%	Decrease by 1%	40,796
		Decrease by 2%	3,929
Gross margin rate	34.5% to 39%	Decrease by 1%	52,199
		Decrease by 2%	24,518

Key assumption	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amount
			RMB'000
Pre-tax discount rate	20%	Increase by 0.5%	47,130
		Increase by 1%	16,951
Long-term growth rate	3%	Decrease by 0.5%	61,528
		Decrease by 1%	44,588

At 31 December 2018

Key assumptions	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amount
			RMB'000
Annual growth rate of revenue	15% to 6%	Decrease by 1%	124,789
		Decrease by 2%	84,789
Gross margin rate	36% to 39%	Decrease by 1%	137,789
		Decrease by 2%	107,789
Pre-tax discount rate	20.7%	Increase by 0.5%	142,789
		Increase by 1%	118,789
Long-term growth rate	3%	Decrease by 0.5%	148,789
		Decrease by 1%	131,789

HRC Management Group

At December 31, 2018

Key assumptions	Base case	Changes in key assumption	Shortfall of recoverable amount of the CGU over its carrying amount
			RMB'000
Annual growth rate of revenue	10% to 4%	Decrease by 1%	(179,888)
		Decrease by 2%	(349,619)
Gross margin rate	47.9% to 49.5%	Decrease by 1%	(75,606)

Key assumptions	Base case	Changes in key assumption	Shortfall of recoverable amount of the CGU over its carrying amount
			RMB'000
		Decrease by 2%	(151,227)
Pre-tax discount rate	16%	Increase by 0.5%	(128,088)
		Increase by 1%	(245,970)
Long-term growth rate	3%	Decrease by 0.5%	(104,522)
		Decrease by 1%	(198,055)

22. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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.

23. INVENTORIES

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceutical products	12,552	16,040	13,833
Consumables and others	194	2,648	2,715
	12,746	18,688	16,548

24. ACCOUNTS AND OTHER RECEIVABLES

The Group

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivables (note a)	28	4,583	9,385
Other receivables and prepayment:			
Prepaid rental to a related party (note b)	—	150,000	150,000
Deferred listing expenses	—	—	6,664
Prepayments to suppliers	2,290	6,239	8,571
Rental and other deposits	—	4,277	2,321
Others	583	2,078	2,061
	2,873	162,594	169,617
Total accounts and other receivables	2,901	167,177	179,002
Analysed as:			
Current	2,901	66,720	76,920
Non-current	—	100,457	102,082
Total	2,901	167,177	179,002

The Company

	At 31 December 2018
	RMB'000
Deferred listing expenses	6,664

Notes:

(a) As at 1 January 2016, trade receivable from contracts with customers amounted to RMB226,000.

(b) Prepayments represent the prepaid rentals for three years pursuant to a lease agreement entered into with 成都錦昇醫院管理有限公司 (Chengdu Jinsheng Hospital Management Company Limited, "Jinsheng Hospital Management"), a related party controlled by Chengdu Jinxin Investment, in December 2017 for a hospital building ("Hospital Building") provided by the related party for a lease period of 20 years effective 1 January 2018. The annual rental is RMB50,000,000 for the first three years and an annual 3% escalation thereafter.

On 31 January 2018, a supplemental agreement ("Supplemental Agreement") was entered into with Jinsheng Hospital Management to defer the lease commencement to a date on or after 31 January 2019, due to the delay of the construction and renovation of the Hospital Building. The Supplemental Agreement was subsequently cancelled upon signing the share purchase agreement below.

On 11 February 2019, the Group entered into a share purchase agreement and property transfer agreement, which were supplemented on 7 May 2019 and 23 May 2019, with 成都優他製藥有限責任公司 (Chengdu Youta Pharmaceutical Company Limited, "Youta Pharmaceutical"), a related party controlled by Chengdu Jinxin Investment, to acquire the entire equity interest in 成都錦奕企業管理有限公司 (the "Share Transfer") which will own the Hospital Building and the related carpark facilities upon its transfer from Youta Pharmaceutical before completion of the Share Transfer. The total consideration for the Share Transfer is approximately RMB738,200,000 (inclusive of reimbursement of renovation and other expenses) and comprised three instalments: (i) an amount of RMB260,000,000, being reimbursement of renovation and other expenses, was settled on 16 February 2019; (ii) an amount of RMB244,300,000 was settled on 3 March 2019; and (iii) the remaining amount of RMB233,800,000 is payable by 30 September 2019. The payments of the consideration were satisfied partly by way of a set-off against the aforesaid prepaid rentals. The Share Transfer was completed on 10 May 2019.

The individual customer of Chengdu Xinan Group and Shenzhen Zhongshan Group would usually settle payments by cash, credit cards, debit cards or governments' social insurance schemes. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau and similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes from 30 to 90 days from the transaction date.

The individual customer of ambulatory surgery centre facilities services of HRC Management Group would usually settle by cash or payments through insurance schemes. Payments by insurance schemes will normally be settled by commercial insurance companies from 60 to 365 days from the transaction date.

The Directors are in the view that there have been no significant increase in credit risk of default because the amounts are from local social insurance bureau, similar government departments or insurance companies with good credit rating and continuous repayment.

Since 1 January 2018, the Group applies the simplified approach to provide for ECL on accounts receivables prescribed by IFRS 9. The accounts receivables are assessed individually for impairment allowance based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Directors considered that the ECL for accounts receivables is insignificant as at 31 December 2018.

In determining the recoverability of trade receivables, the management of the Group considers any change in the credit quality of the trade 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.

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	28	3,451	6,126
91 to 180 days	—	165	2,923
Over 180 days	—	967	336
	28	4,583	9,385

Ageing of trade receivables which are past due but not impaired:

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Overdue			
1 to 90 days	—	165	2,923
91 to 180 days	—	240	179
Over 180 days	—	727	157
	—	1,132	3,259

As at 31 December 2017 and 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB967,000 and RMB3,259,000, respectively, which are past due as at the reporting date. Out of the past due balances, RMB967,000 and RMB336,000 as at 31 December 2017 and 2018 respectively have been past due 90 days or more and is not considered as in default due to their good repayment history and there is no default history of the debtors.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 41.

25. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

The amount as at 31 December 2016 represents a deposit paid for the acquisition of Shenzhen Zhongshan Group in 2017 as described in Note 35.

26. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARIES AND CAPITAL CONTRIBUTION DEPOSITS FROM A SHAREHOLDER AND INVESTORS

The Group

(a) Amounts due from related parties

	The Group		
	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature			
四川錦欣婦女兒童醫院有限公司 (Sichuan Jinxin Women and Children Hospital Co., Ltd, "Jinxin Women and Children Hospital") (notes ii & viii)	—	—	519
成都錦欣婦產科醫院有限公司 (Chengdu Jinxin Obstetrics and Gynaecology Hospital Limited, "Jinxin Ob-Gyn Hospital") (notes ii & viii)	—	—	56
Jinjiang District Maternity and Child Health Hospital (notes ii & viii)	—	—	402
	—	—	977
Non-trade in nature			
Other receivables:			
Chengdu Jinxin Investment (note i)	—	125,027	438,167
Jinxin Fertility BVI (note vii)	—	—	69,554
Jinjiang District Maternity and Child Health Hospital (note ii)	—	322	—
Amethyst Gem Holdings Limited (note iii)	—	—	1
Max Innovation Limited (note iii)	—	—	2
HRC Investment (note iv)	—	—	182
Hainan Project (note v)	—	—	175
135 South Rosemead LLC (note vi)	—	—	1
	—	125,349	508,082
Total	—	125,349	509,059
Analysed as:			
Current	—	—	70,894
Non-current	—	125,349	438,165
	—	125,349	509,059

Notes:

(i) The amount is unsecured, interest-free and has been applied to offset the first and second instalments of the consideration for the Share Transfer subsequent to 31 December 2018 with details set out in Note 24(b).

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

(iii) They are shareholders of the Company. The amounts are unsecured, interest-free and repayable within 12 months from the end of reporting period.

(iv) HRC Investment becomes a shareholder of the Company upon selling its 49% interests in HRC Management to the Group in exchange for new shares issued by the Company. The amount represents expenses paid on its behalf and is unsecured, interest-free and repayable on demand.

(v) The balance represents rental income from the related party and certain expenses paid on its behalf. The amount is unsecured, interest-free and repayable on demand.

(vi) The entity is owned by certain shareholders of HRC Investment. The amount is unsecured, interest-free and fully settled after the end of the reporting period.

(vii) The amount represents outstanding receivable from Jinxin Fertility BVI for subscription in the Company's shares. The amount is unsecured, interest-free and repayable on demand. Details are set out in note (j) to the consolidated statements of changes in equity.

(viii) The balances are all aged within 90 days based on the invoice date at the end of the reporting period.

The Directors expect that the outstanding non-trade amounts as at 31 December 2018 will be fully settled upon listing of the Company on the Stock Exchange.

(b) Capital contribution deposits from a shareholder and investors

The amount as at 31 December 2016 represents deposits from a shareholder and investors for capital contribution to Sichuan Jinxin Fertility. The amount is unsecured, interest-free and repayable on demand. The capital contribution agreement was subsequently entered into in 2017 and the amount was recognised as paid-up capital of Sichuan Jinxin Fertility during the year ended 31 December 2017.

(c) Amounts due to related parties

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature			
Jinxin Women and Children Hospital (note i)	381	3,062	6,563
成都錦欣精神病醫院有限公司 (Chengdu Jinxin Psychiatric Hospital Company Limited "Jinxin Psychiatric") (note i)	330	727	1,111
成都和雋科技有限公司 (Chengdu Hejun Technology Company Limited, "Hejun Technology") (note i)	51	141	542
	762	3,930	8,216
Non-trade in nature			
HRC Medical (note ii)	—	—	10,852
HRC Investment (note iii)	—	—	2,916
Daniel A. Potter, MD, Inc. (note iv)	—	—	271
John Wilcox, MD, Inc. (note iv)	—	—	207
David Tourgeman, MD, Inc. (note iv)	—	—	188
Michael Feinman, MD, Inc. (note iv)	—	—	113
Jeffrey Nelson, MD, Inc. (note iv)	—	—	9
Chengdu Jinxin Investment (notes vi & vii)	57,092	—	206,404
JINXIN Medical Investment Group Limited (note v)	—	—	4,201
Tibet Jinxin Enterprise Management Co., Ltd. (notes vi & vii)	—	—	296,396
Tibet Juyi Venture Capital Partnership (Limited Partnership) (notes vi & vii)	—	—	66,147
Tibet Xingsheng Venture Capital Partnership (Limited Partnership) (notes vi & vii)	—	—	165,417
Qingdao Jinshi Haorui Investment Co., Ltd. (notes vi & vii)	—	—	66,147
Ningbo Meishan Bonded Port Area Zesen Huilin Equity Investment Partnership (Limited Partnership) (notes vi & vii)	—	—	24,649
Sichuan Province Healthy Pension Industry Equity Investment Fund Partnership (Limited Partnership) (notes vi & vii)	—	—	33,225
Zhuhai Mingrui Corporate Consulting Co., Ltd. (notes vi & vii)	—	—	31,627
永泰控股集團有限公司 (Yong Tai Group Company Limited, "Yong Tai") (note viii)	56,755	—	—
	113,847	—	908,769
	114,609	3,930	916,985

Notes:

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

(ii) The amount represents the payable to HRC Medical as the bank balances and cash maintained by HRC Management on behalf of HRC Medical pursuant to the management services under the MSA exceeded the respective amount of management services fee receivable. The amount is unsecured, interest-free and repayable on demand.

(iii) The amount represents the distribution payable by HRC Management to HRC Investment.

(iv) They are shareholders of HRC Investment. The amounts are unsecured, interest-free and repayable on demand. They are mainly incurred for expenses paid on behalf by the related parties.

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

(vi) These companies were shareholders of Sichuan Jinxin Fertility before their interest were acquired by the Group as part of the Group Reorganisation. Upon completion of the Group Reorganisation, their offshore investment vehicles have become shareholders of the Company. The amounts are unsecured, interest-free and repayable on demand.

(vii) The balances amounting to RMB782,550,000 in total represent the outstanding payables as at 31 December 2018 for the acquisition of shares of Sichuan Jinxin Fertility as part of the Group Reorganisation. Details are set out in note (j) to the consolidated statements of changes in equity.

(viii) Yong Tai was a non-controlling shareholder of a subsidiary. The amount was unsecured, interest-free and fully repaid in 2017.

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.

	At 31 December		
	2016	2017	2018
	RMB '000	*RMB '000*	*RMB '000*
Within 90 days	762	1,757	1,890
91 to 180 days	—	1,791	1,367
Over 180 days	—	382	4,959
	762	3,930	8,216

The Company

(d) Amounts due from shareholders

The amounts due from shareholders are non-trade in nature, unsecured, interest-free and expected to be repaid within 12 months from the end of the reporting period.

(e) Amounts due to subsidiaries

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and expected to be repaid within 12 months from the end of the reporting period.

27. STRUCTURED BANK DEPOSIT

On 7 December 2018, the Group entered into a deposit placement of RMB20,000,000 with a bank in the PRC. The bank guaranteed 100% of the invested principal amount and a fixed interest rate of 2.8% per annum with maturity of 90 days as specified in the agreement.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2018, the balance represents 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 4.7% per annum depending on the performance of the underlying financial investments or the change in the interest rate as specified in the relevant deposits placement, with a maturity period of 35 days.

The wealth management products are classified as financial assets at FVTPL on initial recognition as they contain embedded derivatives. The Directors consider the fair values of the wealth management products approximate to their carrying values at the end of the reporting period.

29. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.01% to 0.35% per annum as at 31 December 2016, 2017 and 2018.

30. ASSETS CLASSIFIED AS HELD FOR SALE

On 25 December 2018, to streamline its organisation structure, Shenzhen Zhongshan Hospital entered into an agreement on the transfer of organiser's interests and change of organiser of 深圳中山生殖與遺傳研究所 (Shenzhen Zhongshan Reproductive Institute, "Zhongshan Research Institute") with Shenzhen Shengkeqiang Medical Technology Co., Ltd., an independent third party, pursuant to which Shenzhen Zhongshan Hospital transferred the entire organiser's interests and obligations it held in Zhongshan Research Institute to Shenzhen Shengkeqiang Medical Technology Co., Ltd. for a consideration of approximately RMB1,000,000. The transaction was completed on 24 January 2019, and resulted in a loss on disposal of approximately RMB21,000. The said disposal did not have any material impact on the Group.

The major classes of assets and liabilities of Zhongshan Research Institute classified as held for sale are as follows:

	As at 31 December 2018
	RMB'000
Property, plant and equipment	179
Bank balances and cash	842
Total assets classified as held for sale	1,021

31. ACCOUNTS AND OTHER PAYABLES

The Group

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Accounts payables	27,804	54,245	143,010
Other payables:			
Construction payables	—	284	2,459
Refundable customers' deposits	15,573	20,257	43,932
Accrued employee expenses (including social insurance and housing fund contributions)	15,320	53,269	98,866
Accrued listing expenses/share issue costs	—	—	22,500
Accrued rental expenses	—	3,792	44
Payables to a third party (note i)	—	6,794	7,685
Consultancy fee payable	—	2,000	633
Value-added tax and other tax payables	2,948	8,776	22,663
Deferred income (note ii)	—	5,686	5,601
Dividend payable	—	3,262	23,727
Accrued late fees for unpaid PRC EIT and value-added tax	—	—	7,440
Others	277	6,021	12,490
	34,118	110,141	248,040
Total accounts and other payables	61,922	164,386	391,050

Notes:

(i) Amount represents temporary receipts on behalf of a not-for-profit organisation.

(ii) The amount mainly represents government grant 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.

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	27,125	43,764	82,718
91 to 180 days	679	8,433	55,710
181 to 365 days	—	1,558	3,794
Over 365 days	—	490	788
	27,804	54,245	143,010

The Company

	At 31 December 2018
	RMB'000
Accrued listing expenses/share issue costs	22,500
Others	111
	22,611

32. DEFERRED TAX LIABILITIES

	Fair value adjustment arising from acquisition of subsidiaries
	RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Arising on acquisition of Shenzhen Zhongshan Group (Note 35)	175,717
Credited to profit or loss (Note 12)	(3,505)
At 31 December 2017 and 1 January 2018	172,212
Arising on HRC Management Acquisition (Note 36)	508,553
Credited to profit or loss (Note 12)	(3,824)
At 31 December 2018	676,941

33. SHARE/PAID-UP CAPITAL

The Group

The paid-up capital as at 1 January 2016 represented the paid-up capital of Prior Chengdu Xinan Hospital attributable to Chengdu Jinxin Investment.

The share/paid-up capital as at 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018 represented the aggregate paid-up capital of Chengdu Xinan Hospital and Sichuan Jinxin Fertility attributable to Chengdu Jinxin Investment.

The share capital as at 31 December 2018 represented the issued share capital of the Company.

The Company

	Number of shares	Share capital
		US$
Ordinary shares of US$0.00001 each		
Authorised:		
On date of incorporation on 3 May 2018 and at 31 December 2018	5,000,000,000	50,000
Issued:		
1 share allotted and issued upon incorporation	1	—
Issue of shares during the period	1,979,828,400	19,798
At 31 December 2018	1,979,828,401	19,798
Show in the Historical Financial Information as		RMB129,000

The Company was incorporated in the Cayman Islands on 3 May 2018 with an authorised share capital of US$50,000 divided into 5,000,000,000 ordinary shares with a par value of US$0.00001 per share. On the date of incorporation, one share was allotted and issued by the Company.

On 3 May 2018 and 20 July 2018, the Company issued a further 19,999 and 78,780 of its shares at par value of US$0.00001 each for consideration of approximately US$0.2 (equivalent to RMB1.3) and US$0.8 (equivalent to RMB5.4), respectively, to Jinxin Fertility BVI.

On 20 July 2018, the Company acquired one share, being the entire issued share capital of BVI Holdco, from the pre-IPO investor in exchange for allotment and issue of 1,220 of the Company's shares to the pre-IPO investor.

On 20 November 2018 and 19 December 2018, the Company issued 915,538,334 and 296,459,725 of its shares at US$0.00001 each for consideration of approximately US$132,467,000 (equivalent to RMB908,584,000) and US$42,745,000 (equivalent to RMB293,186,000) as part of the Group Reorganisation to settle the consideration payable for the acquisition of the entire equity interest of Sichuan Jinxin Fertility.

On 24 December 2018, the Group acquired the entire interest in Willsun BVI which holds 51% equity interest in HRC Management and the remaining 49% interest in HRC Management by issuing 407,005,337 shares and 360,725,005 shares of US$0.00001 each in the Company to the shareholders of Willsun BVI and the 49% shareholders of HRC Management, respectively. Upon completion, HRC Management becomes a wholly-owned subsidiary of the Group. The financial information of Willsun BVI is set forth in Appendix IC to the Prospectus.

On 2 February 2019, YU PENG XIANG Company Limited, a BVI incorporated limited liability company wholly-owned by Mr. Zeng Yong, one of the Group's key management personnel, subscribed for 10,882,013 shares of the Company of US$0.00001 each at par value. On the same day, Mr. Zeng Yong entered into a series of contractual arrangements with the Group in respect of his 5.46% equity interest in Shenzhen Zhongshan Hospital with details set out in Note 43(iii).

34. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	6,200	10,534	34,580
In the second to fifth-year inclusive	16,466	142,747	208,133
Over five years	23,783	1,058,884	1,103,451
	46,449	1,212,165	1,346,164

Operating lease payments represent rentals payable by Shenzhen Zhongshan Group, Chengdu Xinan Group and HRC Management Group for their rented premises for office and hospital services as well as for medical equipment. These leases are negotiated for terms ranging from over one to twenty years with fixed monthly rental and/or annual rental escalation clause. None of the leases include any contingent rental.

Certain clinics under management by HRC Management have laboratory and other medical facilities built into the rented premises. According to the lease agreements, the lessor may request HRC Management to remove all modifications made to the premises at the termination of the lease. For a lease contract without the lessor's confirmation that such removal of the modification would not be required, the Directors believe that no penalty or reinstatement costs would be imposed on HRC Management as it appeared that, with the "as-is-basis" condition, the lessor would be beneficial in a potentially higher rental income from other tenants. Should the landlord request to reinstate its leased property to its original state, the cost is approximately RMB4,428,000 at 31 December 2018.

The Directors consider such liability is not probable due to the likelihood of being asked to remove the laboratory and other medical facilities built into the rented premises is low.

The above commitments as of 31 December 2018 included future minimum lease payments of (i) RMB1,120,721,000 arising from a lease agreement entered into between the Group and a related party with lease commencement date on or after 31 January 2019 and further details are set out in Note 24(b); and (ii) RMB113,872,000 arising from lease agreements entered into between HRC Management and entities controlled by certain shareholders of HRC Investment in relation to certain rented premises of HRC Management.

35. ACQUISITION OF SHENZHEN ZHONGSHAN GROUP

On 31 January 2017, the Group acquired 73.98% of the paid-up share capital of Shenzhen Zhongshan Group for a cash consideration of RMB611,260,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB197,123,000. Shenzhen Zhongshan Group is 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.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	63,372
Rental deposit	457
License	426,500
Trademark	246,900
Inventories	7,555
Accounts and other receivables	4,471
Amounts due from former shareholders of Shenzhen Zhongshan Group	223
Bank balances and cash	34,802
Accounts and other payables	(44,332)
Tax liabilities	(4,434)
Deferred tax liabilities	(175,717)
	559,797

The gross contractual amounts of those accounts and other receivables and amounts due from former shareholders of Shenzhen Zhongshan Group acquired amounted to RMB4,694,000 at the date of acquisition represent their fair value. No amount at acquisition date of the contractual cash flows is not expected to be collected. The amount of acquisition cost is insignificant.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	611,260
Plus: non-controlling interests (26.02% in Shenzhen Zhongshan Group) (note i)	145,660
Less: fair value of identifiable net assets acquired (100%)	(559,797)
Goodwill arising from acquisition (note ii)	197,123

Notes:

(i) The non-controlling interest of 26.02% in Shenzhen Zhongshan Group recognised at the acquisition date was measured at the non-controlling interest's proportion share of the recognised amounts of net assets of Shenzhen Zhongshan Group acquired amounting to approximately RMB145,660,000.

(ii) Goodwill arose in the acquisition of Shenzhen Zhongshan Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Shenzhen Zhongshan 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 Shenzhen Zhongshan Group

	RMB'000
Cash consideration	(611,260)
Deposit for acquisition paid in 2016 (Note 25)	500,973
Cash and cash equivalents balances acquired	34,802
	(75,485)

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2017 is RMB24,457,000 attributable to the additional business generated by Shenzhen Zhongshan Group. Revenue for the year ended 31 December 2017 includes RMB239,585,000 generated from Shenzhen Zhongshan Group.

Had the acquisition of Shenzhen Zhongshan Group been completed on 1 January 2017, the total revenue of the Group for the year ended 31 December 2017 would have been RMB680,519,000, and the amount of the profit for the year would have been RMB201,259,000. The proforma 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 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shenzhen Zhongshan Group been acquired at the beginning of the year ended 31 December 2017, the Directors calculated depreciation and amortisation of property, plant and equipment and intangible assets based on the recognised amounts of property, plant and equipment and intangible assets at the date of the acquisition.

36. ACQUISITION OF HRC MANAGEMENT GROUP

On 24 December 2018, the Company completed HRC Management Acquisition through the allotment and issuance of a total of 767,730,342 new shares of the Company to their then shareholders. HRC Management Group is engaged in the provision of (i) non-medical management and administrative services such as financial and risk management as well as information systems, human resource and administrative support required for the operation of physician medical practices carried out by HRC Medical pursuant to the MSA entered into with HRC Management effective from 13 July 2017 for a period of 20 years which will automatically be renewed for additional five-year term indefinitely unless terminated; (ii) ambulatory surgery centre facilities; and (iii) PGS Testing. The acquisition was made to expand the Group's management services of assisted reproductive services and ancillary medical services business to the U.S.A..

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	25,336
Contractual right to provide management services	1,939,049
Trademark	1,045,532
Equity instrument at FVTOCI	9,990
Other assets	1,625
Accounts and other receivables	12,858
Amounts due from related parties	358
Tax recoverable	934
Bank balances and cash	40,652
Accounts and other payables	(47,118)
Amounts due to related parties	(14,556)
Deferred tax liabilities	(508,553)
	2,506,107

The gross contractual amounts of those accounts and other receivables and amounts due from related parties acquired amounting to RMB13,216,000 at the date of acquisition represent their fair values. No amount at acquisition date of the contractual cash flows is not expected to be collected. The amount of acquisition cost is insignificant.

Goodwill arising on acquisition

	RMB'000
Consideration transferred (note i)	3,111,035
Less: fair value of identifiable net assets acquired (100%)	(2,506,107)
Goodwill arising from acquisition (note ii)	604,928

Certain portion of the goodwill and intangible assets comprising contractual right to provide management services and trademarks with indefinite useful life arising on the acquisition is expected to be deductible for tax purposes over 15 years.

Notes:

i The shares consideration for HRC Management Acquisition represents the fair value of the 767,730,342 new shares of the Company (which represented 38.78% of the then enlarged share capital of the Company immediately upon completion of the acquisition), amounting to approximately RMB3,111,035,000 based on valuation by the Directors on each of the business of the Group before the acquisition and that of HRC Management Group with reference to valuation reports carried out by an independent qualified professional valuer, which has appropriate qualifications and experiences in valuation of similar transactions.

ii Goodwill arose in HRC Management Acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of HRC Management Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Certain portion of the goodwill arising on the acquisition is expected to be deductible for tax purposes over 15 years.

Net cash inflow on acquisition of Willsun BVI Group

	RMB'000
Cash and cash equivalents balances acquired	40,652

Impact of acquisition on the results of the Group

As the Directors considered the impact on the profit attributable to the additional business generated by HRC Management Acquisition for the period from 24 December 2018 (date of acquisition) to 31 December 2018 was insignificant to the Group's financial performance for the year ended 31 December 2018, their financial performance has not been reflected in the Group for the year ended 31 December 2018.

Had HRC Management Acquisition been completed on 1 January 2018, total revenue of the Group for the year ended 31 December 2018 would have been RMB1,482,147,000, and the amount of the profit and total comprehensive income for the year would have been RMB509,351,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had HRC Management Acquisition been completed at the beginning of the period, the Directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

37. CAPITAL COMMITMENTS

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the Historical Financial Information	—	3,914	22,968

38. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme. The total costs charged to profit and loss, amounted to RMB7,762,000, RMB19,082,000 and RMB24,262,000 for the years ended 31 December 2016, 2017 and 2018 respectively, represent contributions paid to the retirement benefit scheme by the Group.

HRC Management maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code in the U.S.A.. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation.

The only obligation of HRC Management with respect to the retirement benefits plans is to make the specified contributions under the plans.

39. RELATED PARTY DISCLOSURES

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Group also entered into the following related party transactions:

Name of related companies	Relationship	Nature of transactions	Year ended 31 December		
			2016	2017	2018
			RMB'000	*RMB'000*	*RMB'000*
Jinjiang District Maternity and Child Health Hospital	Entity controlled by Chengdu Jinxin Investment	Provision of management services by the Group	28,125	92,224	89,116
		Provision of pathological examination services	—	—	402
		Rendering pathological examination services[(i)]	(7)	(12)	(482)
Jinxin Women and Children Hospital	Entity controlled by Chengdu Jinxin Investment	Provision of management services by the Group	(4,117)[(ii)]	8,556	625
		Provision of pathological examination services	—	—	519
		Rendering pathological examination services[(i)]	(1,292)	(2,972)	(3,573)
Jinxin Psychiatric	Entity controlled by Chengdu Jinxin Investment	Rendering sanitising and cleaning services[(i)]	(604)	(1,542)	(1,758)
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	(923)	(971)	(864)

Name of related companies	Relationship	Nature of transactions	Year ended 31 December		
			2016	2017	2018
			RMB'000	*RMB'000*	*RMB'000*
Hejun Technology	Entity controlled by Chengdu Jinxin Investment	Purchase of consumables by the Group	(28,756)	(669)	(1,020)
		Rendering storage services	—	—	(864)

Notes:

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

(ii) Amounts represent the reimbursement of the loss incurred by the fertility center during the year ended 31 December 2016 in connection with the management services provided pursuant to the IVF specialty collaboration agreement entered into by the Group and the entity.

Prepaid rental to a related party

As at 31 December 2017 and 2018, the Group had prepaid rental to a related party of RMB150,000,000 as detailed in Note 24(b).

Compensation of key management personnel

The remuneration of the directors and key executives is determined based on performance of individuals and market trends.

Key management includes executive directors and senior management. The remuneration of the directors and other members of key management during the Track Record Period was as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Director's fees	—	—	676
Salaries and allowances	248	360	507
Performance-related incentive payments	8,084	9,622	11,322
Retirement benefit schemes contributions	99	119	88
	8,431	10,101	12,593

40. 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 Track Record Period.

The capital structure of the Group consists of bank balances and cash, structured bank deposit, amounts due to related parties, and equity attributable to owners of the Company, comprising paid-up capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, additional advance from related parties or the repayment of their existing advances as well as issue of new debt, if necessary.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at			
- amortised cost (note i)	—	—	1,734,700
- FVTPL	—	—	65,010
- FVTOCI	—	—	9,990
Loans and receivables (including cash and cash equivalents)	191,314	585,325	—
Financial liabilities			
Financial liabilities at amortised cost	630,050	96,793	1,174,621

The Company

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost	—	—	1,205,652
Financial liabilities			
Financial liabilities at amortised cost	—	—	44,913

Note i: The financial asset classified as held for sale at amortised cost, amounting RMB842,000, was included.

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

The Group's major financial instruments include equity instrument at FVTOCI, accounts and other receivables, amounts due from/to related parties, financial assets at FVTPL, structured bank deposit, bank balances and cash, capital contribution deposits from a shareholder and investors and accounts and other payables. The Company's major financial instruments include amounts due from shareholders, bank balances and cash, other payables and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes of Historical Financial Information. The risks associated with these financial instruments, include market risk (interest rate risk, currency 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.

(i) ***Market risk***

Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 29 for details). The Group's and the Company's cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances.

The Directors consider that the overall interest rate risk is not significant and no sensitivity analysis is presented for both the Group and the Company.

The fair value interest rate risk on the financial assets at FVTPL and fixed rate structured bank deposit is limited because the periods of these investment products and deposit are short, which ranged from 35 to 90 days.

Currency risk

The Group has no significant foreign currency risk as all of the operations of the group entities are denominated in RMB or USD which is also the functional currency of the relevant group entities.

Moreover, the Company has no significant foreign currency risk as the operation of the Company is denominated in RMB, which is also the functional currency of the Company.

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 22. The Group has appointed a special team to monitor the price risk of this investment.

The sensitivity analysis have been determined based on the exposure to equity price risk at 31 December 2018. If the equity price of the equity investment had been 5% higher/lower, FVTOCI reserve under equity of the Group for the year ended 31 December 2018 would increase/decrease by approximately RMB500,000 as a result of the changes in fair value of the equity investment at FVTOCI.

(ii) ***Credit risk and impairment assessment***

At the end of each reporting period, the carrying amount of the respective recognised financial assets of the Group and the Company as stated in the consolidated statements of financial position and statement of financial position, respectively best represents the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company 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 and the Company 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 upon application of IFRS 9 on trade balances individually and performs impairment assessment under incurred loss model for the years ended 31 December 2016 and 2017. In this regard, the Directors consider that the Group's and the Company's credit risk is significantly reduced. Accordingly the loss allowance is measured under 12m ECL and the lifetime ECL for trade receivables of RMB9,385,000 for the Group is considered insignificant.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's and the Company's outstanding balance of other receivables. As such, the Directors considered the risk over

ECL to be immaterial after considering counterparty financial background and credibility. Accordingly, the loss allowance of other receivables is measured under 12m ECL which is considered insignificant in respect of other receivables, amounting to RMB11,045,000 as at 31 December 2018.

For the amounts due from related companies, the Directors make individual assessment on the recoverability of the amounts based on historical settlement records and past experience. In view of the good repayment history of these related parties and considered the future prospects of the industry in which these related parties operate, the Directors consider the risk of default is low, and accordingly, no impairment was recognised in respect of the amounts due from related parties amounting to RMB509,059,000 as at 31 December 2018.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The 12m ECL for structured bank deposit and bank balances of the Group amounting to RMB1,205,211,000 as at 31 December 2018 is considered to be insignificant. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk on significant balance of receivables from Chengdu Jinxin Investment as at 31 December 2017 and 2018. In order to minimise the credit risk, the Group closely monitors the liquidity risk of the related parties and reviews the outstanding debt at the end of each reporting period to ensure that follow-up action is taken on overdue debts.

(iii) ***Liquidity risk***

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed payment dates. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

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

The Group

	Weighted average effective interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016				
Accounts and other payables	—	43,654	43,654	43,654
Capital contribution deposits from a shareholder and investors	—	471,787	471,787	471,787
Amounts due to related parties	—	114,609	114,609	114,609
		630,050	630,050	630,050

	Weighted average effective interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017				
Accounts and other payables	—	92,863	92,863	92,863
Amounts due to related parties	—	3,930	3,930	3,930
		96,793	96,793	96,793

	Weighted average effective interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018				
Accounts and other payables	—	257,636	257,636	257,636
Amounts due to related parties	—	916,985	916,985	916,985
		1,174,621	1,174,621	1,174,621

The Company

	Weighted average effective interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018				
Other payables	—	22,611	22,611	22,611
Amounts due to subsidiaries	—	22,302	22,302	22,302
		44,913	44,913	44,913

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

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

The Group's financial assets that are measured at fair value at 31 December 2018 are disclosed in Notes 22 and 28. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	RMB'000				
Unlisted equity investment classified as financial asset at FVTOCI	9,990	Level 3	Market comparison approach in which fair value was determined with reference to recent transaction price	Recent transaction price	The lower the recent transaction price, the lower the fair value of the investment. A 5% decrease in the recent transaction price, holding all other variables constant, would decrease the carrying amount of the equity instruments by approximately RMB500,000 at 31 December 2018, and vice versa.
Financial assets at FVTPL	65,010	Level 2	Discounted cash flows - future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risks of various counterparties.		

There were no transfer between levels during the year ended 31 December 2018.

(ii) ***Reconciliation of Level 3 fair value measurements***

	Unlisted investment classified as equity instrument at FVTOCI
	RMB'000
At 1 January 2018	—
Acquisition of subsidiaries (Note 36)	9,990
At 31 December 2018	9,990

(iii) ***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 Historical Financial Information approximate their fair values at the end of each reporting period.

42. 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 statements of cash flows as cash flows from financing activities:

	Accrued share issue costs	Dividend payable	Payables to a third party (included in other payables)	Bank borrowings	Non-trade amounts due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	—	—	—	400,000	83,475	483,475
Financing cash flows	—	—	—	27,150	126,535	153,685
Non-cash changes						
Acquisition of non-controlling interests (Note 45(iii))	—	—	—	—	114,000	114,000
Deemed distribution to shareholder (Note 45(ii))	—	—	—	(427,150)	(210,163)	(637,313)

	Accrued share issue costs	Dividend payable	Payables to a third party (included in other payables)	Bank borrowings	Non-trade amounts due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016	—	—	—	—	113,847	113,847
Financing cash flows	—	(60,169)	6,794	—	—	(53,375)
Non-cash changes						
Dividend declared (Note 13)	—	63,431	—	—	—	63,431
Offsetting arrangement (Note 45(i))	—	—	—	—	(113,847)	(113,847)
At 31 December 2017	—	3,262	6,794	—	—	10,056
Financing cash flows	(3,144)	(123,924)	891	—	104,033	(22,144)
Non-cash changes						
Deemed distribution to shareholders (Note 26(c)(vii))	—	—	—	—	782,550	782,550
Dividend declared (Note 13)	—	259,755	—	—	—	259,755
HRC Management Acquisition (Note 36)	—	—	—	—	14,556	14,556
Share issue costs accrued	6,730	—	—	—	—	6,730
Offsetting arrangement (Notes 45(i) & (vii))	—	(43,451)	—	—	(64,285)	(107,736)
Dividend payable transfer to amount due to a related party (Note 45(vi))	—	(71,915)	—	—	71,915	—
At 31 December 2018	3,586	23,727	7,685	—	908,769	943,767

43. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiaries	Place and date of establishment	Paid-up/ share capital	Attributable equity interest to the Group				Principal activities
			At 31 December			Date of this report	
			2016	2017	2018		
Directly held:							
BVI Holdco (note ix)	BVI 1 March 2018	—	N/A	N/A	100%	100%	Investment holding
Willsun BVI (notes iv and ix)	BVI 31 March 2017	US$205,600,000	N/A	N/A	100%	100%	Investment holding
Willsun (BVI) New Company Limited (notes iv and ix)	BVI 17 May 2018	US$50,000	N/A	N/A	100%	100%	Investment holding
Indirectly held:							
Jinxin Fertility HK (note ix)	Hong Kong 14 March 2018	HK$1	N/A	N/A	100%	100%	Investment holding
Sichuan Jinxin Fertility (notes i and ix)*	PRC 12 September 2016	Registered capital RMB1,054,841,600	100%	40.9%[i]	100%	100%	Investment holding
Chengdu Xinan Hospital (notes i, iii and ix)*	PRC 1 September 2016	Registered capital RMB22,222,222	51%	40.9%[i]	100%	100%	Assisted reproductive services and management services
Gaoxin Xinan Hospital (note ix)*	PRC 13 June 2016	Registered capital RMB15,000,000	100%	100%	100%	100%	Assisted reproductive services and management services
Shenzhen Zhongshan Hospital (notes ii, iii and v)*	PRC 18 May 2004	Registered capital RMB20,000,000	—	73.98%	73.98%	79.44%	Assisted reproductive services and ancillary medical services
成都錦弈企業管理有限公司 Chengdu Jinyi Corporate Management Limited (note ix)*	PRC 27 December 2018	Registered capital RMB1,000,000	N/A	N/A	N/A	N/A	Property holder
深圳市裕集物業服務有限公司 Shenzhen Yuji Property Services Co., Ltd .("Yuji Property") (notes iii and vi)*	PRC 16 September 2009	Registered capital RMB300,000	—	100%	100%	100%	Property management services to group companies
Zhongshan Research Institute (notes iii and viii)*	PRC 8 January 2009	Registered capital RMB1,000,000	—	100%	100%	—	Laboratory operation

Name of subsidiaries	Place and date of establishment	Paid-up/ share capital	Attributable equity interest to the Group				Principal activities
			At 31 December			Date of this	
			2016	2017	2018	report	
深圳市梅驊醫療投資管理有限公司 Shenzhen Meihua Medical Management Co., Ltd. ("Meihua Management") (notes iii, vi and vii)*	PRC 16 June 2003	Registered capital RMB18,000,000	—	100%	100%	100%	Investment management and management consultancy
HRC Management (notes iv and ix)	U.S.A. 3 November 2015	US$80,000	—	—	100%	100%	Provision for management services and surgery centre facilities
NexGenomics, LLC (notes iv and ix)	U.S.A. 4 February 2015	US$100	—	—	100%	100%	PGS Testing services
Willsun Fertility US Delaware LLC (notes iv and ix)	U.S.A. 5 April 2017	US$85,505,000	N/A	N/A	100%	100%	Investment holding
Willsun US Delaware Newco Inc. (notes iv and ix)	U.S.A. 7 May 2018	US$82,151,863	N/A	N/A	100%	100%	Investment holding
Structured entity:							
成都錦潤福德醫療管理有限公司 Chengdu Jinrun Fude Medical Management Company Limited ("Jinrun Fude") (notes iii and ix)*	PRC 9 May 2018	Registered capital RMB300,000	N/A	N/A	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 Although the Group has only 40.9% ownership in Sichuan Jinxin Fertility and Chengdu Xinan Hospital as at 31 December 2017, the Directors concluded that the Group has the power to direct the relevant activities of these entities as a result of the power of the Group to secure majority votes at the boards through an agreement with certain shareholders of Sichuan Jinxin Fertility and Chengdu Xinan Hospital.

ii In January 2017, the Group acquired Shenzhen Zhongshan Hospital (see Note 35 for details).

iii In September and November 2018, Sichuan Jinxin Fertility transferred its 10% equity interest in Chengdu Xinan Hospital and 3.98% equity interest in Shenzhen Zhongshan Hospital (which directly holds the entire equity interest in Yuji Property, Zhongshan Research Institute and Meihua Management) to Jinrun Fude, a structured entity of the Group. The Company does not have direct or indirect legal ownership in equity of this structured entity. Nevertheless, under certain contractual arrangements, including but not limited to, exclusive operation service agreement, option agreements,

entrustment agreements and equity pledge agreements, entered into with this structured entity and their registered owners, the Group has rights to exercise power over this structured entity, receives variable returns from its involvement in this structured entity, and has the ability to affect those returns through its power over this structured entity. As a result, it is presented as consolidated structured entity of the Group.

Similarly, the Group obtained control over Mr. Zeng Yong's 5.46% equity interest in Shenzhen Zhongshan Hospital via a series of contractual arrangements entered into between Mr. Zeng Yong and the Group in February 2019 and accordingly, the Group has indirect control of an aggregate of 79.44% equity interest in Shenzhen Zhongshan Hospital since then.

The Group has subsequently disposed of the entire equity interests in Zhongshan Research Institute. Details are set out in Note 30.

iv In December 2018, the Group acquired Willsun BVI which indirectly holds 51% equity interests in HRC Management and the remaining 49% interest in HRC Management (see Note 36 for details). The financial information of Willsun BVI is set out in Appendix IC to this Prospectus.

v The statutory financial statements for the years ended 31 December 2017 and 2018 of these entities were prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable in the PRC and were audited by Shenzhen Chang Jiang Certified Public Accountants, a certified public accountant registered in the PRC.

vi The statutory financial statements for the years ended 31 December 2017 and 2018 of this entity was prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable in the PRC and were audited by Shenzhen Zhongruitai Certified Public Accountants and Shenzhen Chang Jiang Certified Public Accountants, respectively certified public accountants registered in the PRC, respectively.

vii The entire registered capital of Meihua Management was not paid at 31 December 2016, 2017 and 2018, and date of this report.

viii The statutory financial statements for the years ended 31 December 2017 and 2018 of this entity was prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable in the PRC and were audited by Shenzhen Yida Certified Public Accountants Co., Ltd. and Shenzhen Chang Jiang Certified Public Accountants, certified public accountants registered in the PRC, respectively.

ix No statutory financial statements have been prepared for these subsidiaries of the Company for the Track Record Period as there were no statutory audit requirements for these subsidiaries or the first set of statutory financial statements were not yet due to issue.

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

Name of subsidiary	Place of establishment and operations	Proportion of equity interest/voting rights held by non-controlling interests			Profit allocated to non-controlling interests			Accumulated non-controlling interests		
		2016	2017	2018	2016	2017	2018	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chengdu Xinan Hospital	PRC	49%	59.1%	—	16,067	93,404	36,596	21,368	285,242	—
Shenzhen Zhongshan Group	PRC	—	26.02%	26.02%	—	6,364	8,928	—	148,515	136,627
					16,067	99,768	45,524	21,368	433,757	136,627

Summarised financial information of the Group's subsidiaries that has material non-controlling interests is set out below on a consolidation basis. The summarised financial information below represents amounts before intragroup eliminations and after fair value adjustments.

Chengdu Xinan Group

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (note)*
Current assets	128,737	447,983	N/A
Non-current assets	48,084	189,285	N/A
Current liabilities	(126,296)	(136,991)	N/A
Equity attributable to owners of the Company	(29,157)	(215,035)	N/A
Non-controlling interests	(21,368)	(285,242)	N/A

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (note)*
Revenue recognised in profit or loss	346,408	423,189	107,891
Expenses recognised in profit or loss	242,801	248,796	45,967
Profit and total comprehensive income for the year	103,607	174,393	61,924
Profit and total comprehensive income for the year attributable to:			
- Owners of the Company	87,540	80,989	25,328
- Non-controlling interests	16,067	93,404	36,596
	103,607	174,393	61,924
Dividend to non-controlling shareholder	—	(34,449)	—
Net cash inflow (outflow) from operating activities	108,982	(7,998)	54,924
Net cash outflow from investing activities	(108,020)	(35,779)	(122,387)
Net cash inflow from financing activities	84,526	232,720	—
Net cash inflow (outflow)	85,488	188,943	(67,463)

Note: Upon completion of the On-shore Restructuring on 4 April 2018 as set out in Note 2, Chengdu Xinan Hospital becomes a wholly-owned subsidiary of Sichuan Jinxin Fertility. The financial information for the year ended 31 December 2018 covers the period from 1 January 2018 to 4 April 2018, the date on which the remaining 59.1% equity interest of Chengdu Xinan Hospital was acquired by Sichuan Jinxin Fertility.

Shenzhen Zhongshan Group

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Current assets	68,086	145,722
Non-current assets	938,701	934,414
Current liabilities	(66,680)	(188,889)
Non-current liabilities	(172,212)	(168,672)
Equity attributable to owners of the Company	(619,380)	(585,948)
Non-controlling interest	(148,515)	(136,627)
Dividend to non-controlling interests	(3,507)	(20,816)

	From 1 February 2017 to 31 December 2017	**Year ended 31 December 2018**
	RMB'000 (note)	*RMB'000 (note)*
Revenue recognised in profit or loss	239,585	293,156
Expenses recognised in profit or loss	215,128	258,844
Profit and total comprehensive income for the period/year	24,457	34,312
Profit and total comprehensive income for the period/year attributable to:		
- Owners of the Company	18,093	25,384
- Non-controlling interests	6,364	8,928
	24,457	34,312
Net cash inflow from operating activities	55,799	54,577
Net cash outflow from investing activities	(25,323)	(17,807)
Net cash (outflow) inflow from financing activities	(11,773)	45,482
Net cash inflow	18,703	82,252

Note: Shenzhen Zhongshan Group was acquired by the Group in January 2017.

44. MOVEMENTS IN THE COMPANY'S RESERVES

	Share premium	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 3 May 2018 (date of incorporation)	—	—	—
Loss and total comprehensive expense for the period	—	(34,367)	(34,367)
Issuance of shares	1,201,694	—	1,201,694
Issuance of shares for HRC Management Acquisition	3,110,982	—	3,110,982
At 31 December 2018	4,312,676	(34,367)	4,278,309

45. MAJOR NON-CASH TRANSACTIONS

Other than disclosed elsewhere in the Historical Financial Information, the Group also entered into the following non-cash transactions during the Track Record Period:

(i) During the years ended 31 December 2016, 2017 and 2018, the Group entered into agreements with respective related parties to offset the amounts receivables outstanding as of 31 December 2016, 2017 and 2018 against the amounts payables of RMB4,621,000, RMB113,847,000 and RMB64,285,000, respectively.

(ii) During the year ended 31 December 2016, the business of Prior Chengdu Xinan Hospital and its subsidiary, Prior Gaoxin Xinan Hospital was transferred to Chengdu Xinan Hospital and Gaoxin Xinan Hospital, respectively. Certain assets and liabilities with net carrying amount of RMB79,944,000 (comprising bank balances and cash of RMB6,404,000, inventories of RMB96,000, accounts and other receivables of RMB31,001,000, amounts due from related parties of RMB777,841,000, accounts and other payables of RMB98,085,000, amounts due to related parties of RMB210,163,000 and bank borrowings of RMB427,150,000) not transferred was recognised as deemed distribution to their shareholders and the net retained earnings/accumulated losses amounted to RMB204,581,000 and the deficit balance of capital reserve of RMB124,637,000 were derecognised.

(iii) During the year ended 31 December 2016, Prior Chengdu Xinan Hospital entered into a share transfer agreement with the then non-controlling shareholders of Prior Gaoxin Xinan Hospital to acquire the remaining interest not previously owned for a cash consideration of RMB120,000,000, of which RMB114,000,000 was paid by Chengdu Jinxin Investment and recognised through the respective current account with the Group. Please refer to note (e) to the consolidated statements of changes in equity for details.

(iv) Capital contribution deposits made from Chengdu Jinxin Investment and other new investors to Sichuan Jinxin Fertility during the year ended 31 December 2016 amounting to RMB471,787,000 were transferred to paid-up capital of Sichuan Jinxin Fertility as capital injection in 2017 as mentioned in note (g) to the consolidated statements of changes in equity.

(v) During the years ended 31 December 2016, 2017 and 2018, Chengdu Xinan Hospital entered into agreements to transfer the outstanding accounts receivables from related parties as of 31 December 2016, 2017 and 2018 amounting to RMB24,008,000, RMB100,780,000 and RMB89,741,000, respectively, to Chengdu Jinxin Investment.

(vi) During the year ended 31 December 2018, Chengdu Xinan Hospital declared dividend amounting to RMB43,451,000 to offset the outstanding amount due from a related party.

(vii) During the year ended 31 December 2018, Sichuan Jinxin Fertility entered into an agreement to transfer the outstanding dividend payable amounting to RMB71,915,000 to Chengdu Jinxin Investment.

46. CONTINGENT LIABILITIES

The Group has also been involved in legal proceedings and claims during the Track Record Period 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 of the Group 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 the Track Record Period.

47. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the report, subsequent to 31 December 2018, the following significant events took place:

(i) In January 2019, Chengdu Xinan Hospital entered into an equity transfer agreement with Chengdu Jinxin Investment and sold its entire equity interests in Gaoxin Xinan Hospital to Chengdu Jinxin Investment for RMB3,890,000, which was determined based on the net asset value of Gaoxin Xinan Hospital as of 31 January 2019. The disposal did not have any material financial impact on the Group.

(ii) On 24 January 2019, the Group completed the disposal of its entire equity interests in Zhongshan Research Institute to Shenzhen Shengkeqiang Medical Technology Co., Ltd. Details are set out in Note 30.

(iii) On 13 February 2019, a supplemental shareholder agreement was entered into between HRC Management and other shareholders of Hainan Project (the "Hainan Agreement"). Pursuant to the Hainan Agreement, HRC Management shall have the right (but not an obligation) to purchase all or part of the shares held by the shareholders of HRC Investment in Hainan Project and the shares held by Dr. John G. Wilcox in D&W Holding Company,

LLC in which he has a 50% interest, at any time after occurrence of certain events. The consideration for the purchase shall be determined by an independent third party valuer to be agreed by HRC Management and the respective sellers. The Directors consider the fair value of the option is insignificant.

(iv) On 15 February 2019, the Company approved the Restricted Share Award Scheme and on 3 June 2019, also adopted the Share Option Scheme. Summaries of the principal terms of the Restricted Share Award Scheme and Share Option Scheme are set out in the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix V to the Prospectus.

(v) On 15 February 2019, 32,981,388 shares were issued to the nominee of the Restricted Share Award, namely Jinxin Employee Holdings Company Limited, for and on behalf of the Company. On the same day, restricted share unit awards representing 13,676,180 shares of the Company were transferred from Jinxin Employee Holdings Company Limited and granted to certain key management personnel of the Group and a physician of HRC Medical under the Restricted Share Award Scheme which are subject to certain vesting conditions as stipulated in the respective award letters.

48. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2018.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN ZHONGSHAN UROLOGICAL HOSPITAL CO., LTD. AND ITS SUBSIDIARIES TO THE DIRECTORS OF JINXIN FERTILITY GROUP LIMITED AND MORGAN STANLEY ASIA LIMITED AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of 深圳市中山泌尿外科醫院有限公司 Shenzhen Zhongshan Urological Hospital Co., Ltd. ("Shenzhen Zhongshan Hospital") and its subsidiaries (together, the "Shenzhen Zhongshan Group") set out on pages IB-4 to IB-43, which comprises the consolidated statements of financial position of Shenzhen Zhongshan Group as at 31 December 2016 and 31 January 2017, the statements of financial position of Shenzhen Zhongshan Hospital as at 31 December 2016 and 31 January 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Shenzhen Zhongshan Group for the year ended 31 December 2016 and the one month ended 31 January 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-4 to IB-43 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Jinxin Fertility Group Limited (previously known as Sichuan Fertility Company Limited) (the "Company"), the ultimate holding company of Shenzhen Zhongshan Hospital, dated 13 June 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of Shenzhen Zhongshan Hospital are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of Shenzhen Zhongshan Hospital determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Prospectus in which the Historical Financial Information of Shenzhen Zhongshan Group is included, and such information is prepared based on the accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Shenzhen Zhongshan Hospital, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Shenzhen Zhongshan Group's and Shenzhen Zhongshan Hospital's financial position as at 31 December 2016 and 31 January 2017 and of Shenzhen Zhongshan Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Shenzhen Zhongshan Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the one month ended 31 January 2016 and other explanatory information (the "January 2016 Comparative Financial Information"). The directors of Shenzhen Zhongshan Hospital are responsible for the preparation of the January 2016 Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the January 2016 Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the

HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing ("HKSAs") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the January 2016 Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared and paid by Shenzhen Zhongshan Hospital in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 June 2019

HISTORICAL FINANCIAL INFORMATION OF SHENZHEN ZHONGSHAN GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Shenzhen Zhongshan Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with HKSAs issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand dollar (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	One month ended 31 January	
	NOTES	2016	2016	2017
		RMB'000	*RMB'000 (unaudited)*	*RMB'000*
Revenue	6	266,982	20,351	17,745
Cost of revenue		(178,911)	(13,588)	(12,232)
Gross profit		88,071	6,763	5,513
Other income	8	19,232	1,326	319
Other expenses	9	(119)	(2)	(42)
Administrative expenses		(18,715)	(1,328)	(1,384)
Research and development expenditure		(8,195)	(444)	(538)
Profit before taxation	7	80,274	6,315	3,868
Income tax expenses	11	(23,073)	(1,735)	(1,160)
Profit and total comprehensive income for the year/period		57,201	4,580	2,708

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SHENZHEN ZHONGSHAN GROUP

	NOTES	At 31 December 2016	At 31 January 2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	14	34,570	33,907
Rental deposits	16	457	457
		35,027	34,364
Current assets			
Inventories	15	7,977	7,555
Accounts and other receivables	16	6,760	4,471
Amounts due from former shareholders	17	223	223
Bank balances and cash	18	36,327	34,802
		51,287	47,051
Current liabilities			
Accounts and other payables	19	45,846	38,215
Tax payables		4,352	4,434
Deferred income		4,780	4,789
		54,978	47,438
Net current liabilities		(3,691)	(387)
Total assets less current liabilities		31,336	33,977
Non-current liability			
Deferred income		1,395	1,328
Net assets		29,941	32,649
Capital and reserves			
Paid-up capital	20	20,000	20,000
Reserves		9,941	12,649
Total equity		29,941	32,649

STATEMENTS OF FINANCIAL POSITION

SHENZHEN ZHONGSHAN HOSPITAL

	NOTES	At 31 December 2016	At 31 January 2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	14	34,383	33,722
Rental deposits	16	457	457
Investments in subsidiaries	27	19,576	19,576
		54,416	53,755
Current assets			
Inventories	15	7,977	7,555
Accounts and other receivables	16	6,756	4,471
Amounts due from former shareholders	17	223	223
Bank balances and cash	18	33,895	32,332
		48,851	44,581
Current liabilities			
Amount due to a subsidiary	17	18,039	18,039
Accounts and other payables	19	45,076	37,425
Deferred income		4,753	4,765
Tax payables		4,330	4,412
		72,198	64,641
Net current liabilities		(23,347)	(20,060)
Total assets less current liabilities		31,069	33,695
Non-current liability			
Deferred income		1,395	1,328
Net assets		29,674	32,367
Capital and reserves			
Paid-up capital	20	20,000	20,000
Reserve	28	9,674	12,367
Total equity		29,674	32,367

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Hospital					
	Paid-up capital	Capital reserve	Statutory reserve	Other reserve	Retained profits (accumulated losses)	Total
	RMB'000	*RMB'000 (Note a)*	*RMB'000 (Note b)*	*RMB'000 (Note c)*	*RMB'000*	*RMB'000*
At 1 January 2016	20,000	2	11,072	30	7,386	38,490
Profit and total comprehensive income for the year	—	—	—	—	57,201	57,201
Transfer	—	—	14	—	(14)	—
Dividends recognised as distributions (Note 12)	—	—	—	—	(65,750)	(65,750)
At 31 December 2016 and 1 January 2017	20,000	2	11,086	30	(1,177)	29,941
Profit and total comprehensive income for the period	—	—	—	—	2,708	2,708
At 31 January 2017	20,000	2	11,086	30	1,531	32,649
One month ended 31 January 2016						
At 1 January 2016	20,000	2	11,072	30	7,386	38,490
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	4,580	4,580
At 31 January 2016 (unaudited)	20,000	2	11,072	30	11,966	43,070

Notes:

(a) Capital reserve represents the capital injected from the owners of the Shenzhen Zhongshan Hospital in excess to the paid-up capital of Shenzhen Zhongshan Hospital.

(b) Amount represents statutory reserve of Shenzhen Zhongshan Hospital and its subsidiaries in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, Shenzhen Zhongshan Hospital and its subsidiaries 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) Other reserve represents the acquisition of additional equity interest of a subsidiary in which control was still retained.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
		(unaudited)	
Operating activities			
Profit before taxation	80,274	6,315	3,868
Adjustments for:			
Depreciation of property, plant and equipment	8,696	719	663
Interest income from banks	(1,918)	(241)	(30)
Release of deferred income	(510)	(40)	(55)
Operating cash flows before movements in working capital	86,542	6,753	4,446
(Increase) decrease in inventories	(1,766)	(940)	422
Decrease in accounts and other receivables	923	2,584	2,289
Decrease in accounts and other payables	(1,012)	(10,930)	(7,738)
Increase (decrease) in deferred income	2,812	27	(3)
Cash generated from (used in) operations	87,499	(2,506)	(584)
PRC Enterprise Income Tax (paid) refund	(27,617)	617	(1,078)
Net cash generated from (used in) operating activities	59,882	(1,889)	(1,662)
Investing activities			
Interest received from banks	1,918	241	30
Purchase of property, plant and equipment	(5,498)	—	—
Repayments from former shareholders	12,807	—	—
Net cash generated from investing activities	9,227	241	30
Financing activities			
Dividend paid	(105,259)	(6,509)	—
Temporary receipts on behalf of a not-for-profit organisation	3,606	—	107
Temporary receipts paid to a not-for-profit organisation	(2,891)	(45)	—
Net cash (used in) generated from financing activities	(104,544)	(6,554)	107
Net decrease in cash and cash equivalents	(35,435)	(8,202)	(1,525)
Cash and cash equivalents at beginning of the year/period	71,762	71,762	36,327
Cash and cash equivalents at end of the year/period, represented by bank balance and cash	36,327	63,560	34,802

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Shenzhen Zhongshan Hospital was established as a limited liability company in the PRC on 18 May 2004.

Prior to the acquisition of Shenzhen Zhongshan Hospital by the Company, Mr. Mei Hua ("Mr. Mei"), Mr. Huang Yongjun ("Mr. Huang"), Mr. Zeng Yong ("Mr. Zeng") and Ms. Qian Minhui ("Ms. Qian") held 72.98%, 16%, 10.92% and 0.1% equity interest in Shenzhen Zhongshan Hospital.

On 31 January 2017, Mr. Mei and Mr. Huang transferred their 57.98% and 16.0% equity interest in the Shenzhen Zhongshan Hospital to the Company. Upon completion of such transfer, Shenzhen Zhongshan Hospital is held as to 73.98% by the Company, 15% by Mr. Mei, 10.92% by Mr. Zeng and 0.10% by Ms. Qian. Accordingly, the Company became the ultimate holding company of Shenzhen Zhongshan Hospital.

The address of the registered office and the principal place of business of Shenzhen Zhongshan Hospital is 1001 Fuqiang Road, Futian, Shenzhen Guangdong Province, the PRC. Shenzhen Zhongshan Hospital is engaged in the operation of hospital/clinical service and assisted reproductive services in the PRC. Details of the subsidiaries of Shenzhen Zhongshan Hospital are set out in Note 27.

The financial information is are presented in RMB, which is also the functional currency of Shenzhen Zhongshan Hospital.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

This report includes the Historical Financial Information of Shenzhen Zhongshan Group for the Track Record Period, which is the period before the Company acquired 73.98% equity interest of Shenzhen Zhongshan Hospital. The historical financial information of Shenzhen Zhongshan Group since 31 January 2017 (the date when Shenzhen Zhongshan Group was acquired by the Company), is included in the accountants' report of the Company set out in Appendix IA to the Prospectus.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, Shenzhen Zhongshan Group has consistently adopted the accounting policies which conform with IFRSs issued by the IASB that are effective for the accounting periods beginning on 1 January 2018, including IFRS 15 *Revenue from Contracts with Customers*, throughout the Track Record Period except that Shenzhen Zhongshan Group adopted IFRS 9 *Financial Instruments* on 1 January 2018 and International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement* prior to 1 January 2018.

Shenzhen Zhongshan Group has applied IFRS 9 in accordance with the transition provision set out in IFRS 9.

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to Shenzhen Zhongshan Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods; and

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Classification and measurement

All financial assets and liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment

The application of the expected credit loss model of IFRS 9 on 1 January 2018 resulted in earlier provision of credit losses which are not yet incurred in relation to Shenzhen Zhongshan Group's financial assets measured at amortised costs that subject to the impairment provisions.

Shenzhen Zhongshan Group applied the simplified approach to measure lifetime expected credit losses ("ECL") for its accounts receivables, which have been assessed individually. ECL for other financial assets at amortised cost, including amounts due from former shareholders and bank balances are assessed on 12-month expected credit loss basis as there had been no significant credit risk since initial recognition. Based on the assessment by the directors of Shenzhen Zhongshan Hospital, the accumulated amount of impairment loss recognised by the Shenzhen Zhongshan Group as at 1 January 2018 was not significantly different from that under IAS 39.

New and amendments to IFRSs and an interpretation in issue but not yet effective

At the date of this report, the Shenzhen Zhongshan Group has not early applied following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[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 IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019

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 2021

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

5 Effective for annual periods beginning on or after 1 January 2020

Except as described below, the directors of Shenzhen Zhongshan Hospital anticipate that the application of all new and amendments to IFRSs will have no material impact on Shenzhen Zhongshan Group's financial performance and financial position and/or the disclosure in Shenzhen Zhongshan's future financial statements.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the

classification of cash flows, Shenzhen Zhongshan Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows and operating cash flows by Shenzhen Zhongshan Group, respectively.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 January 2017, Shenzhen Zhongshan Group has non-cancellable operating lease commitments of RMB47,106,000 as disclosed in Note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of IFRS 16, Shenzhen Zhongshan Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short term leases.

In addition, as at 31 January 2017, Shenzhen Zhongshan Group currently considers refundable rental deposits paid of RMB457,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. Furthermore, Shenzhen Zhongshan Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, Shenzhen Zhongshan Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, Shenzhen Zhongshan Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The directors of Shenzhen Zhongshan Hospital expect that, such changes would increase the assets and liabilities of Shenzhen Zhongshan Group, but would not result in significant impact to the financial performance of Shenzhen Zhongshan Group's future financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Shenzhen Zhongshan 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 the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payments*, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Historical Financial Information incorporates the financial statements of Shenzhen Zhongshan Hospital and entities controlled by Shenzhen Zhongshan Hospital and its subsidiaries. Control is achieved when Shenzhen Zhongshan Hospital:

- 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.

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Shenzhen Zhongshan Group are eliminated in full on consolidation.

Revenue recognition

Shenzhen Zhongshan Group recognises revenue from the following major services:

- Assisted reproductive services; and
- Ancillary medical services.

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Shenzhen Zhongshan Group expects to be entitled in exchange for those services.

Specifically, Shenzhen Zhongshan Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Shenzhen Zhongshan 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 customers.

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

Control of the goods or service may be transferred over time or at a point in time. 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 Shenzhen Zhongshan Group's performance as Shenzhen Zhongshan Group performs;

- Shenzhen Zhongshan Group's performance creates and enhances an asset that the customer controls as Shenzhen Zhongshan Group performs; or

- Shenzhen Zhongshan Group's performance does not create an asset with an alternative use to Shenzhen Zhongshan Group and Shenzhen Zhongshan Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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 fertilization ("IVF") cycle revenue, which are considered as separate performance obligation for out-patient services as described below.

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

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

IVF treatment cycle revenue — the usual period of an IVF treatment cycle is completed within two to four weeks. Relevant revenue of an IVF treatment cycle treatment 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 Shenzhen Zhongshan Group to the customer. Once the patient enters into a cycle, the Shenzhen Zhongshan Group has an enforceable right to payment for the contracted price.

Ancillary medical services

Revenue from ancillary medical services in 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. Shenzhen Zhongshan 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 patient obtains the control of the completed services or pharmaceutical products and Shenzhen Zhongshan Group has present right to payment and the collection of the consideration is probable.

In-patient services

For in-patient services, the patient normally receives 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. Shenzhen Zhongshan 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 patient obtains the control of the completed services or pharmaceutical products and Shenzhen Zhongshan 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 patients simultaneously received the services and consumes the benefits provided by Shenzhen Zhongshan Group's performance as the Group performs.

Property, plant and equipment

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

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

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

Research and development expenditure

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

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

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

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

Impairment on tangible assets

At the end of each reporting period, Shenzhen Zhongshan Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually, or when it is not possible to estimate the recoverable amount of an asset individually, Shenzhen Zhongshan Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. 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. 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Leases

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

Shenzhen Zhongshan Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Shenzhen Zhongshan Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that

exactly discounts estimated future cash receipts (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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables, amounts due from former shareholders and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include Shenzhen Zhongshan Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio passed the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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 group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities representing accounts and other payables, are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Shenzhen Zhongshan 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Shenzhen Zhongshan Group derecognises financial liabilities when, and only when, Shenzhen Zhongshan 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.

Government grants

Government grants are not recognised until there is reasonable assurance that Shenzhen Zhongshan 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 Shenzhen Zhongshan Group recognises as expenses the related costs for which the subsidies are intended to compensate. Specifically, government grants whose primary condition is that Shenzhen Zhongshan Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss over the useful lives of the related assets.

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

Retirement benefit costs

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

Short-term employee benefits

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

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

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/period. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. Shenzhen Zhongshan 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 Historical Financial Information and the corresponding tax base 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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where Shenzhen Zhongshan Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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 by the same taxation authority and Shenzhen Zhongshan Group intends to settle its current tax assets and liabilities on a net basis.

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.

Provisions

Provisions are recognised when the Shenzhen Zhongshan Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Shenzhen Zhongshan Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Shenzhen Zhongshan Group's accounting policies, which are described in Note 4, the directors of Shenzhen Zhongshan Hospital 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following is the key assumption 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 twelve months from the end of each reporting period.

Estimated allowance for accounts receivables

Management regularly reviews the recoverability of accounts receivables. Allowance for these receivables is made based on evaluation of collectability and on management's judgment by reference to the estimation of the future cash flows discounted at an effective interest rate to calculate the present value. A considerable amount of judgment is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows were less than expected, additional allowance may be required. The carrying amounts of accounts receivables are RMB5,224,000 and RMB3,102,000 as at 31 December 2016 and 31 January 2017, respectively. No impairment loss on the above amounts was recognised during the Track Record Period.

Details of Shenzhen Zhongshan Group's accounts receivables are set out in Note 16.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for assisted reproductive services and ancillary medical services, net of discounts.

Information reported to the directors of Shenzhen Zhongshan Hospital, being the chief operating decision makers ("CODM") of Shenzhen Zhongshan Group, review the consolidated revenue analysis of provision of assisted reproductive services and ancillary medical services of Shenzhen Zhongshan Group and the financial results of Shenzhen Zhongshan Group as a whole for performance assessment. No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM.

Revenue from major services

The following is an analysis of Shenzhen Zhongshan Group's revenue from its major services:

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
		(unaudited)	
Type of services			
Assisted reproductive services			
- Overtime	63,199	3,854	4,536
- Point in time	147,185	11,705	9,390
	210,384	15,559	13,926
Ancillary medical services			
- Overtime	18,740	1,438	1,278
- Point in time	37,858	3,354	2,541
	56,598	4,792	3,819
Total	266,982	20,351	17,745

There is no significant unsatisfied performance obligation at the end of each reporting period.

Geographical information and information about major customers

All revenue are generated in the PRC where all assets of Shenzhen Zhongshan Group are located. Shenzhen Zhongshan Group has a highly diversified customer portfolio. No single customer contributing over 10% of Shenzhen Zhongshan Group's total revenue during the Track Record Period.

7. PROFIT BEFORE TAXATION

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation has been arrived at after charging:			
Directors' remuneration (Note 10)	1,168	57	72
Other staff costs			
- salaries, allowances and other benefits	59,312	4,256	2,613
- retirement benefit schemes contributions for other staff	11,033	815	779
Total staff costs	71,513	5,128	3,464
Auditor's remuneration	390	—	—
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of services)	104,684	7,913	8,376
Depreciation of property, plant and equipment	8,696	719	663
Operating lease expenses in respect of rent of hospital premises	4,367	363	363

8. OTHER INCOME

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Interest income from banks	1,918	241	30
Government grants (Note)	14,513	178	119
Others	2,801	907	170
	19,232	1,326	319

Note: The government grants mainly represented the subsidies on cost incurred for research and development projects with no unfulfilled conditions. Government grants received for research and development projects but with conditions not yet fulfilled are included in deferred income. In addition, the amount also included the release of RMB510,000, RMB40,000 (unaudited) and RMB55,000 for the year ended 31 December 2016 and the one month ended 31 January 2016 and 2017, respectively recognised in profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment related to the government grants on capital expenditure.

9. OTHER EXPENSES

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
		(unaudited)	
Donations	—	—	(42)
Other expenses	(119)	(2)	—
	(119)	(2)	(42)

10. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Executive directors

Details of the emoluments paid or payable to the executive directors and supervisors of Shenzhen Zhongshan Hospital during the Track Record Period are as follows:

	Fees	Salaries and allowances	Performance related incentive payments	Retirement benefit schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note iii)*	*RMB'000*	*RMB'000*
For the year ended 31 December 2016					
Executive directors:					
Mr. Mei	—	118	297	—	415
Mr. Zhang Xikai ("Mr. Zhang") (Note i)	—	80	297	—	377
Ms. Qian (Note ii)	—	79	297	—	376
	—	277	891	—	1,168
Supervisors:					
Mr. Zeng	—	102	408	8	518

	Fees	Salaries and allowances	Performance related incentive payments	Retirement benefit schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note iii)*	*RMB'000*	*RMB'000*
Mr. Wu Shaowen ("Mr. Wu")	—	98	78	7	183
Mr. Wei Hui ("Mr. Wei")	—	102	245	8	355
	—	302	731	23	1,056
For one month ended 31 January 2017					
Executive directors:					
Mr. Mei	—	10	16	—	26
Mr. Zhang (Note i)	—	7	16	—	23
Ms. Qian (Note ii)	—	7	16	—	23
	—	24	48	—	72
Supervisors:					
Mr. Zeng	—	8	30	1	39
Mr. Wu	—	8	6	1	15
Mr. Wei	—	8	45	1	54
	—	24	81	3	108
For one month ended 31 January 2016 (unaudited)					
Executive directors:					
Mr. Mei	—	10	11	—	21
Mr. Zhang (Note i)	—	7	11	—	18
Ms. Qian (Note ii)	—	7	11	—	18
	—	24	33	—	57
Supervisors:					
Mr. Zeng	—	7	30	1	38
Mr. Wu	—	7	1	1	9
Mr. Wei	—	7	12	1	20
	—	21	43	3	67

The executive directors' and supervisors' emoluments shown above were for their services in connection with the management of the affairs of Shenzhen Zhongshan Hospital and Shenzhen Zhongshan Group.

Notes:

(i) Mr. Zhang resigned as an executive director on 30 June 2017.

(ii) Ms. Qian resigned as an executive director on 30 June 2017.

(iii) Certain executive directors and supervisors of Shenzhen Zhongshan Hospital are entitled to performance related incentive payments which are determined based on certain percentage of Shenzhen Zhongshan Group's revenue generated from respective departments.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Track Record Period.

(b) **Employees**

The five highest paid individuals of Shenzhen Zhongshan Group did not include any directors of Shenzhen Zhongshan Hospital for the Track Record Period and their emoluments for the Track Record Period are as follows:

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
		(unaudited)	
Salaries and other allowances	379	29	36
Performance related incentive payments (note)	2,522	199	215
Retirement benefit scheme contributions	23	2	1
	2,924	230	252

Note: The performance related incentive payments are determined based on certain percentage of Shenzhen Zhongshan Group's revenue generated from respective departments.

The emoluments of the five highest paid individuals of the Shenzhen Zhongshan Group were within the following bands:

	Number of employees		
	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
		(unaudited)	
Nil to HK$1,000,000	5	5	5

During the Track Record Period, no emoluments were paid by Shenzhen Zhongshan Group to the directors of Shenzhen Zhongshan Hospital or the five highest paid individuals as an inducement to join or upon joining Shenzhen Zhongshan Group or as compensation for loss of office. None of the directors and supervisors of Shenzhen Zhongshan Hospital nor the five highest paid individual waived any emoluments during the Track Record Period.

11. INCOME TAX EXPENSES

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Current tax:			
PRC Enterprise Income Tax ("PRC EIT")	23,073	1,735	1,160

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory income tax rate of the Shenzhen Zhongshan Hospital and its PRC subsidiaries is 25% for the Track Record Period.

The income tax expenses for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	80,274	6,315	3,868
Tax at PRC EIT rate of 25%	20,069	1,579	967
Tax effect of expenses not deductible for tax purposes	3,004	156	193
Income tax expenses	23,073	1,735	1,160

12. DIVIDENDS

Dividends amounted to RMB65,750,000, nil (unaudited) and nil have been declared and paid by Shenzhen Zhongshan Hospital to its then shareholders for the year ended 31 December 2016 and one month ended 31 January 2016 and 2017, respectively.

The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

Earnings per share has not been presented as its inclusion is not considered meaningful for the purpose of this report.

14. PROPERTY, PLANT AND EQUIPMENT

SHENZHEN ZHONGSHAN GROUP

	Building	Leasehold improvements	Medical equipment	Office equipment, furniture and fixtures	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2016	22,046	27,708	45,482	3,377	475	99,088
Additions	—	—	4,746	752	—	5,498
At 31 December 2016 and 31 January 2017	22,046	27,708	50,228	4,129	475	104,586
DEPRECIATION						
At 1 January 2016	4,298	25,656	29,203	1,965	198	61,320
Provided for the year	1,062	1,051	5,696	817	70	8,696
At 31 December 2016	5,360	26,707	34,899	2,782	268	70,016
Provided for the period	88	20	483	67	5	663
At 31 January 2017	5,448	26,727	35,382	2,849	273	70,679
CARRYING VALUES						
At 31 December 2016	16,686	1,001	15,329	1,347	207	34,570
At 31 January 2017	16,598	981	14,846	1,280	202	33,907

SHENZHEN ZHONGSHAN HOSPITAL

	Building	Leasehold improvements	Medical equipment	Office equipment, furniture and fixtures	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2016	22,046	27,708	43,694	3,371	475	97,294
Additions	—	—	4,746	752	—	5,498
At 31 December 2016 and 31 January 2017	22,046	27,708	48,440	4,123	475	102,792
DEPRECIATION						
At 1 January 2016	4,298	25,656	27,677	1,960	198	59,789
Provided for the year	1,062	1,051	5,620	817	70	8,620
At 31 December 2016	5,360	26,707	33,297	2,777	268	68,409
Provided for the period	88	20	481	67	5	661
At 31 January 2017	5,448	26,727	33,778	2,844	273	69,070
CARRYING VALUES						
At 31 December 2016	16,686	1,001	15,143	1,346	207	34,383
At 31 January 2017	16,598	981	14,662	1,279	202	33,722

Depreciation is provided to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method and at the following rates per annum:

Building	5%
Leasehold improvements	Over the shorter of the lease term or 10%
Medical equipment	20%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

15. INVENTORIES

	SHENZHEN ZHONGSHAN GROUP AND SHENZHEN ZHONGSHAN HOSPITAL	
	At 31 December 2016	At 31 January 2017
	RMB'000	*RMB'000*
Pharmaceutical products	7,241	6,204
Consumables and others	736	1,351
	7,977	7,555

16. ACCOUNTS AND OTHER RECEIVABLES

	SHENZHEN ZHONGSHAN GROUP		SHENZHEN ZHONGSHAN HOSPITAL	
	At 31 December 2016	At 31 January 2017	At 31 December 2016	At 31 January 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivables	5,224	3,102	5,224	3,102
Other receivables and prepayments				
- Prepayments to suppliers	638	796	638	796
- Rental and utilities deposits	1,117	798	1,117	798
- Others	238	232	234	232
	1,993	1,826	1,989	1,826
Total accounts and other receivables	7,217	4,928	7,213	4,928
Less: Amounts shown under current assets	6,760	4,471	6,756	4,471
Rental deposits shown under non-current assets	457	457	457	457

The individual customers of Shenzhen Zhongshan Group would usually settle payments by cash, credit 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 ranged from 30 to 90 days from the transaction date.

The following is an aged analysis of accounts receivables of Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital, presented based on the invoice date at the end of the reporting periods.

	At 31 December 2016	At 31 January 2017
	RMB'000	*RMB'000*
1 - 30 days	4,136	2,970
31 - 90 days	5	—
91 - 180 days	—	—
181 - 365 days	470	132
Over 365 days	613	—
	5,224	3,102

Ageing of accounts receivables of Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital which are past due but not impaired

	At 31 December 2016	At 31 January 2017
	RMB'000	*RMB'000*
181 - 365 days	470	132
Over 365 days	613	—
Total	1,083	132

Included in Shenzhen Zhongshan Group's and Shenzhen Zhongshan Hospital's account receivable balance are debtors with aggregate carrying amount of RMB1,083,000 and RMB132,000 as at 31 December 2016 and 31 January 2017, respectively, which are past due as at the end of each reporting date for which Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital have not provided for impairment loss as Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital considered such balances could be recovered based on historical experience. Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital do not hold any collateral over these balances.

17. AMOUNTS DUE FROM FORMER SHAREHOLDERS/AMOUNT DUE TO A SUBSIDIARY

All of the amounts due from former shareholders/amount due to a subsidiary are non-trade nature, unsecured, interest-free and repayable on demand.

18. BANK BALANCES AND CASH

Bank balances carried interest at market rates which ranges from 0.30% to 0.35% per annum and 0.30% to 0.35% per annum as at 31 December 2016 and 31 January 2017, respectively.

19. ACCOUNTS AND OTHER PAYABLES

	SHENZHEN ZHONGSHAN GROUP		SHENZHEN ZHONGSHAN HOSPITAL	
	At 31 December 2016	At 31 January 2017	At 31 December 2016	At 31 January 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts payables	11,967	8,047	11,967	8,047
Other payables				
- Construction payables	267	267	267	267
- Accrued employee expenses	16,145	14,029	16,145	13,244
- Accrued rental expenses	1,744	2,206	1,744	2,206
- Refundable customers' deposits	7,880	5,965	7,880	5,965
- Payables to a third party *(note)*	4,979	5,086	4,979	5,086
- Other tax payables	63	—	63	—
- Others	2,801	2,615	2,031	2,610
	33,879	30,168	33,109	29,378
Total accounts and other payables	45,846	38,215	45,076	37,425

Note: Amount represents temporary receipts on behalf of a not-for-profit organisation.

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

All amount payables are aged within 30 days based on the date of receipt of goods at the end of each reporting period.

20. PAID-UP CAPITAL

Shenzhen Zhongshan Hospital was established as a limited liability company in the PRC on 18 May 2004 with an aggregate paid-up capital of RMB20,000,000 as at 31 December 2016 and 31 January 2017.

21. OPERATING LEASES

Shenzhen Zhongshan Group as lessee

At the end of each reporting period, Shenzhen Zhongshan Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December 2016	At 31 January 2017
	RMB'000	*RMB'000*
Within one year	4,038	4,038
In the second to fifth year inclusive	16,150	16,150
Over five years	27,254	26,918
	47,442	47,106

Operating lease payments represent rentals payable by Shenzhen Zhongshan Group for land and buildings used for provision of hospital services. These leases are negotiated for terms ranging from three to ten years with fixed monthly rental. None of the leases include any contingent rental.

22. RETIREMENT BENEFIT PLANS

The employees of Shenzhen Zhongshan Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. Shenzhen Zhongshan 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 Shenzhen Zhongshan Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme. The total costs charged to profit and loss, amounted to RMB11,056,000, RMB818,000 (unaudited) and RMB 782,000 for the year ended 31 December 2016 and the one month ended 31 January 2016 and 2017, respectively, represent contributions paid to the retirement benefit scheme by Shenzhen Zhongshan Group.

23. RELATED PARTY DISCLOSURES

Compensation of key management personnel

Key management includes directors and supervisors. The remuneration of directors and other members of key management during the Track Record Period was as follows:

	Year ended 31 December	One month ended 31 January	
	2016	2016	2017
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and allowances	579	48	48
Performance related incentive payments	1,622	76	129
Retirement benefit schemes contributions	23	3	3
	2,224	127	180

24. CAPITAL RISK MANAGEMENT

Shenzhen Zhongshan Group manages its capital to ensure that entities in Shenzhen Zhongshan Group will be able to continue as a going concern while maximising the return to the owners through the optimisation of the debt and equity balance. Shenzhen Zhongshan Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of Shenzhen Zhongshan Group consists of cash and cash equivalents and equity attributable to owners of Shenzhen Zhongshan Hospital, comprising paid-up capital and reserves.

The directors of Shenzhen Zhongshan Hospital review the capital structure on a regular basis. As part of this review, the directors of Shenzhen Zhongshan Hospital consider the cost and the risks associated with each class of capital. Based on recommendations of the directors of Shenzhen Zhongshan Hospital, Shenzhen Zhongshan Group will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	SHENZHEN ZHONGSHAN GROUP		SHENZHEN ZHONGSHAN HOSPITAL	
	At 31 December 2016	At 31 January 2017	At 31 December 2016	At 31 January 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	42,012	38,359	39,576	35,889
Financial liabilities				
Amortised cost	27,894	21,980	45,163	40,014

(b) Financial risk management objectives and policies

Shenzhen Zhongshan Group's major financial instruments include accounts and other receivables, amounts due from former shareholders, bank balances and cash and accounts and other payables. Shenzhen Zhongshan Hospital's major financial instruments include accounts and other receivables, amounts due from former shareholders, bank balances and cash, accounts and other payables and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes to the Historical Financial Information. The risks associated with certain of these financial instruments and 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

(i) ***Interest rate risk***

Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital are exposed to cash flow interest rate risk in relation to bank balances (see Note 18) due to the fluctuation of the prevailing market interest rate.

As the interest rate risks on these amounts are insignificant, no interest rate risk sensitivity analysis is presented.

(ii) ***Currency risk***

Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital have no significant foreign currency risk as all of the operations of the group entities and Shenzhen Zhongshan Hospital are denominated in RMB which is also the functional currency of the relevant group entities and Shenzhen Zhongshan Hospital.

Credit risk

Shenzhen Zhongshan Group's and Shenzhen Zhongshan Hospital's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statements of financial position of Shenzhen Zhongshan Group and statements of financial position of Shenzhen Zhongshan Hospital.

In order to minimise the credit risk, the management of Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Shenzhen Zhongshan Hospital consider that Shenzhen Zhongshan Group's and Shenzhen Zhongshan Hospital's credit risk are significantly reduced.

For amounts due from former shareholders and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of amounts due from former shareholders and other receivables based on historical settlement records and past experience. The directors of Shenzhen Zhongshan Hospital believe that there is no material credit risk inherent in the Shenzhen Zhongshan Group's and Shenzhen Zhongshan Hospital's outstanding balance of other receivables. In addition, the credit risk on amounts due from former shareholders is reduced as the Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital can closely monitor their repayment.

Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital do not have concentration of credit risk in relation to its accounts receivables.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital do not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

In management of the liquidity risk, Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital monitor and maintain levels of cash and cash equivalents and adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital had net current liabilities of RMB387,000 and RMB20,060,000 as at 31 January 2017, respectively. The Historical Financial Information has been prepared on a going concern basis because the Company has agreed to provide adequate fund for Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital until Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital have the financial ability to do so. In the opinion of the directors of Shenzhen Zhongshan Hospital, Shenzhen Zhongshan Group and Shenzhen Zhongshan Hospital will be able to meet in full its financial obligations as and when they fall due for the foreseeable future.

The following tables detail Shenzhen Zhongshan Group's and Shenzhen Zhongshan Hospital's remaining contractual maturity for their non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Shenzhen Zhongshan Group can be required to pay.

The tables include both interest, if any, and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
SHENZHEN ZHONGSHAN GROUP				
At 31 December 2016				
Accounts and other payables	—	27,894	27,894	27,894
At 31 January 2017				
Accounts and other payables	—	21,980	21,980	21,980
SHENZHEN ZHONGSHAN HOSPITAL				
At 31 December 2016				
Accounts and other payables	—	27,124	27,124	27,124
Amount due to a subsidiary	—	18,039	18,039	18,039
	—	45,163	45,163	45,163
At 31 January 2017				
Accounts and other payables	—	21,975	21,975	21,975
Amount due to a subsidiary	—	18,039	18,039	18,039
	—	40,014	40,014	40,014

(c) **Fair value**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Shenzhen Zhongshan Hospital consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in Shenzhen Zhongshan 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 Shenzhen Zhongshan Group's consolidated statements of cash flows as cash from financing activities:

	Dividend payable	**Payables to a third party (included in other payables)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	39,509	4,264	43,773
Financing cash flows	(105,259)	715	(104,544)
Non-cash change			
Dividend declared (Note 12)	65,750	—	65,750
At 31 December 2016	—	4,979	4,979
Financing cash flow	—	107	107
As at 31 January 2017	—	5,086	5,086
(Unaudited)			
At 1 January 2016	39,509	4,264	43,773
Financing cash flows	(6,509)	(45)	(6,554)
At 31 January 2016	33,000	4,219	37,219

27. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries of Shenzhen Zhongshan Hospital as at 31 December 2016 and 31 January 2017 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Attributable equity interest to the Shenzhen Zhongshan Group			Principal activities
			At 31 December 2016	At 31 January 2017	At date of this report	
Directly held						
深圳市裕集物業服務有限公司 Shenzhen Yuji Property Services Co., Ltd ("Shenzhen Yuji")	PRC 16 September 2009	Registered capital RMB300,000	100%	100%	100%	Property management
深圳中山生殖與遺傳研究所 Shenzhen Zhongshan Reproductive Institute ("Zhongshan Research Institute")	PRC 8 January 2009	Registered capital RMB1,000,000	100%	100%	100%	Laboratory operation
深圳市梅驊醫療投資管理有限公司 Shenzhen Meihua Medical Management Co., Ltd. ("Shenzhen Meihua")	PRC 16 June 2003	Registered capital RMB18,000,000 (note)	100%	100%	100%	Dormant

Note: The entire registered capital of Shenzhen Meihua was not paid at 31 December 2016, 31 January 2017 and at the date of this report.

The statutory financial statements of Shenzhen Zhongshan Hospital and Shenzhen Yuji for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable in the PRC and were audited by Shenzhen Chang Jiang Certified Public Accountants, a certified public accountant registered in the PRC.

The statutory financial statements of Zhongshan Research Institute for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable in the PRC and were audited by Shenzhen Zhongruitai Certified Public Accountants, Shenzhen Chang Jiang Certified Pubbic Accountants and Shenzhen Chang Jiang Certified Public Accountants, respectively, certified public accountants registered in the PRC.

The statutory financial statements of Shenzhen Meihua for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable in the PRC and were audited by Shenzhen Yida Certified Public Accountants Co., Ltd., Shenzhen Chang Jiang Certified Pubbic Accountants and Shenzhen Chang Jiang Certified Public Accountants, respectively, certified public accountants registered in the PRC.

28. RESERVE OF SHENZHEN ZHONGSHAN HOSPITAL

	Capital reserve	Statutory reserve	Retained profit (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	2	11,002	7,050	18,054
Profit and total comprehensive income for the year	—	—	57,370	57,370
Dividends recognised as distribution	—	—	(65,750)	(65,750)
At 31 December 2016	2	11,002	(1,330)	9,674
Profit and total comprehensive income for the period	—	—	2,693	2,693
At 31 January 2017	2	11,002	1,363	12,367

29. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 January 2017, the following significant events took place:

Shenzhen Zhongshan Hospital declared dividends of an aggregate amount of RMB13,481,000 and RMB80,000,000 during the period from 1 February 2017 to 31 December 2017 and the year ended 31 December 2018 to its then shareholders, respectively.

On 24 January 2019, Shenzhen Zhongshan Hospital completed the disposal of its entire equity interests in Zhongshan Research Institute to Shenzhen Shengkeqiang Medical Technology Co. Ltd., an independent third party, for a consideration of approximately RMB1,000,000. The said disposal did not have any material impact to Shenzhen Zhongshan Group.

30. SUBSEQUENT FINANCIAL STATEMENTS

Audited financial statements for the year ended 31 December 2018 have been prepared by Shenzhen Zhongshan Hospital and its subsidiaries subsequent to 31 December 2017.

The following is the text of a report received from the reporting accountants of Jinxin Fertility Group Limited (previously known as Sichuan Jinxin Fertility Company Limited), Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF WILLSUN FERTILITY (BVI) COMPANY LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF JINXIN FERTILITY GROUP LIMITED AND MORGAN STANLEY ASIA LIMITED AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Willsun Fertility (BVI) Company Limited ("Willsun BVI") and its subsidiaries (together, the "Willsun BVI Group") set out on pages IC-4 to IC-82, which comprises the consolidated statements of financial position of Willsun BVI Group as at 31 December 2017 and 23 December 2018, statements of financial position of Willsun BVI as at 31 December 2017 and 23 December 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Willsun BVI Group for the period from 31 March 2017 (date of incorporation) to 31 December 2017 and 1 January 2018 to 23 December 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IC-4 to IC-82 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Jinxin Fertility Group Limited ("the Company"), the holding company of Willsun BVI, dated 13 June 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Director's responsibility for the Historical Financial Information

The sole director of Willsun BVI is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Willsun BVI determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Prospectus in which the Historical Financial Information of Willsun BVI Group is included, and such information is prepared based on the accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Willsun BVI, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Willsun BVI Group's consolidated financial position as at 31 December 2017 and 23 December 2018, Willsun BVI's financial position as at 31 December 2017 and 23 December 2018, and of Willsun BVI Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IC-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared or paid by Willsun BVI in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 June 2019

HISTORICAL FINANCIAL INFORMATION OF WILLSUN BVI GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Willsun BVI Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The currency of the primary economic environment in which the group entities operate is United States dollars ("US$"). The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the period from 31 March 2017 (date of incorporation) to 31 December 2017 RMB'000	For the period from 1 January 2018 to 23 December 2018 RMB'000
Revenue	6	267,149	560,153
Cost of revenue		(125,444)	(280,016)
Gross profit		141,705	280,137
Other income	8	140	4,626
Other loss	9	(156)	(807)
Administrative expenses		(27,067)	(61,848)
Profit before taxation	7	114,622	222,108
Income tax expense	10	(23,036)	(38,139)
Profit for the period		91,586	183,969
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements to presentation currency		(77,267)	144,278
Profit and total comprehensive income for the period		14,319	328,247
Profit for the period attributable to:			
- Owners of Willsun BVI		34,782	73,103
- Non-controlling interests		56,804	110,866
		91,586	183,969
Total comprehensive income attributable to:			
- Owners of Willsun BVI		10,841	147,317
- Non-controlling interests		3,478	180,930
		14,319	328,247

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December 2017 RMB'000	As at 23 December 2018 RMB'000
Non-current assets			
Property, plant and equipment	14	20,112	25,336
Goodwill	15	84,341	89,140
Contractual right to provide management services	16	1,514,684	1,600,836
Trademarks	16	922,605	975,080
Financial asset at fair value through profit or loss	18	—	9,990
Other assets	19	1,577	1,625
Amount due from a related party	22	9,125	—
		2,552,444	2,702,007
Current assets			
Accounts and other receivables	19	6,782	12,858
Amounts due from related parties	22	25,143	358
Tax recoverable		—	934
Bank balances and cash	20	82,749	40,652
		114,674	54,802
Current liabilities			
Accounts and other payables	21	29,640	42,349
Distribution payable to a non-controlling shareholder of a subsidiary	22	35,541	2,916
Amounts due to related parties	22	3,362	11,640
Tax payable		9,502	—
		78,045	56,905
Net current assets (liabilities)		36,629	(2,103)
Total assets less current liabilities		2,589,073	2,699,904
Non-current liabilities			
Deferred rent	21	5,648	4,769
Deferred tax liabilities	23	13,105	41,045
		18,753	45,814
Net assets		2,570,320	2,654,090
Capital and reserves			
Share capital	24	1,364,482	1,364,482
Reserves		10,841	29,788
Equity attributable to owners of Willsun BVI		1,375,323	1,394,270
Non-controlling interests		1,194,997	1,259,820
Total equity		2,570,320	2,654,090

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December 2017 RMB'000	As at 23 December 2018 RMB'000
Non-current assets			
Investment in a subsidiary	33	556,328	587,970
Loan to a subsidiary	33	788,509	725,554
		1,344,837	1,313,524
Current asset			
Bank balances and cash	20	618	—
Net assets		1,345,455	1,313,524
Capital and reserves			
Share capital	24	1,364,482	1,364,482
Reserves	24a	(19,027)	(50,958)
Total equity		1,345,455	1,313,524

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Willsun BVI					
	Share capital	Translation reserve	Retained profits (accumulated loss)	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2017 (date of incorporation)	7	—	—	7	—	7
Profit for the period	—	—	34,782	34,782	56,804	91,586
Exchange differences arising on translation of financial statements to presentation currency	—	(23,941)	—	(23,941)	(53,326)	(77,267)
Total comprehensive (expenses) income for the period	—	(23,941)	34,782	10,841	3,478	14,319
Issue of shares (Note 24)	1,364,475	—	—	1,364,475	—	1,364,475
Acquisition of subsidiaries (Note 28)	—	—	—	—	1,253,647	1,253,647
Deemed capital contribution from non-controlling shareholder of a subsidiary (Note)	—	—	—	—	4,476	4,476
Distribution to non-controlling shareholder of a subsidiary	—	—	—	—	(66,604)	(66,604)
At 31 December 2017 and 1 January 2018	1,364,482	(23,941)	34,782	1,375,323	1,194,997	2,570,320
Profit for the period	—	—	73,103	73,103	110,866	183,969
Exchange differences arising on translation of financial statements to presentation currency	—	74,214	—	74,214	70,064	144,278
Total comprehensive income for the period	—	74,214	73,103	147,317	180,930	328,247
Distribution to non-controlling shareholder of a subsidiary	—	—	—	—	(116,107)	(116,107)
Dividend paid (Note 12)	—	—	(128,370)	(128,370)	—	(128,370)
At 23 December 2018	1,364,482	50,273	(20,485)	1,394,270	1,259,820	2,654,090

Note: Amount represented the deemed contribution from the non-controlling shareholder of HRC Management (as defined in Note 28) for the period ended 31 December 2017 in relation to a share subscription deposit of RMB9,125,000 made to HRC-Hainan Holding Company, LLC ("Hainan Project") for a potential investment of HRC Management in Hainan Project, which was directly paid by the non-controlling shareholder of HRC Management and Willsun BVI, without recharge to HRC Management, according to their respective shareholding in HRC Management. Accordingly, the amount paid by the non-controlling shareholder of HRC Management of RMB4,476,000 was recognised as a deemed contribution from the non-controlling shareholder of a subsidiary.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	For the period from 31 March 2017 (date of incorporation) to 31 December 2017 RMB'000	For the period from 1 January 2018 to 23 December 2018 RMB'000
Operating activities			
Profit before taxation		114,622	222,108
Adjustments for:			
Depreciation of property, plant and equipment		3,518	7,549
Loss on written-off of property, plant and equipment		156	807
Interest income		(1)	(3)
Operating cash flows before movements in working capital		118,295	230,461
Decrease (increase) in accounts and other receivables		6,079	(5,473)
(Increase) decrease in amounts due from related parties		(20,850)	25,123
Increase in amounts due to related parties		2,539	7,779
(Increase) decrease in other assets		(39)	14
Increase in accounts and other payables		5,619	9,960
Decrease in deferred rent		(17)	(511)
Cash generated from operations		111,626	267,353
Income taxes paid		—	(22,220)
Net cash generated from operating activities		111,626	245,133
Investing activities			
Purchase of property, plant and equipment		(844)	(12,137)
Acquisition of subsidiaries	28	(1,382,877)	—
Deposit paid for Hainan Project		(4,879)	—
Interest received from banks		1	3
Net cash used in investing activities		(1,388,599)	(12,134)
Financing activities			
Proceeds from issue of shares		1,391,161	—
Dividend paid to owners of Willsun BVI		—	(128,370)
Distribution paid to non-controlling interests		(31,063)	(148,732)
Net cash generated from (used in) financing activities		1,360,098	(277,102)
Net increase (decrease) in cash and cash equivalents		83,125	(44,103)
Effect of foreign exchange rate changes		(376)	2,006
Cash and cash equivalents at beginning of the period		—	82,749
Cash and cash equivalents at end of the period, represented by bank balances and cash		82,749	40,652

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Willsun BVI was incorporated in the British Virgin Islands ("BVI") on 31 March 2017 as an exempted company with limited liability. The address of Willsun BVI's registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI and the principal place of business is 135 South Rosemead Blvd, Pasadena, CA91107, California, the United States of America (the "U.S.A.").

Willsun BVI is an investment holding company. The key operating activities of its subsidiaries which are all acquired during the period ended 31 December 2017 with details set out in Note 28, are the provision of (i) non-medical management and administrative services, such as financial and risk management as well as information systems, human resources and administrative support, required for the operation of physician medical practices carried out by Huntington Reproductive Centre Medical Group ("HRC Medical") which is a medical corporation established in the State of California, the U.S.A. pursuant to a management service agreement (the "MSA") effective from 13 July 2017 for a period of 20 years which will automatically be renewed for additional five-year terms indefinitely unless terminated; (ii) ambulatory surgery centre facilities; and (iii) pre-implantation genetic screening testing ("PGS Testing").

HRC Medical is a medical corporation engaged in the provision of (i) in vitro fertilisation ("IVF") services; (ii) cryopreservation services; and (iii) gynaecologic surgery, and other related services.

On 24 December 2018, Willsun BVI Group became a wholly-owned subsidiary of the Company upon acquisition by the Company the entire interest in Willsun BVI and the 49% interest in HRC Management by issuing 407,005,337 shares and 360,725,005 shares of US$0.00001 each in the Company to the shareholders of Willsun BVI and the 49% shareholders of HRC Management, respectively.

The Historical Financial Information is presented in RMB to align with the presentation currency of the Company in which majority of the shareholders are based in the People's Republic of China. The functional currency of Willsun BVI and its subsidiaries is US$ as all the principal operations of the subsidiaries are carried out in the U.S.A.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information of Willsun BVI Group has been prepared for inclusion in the Prospectus of the Company in connection with the initial listing of shares of the Company on the Main Board of the Stock Exchange.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

No statutory financial statements of Willsun BVI have been prepared since its incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirement.

As at 23 December 2018, Willsun BVI Group's current liabilities exceeded its current assets by approximately RMB2,103,000. In preparing the Historical Financial Information, the sole director of Willsun BVI considers Willsun BVI Group is able to continue to generate positive operating cash flows for the next twelve months and hence is satisfied that Willsun BVI Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, Willsun BVI Group has consistently adopted the accounting policies which conform with the IFRSs issued by the IASB that are effective for Willsun BVI Group's accounting period beginning on 1 January 2018, including IFRS 15 *Revenue from Contracts with Customers*, throughout the Track Record Period except that Willsun BVI Group adopted IFRS 9 *Financial Instruments* on 1 January 2018 and International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement* prior to 1 January 2018. The accounting policies for financial instruments under IFRS 9 and IAS 39 are set out in Note 4.

3.1. Impacts and changes in accounting policies on application of IFRS 9

On 1 January 2018, Willsun BVI Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

Willsun BVI Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening retained profits and other components of equity, without restating the historical financial information for the year ended 31 December 2017.

Accordingly, the financial information for the period ended 23 December 2018 under IFRS 9 may not be comparable to the financial information for the period ended 31 December 2017.

3.1.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

All financial assets classified as loans and receivables under IAS 39 would be classified as financial assets at amortised cost under IFRS 9. All financial liabilities continue to be classified as financial liabilities at amortised cost under IFRS 9. In addition, financial assets and financial liabilities continue to be measured on the same basis as were previously measured under IAS 39.

Impairment under ECL model

As at 1 January 2018, the sole director of Willsun BVI reviewed and assessed Willsun BVI Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

Measurement and recognition of ECL

Willsun BVI Group has applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its accounts receivable. Details are set out in Note 19.

Loss allowances for other financial assets at amortised cost mainly comprise of amounts due from related parties and bank balances and cash, are measured on 12-month ECL (''12m ECL'') basis as there had been no significant increase in credit risk since initial recognition.

For bank balances, Willsun BVI Group only transacts with reputable banks with high credit ratings assigned by international credit rating agencies and there has been no recent history of default in relation to these banks. The ECL is not material.

For amounts due from related companies, the sole director of Willsun BVI makes individual assessment on the recoverability of them based on historical settlement records and past experience. Based on assessment by the management of Willsun BVI, the ECL for amounts due from related companies are not material.

As at 1 January 2018, the sole director of Willsun BVI reviewed and assessed Willsun BVI Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No impairment allowance was recognised at 1 January 2018 and further assessment process is set out in Note 19.

New and amendments to IFRSs and an interpretation in issue but not yet effective.

At the date of this report, Willsun BVI Group has not early applied the following new and amendments to IFRSs and interpretations that are not yet effective.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[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 IAS 1 and IAS 8	Definition of Material[5]

Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[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 2021.

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

[5] Effective for annual periods beginning on or after 1 January 2020.

Except as describe below, the sole director of Willsun BVI anticipates that the application of all the other new and amendments to IFRSs will have no material impact on Willsun BVI Group's financial performance and financial position and/or on the disclosures to Willsun BVI Group's future consolidated financial statements.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, Willsun BVI Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by Willsun BVI Group, and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 23 December 2018, Willsun BVI Group has non-cancellable operating lease commitments of RMB162,815,000 as disclosed in Note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, Willsun BVI Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, Willsun BVI Group currently considers refundable rental deposits paid of RMB1,222,000 as at 23 December 2018 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets; accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. Willsun BVI Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, Willsun BVI Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, Willsun BVI Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated loss without restating comparative information.

The sole director of Willsun BVI expects that such changes would increase the consolidated assets and consolidated liabilities of Willsun BVI Group, but would not result in significant impact to the consolidated financial performance of Willsun BVI Group's future financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value

of an asset or a liability, Willsun BVI 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 the Historical Financial Information 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 within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of Willsun BVI and entities controlled by Willsun BVI. Control is achieved when Willsun BVI:

- 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.

Willsun BVI 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 Willsun BVI Group obtains control over the subsidiary and ceases when Willsun BVI Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from date Willsun BVI Group gains control until the date when Willsun BVI Group ceases to control the subsidiary.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between shareholders of Willsun BVI Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity owners of Willsun BVI.

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.

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of Willsun BVI Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

- assets (or disposal groups) 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.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Merger accounting for business combination involving business under common control

The Historical Financial Information incorporates the financial information of the consolidating businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidating businesses first came under control of the controlling entity.

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

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

Revenue recognition

Willsun BVI Group recognises revenue from the following major services:

- Management services;
- Ambulatory surgery centre facilities services; and
- PGS Testing services.

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Willsun BVI Group expects to be entitled in exchange for those goods or services.

Specifically, Willsun BVI Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Willsun BVI 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 customers.

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

Control of the good or service may be transferred over time or at a point in time. 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 Willsun BVI Group's performance as Willsun BVI Group performs;
- Willsun BVI Group's performance creates or enhances an asset that the customer controls as Willsun BVI Group performs; or
- Willsun BVI Group's performance does not create an asset with an alternative use to Willsun BVI Group and Willsun BVI Group has an enforceable right to payment for performance completed to date.

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

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

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

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

Variable consideration

The revenue generated from the ambulatory surgery centre facilities services in which the customers made payment under insurance program is estimated based on the historical reimbursement rate as reported under current procedural terminology code maintained by the American Medical Association by the insurance companies. The estimated unrecoverable amount is net-off with the revenue. Willsun BVI Group recognises the amount of consideration to which it is entitled using the expected value method, which better predicts the amount of consideration to which Willsun BVI Group is entitled.

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, Willsun BVI Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which Willsun BVI Group will be entitled.

The 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. Willsun BVI Group updates the estimated transaction price based on subsequent settlement from the insurance companies after the end of the reporting period.

Revenue is measured based on the consideration specified in a contract with customer and excluded amounts collected on behalf of third parties. Willsun BVI Group recognises revenue when the customer obtains the control of the completed services and Willsun BVI Group has present right to payment and the collection of the consideration is probable.

Specifically, revenue is recognised in profit or loss as follows:

Management services

Willsun BVI Group recognises revenue from providing management services to the IVF medical practices operated by HRC Medical. As the control of the service is transferred over time, revenue is recognised when HRC Medical simultaneously receives management services and consumed the benefits provided by Willsun BVI Group's performance over the service period.

Ambulatory surgery centre facilities services and PGS Testing services

Revenue is recognised at a point in time when the services are rendered. A receivable is recognised by Willsun BVI Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that Willsun BVI Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

Willsun BVI Group recognises such costs (agency fee) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Willsun BVI Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination 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.

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 Willsun BVI'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).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which Willsun BVI Group monitors goodwill).

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

The recoverable amount of tangible and intangible assets are estimated individually, or when it is not possible to estimate the recoverable amount of an asset individually, Willsun BVI Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. 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. 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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

Willsun BVI Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at 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 Historical Financial Information, the assets and liabilities of Willsun BVI Group's operations are translated into the presentation currency of Willsun BVI Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. 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).

Investment in a subsidiary

Investment in a subsidiary is carried in Willsun BVI's statements of financial position at cost less any identified impairment losses. The result of subsidiary is accounted for by Willsun BVI on the basis of dividend received and receivable during the period.

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

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

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Willsun BVI Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivables, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as accounts receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Willsun BVI Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio passed the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)

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 fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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 the date of initial application/initial recognition of a financial asset Willsun BVI Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that Willsun BVI Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

Willsun BVI Group's financial assets recognised under IFRS 9 are subsequently measured at amortised cost and financial assets at FVTPL.

(i) *Amortised cost and interest income*

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

(ii) *Financial assets at FVTPL*

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

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

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)

Willsun BVI Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including accounts receivables, amount due from related parties and bank balances). 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, 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 Willsun BVI 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.

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

For all other instruments, Willsun BVI Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Willsun BVI 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, Willsun BVI 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, Willsun BVI 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, Willsun BVI Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Willsun BVI Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) *Definition of default*

For internal credit risk management, Willsun BVI 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 Willsun BVI Group, in full (without taking into account any collaterals held by Willsun BVI Group).

Irrespective of the above, Willsun BVI Group considers that default has occurred when a financial asset is more than 90 days past due unless Willsun BVI 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 of default 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*

Willsun BVI 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, or in the case of accounts receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under Willsun BVI Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

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

Generally, the ECL is the difference between all contractual cash flows that are due to Willsun BVI Group in accordance with the contract and the cash flows that Willsun BVI 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.

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

Financial liabilities and equity

Classification of debt or equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities representing accounts and other payables, distribution payable to a non-controlling shareholder of a subsidiary and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

Willsun BVI Group derecognises financial liabilities when, and only when, Willsun BVI 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.

Retirement benefit costs

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

Short-term employee benefits

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

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

Provisions

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

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 period. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Willsun BVI Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where Willsun BVI Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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 the reporting period.

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

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 by the same taxation authority and Willsun BVI Group intends to settle its current tax assets and liabilities on a net basis.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Willsun BVI Group's accounting policies, which are described in Note 4, the sole director of Willsun BVI is 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Willsun BVI has made in the process of applying Willsun BVI Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Useful life of trademarks and contractual right to provide management services

Willsun BVI Group determines the useful life of the trademarks and contractual right to provide management services by HRC Management to have an indefinite or definite life considering the nature of the renewal process and additional economic sacrifices, if any, required when renewing the trademarks.

If the useful life of the trademarks and contractual right to provide services are determined to be finite, the trademarks and contractual right to provide services are amortised over their useful lives. If the useful lives of the trademarks and contractual right to provide services are determined to be indefinite, the trademarks and contractual right to provide management services are not amortised.

The sole director of Willsun BVI is of the opinion that Willsun BVI Group will renew the trademarks continuously and has the ability to do so. As a result, the trademarks are considered by the sole director of Willsun BVI 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 they may be impaired. As at 31 December 2017 and 23 December 2018, the carrying amount of the trademarks was RMB922,605,000 and RMB975,080,000, respectively, with details set out in Note 16.

The sole director of Willsun BVI estimates the useful life of the contractual right to provide management services is indefinite based on an analysis of the period of control over the use of the right (including the automatic renewal of the service contract upon its maturity for additional five-year terms indefinitely unless terminated). Based on this analysis, Willsun BVI's sole director considers there is no foreseeable limit to the period over which the right is expected to generate net cash inflows for Willsun BVI Group. As at 31 December 2017 and 23 December 2018, the carrying amount of the contractual right to provide management services is RMB1,514,684,000 and RMB1,600,836,000, respectively, with details set out in Note 16.

Key source of estimation uncertainty

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of the reporting period.

Estimated impairment of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets comprising contractual right to provide management services and trademarks with indefinite useful life are impaired require an estimation of the recoverable amount of the CGU to which the goodwill and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires Willsun BVI Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future

cash flows, a material impairment loss may arise. As at 31 December 2017 and 23 December 2018, the carrying amount of (i) goodwill is RMB84,341,000 and RMB89,140,000; and (ii) intangible assets is RMB2,437,289,000 and RMB2,575,916,000, comprising contractual right to provide management services and trademarks with carrying amount of RMB1,514,684,000 and RMB1,600,836,000 and RMB922,605,000 and RMB975,080,000, respectively. Details of the recoverable amount calculation are disclosed in Note 17.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for management services, ambulatory surgery centre facilities services and PGS Testing services. Willsun BVI Group operates only in a single operating segment focusing on providing these services in the State of California, the U.S.A..

The operating segments are identified on the basis of internal reports about components of Willsun BVI Group that are regularly reviewed by Willsun BVI's sole director, being the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance.

Single management report is reviewed by Willsun BVI Group's CODM who allocates resources and assesses performance based on the consolidated financial information for the entire business. Accordingly, Willsun BVI Group does not present separate segment information other than entity-wide disclosures.

Revenue from major services

The following is an analysis of Willsun BVI Group's revenue from major services:

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Management services - over time recognition[(i)]	246,438	527,833
Ambulatory surgery centre facilities services - at a point in time recognition	13,623	27,605
PGS Testing services - at a point in time recognition	7,088	4,715
	267,149	560,153

(i) Gross management services fee for services provided under the MSA for the periods ended 31 December 2017 and 23 December 2018, including cost reimbursed of RMB25,422,000 and RMB65,074,000 as purchasing agent for pharmaceuticals procurement pursuant to HRC Medical's medication supply program, and amounted to RMB271,860,000 and RMB592,907,000, respectively.

Geographical Information

The revenue of Willsun BVI Group is all derived from operations in the U.S.A. and the non-current assets of Willsun BVI Group are all located in the U.S.A..

Information about major customers

Other than HRC Medical which Willsun BVI Group provides management services, surgery centre facilities and PGS Testing services totalling RMB255,878,000 and RMB537,111,000 and contributed to approximately 96% and 96% of Willsun BVI Group's revenue for the periods ended 31 December 2017 and 23 December 2018, respectively, none of Willsun BVI Group's single customer attributed to more than 10% of Willsun BVI Group's total external revenue.

7. PROFIT BEFORE TAXATION

Willsun BVI Group's profit before taxation has been arrived at after charging:

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Director's remuneration (Note 11)	—	—
Other staff costs		
Salaries, allowances and other benefits	73,053	149,366
Retirement benefit schemes contributions for other staff	1,775	3,633
Total staff costs	74,828	152,999
Auditor's remuneration	—	—
Depreciation of property, plant and equipment	3,518	7,549

8. OTHER INCOME

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Interest income	1	3
Insurance claim (Note)	—	4,524
Others	139	99
	140	4,626

Note: During the period ended 31 December 2017, a clinic of Willsun BVI Group located in California was damaged during a flooding due to drain leakage and Willsun BVI Group had insurance policies in place to cover such damages. The relevant damaged assets have all been fully depreciated at the time of flooding and as a result other income was recognised during the period ended 23 December 2018 upon the approval and receipt of the insurance claim.

9. OTHER LOSS

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Loss on written-off of property, plant and equipment	156	807

10. INCOME TAX EXPENSE

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Current tax:		
Federal	8,219	10,173
State	1,520	1,488
	9,739	11,661
Deferred tax:		
Attributable to a change in tax rate (Note 23)	(5,689)	—
Current period (Note 23)	18,986	26,478
	23,036	38,139

Willsun BVI is tax exempted under the laws of the BVI from a BVI tax perspective. However, interest payment received by Willsun BVI with respect to the shareholder's loan to its subsidiary would be subject to a 30% interest withholding tax for U.S.A. income tax purposes. After the acquisition of HRC Management as defined and described in Note 28, Willsun BVI Group is subject to U.S.A. corporate tax representing 34% of the applicable U.S.A. federal income tax rate and an average of 8.84% for California state income tax rate for the period ended 31 December 2017.

The Tax Cuts and Jobs Act of 2017 of the U.S.A. which was signed into law on 22 December 2017, has reduced the corporate tax rate to 21%, effective 1 January 2018, for all corporations. As a result, Willsun BVI Group is subject to U.S.A. corporate tax representing 21% U.S.A. federal income tax and California state income tax at 8.84% for the period ended 23 December 2018. Further, the deferred tax liabilities at 31 December 2017 have been revised at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at 31 December 2017.

The income tax expense for the period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Profit before taxation	114,622	222,108
Tax at U.S.A. corporate tax rate	49,104	66,277
Tax effect of profit passed-through from HRC Management to its non-controlling shareholder	(23,148)	(33,083)
Tax effect of expenses not deductible for tax purposes	2,769	4,945
Decrease in deferred tax liability resulting from a decrease in the applicable tax rate	(5,689)	—
Income tax expense	23,036	38,139

11. DIRECTOR'S, AND EMPLOYEES' EMOLUMENTS

(a) Director

Ms. Zhang Jing was appointed as executive director of Willsun BVI on 5 April 2017 and resigned on 24 August 2018. On the same date, Mr. Fang Min was appointed as the executive director of Willsun BVI to fill the vacancy.

No director's emoluments including any fees, salaries and other allowance, performance-related incentive payment and retirement benefit schemes contributions was paid or payable to any of the directors during the Track Record Period.

There was no arrangement under which any of the directors waived or agreed to waive any remuneration during the Track Record Period.

(b) **Employees**

The five highest paid individuals of Willsun BVI Group were all employees of Willsun BVI Group and details of whose remuneration are as follows:

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Salaries and other allowances	2,616	6,662
Performance-related incentive payments	1,834	4,641
Retirement benefit schemes contributions	162	358
	4,612	11,661

The five highest paid employees of Willsun BVI Group whose emoluments fell within the following bands are as follows:

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
Nil to HK$1,000,000	4	—
HK$1,000,001 to HK$1,500,000	—	1
HK$1,500,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$2,500,000	—	3
HK$5,000,001 to HK$5,500,000	—	1

During the Track Record Period, no emoluments were paid by Willsun BVI Group to any of the directors of Willsun BVI or the five highest paid individuals as an inducement to join or upon joining Willsun BVI Group or as compensation for loss of office. Neither the directors of Willsun BVI nor the five highest paid individuals waived any emoluments during the Track Record Period.

12. DIVIDENDS

For the period from 1 January 2018 to 23 December 2018, Willsun BVI declared an interim dividend of RMB128,370,000 to its then shareholders. No dividend was declared by Willsun BVI for the period ended 31 December 2017.

The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

Earnings per share has not been presented as its inclusion is not considered meaningful for the purpose of the Historical Financial Information in this report.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Medical equipment	Office equipment, furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 31 March 2017 (date of incorporation)	—	—	—	—
Additions	111	422	311	844
Acquired on acquisition of subsidiaries (Note 28)	11,532	9,419	2,885	23,836
Written-off	—	(291)	—	(291)
Exchange realignment	(440)	(379)	(123)	(942)
At 31 December 2017 and 1 January 2018	11,203	9,171	3,073	23,447
Additions	6,640	4,165	1,332	12,137
Written-off	(1,009)	—	—	(1,009)
Exchange realignment	2,532	1,236	490	4,258
At 23 December 2018	19,366	14,572	4,895	38,833
DEPRECIATION				
At 31 March 2017 (date of incorporation)	—	—	—	—
Provided for the period	1,555	1,236	727	3,518
Eliminated on written-off	—	(135)	—	(135)
Exchange realignment	(18)	(15)	(15)	(48)
At 31 December 2017 and 1 January 2018	1,537	1,086	712	3,335
Provided for the period	3,091	2,941	1,517	7,549
Eliminated on written-off	(202)	—	—	(202)
Exchange realignment	1,782	738	295	2,815
At 23 December 2018	6,208	4,765	2,524	13,497

	Leasehold improvements	Medical equipment	Office equipment, furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CARRYING VALUES				
At 31 December 2017	9,666	8,085	2,361	20,112
At 23 December 2018	13,158	9,807	2,371	25,336

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20% or lease term, whichever is shorter
Medical equipment	20%
Office equipment, furniture and fixtures	14.29% - 20%

15. GOODWILL

	RMB'000
COST	
At 31 March 2017 (date of incorporation)	—
Arising on acquisition of HRC Management Group (Note 28)	87,848
Exchange realignment	(3,507)
At 31 December 2017 and 1 January 2018	84,341
Exchange realignment	4,799
At 23 December 2018	89,140

Details of impairment testing on goodwill are disclosed in Note 17.

16. CONTRACTUAL RIGHT TO PROVIDE MANAGEMENT SERVICES AND TRADEMARKS

	Contractual right to provide management services	Trademarks
	RMB'000	*RMB'000*
COST		
At 31 March 2017 (date of incorporation)	—	—
Arising on acquisition of HRC Management Group (Note 28)	1,577,660	960,963
Exchange realignment	(62,976)	(38,358)
At 31 December 2017 and 1 January 2018	1,514,684	922,605
Exchange realignment	86,152	52,475
At 23 December 2018	1,600,836	975,080

Contractual right to provide management services and trademarks of HRC Medical were acquired through the acquisition of HRC Management on 13 July 2017 (Note 28).

Contractual right to provide management services represents the MSA with HRC Medical for a period of 20 years which will automatically be renewed for additional five-year terms indefinitely unless terminated. Trademarks representing the trade names and logos have legal lives of 10 years and are renewable for same consecutive period six months before expiry at minimal cost. Such contractual right to provide management services and trademarks are considered by the sole director of Willsun BVI to have indefinite useful lives because they are expected to contribute to net cash inflows and will not be amortised until their useful lives are determined to be finite.

Contractual right to provide management services and trademarks will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing are disclosed in Note 17.

On 22 January 2019, subsequent to Willsun BVI became a subsidiary of the Company, the overall management service arrangement was reviewed and, among others, the MSA was replaced with the new MSA ("New MSA") to optimise the overall business arrangement. The scope of service under the MSA and the New MSA generally remains the same. Under the MSA, HRC Management received a management fee from HRC Medical that equals to the sum of the reimbursements of all office expenses paid or accrued by HRC Management and a base fee per month, subject to certain adjustments specified in the agreement. Under the New MSA effective 1 January 2019, 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.

17. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill, contractual right to provide management services and trademarks with indefinite useful life acquired at the business combination as set out in Note 28 have been allocated to an individual CGU, comprising a subsidiary in the provision of management service business. The carrying amount of contractual right to provide management service and trademarks as at 31 December 2017 and 23 December 2018 allocated to the unit is as follows:

	Goodwill		Contractual right to provide management services		Trademarks	
	31 December 2017	23 December 2018	31 December 2017	23 December 2018	31 December 2017	23 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
HRC Management . . .	84,341	89,140	1,514,684	1,600,836	922,605	975,080

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management covering a 5-year period, and a pre-tax discount rate of 13.9% at 31 December 2017 and 16% at 23 December 2018, respectively. The remaining forecast cash flows beyond that 5-year period are extrapolated for three-year period first using declining growth rates from 6.3% to 3% and 8% to 4% at 31 December 2017 and 23 December 2018, respectively, and then a steady 3% growth rate thereafter. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross revenue and cost of revenue and such estimation is based on the unit's past performance and management's expectations for the market development.

As at 31 December 2017 and 23 December 2018, the sole director of Willsun BVI determined that there is no impairment of its CGU containing goodwill, contractual right to provide management services and trademarks. The recoverable amount of the CGU of HRC Management exceeds its carrying amount by RMB347,582,000 and RMB485,346,000 respectively as at 31 December 2017 and 23 December 2018.

The effect of the reasonably possible change in key assumptions on the calculation of value in use of the CGU of HRC Management which would cause the carrying amount exceed its recoverable amount is set out below. The sole director of Willsun BVI believes any reasonably possible changes in the key assumptions as set out below would not cause the carrying amount of HRC Management to exceed its recoverable amount for both periods.

The table below sets forth (i) each key assumption that is used in the goodwill and contractual right to provide management services impairment testing at 31 December 2017 and 23 December 2018; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the sole director of Willsun BVI (with all other variables remained constant) on the calculation of value in use of the CGU of HRC Management:

At 31 December 2017

Key assumptions	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amount
			RMB'000
Annual growth rate of revenue	53.2% to 3%	Decrease by 1%	183,181
		Decrease by 2%	27,971
Gross margin rate	46.0% to 49.3%	Decrease by 1%	271,615
		Decrease by 2%	195,640
Pre-tax discount rate	13.9%	Increase by 0.5%	208,042
		Increase by 1%	81,557
Long-term growth rate	3%	Decrease by 0.5%	223,911
		Decrease by 1%	115,696

At 23 December 2018

Key assumptions	Base case	Changes in key assumption	Surplus of recoverable amount of the CGU over its carrying amount
			RMB'000
Annual growth rate of revenue	10% to 4%	Decrease by 1%	305,438
		Decrease by 2%	135,707
Gross margin rate	47.9% to 49.5%	Decrease by 1%	409,719
		Decrease by 2%	334,099
Pre-tax discount rate	16%	Increase by 0.5%	357,238
		Increase by 1%	239,355
Long-term growth rate	3%	Decrease by 0.5%	380,804
		Decrease by 1%	287,270

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

In April 2018, Willsun BVI Group subscribed for 1,402,500 units in Hainan Project for a cash consideration of US$1,402,500 (approximately RMB8,883,000), representing a 31.88% interests in Hainan Project which invests for an IVF center in Hainan, the People's Republic of China. The unlisted investment is accounted for as a financial asset at FVTPL as the power to direct the relevant activities of Hainan Project is designated to another shareholder who is also the sole manager (equivalent to a director in a corporation) and Willsun BVI Group does not have joint control over or the right to participate in the financial and operating policy decisions under the shareholders' agreement.

In December 2018, Willsun BVI Group's interest in Hainan Project was diluted to 24.95% due to additional capital contribution by other investors.

19. ACCOUNTS AND OTHER RECEIVABLES

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
Accounts receivables	4,859	6,313
Prepayments to suppliers	1,745	6,496
Deposits	1,329	1,525
Other prepayments	426	149
Total accounts and other receivables	8,359	14,483
Less: Amounts to be settled within one year shown under current assets	(6,782)	(12,858)
Amounts to be settled after one year	1,577	1,625

The individual customer of ambulatory surgery centre facilities services of Willsun BVI Group would usually settle by cash or payments through insurance schemes with no credit terms. Payments by insurance schemes will normally be settled by commercial insurance companies from 60 to 365 days from the transaction date.

Since 1 January 2018, Willsun BVI Group applies the simplified approach to provide for ECL prescribed by IFRS 9. The trade receivables are assessed individually for impairment allowance based on Willsun BVI Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The sole director of Willsun BVI considered that the ECL for trade receivables is insignificant as at 23 December 2018.

In determining the recoverability of trade receivables, the sole director of Willsun BVI considers any change in the credit quality of the trade 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 the reporting period:

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
Within 30 days	1,008	1,569
31 to 90 days	3,851	1,983
91 to 180 days	—	2,761
	4,859	6,313

As at 23 December 2018, included in Willsun BVI Group's trade receivables balance are debtors with aggregate carrying amount of RMB6,313,000 which are past due as at the reporting date. Out of the past due balances, RMB2,761,000 has been past due 90 days or more and is not considered as in default as the balances are due from insurance companies with good credit rating and with continuous repayment. Willsun BVI Group does not hold any collateral over these balances. Further details of impairment assessment of trade and other receivables as at 23 December 2018 are set out in Note 30.

As at 31 December 2017, included in Willsun BVI Group's trade receivable balance are debtors with aggregate carrying amount of RMB4,859,000 which are past due as at the reporting date for which Willsun BVI Group has not provided for impairment loss. No impairment loss was provided due to their good repayment history and there is no default history of the debtors.

20. BANK BALANCES AND CASH

Willsun BVI Group and Willsun BVI

Bank balances carried interest at market rates which range from 0.01% to 0.10% and 0.01% to 0.10% per annum at 31 December 2017 and 23 December 2018, respectively.

21. ACCOUNTS AND OTHER PAYABLES

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
Accounts payables	4,000	18,014
Accrued employee expenses	15,212	13,141
Other accruals	9,158	9,803
Deferred rent	6,150	5,969
Others	768	191
Total accounts and other payables	35,288	47,118
Less: Amount due within one year shown under current liabilities	(29,640)	(42,349)
Deferred rent shown under non-current liabilities	5,648	4,769

The credit period of accounts payables normally ranges from 30 to 90 days from the date of receipt of goods and services.

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

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
Within 30 days	3,193	3,810
31 - 90 days	807	11,753
Over 90 days	—	2,451
	4,000	18,014

22. AMOUNTS DUE FROM (TO) RELATED PARTIES/DISTRIBUTION PAYABLE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Details of balances with related companies and non-controlling shareholder of a subsidiary at the end of the reporting period are as follows:

Amounts due from related parties — current

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
HRC Medical (i)	25,028	—
135 South Rosemead LLC (iii)	18	1
California Reproductive Services, LLC (iii)	97	—
HRC Investment Holding LLC ("HRC Investment") (vii)	—	182
Hainan Project (ii)	—	175
	25,143	358

Amount due from a related party — non-current

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
Hainan Project (ii)	9,125	—

Distribution payable to a non-controlling shareholder of a subsidiary

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
HRC Investment (iv)	35,541	2,916

Amounts due to related parties

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
HRC Medical (viii)	—	10,852
HRC Properties LLC (v)	185	—
Bradford Kolb, MD, Inc. (vi)	1,161	—
Daniel A. Potter, MD, Inc. (vi)	220	271
John Wilcox, MD, Inc. (vi)	1,796	207
Jeffrey Nelson, MD, Inc. (vi)	—	9
Michael Feinman, MD, Inc. (vi)	—	113
David Tourgeman, MD, Inc. (vi)	—	188
	3,362	11,640

Notes:

(i) The amount represents the accounts receivable from HRC Medical, which is jointly controlled by certain shareholders of HRC Investment, in relation to management services provided in accordance with the MSA. The amount is unsecured, interest-free and should be settled in the subsequent month to the extent of the available cash for HRC Medical to do so. The trade balance at 31 December 2017 based on invoice date is aged within 30 days and not past due nor impaired.

(ii) The amount as at 31 December 2017 represents an investment deposit to the entity which is controlled by a shareholder of HRC Investment. The amount was unsecured, interest-free and has been used as capital contribution to the Hainan Project in April 2018.

The receivable as at 23 December 2018 represents rental income from the related party and certain expenses paid on its behalf. The amount is unsecured, interest-free and repayable on demand.

(iii) The entities are owned by certain shareholders of HRC Investment. The amounts are unsecured, interest-free and fully settled subsequent to 31 December 2017 and 23 December 2018.

(iv) The amount represents the distribution payable by HRC Management to HRC Investment.

(v) The entity is controlled by certain shareholders of HRC Investment. The amount is unsecured, interest-free and repayable on demand. The balance is trade nature, and aged within 30 days.

(vi) They are shareholders of HRC Investment. The amounts are unsecured, interest-free and repayable on demand. The balances are mainly incurred for expenses paid on behalf by the related parties.

(vii) The amount represents receivables from HRC Investment for expenses paid on its behalf. The amount is unsecured, interest-free and repayable on demand.

(viii) The amount represents the payable to HRC Medical as the bank balances and cash maintained by HRC Management on behalf of HRC Medical pursuant to the management services under the MSA exceeded the respective amount of management services fee receivable. The amount is unsecured, interest-free and repayable on demand.

23. DEFERRED TAX LIABILITIES

	Fair value adjustments arising from acquisition of subsidiaries
	RMB'000
At 31 March 2017 (date of incorporation)	—
Credit during the period	18,986
Effect of change in tax rate	(5,689)
Exchange realignment	(192)
At 31 December 2017 and 1 January 2018	13,105
Credit during the period	26,478
Exchange realignment	1,462
At 23 December 2018	41,045

There was no significant unprovided deferred tax during the period or at the end of the reporting period.

24. SHARE CAPITAL

Details of Willsun BVI's share capital are as follows:

	Number of shares	Share capital
		US$
Ordinary shares of US$1 each		
Authorised:		
At 31 March 2017 (date of incorporation)	1	1
Increase on 23 October 2017	205,599,999	205,599,999
As at 31 December 2017, 1 January 2018 and 23 December 2018	205,600,000	205,600,000
Issued and fully paid:		
At 31 March 2017 (date of incorporation)	1	1
Issue of shares on 23 October 2017	205,599,999	205,599,999
As at 31 December 2017, 1 January 2018 and 23 December 2018	205,600,000	205,600,000

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
Shown in the Historical Financial Information as	1,364,482	1,364,482

Willsun BVI was incorporated on 31 March 2017 with an authorised share capital consisting of 1 share at par value of US$1 each per share. On the date of incorporation, 1 share of US$1 was allotted and issued by Willsun BVI to its shareholder. In October 2017, the authorised share capital was increased to US$205,600,000 comprising of 205,600,000 shares of US$1 each and 205,599,999 shares of US$1 each were then issued to its shareholders pursuant to share subscription deposits received in July 2017 to replenish capital for the acquisition of HRC Management Group as defined in Note 28.

24a. MOVEMENT IN WILLSUN BVI'S RESERVES

	Translation reserve	Retained profits (accumulated loss)	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 March 2017 (date of incorporation)	—	—	—
Profit for the period	—	7,906	7,906
Exchange differences arising on translation of financial statements to presentation currency	(26,933)	—	(26,933)
Total comprehensive (expenses) income for the period and balance at 31 December 2017 and 1 January 2018	(26,933)	7,906	(19,027)
Profit for the period	—	16,284	16,284
Exchange differences arising on translation of financial statements to presentation currency	80,155	—	80,155
Total comprehensive income for the period	80,155	16,284	96,439
Dividend paid (Note 12)	—	(128,370)	(128,370)
At 23 December 2018	53,222	(104,180)	(50,958)

25. OPERATING LEASES

Willsun BVI Group as lessee

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Minimum lease payment paid under operating leases during the period in respect of premises owned by		
- related parties	3,754	7,575
- independent third parties	8,153	16,063
	11,907	23,638
Minimum lease payment paid under operating leases during the period in respect of medical equipment owned by independent third parties	1,631	3,363
	13,538	27,001

Willsun BVI Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises and medical equipment which fall due as follows:

As at 31 December 2017

	Premises owned by related parties	Premises and medical equipment owned by independent third party	Total
	RMB'000	*RMB'000*	*RMB'000*
Within one year	7,472	16,099	23,571
In the second to fifth year inclusive	19,630	38,943	58,573
Over five years	5,245	3,230	8,475
	32,347	58,272	90,619

As at 23 December 2018

	Premises owned by related parties	Premises and medical equipment owned by independent third party	Total
	RMB'000	*RMB'000*	*RMB'000*
Within one year	8,641	17,237	25,878
In the second to fifth year inclusive	47,251	30,565	77,816
Over five years	57,980	1,141	59,121
	113,872	48,943	162,815

Operating lease payments represent rentals payable to related parties and independent third parties by Willsun BVI Group for certain of its rented premises and medical equipment. These leases are negotiated for terms ranging from two to thirteen years. None of the leases include any contingent rental.

Certain clinics under management by HRC Management have laboratory and other medical facilities built into the rented premises. According to the lease agreements, the lessor may request HRC Management to remove all modifications made to the premises at the termination of the lease. For a lease contract without the lessor's confirmation that such removal of the modification would not be required, the sole director of Willsun BVI believes that no penalty or reinstatement costs would be imposed on HRC Management as it appeared that, with the "as-is-basis" condition, the lessor would be beneficial in a potentially higher rental income from other tenants. Should the landlord request to reinstate its leased property to its original state, the cost is approximately RMB4,190,000 and RMB4,428,000 at 31 December 2017 and 23 December 2018, respectively.

The sole director of Willsun BVI considers such liability is not probable due to the likelihood of being asked to remove the laboratory and other medical facilities built into the rented premises is low.

26. RETIREMENT BENEFIT PLANS

Willsun BVI Group 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 Willsun BVI Group with respect to the retirement benefits plans is to make the specified contributions under the plans. The amounts of contributions made by Willsun BVI Group in respect of the retirement benefit plans during the Track Record Period are disclosed in Note 7.

27. RELATED PARTY DISCLOSURES

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, Willsun BVI Group had entered into the following related party transactions during the Track Record Period:

Name of related parties	Relationship	Nature of transactions	For the period from 31 March (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
			RMB'000	*RMB'000*
HRC Medical	Jointly controlled by certain shareholders of HRC Investment	Management services income	246,438	527,833
		PGS Testing income	7,088	4,715
		Ambulatory surgery centre facilities income	2,352	4,563
HRC Properties LLC	Controlled by certain shareholders of HRC Investment	Rental expenses	(3,091)	(6,154)
135 South Rosemead LLC	Controlled by certain shareholders of HRC Investment	Rental expenses	(663)	(1,421)
Gender Selection Australia Proprietary Limited	Controlled by a shareholder of HRC Investment	Marketing expense	(408)	(833)
Dr. Bradford A. Kolb	Shareholder of HRC Medical and HRC Investment	Medical director fee	(33)	(66)
Dr. Jane L. Frederick	Shareholder of HRC Medical and HRC Investment	Medical director fee	(33)	(66)
Dr. Michael A. Feinman	Shareholder of HRC Medical and HRC Investment	Medical director fee	(33)	(66)

Compensation of key management personnel

Key management includes the sole director and senior management of Willsun BVI Group. Their remunerations during the Track Record Period are as follows:

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Salaries and allowances	724	2,967
Performance-related incentive payments	1,026	3,549
Retirement benefit schemes contributions	45	179
	1,795	6,695

The remuneration of key management personnel is determined by the sole director of Willsun BVI having regard to the performance of Willsun BVI Group.

28. ACQUISITION OF HRC MANAGEMENT GROUP

On 13 July 2017, Willsun BVI Group acquired 51% of the issued share capital of HRC Fertility Management, LLC ("HRC Management") (previously known as Lifovum Fertility Management, LLC) and its subsidiary (hereafter collectively referred to as the "HRC Management Group") at a cash consideration of US$205,502,000 (equivalent to approximately RMB1,392,664,000). This acquisition has been accounted for using the acquisition method. HRC Management is engaged in management services, ambulatory surgery centre facilities and PGS Testing services and it was acquired to enable Willsun BVI Group's entry into the IVF practices management and related business.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	23,836
Contractual right to provide management services	1,577,660
Trademarks	960,963
Other assets	1,603
Accounts and other receivables	13,257
Amounts due from related parties	2,431
Bank balances and cash	9,787
Accounts and other payables	(31,074)
	2,558,463

The carrying amount of the accounts and other receivables and amounts due from related parties at the date of acquisition amounted to RMB13,257,000 and RMB2,431,000, respectively, and represents their fair value at the date of acquisition. Based on the opinion of the sole director of Willsun BVI, no amount at acquisition date of the contractual cash flows is not expected to be collected.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	1,392,664
Plus: Non-controlling interests (49% in HRC Management Group) (Note i)	1,253,647
Less: fair value of identifiable net assets acquired (100%)	(2,558,463)
Goodwill arising from acquisition (Note ii)	87,848

Certain portion of the goodwill and intangible assets comprising contractual right to provide management services and trademarks with indefinite useful life arising on the acquisition is expected to be deductible for tax purposes over 15 years.

Notes:

(i) The non-controlling interests of 49% in HRC Management Group recognised at the acquisition date was measured at the non-controlling interests' proportion of the recognised amounts of net assets of the HRC Management Group amounting to approximately RMB1,253,647,000.

(ii) Goodwill arose in the acquisition of HRC Management because the consideration paid for the combination effectively included amounts in relation to the revenue growth, future market development and the assembled workforce of HRC Management. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition of the HRC Management

	RMB'000
Cash consideration paid	1,392,664
Less: Cash and cash equivalents acquired	(9,787)
	1,382,877

Impact of acquisition on the results of HRC Management Group

Included in the profit for the period ended 31 December 2017 is a profit of RMB92,890,000 attributable to the additional business generated by HRC Management. Revenue for the period from 31 March 2017 (date of incorporation) to 31 December 2017 is RMB267,149,000 generated from HRC Management.

Had the acquisition of HRC Management been completed on 31 March 2017 (date of incorporation), the total revenue of Willsun BVI Group for the period from 31 March 2017 (date of incorporation) to 31 December 2017 would have been RMB339,776,000, and the amount of the profit for the period would have been RMB98,196,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of Willsun BVI Group that actually would have been achieved had the acquisition been completed on 31 March 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of Willsun BVI Group had HRC Management Group been acquired at the beginning of the period, the sole director of Willsun BVI calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

29. CAPITAL RISK MANAGEMENT

Willsun BVI Group manages its capital to ensure that entities in Willsun BVI 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. Willsun BVI Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of Willsun BVI Group consists of bank balances and cash and equity attributable to owners of Willsun BVI, comprising share capital and reserves.

The sole director of Willsun BVI reviews the capital structure on a regular basis. As part of this review, the sole director of Willsun BVI considers the cost and the risks associated with each class of capital. Based on recommendations of the sole director of Willsun BVI, Willsun BVI Group will balance its overall capital structure through the payment of dividends, new share issues, as well as the issue of new debt or the redemption of existing debts, if necessary.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Willsun BVI Group

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
Financial assets		
At FVTPL	—	9,990
At amortised cost	—	47,323
Loans and receivables (including cash and cash equivalents)	121,876	—
	121,876	57,313
Financial liabilities		
Amortised cost	42,903	32,570

Willsun BVI

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
Financial assets		
At amortised cost	—	725,554
Loans and receivables (including cash and cash equivalents)	789,127	—
	789,127	725,554

(b) Financial risk management objectives and policies

Willsun BVI Group's major financial instruments include financial assets at FVTPL, accounts receivables, bank balances and cash, accounts and other payables, amounts due from (to) related parties and distribution payable to a non-controlling shareholder of a subsidiary. In addition, Willsun BVI's major financial instruments include loan to a subsidiary and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (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.

(i) ***Market risk***

Interest rate risk

Willsun BVI Group and Willsun BVI are exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 20 for details). Their cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances.

The sole director of Willsun BVI considers that the overall interest rate risk of Willsun BVI Group and Willsun BVI is not significant as the fluctuation of interest rates on bank balances is minimal. Accordingly, no sensitivity analysis prepared and presented.

Other price risk

Willsun BVI Group is exposed to equity price risk through its investments in an unquoted equity investment measured at FVTPL as disclosed in Note 18.

The sensitivity analysis have been determined based on the exposure to equity price risk at 23 December 2018. If the equity price of the equity investment had been 5% higher/lower, post-tax profit for the period from 1 January 2018 to 23 December 2018 would increase/decrease by approximately RMB360,000 as a result of the changes in fair value of the investment at FVTPL.

(ii) ***Credit risk and impairment assessment***

As at 31 December 2017 and 23 December 2018, Willsun BVI Group and Willsun BVI's maximum exposure to credit risk which will cause a financial loss to Willsun BVI Group and Willsun BVI due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position and statements of financial position respectively. 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 Willsun BVI 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, Willsun BVI Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, Willsun BVI Group performs impairment assessment under incurred loss model for the period ended 31 December 2017 and ECL model ("lifetime ECL") upon application of IFRS 9 for the period ended 23 December 2018 on trade balances individually. In this regard, the sole director of Willsun BVI considers that Willsun BVI Group's and Willsun BVI's credit risk is significantly reduced. The lifetime ECL for trade receivables of RMB6,313,000 as at 23 December 2018 is considered to be insignificant.

For amounts due from related parties, management makes individual assessment on the recoverability of the amounts based on historical settlement records and past experience. The management of Willsun BVI believes that there is no material credit risk inherent in Willsun BVI Group's and Willsun BVI's outstanding balance of amounts due from related parties. In addition, the credit risk on amounts due from related parties are reduced as Willsun BVI Group and Willsun BVI can closely monitor their repayment. The sole director of Willsun BVI has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and changes in regulatory and economic environment. The 12m ECL for amounts due from related parties of RMB358,000 as at 23 December 2018 is considered to be immaterial due to the good repayment history.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The 12m ECL for bank balances of Willsun BVI Group amounting to RMB40,652,000 as at 23 December 2018 is considered to be insignificant. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, Willsun BVI Group does not have any other significant concentration of credit risk as at 23 December 2018. As at 31 December 2017, Willsun BVI Group has concentration of credit risk on receivable as approximately 84% of the total receivables that are trade in nature was due from Willsun BVI Group's related party, HRC Medical, representing trade receivable for the management services. Willsun BVI Group also has concentration of credit risk on its non-current receivable for the deposit paid in relation to the Hainan Project as at 31 December 2017. Willsun BVI has concentration of credit risk since 100% of its receivable was due from its subsidiary as at 31 December 2017 and 23 December 2018. The 12m ECL for loan to a subsidiary of Willsun BVI amounting to RMB725,554,000 as at 23 December 2018 is considered to be insignificant. In order to minimise the credit risk, Willsun BVI Group and Willsun BVI closely monitors the liquidity risk of HRC Medical and its subsidiary, respectively, and reviews the outstanding debt at the end of the reporting period to ensure that follow up action is taken on overdue debts.

Other than as aforesaid, Willsun BVI Group does not have any other significant concentration of credit risk. Accounts receivables of Willsun BVI Group consist of a large number of customers and Willsun BVI Group does not have concentration of credit risk in relation to its accounts receivables.

(iii) ***Liquidity risk***

In the management of the liquidity risk, Willsun BVI Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Willsun BVI Group's operations and mitigate the effects of fluctuations in cash flows. As at 23 December 2018, Willsun BVI Group's current liabilities exceeded its current assets by approximately RMB2,103,000. The sole director of Willsun BVI considers Willsun BVI Group is able to continue to generate positive operating cash flows for the next twelve months and hence is satisfied that Willsun BVI Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

The following table details Willsun BVI Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed payment dates. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Willsun BVI Group can be required to pay.

The tables include both interest 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 the reporting period.

Liquidity table

	Weighted average effective interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017				
Accounts payables	—	4,000	4,000	4,000
Distribution payable to a non-controlling shareholder of a subsidiary	—	35,541	35,541	35,541
Amounts due to related parties	—	3,362	3,362	3,362
		42,903	42,903	42,903

	Weighted average effective interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
23 December 2018				
Accounts payables	—	18,014	18,014	18,014
Distribution payable to a non-controlling shareholder of a subsidiary	—	2,916	2,916	2,916
Amounts due to related parties	—	11,640	11,640	11,640
		32,570	32,570	32,570

(c) **Fair value**

This note provides information about how Willsun BVI Group determines the fair value of the financial assets and financial liabilities.

(i) ***Fair value of Willsun BVI Group's financial asset that is measured at fair value on a recurring basis***

Willsun BVI Group's financial asset that is measured at fair value at the end of each reporting period is disclosed in Note 18. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at 31 December 2017	Fair value as at 23 December 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*				
Unlisted equity investment classified as financial asset at FVTPL	N/A	9,990	Level 3	Market comparison approach in which fair value was determined with reference to recent transaction price	Recent transaction price	The lower the recent transaction price, the lower the fair value of the investment. A 5% decrease in the recent transaction price, holding all other variables constant, would decrease the carrying amount of the equity instruments by approximately RMB500,000 at 23 December 2018, and vice versa.

There were no transfers between Level 1, Level 2 and Level 3 during the Track Record Period.

(ii) ***Reconciliation of Level 3 fair value measurements***

	Unlisted investment classified as equity instrument at FVTPL
	RMB'000
At 31 March 2017 (date of incorporation), 31 December 2017 and 1 January 2018	—
Purchase	8,883
Total gain (loss) in profit or loss	—
Exchange realignment	1,107
At 23 December 2018	9,990

(iii) ***Fair value of financial assets and financial liabilities that are not measured at fair value***

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Willsun BVI considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

31. PRE-ACQUISITION FINANCIAL INFORMATION OF HRC MANAGEMENT

As stated in Note 28 to the Historical Financial Information, on 13 July 2017, Willsun BVI Group acquired 51% equity interest of HRC Management.

The pre-acquisition financial information of the acquired business for the year ended 31 December 2016 and the period from 1 January 2017 to 12 July 2017 (the "Pre-Acquisition Historical Financial Information") has been prepared by the management of HRC Management in accordance with the accounting policies set out in Note 4 to the Historical Financial Information, which conform with IFRSs.

Prior to the reorganisation undertaken on 12 July 2017 to rationalise the structure for the proposed sale of the 51% of the equity interests of HRC Management Group which comprising HRC Management, NexGenomics, LLC ("NexGen") and Reproductive Surgical Associates ("RSA"), a general partnership established in the U.S.A., to Willsun BVI, HRC Management, NexGen and RSA were jointly owned and controlled directly or indirectly by eight medical directors of HRC Medical (the "HRC Physician Shareholders"). The reorganisation comprised (i) the assignment and contribution of the partnership interests of RSA from the HRC Physician Shareholders to HRC Management followed by the dissolution of RSA; and (ii) the transfer of the entire equity interests in NexGen from the HRC Physician Shareholders to HRC Management, which has become the holding company of NexGen and absorbed the business of RSA upon completion of the reorganisation.

As entities of HRC Management Group have been under the joint control of the HRC Physician Shareholders throughout the period from 1 January 2016 to 12 July 2017 ("Pre-Acquisition Period"), HRC Management Group is regarded as a continuing entity and merger accounting has been applied for the preparation of the Pre-Acquisition Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Pre-Acquisition Period include the results, changes in equity and cash flows of the companies comprising HRC Management Group as if they had always been formed as a single reporting entity.

The consolidated statement of financial position of HRC Management Group as at 31 December 2016 has been prepared to present the assets and liabilities of the companies now comprising HRC Management Group, as if the current group structure has been in existence at that date.

(a) **Consolidated statements of profit or loss and other comprehensive income**

	NOTES	Year ended 31 December 2016	For the period from 1 January 2017 to 12 July 2017
		RMB'000	*RMB'000*
Revenue	(i)	56,595	90,568
Cost of revenue		(40,378)	(73,224)
Gross profit		16,217	17,344
Administrative expenses		(3,379)	(12,038)
Other income	(iii)	4	717
Interest expenses on bank borrowings		(75)	(37)
Profit before taxation	(ii)	12,767	5,986
Income tax expense	(iv)	—	—
Profit for the year/period		12,767	5,986
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements to presentation currency		498	(92)
Profit and the total comprehensive income for the year/period		13,265	5,894

(b) **Consolidated statements of financial position**

	NOTES	As at 31 December 2016	As at 12 July 2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	(vi)	1,665	13,311
Other assets	(vii)	24	1,603
		1,689	14,914
Current assets			
Accounts and other receivables	(vii)	7,063	13,257
Amount due from a related party	(x)	—	2,431
Bank balances and cash	(viii)	4,835	9,787
		11,898	25,475
Current liabilities			
Accounts and other payables	(ix)	2,898	25,177
Amounts due to related parties	(x)	4,645	—
Bank borrowings - due within one year	(xi)	451	—
		7,994	25,177
Net current assets		3,904	298
Total assets less current liabilities		5,593	15,212
Non-current liabilities			
Bank borrowings - due after one year	(xi)	1,355	—
Deferred rent	(ix)	—	5,897
Net assets		4,238	9,315
Capital and reserves			
Share capital	(xii)	924	504
Reserves		3,314	8,811
Total equity		4,238	9,315

(c) **Consolidated statements of changes in equity**

	Share capital	Other reserve	Translation reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	1,057	—	1,506	10,808	13,371
Profit for the year	—	—	—	12,767	12,767
Exchange differences arising on translation	—	—	498	—	498
Total comprehensive income for the year	—	—	498	12,767	13,265
Withdrawal of capital contribution from shareholders	(133)	—	—	—	(133)
Distribution to shareholders during the year (Note v)	—	—	—	(22,265)	(22,265)
At 31 December 2016	924	—	2,004	1,310	4,238
Profit for the period	—	—	—	5,986	5,986
Exchange differences arising on translation	—	—	(92)	—	(92)
Total comprehensive (expense) income for the period	—	—	(92)	5,986	5,894
Capital contribution from shareholders	68	—	—	—	68
Distribution to shareholders during the period (Note v)	—	—	—	(6,531)	(6,531)
Effect of reorganisation (Note 1)	(488)	488	—	—	—
Deemed contribution from a related party (Note 2)	—	5,646	—	—	5,646
At 12 July 2017	504	6,134	1,912	765	9,315

Note 1: Upon completion of the reorganisation as described in the introductory paragraph of Note 31, HRC Management becomes the holding company of NexGen and absorbed the business of RSA and accordingly, the share capital of RSA and NexGen was transferred to other reserve.

Note 2: The amount represents the transfer of assets and liabilities from HRC Medical to HRC Management at nil consideration in relation to the reorganisation prior to the acquisition of HRC Management Group by Willsun BVI with details set out in the introductory paragraph of Note 31.

(d) **Consolidated statements of cash flows**

	Year ended 31 December 2016	For the period from 1 January 2017 to 12 July 2017
	RMB'000	*RMB'000*
Operating activities		
Profit before taxation	12,767	5,986
Adjustments for:		
Depreciation of property, plant and equipment	334	256
Interest income	(4)	—
Interest expenses on bank borrowings	75	37
Operating cash flows before movements in working capital	13,172	6,279
Increase in other assets	(23)	—
Decrease (increase) in accounts and other receivables	9,831	(6,456)
Increase in amount due from a related party	(2,297)	(1,963)
Decrease in amount due to a related party	—	(3,508)
Increase in accounts and other payables	451	20,807
Net cash generated from operating activities	21,134	15,159
Investing activities		
Purchase of property, plant and equipment	(816)	(619)
Interest received	4	—
Net cash used in investing activities	(812)	(619)
Financing activities		
New bank borrowings raised	1,727	—
Repayments of bank borrowings	—	(1,787)
Distributions paid to shareholders	(22,807)	(7,668)
Interest paid	(75)	(37)
Net cash used in financing activities	(21,155)	(9,492)
Net (decrease) increase in cash and cash equivalents	(833)	5,048
Effect of foreign exchange rate changes	333	(96)
Cash and cash equivalents at beginning of the year/period	5,335	4,835
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	4,835	9,787

Notes:

i. **Revenue and segment information**

HRC Management Group is mainly engaged in providing management services, ambulatory surgery centre facilities and PGS Testing services.

Revenue represents service income from provision of services.

HRC Management's operating activities are attributable to a single operating segment focusing on providing management services, surgery centre facilities and PGS Testing in the State of California, the U.S.A. Information is reported to the chief executive officer of HRC Management, who is also CODM, for the purpose of allocating resources and assessing its performance. The CODM reviews HRC Management's profit for the year/period as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue from major services

The following is an analysis of HRC Management Group's revenue from major services:

	Year ended 31 December 2016	For the period from 1 January 2017 to 12 July 2017
	RMB'000	*RMB'000*
Management services — over time recognition[(i)]	—	61,120
Ambulatory surgery centre facilities services — at a point in time recognition	36,040	18,442
PGS Testing service — at a point in time recognition	20,555	11,006
	56,595	90,568

(i) Gross management services fee for services provided under the MSA including cost reimbursed of RMB32,896,000 as purchasing agent for pharmaceuticals procurement pursuant to HRC Medical's medication supply program and amounted to RMB94,016,000 for the period from 1 January 2017 to 12 July 2017.

Geographical Information

HRC Management Group's revenue is all derived from operations in the U.S.A. and HRC Management Group's non-current assets are all located in the U.S.A.

Information about major customers

Other than surgery centre facilities and PGS Testing provided to HRC Medical totalling RMB24,941,000 and the management services, surgery centre facilities and PGS Testing service provided to HRC Medical totalling RMB74,477,000 which contributed to approximately 44% and 82% of HRC Management Group's revenue for the year ended 31 December 2016 and the period from 1 January 2017 to 12 July 2017, respectively, no single customer contributes over 10% or more of HRC Management Group's total revenue during the Pre-Acquisition Period.

ii. **Profit before taxation**

Profit before taxation has been derived at after charging:

	Year ended 31 December 2016	For the period from 1 January 2017 to 12 July 2017
	RMB'000	*RMB'000*
Director's emoluments	—	—
Other staff costs		
Salaries, allowances and other benefits	15,369	36,262
Retirement benefit schemes contributions for other staff	6	1,843
Total staff costs	15,375	38,105
Auditor's remuneration	—	—
Depreciation of property, plant and equipment	334	256
Operating lease expenses	4,220	4,950

iii. **Other income**

	Year ended 31 December 2016	For the period from 1 January 2017 to 12 July 2017
	RMB'000	*RMB'000*
Interest income from bank	4	—
Billing services income	—	696
Rental income	—	21
	4	717

iv. **Income tax expense**

HRC Management and its subsidiaries are treated as pass-through entities for U.S.A. income tax purposes for the year ended 31 December 2016 and for the period from 1 January 2017 to 12 July 2017. No provision for federal nor state income taxes has been recognised, as each shareholder of HRC Management is liable for the applicable tax payments on their share of income.

v. **Distribution to shareholders**

	Year ended 31 December 2016	For the period from 1 January 2017 to 12 July 2017
	RMB'000	*RMB'000*
Distribution to shareholders of:		
RSA	13,710	1,375
NexGen	8,555	5,156
	22,265	6,531

Net income and losses of HRC Management Group for the year ended 31 December 2016 and for the period from 1 January 2017 to 12 July 2017 are distributed in form of cash to its then shareholders.

vi. **Property, plant and equipment**

	Leasehold improvements	Medical equipment	Office equipment, furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2016	65	1,127	28	1,220
Additions	102	531	183	816
Exchange realignment	9	103	11	123
At 31 December 2016	176	1,761	222	2,159
Additions	103	249	267	619
Transfer from HRC Medical	4,866	4,398	2,064	11,328
Exchange realignment	(6)	(46)	(9)	(61)
At 12 July 2017	5,139	6,362	2,544	14,045
DEPRECIATION				
At 1 January 2016	7	124	4	135
Provided for the year	16	304	14	334
Exchange realignment	1	23	1	25
At 31 December 2016	24	451	19	494
Provided for the period	21	197	38	256
Exchange realignment	(2)	(13)	(1)	(16)
At 12 July 2017	43	635	56	734
CARRYING VALUES				
At 31 December 2016	152	1,310	203	1,665
At 12 July 2017	5,096	5,727	2,488	13,311

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20% or lease term, whichever is shorter
Medical equipment	20%
Office equipment, furniture and fixtures	20% - 33⅓%

vii. **Accounts and other receivables and other assets**

	As at 31 December 2016	As at 12 July 2017
	RMB'000	*RMB'000*
Accounts receivables	6,490	8,876
Prepayments to suppliers	135	4,095
Other receivables	462	1,889
Total accounts and other receivables	7,087	14,860
Less: Amounts to be settled within one year shown under current assets	(7,063)	(13,257)
Amounts to be settled after one year	24	1,603

As at 1 January 2016, trade receivable from contracts with customers amounted to RMB16,206,000.

HRC Management Group does not allow any credit period to its customers.

The individual customer of HRC Management Group would usually settle 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 following is an aged analysis of accounts receivables, presented based on the invoice date at the end of each reporting period.

	As at 31 December 2016	As at 12 July 2017
	RMB'000	*RMB'000*
Within 90 days	3,393	5,505
91 to 180 days	1,150	1,163
181 to 365 days	1,739	1,953
Over 365 days	208	255
	6,490	8,876

The management of HRC Management Group closely monitors the credit quality of accounts receivables and considers the debts that are neither past due nor impaired to be of a good credit quality.

viii. **Bank balances and cash**

Bank balances carried interest at the prevailing market rates which ranges from 0.01% to 0.10% and 0.01% to 0.08% per annum as at 31 December 2016 and 12 July 2017, respectively.

ix. **Accounts and other payables and other liabilities**

	As at 31 December 2016	As at 12 July 2017
	RMB'000	*RMB'000*
Accounts payables	38	6,295
Accruals	1,704	11,645
Deferred rent	1,156	7,793
Other payables	—	5,341
Total accounts and other payables	2,898	31,074
Less: Amounts due within one year shown under current liabilities	(2,898)	(25,177)
Deferred rent shown under non-current liabilities	—	5,897

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 based on invoice date at the end of each reporting period.

	As at 31 December 2016	As at 12 July 2017
	RMB'000	*RMB'000*
Within 30 days	38	3,359
31 to 90 days	—	2,897
91 to 365 days	—	39
	38	6,295

x. **Amounts due from/to related parties**

Amount due from a related party

The amount as at 12 July 2017 represents the trade receivable from HRC Medical in relation to management services provided by HRC Management. The amount is unsecured, interest-free and should be settled in the subsequent month to the extent of the available cash for HRC Medical to do so. The trade balance at 12 July 2017 based on the invoice date is aged within 30 days and not past due nor impaired.

Amounts due to related parties

Details of the amounts due to related parties as at 31 December 2016 and 12 July 2017 are as follows:

Name	As at 31 December 2016	As at 12 July 2017
	RMB'000	*RMB'000*
Bradford A. Kolb, M.D., LCC Medical Corporation (i)	146	—
Daniel A. Potter, M.D., Inc (i)	169	—
David Tourgeman, M.D., Inc (i)	140	—
Jane L. Frederick, M.D., Inc (i)	158	—
Jeffrey Nelson, D.O., Inc (i)	106	—
John G.Wilcox, M.D., LCC Medical Corporation (i)	126	—
Michael A. Feinman, Medical Corporation (i)	100	—
Robert Boostanfar, M.D., Inc (i)	192	—
HRC Medical (ii)	3,508	
	4,645	—

Notes:

(i) These are the then shareholders of RSA and the balance represents the payable from distribution by RSA. The amount is unsecured, interest-free, and repayable on demand.

(ii) The amounts represent the payable to HRC Medical. The amount is mainly arising from management service fee payable and is unsecured, interest-free, and repayable on demand.

xi. **Bank borrowings**

	As at 31 December 2016	As at 12 July 2017
	RMB'000	*RMB'000*
Bank loans - Unsecured	1,806	—
Carrying amount of the above borrowings that are repayable:		
Within one year	451	—
More than one year but not exceeding two years	451	—
More than two years but not exceeding five years	904	—
	1,806	—
Less: Amounts due for settlement within one year shown under current liabilities	(451)	—
Amounts due for settlement after one year	1,355	—

The bank borrowings carried interests at certain basis points over United State Prime Rate ("Prime Rate").

The range of effective interest rates (which was also equal to contracted interest rates) of HRC Management Group's bank borrowings is as follows:

		As at 31 December 2016	As at 12 July 2017
		RMB'000	*RMB'000*
Effective interest rate:			
Variable-rate borrowings	Prime Rate + 0.5%	N/A	

The unsecured bank borrowings are guaranteed by HRC Physician Shareholders and HRC Medical and had been early repaid during the period ended 12 July 2017.

xii. **Share capital**

At 1 January 2016, the share capital represents the aggregate share capital/capital contribution of HRC Management, RSA and NexGen of US$90,000 (equivalent to RMB569,000), US$80,000 (equivalent to RMB488,000) and US$100 (equivalent to RMB601), respectively.

At 31 December 2016, the share capital represents the aggregate share capital/capital contribution of HRC Management, RSA and NexGen of US$70,000 (equivalent to RMB436,000), US$80,000 (equivalent to RMB488,000) and US$100 (equivalent to RMB601), respectively. The capital contribution of HRC Management decreased by US$20,000 due to capital reduction during the year ended 31 December 2016.

At 12 July 2017, the share capital represents the share capital of HRC Management of US$80,000 (equivalent to RMB504,000), with US$10,000 additional contribution made by its shareholders during the period.

xiii. **Related party transactions**

HRC Management had entered into the following related parties transactions during the year ended 31 December 2016 and the period from 1 January 2017 to 12 July 2017.

Name of related companies	Relationship	Nature of transactions	Year ended 31 December 2016	For the period from 1 January 2017 to 12 July 2017
			RMB'000	*RMB'000*
HRC Medical	Controlled by certain shareholders of HRC Investment	Management services income	—	61,120
		PGS Testing service income	20,555	11,006
		Management service fee expenses	(3,314)	(1,350)
		Surgery centre facilities income	4,386	2,351
HRC Properties LLC	Controlled by certain shareholders of HRC Investment	Rental expenses	(782)	(1,407)
135 South Rosemead LLC	Controlled by certain shareholders of HRC Investment	Rental expense	—	(220)
Gender Selection Australia Proprietary Limited	Controlled by a shareholder of HRC Investment	Marketing expense	—	(423)

xiv. **Operating leases**

	Year ended 31 December 2016	For the period from 1 January 2017 to 12 July 2017
	RMB'000	*RMB'000*
Minimum lease payment paid under operating leases during the year/period in respect of premises owned by		
- related parties	782	1,407
- independent third parties	3,438	3,543
	4,220	4,950

As at 31 December 2016, HRC Management Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises and medical equipment which fall due as follows:

	Premises owned by related parties	Premises and medical equipment owned by independent third party	Total
	RMB'000	*RMB'000*	*RMB'000*
Within one year	—	810	810
In the second to fifth year inclusive	—	2,740	2,740
	—	3,550	3,550

As at 12 July 2017, HRC Management Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises and medical equipment which fall due as follows:

	Premises owned by related parties	Premises and medical equipment owned by independent third party	Total
	RMB'000	*RMB'000*	*RMB'000*
Within one year	7,086	15,522	22,608
In the second to fifth year inclusive	26,227	47,242	73,469
Over five years	6,304	3,928	10,232
	39,617	66,692	106,309

Operating lease payments represent rentals payable to related parties and independent third parties by HRC Management Group for certain of its rented premises and medical equipment. These leases are negotiated for terms ranging from two to thirteen years. None of the leases include any contingent rental.

Certain clinics under management by HRC Management have laboratory and other medical facilities built into the rented premises. According to the lease agreements, the lessor may request HRC Management to remove all modifications made to the premises at the termination of the lease. For a lease contract without the lessor's confirmation that such removal of the modification would not be required, the management of HRC Management believes that no penalty or reinstatement costs would be imposed on HRC Management as it appeared that, with the "as-is-basis" condition, the lessor would be beneficial at the termination of the lease in a potentially higher rental income from other tenants. Should the landlord request to reinstate its leased property to its original state at the termination of the lease, the cost is approximately RMB4,364,000 at 12 July 2017.

The management of HRC Management considers such liability is not probable due to the likelihood of being asked to remove the laboratory and other medical facilities built into the rented premises is low.

xv. **Movement on HRC Management Group's liabilities arising from financing activities**

The table below details changes in HRC Management 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 HRC Management Group's consolidated statements of cash flows as cash from financing activities:

	Non-trade amounts due to related parties	Bank borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 December 2016	1,679	—	1,679
Financing cash flows	(22,807)	1,652	(21,155)
Non-cash changes			
Interest expense recognised	—	75	75
Amount to be distributed to shareholders (Note)	22,265	—	22,265
Exchange effect on liabilities	—	79	79
At 31 December 2016	1,137	1,806	2,943
Financing cash flows	(7,668)	(1,824)	(9,492)
Non-cash changes			
Interest expenses recognised	—	37	37
Amount to be distributed to shareholders (Note)	6,531	—	6,531
Exchange effect on liabilities	—	(19)	(19)
At 12 July 2017	—	—	—

Note: The amount is included in amounts due to related parties.

xvi. **Major non-cash transaction**

On 12 July 2017, pursuant to an assets transfer agreement between HRC Management Group and HRC Medical ("Assets Transfer Agreement") which formed part of the reorganisation of HRC Management Group, HRC Medical transferred its assets and liabilities (other than those stated in the Assets Transfer Agreement) to HRC Management Group.

The amount of net assets transferred amounting to RMB5,646,000 (including property, plant and equipment of RMB11,328,000, other assets of RMB1,143,000, accounts and other payables of RMB6,424,000, and amounts due to related parties of RMB401,000) was recognised as a deemed contribution from a related party with details set out in Note 2 to consolidated statements of changes in equity in (c) of this Note 31.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in Willsun BVI 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 Willsun BVI's consolidated statements of cash flows as cash flows from financing activities:

	Dividend payable to owners of Willsun BVI	Distribution payable to a non-controlling shareholder of a subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 March 2017 (date of incorporation)	—	—	—
Financing cash flows	—	(31,063)	(31,063)
Non-cash changes			
Dividend recognised as distribution	—	66,604	66,604
At 31 December 2017 and 1 January 2018	—	35,541	35,541
Financing cash flows	(128,370)	(148,732)	(277,102)
Non-cash Changes			
Dividend recognised as distribution	128,370	116,107	244,477
At 23 December 2018	—	2,916	2,916

33. INVESTMENT IN A SUBSIDIARY/LOAN TO A SUBSIDIARY

(a) Investment in a subsidiary

	At 31 December 2017	At 23 December 2018
	RMB'000	*RMB'000*
Unlisted equity investment	556,328	587,970

(b) Loan to a subsidiary

The amount is unsecured, interest bearing and repayable in full in June 2022. Accordingly, the amount is classified as non-current.

34. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries of Willsun BVI as at 31 December 2017, 23 December 2018 and at the date of report are as follows:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital	Attributable equity interest to Willsun BVI Group			Principal activities
			As at 31 December 2017	As at 23 December 2018	As at date of report	
Directly held						
Willsun BVI Fertility US Delaware LLC . .	U.S.A. 5 April 2017	US$85,505,000	100%	100%	100%	Investment holding
Indirectly held						
HRC Management . .	U.S.A. 3 November 2015	US$80,000	51%	51%	51%	Provision for management services and surgery centre facilities
NexGen	U.S.A. 4 February 2015	US$100	51%	51%	51%	PGS Testing services
Willsun US Delaware Newco. Inc. . . .	U.S.A. 7 May 2018	US$0.01	NA	51%	51%	Investment holding

All the above companies have adopted 31 December as their financial year end date. No statutory financial statements have been prepared for all the above companies as they were incorporated in jurisdictions where there are no statutory audit requirements.

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

Name of subsidiary	Place of incorporation and operations	Proportion of equity interest/ voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		As at 31 December 2017	As at 23 December 2018	As at 31 December 2017	As at 23 December 2018	As at 31 December 2017	As at 23 December 2018
				RMB'000 (Note)	*RMB'000*	*RMB'000*	*RMB'000*
HRC Management Group and its subsidiary . . .	U.S.A.	49%	49%	56,804	110,866	1,194,997	1,259,820

Note: As HRC Management Group was acquired during the period on 13 July 2017 (Note 28), the amount covered the period from 13 July 2017 to 31 December 2017.

Summarised financial information in respect of Willsun BVI Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations and after fair value adjustments.

HRC Management Group

	As at 31 December 2017	As at 23 December 2018
	RMB'000	*RMB'000*
	(Note)	
Current assets	80,064	57,388
Non-current assets	2,552,444	2,702,007
Current liabilities	99,790	94,425
Non-current liabilities	5,648	4,769
Equity attributable to owner of Willsun BVI	1,332,073	1,400,381
Non-controlling interests	1,194,997	1,259,820

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Revenue recognised in profit or loss	267,149	560,153
Expenses recognised in profit or loss	151,217	337,715
Profit for the period attributable to:		
- Owners of Willsun BVI	59,123	115,391
- Non-controlling interests	56,804	110,866
	115,927	226,257
Other comprehensive (expense) income		
- Owners of Willsun BVI	(55,503)	72,924
- Non-controlling interests	(53,326)	70,064
	(108,829)	142,988

	For the period from 31 March 2017 (date of incorporation) to 31 December 2017	For the period from 1 January 2018 to 23 December 2018
	RMB'000	*RMB'000*
Total comprehensive income attributable to:		
- Owners of Willsun BVI	3,620	188,315
- Non-controlling interests	3,478	180,930
	7,098	369,245
Distribution to non-controlling interests of HRC Management	66,604	116,107
Net cash inflow from operating activities	112,930	231,815
Net cash outflow from investing activities	(5,723)	(12,134)
Net cash outflow from financing activities	(51,395)	(235,521)
Effect of foreign exchange rate changes	(570)	667
Net cash inflow (outflow)	55,242	(15,173)

Note: The amounts are presented on the basis of Willsun BVI Group and reflected fair value adjustments on property, plant and equipment of RMB9,021,000, goodwill of RMB84,341,000, intangible assets of RMB2,437,289,000, and additional post-acquisition depreciation charge of RMB1,083,000 and RMB2,157,000 resulted from the acquisition of HRC Management Group for the periods ended 31 December 2017 and 23 December 2018, respectively.

There are no significant restrictions on the ability of these non-wholly owned subsidiaries to transfer funds to Willsun BVI Group in the form of cash dividends, or to repay loans or advances made by Willsun BVI Group.

35. CONTINGENT LIABILITIES

Willsun BVI Group is involved in legal proceedings and claims during the Track Record Period that arise in the ordinary course of business, which primarily include medical and labour dispute claims brought by the former patients or employees. Willsun BVI Group has been vigorously defending these lawsuits and the sole director of Willsun BVI Group believes 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 the Track Record Period.

36. MAJOR NON-CASH TRANSACTION

As at 31 December 2017, part of the share subscription deposit for Hainan Project amounting to RMB4,476,000 was directly paid by the non-controlling shareholder of HRC Management without recharge. Details are set out in the consolidated statement of changes in equity and Note 22.

During the period ended 23 December 2018, the share subscription deposit for Hainan Project amounting to RMB8,883,000 included in the amount due from a related party as at 31 December 2017 was converted to an investment of 31.88% interest in the Hainan Project. Details are set out in Note 18.

37. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the report, subsequent to 23 December 2018, the following significant events took place:

On 13 February 2019, a supplemental shareholder agreement was entered into between HRC Management and other shareholders of Hainan Project (the "Hainan Agreement"). Pursuant to the Hainan Agreement, HRC Management shall have the right (but not an obligation) to purchase all or part of the shares held by the shareholders of HRC Investment in Hainan Project and the shares held by Dr. John G. Wilcox in D&W Holding Company, LLC in which he has a 50% interest, at any time after occurrence of certain events. The consideration for the purchase shall be determined by an independent third party valuer to be agreed by HRC Management and the respective sellers. The sole director of Willsun BVI considers the fair value of the option is insignificant.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Willsun BVI or any of its subsidiaries have been prepared in respect of any period subsequent to 23 December 2018.

The information set out in this appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended December 31, 2018 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu as set forth in Appendix IA to this prospectus and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" of this prospectus and the Accountants' Reports as set forth in Appendices IA and IC to this prospectus.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide prospective investors with further financial information on (i) how the Global Offering might have affected the financial position of the Group as if the Global Offering had taken place on December 31, 2018; and (ii) how the acquisition of Willsun BVI and its subsidiaries (including 51% interests in HRC Management) ("Willsun BVI Group") and the remaining 49% interests in HRC Management which took place on December 24, 2018 might have affected the financial performance of the Group as if the acquisition had taken place on January 1, 2018.

The accompanying unaudited pro forma financial information of the Group and the Enlarged Group (as defined in section (B) below) which includes Willsun BVI Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group and the Enlarged Group has been prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to describe the actual results of the Group that would have been attained had the Global Offering and the acquisition taken effect at the dates indicated herein.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 or any future dates.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 as shown in the Accountants' Report of the Group, the text of which is set out in Appendix IA to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2018**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	Note 1	*Note 2*		*Note 3*	*Note 4*
Based on a maximum Offer Price of HK$8.54 (RMB7.50) per Share	97,011	2,503,208	2,600,219	1.11	1.26
Based on a minimum Offer Price of HK$7.76 (RMB6.81) per Share	97,011	2,268,464	2,365,475	1.01	1.15
Based on an Offer Price of HK$7.00 (RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%.	97,011	2,039,738	2,136,749	0.91	1.04

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 amounting to approximately RMB97,011,000 is based on the audited consolidated net assets of the Group attributable to owners of the Company of RMB4,363,171,000 as at December 31, 2018 less goodwill, license, contractual right to provide management services and trademarks of the Group attributable to owners of the Company of RMB802,051,000, RMB296,871,000, RMB1,939,049,000 and RMB1,228,189,000, respectively as at December 31, 2018 as extracted/derived from the Accountant's Report of the Group set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 357,124,000 new Shares to be issued at a maximum Offer Price of HK$8.54 (equivalent to RMB7.50) per Share or a minimum Offer Price of HK$7.76 (equivalent to RMB6.81) per Share or an Offer Price of HK$7.00 (equivalent to RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%, respectively, after deduction of the estimated underwriting fees and other related expenses (excluding expenses charged to profit or loss up to December 31, 2018). It does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the

exercise of options that may be granted under the Share Option Scheme or pursuant to grants of 32,981,388 Shares under the Restricted Share Award Scheme, or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus. For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into RMB was made at an exchange rate of HK$1.00 to RMB0.8779 (being the exchange rate prevailing on June 4, 2019). No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 per Share is calculated based on 2,336,952,401 Shares assuming that the Global Offering had been completed on December 31, 2018, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or pursuant to grants of 32,981,388 Shares under the Restricted Share Award Scheme, or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share amounts in RMB are converted into Hong Kong dollars at an exchange rate of RMB0.8779 to HK$1.00 (being the exchange rate prevailing on June 4, 2019). No representation is made that RMB amounts have been, could have been or could be converted to Hong Kong dollar, or vice versa, at that rate or at any other rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 on the table above have not been adjusted to show the effect of NCI Acquisition and Dividend Declaration as defined and detailed in note (6) below.

(6) On February 2, 2019, YU PENG XIANG Company Limited, a British Virgin Islands incorporated limited liability company wholly-owned by Mr. Zeng Yong, one of the Group's key management personnel, subscribed for 10,882,013 Shares of the Company of US$0.00001 each at par value, representing approximately 0.55% of the Company immediately upon completion of this subscription, which does not take into account any Shares which will be issued upon Global Offering, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or pursuant to grants of 32,981,388 Shares under the Restricted Share Award Scheme, or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus. On the same day, the Group entered into a series of contractual arrangements with Mr. Zeng Yong to acquire his 5.46% equity interest in Shenzhen Zhongshan Hospital (the "NCI Acquisition").

In addition, on May 27, 2019, the Company declared a dividend in the amounts of approximately RMB272,913,000 and US$4,590,000 (equivalent to RMB31,589,000) to its existing shareholders (the "Dividend Declaration").

Had the NCI Acquisition and Dividend Declaration been completed on December 31, 2018, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would decrease by approximately RMB311,222,000, being the carrying amount of 5.46% equity interests held by Mr. Zeng Yong in Shenzhen Zhongshan Hospital less the corresponding share of carrying amounts of license and trademarks of approximately RMB6,720,000 and amount of Dividend Declaration of approximately RMB304,502,000, from RMB2,600,219,000 to RMB2,288,997,000 based on the maximum Offer Price of HK$8.54 (RMB7.50) per Share, or, from RMB2,365,475,000 to RMB2,054,253,000 based on the minimum Offer Price of HK$7.76 (RMB6.81) per Share, or, from RMB2,136,749,000 to RMB1,825,527,000 based on the Offer Price of HK$7.00 (RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%.

The following table illustrates the impact of the Global Offering, NCI Acquisition and Dividend Declaration on the pro forma financial information had the the Global Offering, NCI Acquisition and Dividend Declaration been completed on December 31, 2018.

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company taking into account the Global Offering, NCI Acquisition and Dividend Declaration as at December 31, 2018	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company taking into account the Global Offering, NCI Acquisition and Dividend Declaration as at December 31, 2018 per Share**	
	RMB'000	*RMB*	*HK$*
Based on a maximum Offer Price of HK$8.54 (RMB7.50) per Share	2,288,997	0.97	1.10
Based on a minimum Offer Price of HK$7.76 (RMB 6.81) per Share . .	2,054,253	0.87	0.99
Based on an Offer Price of HK$7.00 (RMB6.15) per Share, after making a Downward Offer Price Adjustment of 10%	1,825,527	0.78	0.89

Note: The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of 2,347,834,414 Shares in total, assuming that the Global Offering of 357,124,000 new Shares, NCI Acquisition and Dividend Declaration had been completed on December 31, 2018. It does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or pursuant to grants of 32,981,388 Shares under the Restricted Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

All the amounts stated in this note are based on the translation of Hong Kong dollars into RMB and United States dollars into RMB at an exchange rate of RMB0.8779 to HK$1.00 and RMB6.8822 to US$1.00, respectively (being the exchange rates prevailing on June 4, 2019). No representation is made that RMB amounts have been, could have been or could be converted to Hong Kong dollar and United States dollar, or vice versa, at those rates or at any other rates or at all.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative of the unaudited pro forma financial information of the Group upon completion of the acquisition of the entire equity interests in Willsun BVI Group (which holds 51% interests in HRC Management) and the remaining 49% interests in HRC Management, comprising the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for year ended December 31, 2018 of the Group including Willsun BVI Group and HRC Management (collectively the "Enlarged Group") (the "Unaudited Pro Forma Financial Information"). The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the acquisition of Willsun BVI Group and the 49% interests in HRC Management through a series of share swap agreements (the "Acquisition") as if the Acquisition had been taken place on January 1, 2018 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group are prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2018 as extracted from the Accountants' Report of the Group as set out in Appendix IA to this prospectus; and (ii) the audited consolidated statement of profit or loss and other comprehensive income of Willsun BVI Group for the period from January 1, 2018 to December 23, 2018 as extracted from the Accountants' Report of Willsun BVI Group as set out in Appendix IC to this prospectus, after making unaudited pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken on January 1, 2018.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "Directors") based on a number of assumptions, estimates and uncertainties for illustrative purposes only and, because of its hypothetical nature, it does not purport to give a true picture of the actual results of the Enlarged Group for the year ended December 31, 2018 that would have been attained had the Acquisition been completed on January 1, 2018. Further, the Unaudited Pro Forma Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial results.

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED DECEMBER 31, 2018

	The Group for the year ended December 31, 2018	Willsun BVI Group for the period from January 1, 2018 to December 23, 2018	Sub-total	Pro-forma Adjustment	Pro-forma Adjustment	Pro-forma Adjustment	The Enlarged Group
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB'000 (Note 3)*	*RMB'000 (Note 4)*	*RMB'000 (Note 5)*	*RMB'000*
Revenue	921,994	560,153	1,482,147	—	—	—	1,482,147
Cost of revenue	(508,875)	(280,016)	(788,891)	—	—	—	(788,891)
Gross profit	413,119	280,137	693,256	—	—	—	693,256
Other income	21,795	4,626	26,421	—	—	—	26,421
Other expenses	(4,181)	—	(4,181)	—	—	—	(4,181)
Other losses	(590)	(807)	(1,397)	—	—	—	(1,397)
Research and development expenses	(11,982)	—	(11,982)	—	—	—	(11,982)
Administrative expenses	(103,435)	(61,848)	(165,283)	—	—	—	(165,283)
Listing expenses	(38,138)	—	(38,138)	—	—	—	(38,138)
Profit before taxation	276,588	222,108	498,696	—	—	—	498,696
Income tax expense	(64,464)	(38,139)	(102,603)	—	(31,020)	—	(133,623)
Profit for the year/period	212,124	183,969	396,093	—	(31,020)	—	365,073
Other comprehensive income:							
Item that will not be reclassified to profit or loss:							
Exchange differences arising on translation of financial statements to presentation currency	—	144,278	144,278	—	—	(144,278)	—
Item that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of foreign operation	—	—	—	—	—	144,278	144,278
Profit and total comprehensive income for the year/period	212,124	328,247	540,371	—	(31,020)	—	509,351

	The Group for the year ended December 31, 2018	Willsun BVI Group for the period from January 1, 2018 to December 23, 2018	Sub-total	Pro-forma Adjustment	Pro-forma Adjustment	Pro-forma Adjustment	The Enlarged Group
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB'000 (Note 3)*	*RMB'000 (Note 4)*	*RMB'000 (Note 5)*	*RMB'000*
Profit for the year/period attributable to:							
- Owners of the Company	166,600	73,103	239,703	110,866	(31,020)	—	319,549
- Non-controlling interests	45,524	110,866	156,390	(110,866)	—	—	45,524
	212,124	183,969	396,093	—	(31,020)	—	365,073
Total comprehensive income attributable to:							
- Owners of the Company	166,600	147,317	313,917	180,930	(31,020)	—	463,827
- Non-controlling interests	45,524	180,930	226,454	(180,930)	—	—	45,524
	212,124	328,247	540,371	—	(31,020)	—	509,351

Notes to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended December 31, 2018:

1. The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2018 as extracted from the Accountants' Report of the Group as set out in Appendix IA to this prospectus.

2. The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income of Willsun BVI Group for the period from January 1, 2018 to December 23, 2018 as extracted from the Accountants' Report of Willsun BVI Group as set out in Appendix IC to this prospectus.

3. The adjustment represents the reclassification of profit for the period and total comprehensive income attributable to non-controlling interest of approximately RMB110,866,000 and RMB180,930,000, respectively, to owners of the Company due to acquisition of the remaining 49% interest in HRC Management from HRC Investment.

   This adjustment is expected to have a continuing effect on the Enlarged Group.

4. The adjustment represents an additional income tax provision in relation to the profit tax on those profit attributable to the 49% interest in HRC Management held by the then shareholders of HRC Investment. HRC Management is treated as pass-through entity for U.S.A. income tax purposes and the shareholders are liable for applicable tax payments on their share of income. As a result, prior to the Acquisition, Willsun BVI Group is only liable for tax payments on its 51% share of income in HRC Management and no provision for federal nor state income taxes has been recognised for the 49% interest in HRC Management held by the non-controlling interests.

   For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the Enlarged Group would be subject to corporate tax representing 21% of the U.S.A. federal income tax rate and an average of 8.84% for California state income tax rate and would be required to recognise additional tax provision for the 49% share of income in HRC Management by the non-controlling interest of RMB31,020,000 for the period from January 1, 2018 to December 23, 2018, as if the Acquisition had been completed on January 1, 2018.

This adjustment is expected to have a continuing effect on the Enlarged Group.

5. The adjustment represents the reclassification of exchange differences arising on translation of financial statement of Willsun BVI Group to presentation currency classified as item that will not be reclassified to profit or loss to exchange differences arising on translation of foreign operation classified as item that may be reclassified subsequently to profit or loss as if the Acquisition had been completed on January 1, 2018.

   This adjustment is expected to have a continuing effect on the Enlarged Group.

6. Other than the above adjustments, no adjustments have been made to reflect any trading results or other transactions of Willsun BVI Group and HRC Management entered into between December 24, 2018 and December 31, 2018 as the Directors considered that the related revenue and results were insignificant during this period.

(C) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Jinxin Fertility Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jinxin Fertility Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at December 31, 2018, unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2018 and related notes as set out on pages II-1 to II-8 of Appendix II to the prospectus issued by the Company dated 13 June 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-8 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of (i) the Global Offering (as defined in the Prospectus) on the Group's financial position as at December 31, 2018 as if the Global Offering had taken place at December 31, 2018; and (ii) the acquisition of Willsun Fertility (BVI) Company Limited and its subsidiaries and the 49% interests in the HRC Fertility Management, LLC on the Group's financial performance for the year ended December 31, 2018 as if the acquisition had taken place at January 1, 2018. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's historical financial information for each of the three years ended December 31, 2018, on which an accountants' report set out in Appendix IA to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2018 or January 1, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the

unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 June 2019

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2019 of the selected property interests held by Jinxin Fertility Group Limited.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road
Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

13 June 2019

The Board of Directors
Jinxin Fertility Group Limited
No. 301 North Jingsha Road
Jinjiang District
Chengdu
Sichuan Province
the PRC

Dear Sirs,

In accordance with your instructions to value the selected property interests held by Jinxin Fertility Group Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 April 2019 (the "valuation date").

The selected property interests we valued comprise the New Hospital Building located at Block 1 of Youta Centre, No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, Sichuan Province, the PRC and the Carpark Facilities located at the same building. Pursuant to a Share Purchase Agreement and a Property Transfer Agreement dated 11 February 2019 entered between Sichuan Jinxin Fertility Medical Managemnt Co., Ltd. (四川錦欣生殖醫療管理有限公司, "Sichuan Jinxin Fertility", an indirect subsidiary of the Company) and Chengdu Youta Pharmaceutical Company Limited (成都優他製藥有限責任公司, "Youta Pharmaceutical", a wholly-owned indirect subsidiary of Jinxin Geriatrics which is a member of the Sister Group), Sichuan Jinxin Fertility acquired the entire equity interest in Chengdu Jinyi Corporate Management Limited (成都錦弈企業管理有限公司, "Chengdu Jinyi", a wholly-owned indirect subsidiary of the Company) for a total consideration of approximately RMB738,200,000, inclusive of reimbursement of certain renovation and consideration and other expenses. Chengdu Jinyi is a property holding company owning the entire selected property interests. As per the instruction from the Company, the properties are considered by the Group as their material assets and therefore property valuation of them is carried out.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the properties by direct comparison approach assuming sale of the property interests in its assuming state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation - Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Grant Contract, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisor — Zhonglun Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 15 November 2018 by Ms. Elaine Huang who has 3 years' experience in the valuation of properties in the PRC and academic background in subjects relating to real estate.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation summary and certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION SUMMARY

Property interests held by the Group in the PRC

No.	Property	Market value in existing state as at 30 April 2019 *RMB*
1.	The New Hospital Building located at Block 1 of Youta Centre, No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	678,000,000
2.	The Carpark Facilities of Youta Centre located at No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	60,000,000
	Total:	**738,000,000**

VALUATION CERTIFICATE

Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2019 *RMB*
1.	The New Hospital Building located at Block 1 of Youta Centre, No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	The project Youta Centre is located at No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu. It is well-served by public transportation. The locality is known as Jinjiang District Creative Industry Business District (錦江區創意產業商務區), which is clustered with a group of companies featuring creative, modern information services and digital publishing. The project Youta Centre occupies a parcel of land with a site area of approximately 16,088.62 sq.m., which has been developed into 2 industrial research buildings completed in 2016. The property comprises Block 1 of Youta Centre which is one of the industrial research buildings and has a gross floor area of approximately 42,659.64 sq.m. The property is operated as Chengdu Xinan Gynecological Hospital ("Chengdu Xinan Hospital") and the renovation and decoration works were completed in December 2018. The land use rights of the property have been granted for a term expiring on 8 January 2058 for industrial use.	As at the valuation date, the property was operated by the Group as Chengdu Xinan Hospital.	678,000,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Chuan (2019) Chengdu Shi Bu Dong Chan Quan Di No. 0133076, the property with a total gross floor area of approximately 42,659.64 sq.m. is owned by Chengdu Jinyi for industrial and research use. The relevant land use rights with a site area of approximately 16,088.62 sq.m. (including the land use rights of the property) are jointly owned by all the owners of the premises (including Chengdu Jinyi) for a term expiring on 8 January 2058 for industrial use.

2. Pursuant to a Share Purchase Agreement and a Property Transfer Agreement dated 11 February 2019 entered between Sichuan Jinxin Fertility and Youta Pharmaceutical, Sichuan Jinxin Fertility acquired the entire equity interest in Chengdu Jinyi for a total consideration of approximately RMB738,200,000, inclusive of reimbursement of certain renovation and consideration and other expenses. Chengdu Jinyi is a property holding company owning the entire interest in the New Hospital Building with a total gross floor area of approximately 42,659.64 sq.m. and the Carpark Facilities with a total gross floor area of approximatey 38,646.31 sq.m.

3. As advised by the Company, the renovation and medical facility decoration cost of the New Hospital Building and the Carpark Facilities of Youta Centre is estimated to be approximately RMB200,677,951.

4. Pursuant to a Construction Safety Supervision Record Form JJ-AJ-2018-0017, the renovation and decoration of Chengdu Xinan Hospital New Address Construction Project (the property) has been completed and passed the inspection acceptance.

5. Our valuation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB12,000 to RMB16,000. per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size, usage, decoration and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Ths risk of having a material adverse effect on the operation of Chengdu Xinan Hospital due to the inconsistency between the actual use of the property and the stated usage in the Real Estate Title Certificate is low;

   b. The ownership rights of the property are legally owned by Chengdu Jinyi and Chengdu Jinyi can legally occupy, use and lease the property in accordance with the use rights term;

   c. The transfer of the property is subject to the approval of the Creative Industry Business District Committee and Jinjiang District Science and Technology Bureau;

   d. The property which is of medical and health facility use cannot be mortgaged according to the PRC law; and

   e. The aforesaid land use rights and building ownership rights of the property are not subject to dispute, seizure, mortgage or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2019 *RMB*
2.	The Carpark Facilities of Youta Centre located at No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	The project Youta Centre is located at No. 66 and 88 Bi Sheng Road, Jinjiang District, Chengdu. It is well-served by public transportation. The locality is known as Jinjiang District Creative Industry Business District (錦江區創意產業商務區), which is clustered with a group of companies featuring creative, modern information services and digital publishing. The project Youta Centre occupies a parcel of land with a site area of approximately 16,088.62 sq.m., which has been developed into 2 industrial research buildings completed in 2016. The property comprises the Carpark Facilities of Youta Centre which includes 602 car parking spaces on basement level with a total gross floor area of approximately 31,908.16 sq.m. and ancillary facilities with a total gross floor area of approximately 6,738.15 sq.m. The land use rights of the property have been granted for a term expiring on 8 January 2058 for industrial (underground garage) use.	As at the valuation date, the property was used by Chengdu Xinan Hospital for car parking use.	60,000,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Chuan (2019) Chengdu Shi Bu Dong Chan Quan Di No. 0132870, 602 car parking spaces of the property with a total gross floor area of approximately 31,908.16 sq.m. is owned by Chengdu Jinyi for motor vehicle parking use. The relevant land use rights with a site area of approximately 16,088.62 sq.m. (including the land use rights of the property) are jointly owned by all the owners of the premises (including Chengdu Jinyi) for a term expiring on 8 January 2058 for industrial (underground garage) use.

2. Pursuant to a Share Purchase Agreement and a Property Transfer Agreement dated 11 February 2019 entered between Sichuan Jinxin Fertility and Youta Pharmaceutical, Sichuan Jinxin Fertility acquired the entire equity interest in Chengdu Jinyi for a total consideration of approximately RMB738,200,000, inclusive of reimbursement of certain renovation and consideration and other expenses. Chengdu Jinyi is a property holding company owning the entire interest in the New Hospital Building with a total gross floor area of approximately 42,659.64 sq.m. and the Carpark Facilities with a total gross floor area of approximatey 38,646.31 sq.m.

3. As advised by the Company, the renovation and medical facility decoration cost of the New Hospital Building and the Carpark Facilities of Youta Centre is estimated to be approximately RMB200,677,951.

4. Our valuation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB100,000 to RMB120,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. The building ownership rights of the ancillary facilities of the property with a total gross floor area of approximately 6,738.15 sq.m. are jointly owned by all the owners of the premises (including Chengdu Jinyi). If the ownership rights of this property held by Chengdu Jinyi were transferred, the joint ownership rights and joint management rights of the ancillary facilities should also be transferred altogether;

   b. The ownership rights of the property are legally owned by Chengdu Jinyi and Chengdu Jinyi can legally occupy, use and lease the property in accordance with the use rights term;

   c. The transfer of the property is subject to the approval of the Creative Industry Business District Committee and Jinjiang District Science and Technology Bureau; and

   d. The aforesaid land use rights and building ownership rights of the property are not subject to dispute, seizure, mortgage or any other encumbrances.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 May 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 3, 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) **Shares**

(i) ***Classes of shares***

The share capital of the Company consists of ordinary shares.

(ii) ***Variation of rights of existing shares or classes of shares***

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing

by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) ***Alteration of capital***

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) ***Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) ***Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided

amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or

approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) **Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) **Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(i) ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 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/herself (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.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding

company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 15 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) **Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) **Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) **Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and

thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) **Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on May 3, 2018. We have established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 18, 2019 under the same address. Ms. Leung Suet Wing has been appointed as our agent for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Islands Companies Law and to our constitution comprising our Memorandum and the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Islands company law are set out in Appendix IV to this prospectus.

2. Changes in our share capital

On May 3, 2018, our Company was incorporated with an authorized share capital of US$50,000 divided into 5,000,000,000 Shares of US$0.00001 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this prospectus:

On May 3, 2018, Sharon Pierson transferred the one share of our Company to Jinxin Fertility BVI at par value.

On December 24, 2018, Jinxin Global BVI transferred 47,794,505 Shares to Tibet Juyi Limited and 2,969,743 Shares to YU PENG XIANG Company Limited.

The following table sets out the details of all the issuance of our Shares taken place within two years immediately preceding the date of this prospectus:

Date of Shares issuance	Name of Shareholders	Number of Shares
May 3, 2018	Sharon Pierson	1
May 3, 2018	Jinxin Fertility BVI	19,999
July 20, 2018	LionRock New Hope L.P.	1,220
July 20, 2018	Jinxin Fertility BVI	78,780
November 20, 2018	Jinxin Fertility BVI	502,302,073
November 20, 2018	Jinxin Global BVI	43,657,342
November 20, 2018	Amethyst Gem	302,905,574
November 20, 2018	Ever Excelling Holding Limited	26,000,000
November 20, 2018	ZeSenHuiLin Limited	25,458,647
November 20, 2018	XiZangZeSen Limited	771,474

Date of Shares issuance	Name of Shareholders	Number of Shares
November 20, 2018	LionRock New Hope L.P.	14,443,224
December 19, 2018	Amethyst Gem	17,067,750
December 19, 2018	Tibet Juyi Limited	16,356,297
December 19, 2018	ZhouQing Limited	19,898,349
December 19, 2018	Pluto Connection Limited	70,390,146
December 19, 2018	Guotai Junan Financial Products Ltd	35,356,766
December 19, 2018	Memory Ocean Technology Limited	33,656,000
December 19, 2018	LionRock New Hope III L.P.	17,067,750
December 19, 2018	Max Innovation Limited	43,333,334
December 19, 2018	WuXi AppTec	43,333,333
December 24, 2018	Brilliant Fertility Limited	879,957
December 24, 2018	Prosperous Fertility Limited	2,375,885
December 24, 2018	Shine Brilliance Investment Limited	3,440,634
December 24, 2018	LionRock New Hope II L.P.	32,021,649
December 24, 2018	CNCB Investment	83,333,333
December 24, 2018	Amethyst Gem	126,866,667
December 24, 2018	Jinxin Global BVI	138,087,212
December 24, 2018	Southern Creation	20,000,000
December 24, 2018	HRC Investment	360,725,005
December 24, 2018	YU PENG XIANG Company Limited	2,969,743
February 2, 2019	YU PENG XIANG Company Limited	10,882,013
February 15, 2019	Jinxin Employee Holdings Company Limited	32,981,388

Immediately following completion of the Global Offering (without taking into account any Share which may be issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme), our issued share capital will be US$23,808.16 divided into 2,380,815,802 Shares, all fully paid or credited as fully paid.

Save as disclosed above and as mentioned in the paragraph headed "Resolutions in writing of our Shareholders passed on June 3, 2019" below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. **Changes in the share capital of our subsidiaries**

Our subsidiaries are set out in the Accountants' Report set out in Appendix IA to this prospectus. The following alterations in the share capital or registered capital (as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

BVI New Co

BVI New Co was incorporated in the BVI with limited liability on May 17, 2018, and one ordinary share of no par value was issued to our Company. On December 24, 2018, the authorized shares increased from 1 share to 50,000 shares.

Willsun BVI

Willsun BVI was incorporated in the BVI with limited liability on March 31, 2017. On December 24, 2018, pursuant to the share swap agreement between the then shareholders of Willsun BVI and our Company, all issued and outstanding shares of Willsun BVI were transferred from its then shareholders to our Company.

HRC Management

On December 24, 2018, pursuant to the contribution agreement between HRC Investment and US New Co, 82,151,863 limited liability company units of HRC Management, amounting to 49% of shareholding in HRC Management, were transferred from HRC Management to US New Co.

Willsun US

Willsun US was formed pursuant to the laws of Delaware on April 5, 2017. On December 24, 2018, pursuant to the contribution agreement between Willsun BVI and US New Co, 85,505,000 limited liability company units of Willsun US, amounting to 100% of the outstanding membership interests of Willsun US at the time, were transferred from Willsun BVI to US New Co.

US New Co

US New Co was formed pursuant to the laws of Delaware on May 7, 2018, and one share of US New Co was issued to Willsun BVI on the same date.

On December 24, 2018, pursuant to the contribution agreement between HRC Investment and US New Co, 82,151,863 shares of common stock of US New Co were issued to HRC Management.

On December 24, 2018, pursuant to the share swap agreement between HRC Investment and our Company, 82,151,863 shares of common stock of US New Co, amounting to 49% of the outstanding equity interests of US New Co, were transferred from HRC Investment to our Company.

On December 27, 2018, pursuant to the share swap agreement between our Company and BVI New Co, 82,151,863 shares of common stock of US New Co, amounting to 49% of equity interests in US New Co, were transferred from our Company to BVI New Co.

Jinxin Fertility HK

Jinxin Fertility HK was formed pursuant to the laws of Hong Kong on March 14, 2018, and one share of Jinxin Fertility HK was issued to BVI Holdco on such date.

On April 12, 2019, 999 shares of Jinxin Fertility HK were issued to BVI Holdco.

BVI Holdco

BVI Holdco was established on March 1, 2018, and one share of BVI Holdco was issued to Mr. Daniel Kar Keung Tseung on such date.

On March 9, 2018, the one share of BVI Holdco was transferred to LionRock New Hope L.P. by Mr. Daniel Kar Keung Tseung at par value.

On July 20, 2018, pursuant to the share swap arrangement between our Company and LionRock New Hope L.P., one share of BVI Holdco was transferred from LionRock New Hope L.P. to our Company.

Sichuan Jinxin Fertility

On April 10, 2017, Sichuan Jinxin Fertility passed a shareholders' resolution to increase its registered capital from RMB50,000,000 to RMB611,259,750. The increase of RMB561,259,750 in registered capital is contributed by Tibet Xingsheng, Tibet Zixing, Tibet Juyi, Qingdao Jinshi, Sichuan Fund for the Elderly and Tibet Jinxin, with amounts of RMB99,818,717, RMB99,818,717, RMB39,915,262, RMB39,915,262, RMB20,049,320 and RMB261,742,473, respectively.

On June 23, 2017, Sichuan Jinxin Fertility passed a shareholders' resolution for Tibet Jinxin to transfer approximately 2.43% and 3.12% equity interests in Sichuan Jinxin Fertility to Zesen Huilin and Donghu Bairui, respectively, for a consideration of RMB20,521,748 and RMB26,332,252, respectively.

On August 14, 2017, Sichuan Jinxin Fertility passed a shareholders' resolution to increase its registered capital from RMB611,259,750 to RMB679,177,500. The increase of RMB67,917,750 in registered capital is contributed by Jinsheng Fude.

On April 4, 2018, Sichuan Jinxin Fertility passed a shareholders' resolution to increase its registered capital from RMB679,177,500 to RMB1,054,841,600. The increase of RMB375,664,100 is contributed by Chengdu Jinxin Investment, Qingdao Jinshi, Tibet Juyi, Tibet Zixing, Tibet Xingsheng, Sichuan Fund for the Elderly, Zesen Huilin, Donghu Bairui and Jinsheng Fude with amounts of RMB153,646,617, RMB22,077,779, RMB22,077,779, RMB55,211,353, RMB55,211,353, RMB11,089,604, RMB8,227,044, RMB10,556,161 and RMB37,566,410, respectively.

On April 17, 2018, Sichuan Jinxin Fertility passed a shareholders' resolution for Chengdu Jinxin Investment to transfer approximately 5.78% equity interests in Sichuan Jinxin Fertility to Jinxin Fertility HK for a consideration of USD10,000,000.

On June 22, 2018, an agreement was entered into among Chengdu Jinxin Investment, Tibet Jinxin, Qingdao Jinshi, Zesen Huilin and Jinsheng Fude to transfer approximately 8.78%, 26.33%, 5.88%, 2.19% and 10.00% equity interests in Sichuan Jinxin Fertility, respectively, to Jinxin Fertility HK for the consideration of RMB98,828,900, RMB296,396,024, RMB66,146,781, RMB24,648,642 and RMB112,551,950, respectively.

On September 6, 2018, an agreement was entered into among Chengdu Jinxin Investment, Tibet Zixing and Tibet Xingsheng to transfer approximately 0.01%, 14.70% and 14.70% equity interests in Sichuan Jinxin Fertility, respectively, to Jinxin Fertility HK for the consideration of RMB112,552, RMB165,417,601 and RMB165,417,601, respectively.

Chengdu Xinan Hospital

On June 23, 2017, Chengdu Xinan Hospital passed a shareholders' resolution for Chengdu Jinxin Investment to transfer approximately 2.43% and 3.12% equity interest in Chengdu Xinan Hospital to Zesen Huilin and Donghu Bairui, respectively, for a consideration of RMB486,659 and RMB624,452, respectively.

On August 14, 2017, Chengdu Xinan Hospital passed a resolution for Chengdu Xinan Hospital to increase its registered capital from RMB20,000,000 to RMB22,222,222. The increase of registered capital of RMB2,222,222 was contributed by Jinsheng Fude for a consideration of RMB3,333,333.

On April 4, 2018, Chengdu Xinan Hospital passed a shareholders resolution for Chengdu Jinxin Investment, Tibet Xingsheng, Tibet Zixing, Tibet Juyi, Qingdao Jinshi, Sichuan Fund for the Elderly, Zesen Huilin, Donghu Bairui and Jinsheng Fude to transfer approximately 40.90%, 5.88%, 5.88%, 14.70%, 14.70%, 2.95%, 2.19%, 2.81% and 10.00% equity interests in Chengdu Xinan Hospital to Sichuan Jinxin Fertility for a consideration of RMB908.9 million, RMB326.6 million, RMB326.6 million, RMB130.6 million, RMB130.6 million, RMB65.6 million, RMB48.67 million, RMB62.45 million, and RMB222.22 million, respectively.

On September 6, 2018, Chengdu Xinan Hospital passed a shareholders' resolution for Sichuan Jinxin Fertility to transfer 10% equity interests in Chengdu Xinan Hospital to Jinrun Fude for a consideration of RMB1.

Shenzhen Zhongshan Hospital

On January 12, 2017, Shenzhen Zhongshan Hospital passed a shareholders resolution for Huang Yongjun to transfer his 16.00% equity interest in Shenzhen Zhongshan Hospital to Sichuan Jinxin Fertility for a consideration of RMB132,200,000.

On January 22, 2017, Shenzhen Zhongshan Hospital passed a shareholders resolution for Mei Hua to transfer 57.98% equity interest in Shenzhen Zhongshan Hospital to Sichuan Jinxin Fertility for a consideration of RMB479,059,750.

On November 14, 2018, Shenzhen Zhongshan Hospital passed a shareholders resolution for Sichuan Jinxin Fertility to transfer approximately 3.98% equity interest in Shenzhen Zhongshan Hospital to Jinrun Fude for a consideration of RMB1.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

3. **Resolutions in writing of our Shareholders passed on June 3, 2019**

Pursuant to the written resolutions dated June 3, 2019 passed by the Shareholders of the Company, among other matters:

(a) conditional on (aa) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:

(i) the Memorandum and Articles of Association were approved and adopted;

(ii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(b) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require Shares to be allotted, issued or dealt with, with an aggregate number of Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue and any other share incentive scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association), not exceeding the sum of 20% of the issued share capital immediately following the completion of the Global Offering but excluding any Shares, which may be issued pursuant to the exercise of the Over-allotment Option, until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority to our Directors, whichever occurs first;

(c) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of the Company to purchase Shares with an aggregate number of Shares of not exceeding 10% of the issued share capital of our Company immediately following the completion of the Global Offering but excluding any Shares, which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority given to our Directors, whichever occurs first; and

(d) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares repurchased pursuant to paragraph (c) above.

4. **Repurchases of our own securities**

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on June 3, 2019, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by us of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(iii) *Trading restrictions*

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) *Status of repurchased Shares*

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed.

(v) *Suspension of repurchase*

Pursuant to the Listing Rules, we may not make any repurchases of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) ***Reasons for repurchases***

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

(c) ***Funding of repurchases***

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 2,380,815,802 Shares in issue immediately following the completion of the Global Offering, could accordingly result in 238,081,580 Shares being repurchased by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(d) ***General***

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(1) an equity transfer agreement dated June 23, 2017 entered into by and among Tibet Jinxin, Zesen Huilin and Donghu Bairui, pursuant to which Tibet Jinxin transferred to Zesen Huilin and Donghu Bairui its 5.556% equity interest in Chengdu Jinde Corporate Management Co., Ltd (成都錦德企業管理有限公司) at a consideration of RMB46,854,000.00;

(2) an equity transfer agreement dated June 23, 2017 entered into by and among Chengdu Jinxin Investment, Zesen Huilin and Donghu Bairui, pursuant to which Chengdu Jinxin Investment transferred to Zesen Huilin and Donghu Bairui its 5.556% equity interest in Chengdu Xinan Hospital at a consideration of RMB166,666,666.67;

(3) an investment agreement dated August 14, 2017 entered into by and among Chengdu Jinxin Investment, Qingdao Jinshi, Tibet Juyi, Tibet Xingsheng, Tibet Zixing, Sichuan Fund for the Elderly, Zesen Huilin, Donghu Bairui, Jinsheng Fude and Chengdu Xinan Hospital, pursuant to which Jinsheng Fude agreed to invest an amount of RMB333,333,333.33 into Chengdu Xinan Hospital;

(4) an investment agreement dated August 14, 2017 entered into by and among Tibet Jinxin, Qingdao Jinshi, Tibet Juyi, Tibet Xingsheng, Tibet Zixing, Sichuan Fund for the Elderly, Zesen Huilin, Donghu Bairui, Jinsheng Fude, and Chengdu Jinde Corporate Management Co., Ltd (成都錦德企業管理有限公司), pursuant to which Jinsheng Fude agreed to invest an amount of RMB93,708,000.00 into Chengdu Jinde Corporate Management Co., Ltd (成都錦德企業管理有限公司);

(5) a capital increase agreement dated April 4, 2018 entered into by and among Chengdu Jinxin Investment, Qingdao Jinshi, Tibet Juyi, Tibet Zixing, Tibet Xingsheng, Sichuan Fund for the Elderly, Zesen Huilin, Donghu Bairui, Jinsheng Fude, Tibet Jinxin and Sichuan Jinxin Fertility, pursuant to which Chengdu Jinxin Investment, Qingdao Jinshi, Tibet Juyi, Tibet Zixing, Tibet Xingsheng, Sichuan Fund for the Elderly, Zesen Huilin, Donghu Bairui and Jinsheng Fude each contributed to Sichuan Jinxin Fertility in relation to the increase of the registered capital of Sichuan Jinxin Fertility from RMB679,177,500.26 to RMB1,054,841,600.26;

(6) an equity transfer agreement dated April 4, 2018 entered into between Jinsheng Fude and Sichuan Jinxin Fertility, pursuant to which Jinsheng Fude transferred to Sichuan Jinxin Fertility the registered capital of RMB2,222,222.22 in Chengdu Xinan Hospital;

(7) an equity transfer agreement dated April 4, 2018 entered into between Donghu Bairui and Sichuan Jinxin Fertility, pursuant to which Donghu Bairui transferred to Sichuan Jinxin Fertility the registered capital of RMB624,451.65 in Chengdu Xinan Hospital;

(8) an equity transfer agreement dated April 4, 2018 entered into between Zesen Huilin and Sichuan Jinxin Fertility, pursuant to which Zesen Huilin transferred to Sichuan Jinxin Fertility the registered capital of RMB486,659.46 in Chengdu Xinan Hospital;

(9) an equity transfer agreement dated April 4, 2018 entered into between Sichuan Fund for the Elderly and Sichuan Jinxin Fertility, pursuant to which Sichuan Fund for the Elderly transferred to Sichuan Jinxin Fertility the registered capital of RMB656,000.00 in Chengdu Xinan Hospital;

(10) an equity transfer agreement dated April 4, 2018 entered into between Qingdao Jinshi and Sichuan Jinxin Fertility, pursuant to which Qingdao Jinshi transferred to Sichuan Jinxin Fertility the registered capital of RMB1,306,000.00 in Chengdu Xinan Hospital;

(11) an equity transfer agreement dated April 4, 2018 entered into between Tibet Juyi and Sichuan Jinxin Fertility, pursuant to which Tibet Juyi transferred to Sichuan Jinxin Fertility the registered capital of RMB1,306,000.00 in Chengdu Xinan Hospital;

(12) an equity transfer agreement dated April 4, 2018 entered into between Tibet Xingsheng and Sichuan Jinxin Fertility, pursuant to which Tibet Xingsheng transferred to Sichuan Jinxin Fertility the registered capital of RMB3,266,000.00 in Chengdu Xinan Hospital;

(13) an equity transfer agreement dated April 4, 2018 entered into between Tibet Zixing and Sichuan Jinxin Fertility, pursuant to which Tibet Zixing transferred to Sichuan Jinxin Fertility the registered capital of RMB3,266,000.00 in Chengdu Xinan Hospital;

(14) an equity transfer agreement dated April 4, 2018 entered into between Chengdu Jinxin Investment and Sichuan Jinxin Fertility, pursuant to which Chengdu Jinxin Investment transferred to Sichuan Jinxin Fertility the registered capital of RMB9,088,888.89 in Chengdu Xinan Hospital;

(15) an equity transfer agreement dated April 18, 2018 entered into between Chengdu Jinxin Investment and Jinxin Fertility HK, pursuant to which Chengdu Jinxin Investment transferred to Jinxin Fertility HK its 5.7751% equity interest in Sichuan Jinxin Fertility at a consideration of US$10,000,000;

(16) an equity transfer agreement dated June 22, 2018 entered into by and among Chengdu Jinxin Investment, Tibet Jinxin, Qingdao Jinshi, Zesen Huilin, Jinsheng Fude and Jinxin Fertility HK, pursuant to which (i) Chengdu Jinxin Investment transferred to Jinxin Fertility HK its 8.7807% equity interest in Sichuan Jinxin Fertility at a consideration of RMB98,828,900.01; (ii) Tibet Jinxin transferred to Jinxin Fertility HK its 26.3342% equity interest in Sichuan Jinxin Fertility at a consideration of RMB296,396,023.51; (iii) Qingdao Jinshi transferred to Jinxin Fertility HK its 5.8770% equity interest in Sichuan Jinxin Fertility at a consideration of RMB66,146,780.89; (iv) Zesen Huilin transferred to Jinxin Fertility HK its 2.1900% equity interest in Sichuan Jinxin Fertility at a consideration of RMB24,648,642.19; and (v) Jinsheng Fude transferred to Jinxin Fertility HK its 10.0000% equity interest in Sichuan Jinxin Fertility at a consideration of RMB112,551,950.00;

(17) an equity transfer agreement dated September 6, 2018 entered into by and among Chengdu Jinxin Investment, Tibet Zixing, Tibet Xingsheng and Jinxin Fertility HK, pursuant to which (i) Chengdu Jinxin Investment transferred to Jinxin Fertility HK its 0.0100% equity interest in Sichuan Jinxin Fertility at a consideration of RMB112,551.95; (ii) Tibet Zixing transferred to Jinxin Fertility HK its 14.6970% equity interest in Sichuan Jinxin Fertility at a consideration of RMB165,417,601.18; and (iii) Tibet Xingsheng transferred to Jinxin Fertility HK its 14.6970% equity interest in Sichuan Jinxin Fertility at a consideration of RMB165,417,601.18;

(18) an equity transfer agreement dated September 6, 2018 entered into between Sichuan Jinxin Fertility and Jinrun Fude, pursuant to which Sichuan Jinxin Fertility transferred to Jinrun Fude its 10% equity interest in Chengdu Xinan Hospital at a consideration of RMB1.00;

(19) an equity transfer agreement dated November 15, 2018 entered into between Sichuan Jinxin Fertility and Jinrun Fude, pursuant to which Sichuan Jinxin Fertility transferred to Jinrun Fude its 3.98% equity interest in Shenzhen Zhongshan Hospital at a consideration of RMB1.00;

(20) an equity transfer agreement dated November 21, 2018 entered into by and among Tibet Juyi, Sichuan Fund for the Elderly and Jinxin Fertility HK, pursuant to which (i) Tibet Juyi transferred to Jinxin Fertility HK its 5.8770% equity interest in Sichuan Jinxin Fertility at

a consideration of RMB66,146,780.90; and (ii) Sichuan Fund for the Elderly transferred to Jinxin Fertility HK its 2.9520% equity interest in Sichuan Jinxin Fertility at a consideration of RMB33,225,335.38;

(21) an equity transfer agreement dated December 12, 2018 entered into between Zhuhai Mingrui and Jinxin Fertility HK, pursuant to which Zhuhai Mingrui transferred to Jinxin Fertility HK its 2.8100% equity interest in Sichuan Jinxin Fertility at a consideration of RMB31,627,332.81;

(22) an exclusive operation services agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude, each of the Registered Shareholders, Chengdu Xinan Hospital and Gaoxin Xinan Hospital, pursuant to which Sichuan Jinxin Fertility agreed to provide exclusive operation services and consultancy services to Jinrun Fude, Chengdu Xinan Hospital and Gaoxin Xinan Hospital in return for a service fee, which shall be an amount equal to the distributable net profit of Chengdu Xinan Hospital and Gaoxin Xinan Hospital attributable to Jinrun Fude of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable), payable by Jinrun Fude to Sichuan Jinxin Fertility;

(23) an exclusive operation services agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude, each of the Registered Shareholders and Shenzhen Zhongshan Hospital, pursuant to which Sichuan Jinxin Fertility agreed to provide exclusive operation services and consultancy services to Jinrun Fude and Shenzhen Zhongshan Hospital in return for a service fee, which shall be an amount equal to the distributable net profit of Shenzhen Zhongshan Hospital attributable to Jinrun Fude of a given audited financial year after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable), payable by Jinrun Fude to Sichuan Jinxin Fertility;

(24) an exclusive option agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which (in relation to Jinrun Fude's 10% equity interest in Chengdu Xinan Hospital) (i) each of the Registered Shareholders granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of her equity interest in Jinrun Fude; and (ii) Jinrun Fude granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of the assets of Jinrun Fude;

(25) an exclusive option agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which (in relation to Jinrun Fude's 3.98% equity interest in Shenzhen Zhongshan Hospital) (i) each of the Registered Shareholders granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of her equity interest in Jinrun Fude; and (ii) Jinrun Fude granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of the assets of Jinrun Fude;

(26) an exclusive option agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude, Chengdu Xinan Hospital and Gaoxin Xinan Hospital, pursuant to which (i) Jinrun Fude granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of Jinrun Fude's 10% equity interest in Chengdu Xinan Hospital; (ii) Chengdu Xinan Hospital granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of Chengdu Xinan Hospital's 100% equity interest in Gaoxin Xinan Hospital; (iii) Chengdu Xinan Hospital granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of the assets of Chengdu Xinan Hospital attributable to Jinrun Fude; and (iv) Gaoxin Xinan Hospital granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of the assets of Gaoxin Xinan Hospital attributable to Chengdu Xinan Hospital;

(27) an exclusive option agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude and Shenzhen Zhongshan Hospital, pursuant to which (i) Jinrun Fude and Shenzhen Zhongshan Hospital granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of Jinrun Fude's 3.98% equity interest in Shenzhen Zhongshan Hospital; and (ii) Shenzhen Zhongshan Hospital granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of the assets of Shenzhen Zhongshan Hospital attributable to Jinrun Fude;

(28) a shareholders' rights entrustment agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which each of the Registered Shareholders agreed to (in relation to Jinrun Fude's 10% equity interest in Chengdu Xinan Hospital) authorize and entrust Sichuan Jinxin Fertility (and its successors or liquidators), or such natural person as Sichuan Jinxin Fertility may designate, to exercise all of her rights as a shareholder of Jinrun Fude to the extent permitted by the PRC laws;

(29) a shareholders' rights entrustment agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which each of the Registered Shareholders agreed to (in relation to Jinrun Fude's 3.98% equity interest in Shenzhen Zhongshan Hospital) authorize and entrust Sichuan Jinxin Fertility (and its successors or liquidators), or such natural person as Sichuan Jinxin Fertility may designate, to exercise all of her rights as a shareholder of Jinrun Fude to the extent permitted by the PRC laws;

(30) a power of attorney dated December 23, 2018 executed by each of the Registered Shareholders in favour of Sichuan Jinxin Fertility, pursuant to which each of the Registered Shareholders authorized and appointed Sichuan Jinxin Fertility to exercise her rights as a shareholder of Jinrun Fude;

(31) a shareholders' rights entrustment agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude, Chengdu Xinan Hospital and Gaoxin Xinan Hospital, pursuant to which (i) Jinrun Fude agreed to authorize and entrust Sichuan Jinxin Fertility (and its successors or liquidators), or such natural person as Sichuan Jinxin Fertility may designate, to exercise all of Jinrun Fude's rights as a 10% shareholder of Chengdu Xinan Hospital to the extent permitted by the PRC laws; and (ii) Chengdu Xinan Hospital agreed to authorize and entrust Sichuan Jinxin Fertility (and its successors or liquidators), or such natural person as Sichuan Jinxin Fertility may designate, to exercise all of Chengdu Xinan Hospital's rights as a 100% shareholder of Gaoxin Xinan Hospital to the extent permitted by the PRC laws;

(32) a shareholders' rights entrustment agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude and Shenzhen Zhongshan Hospital pursuant to which Jinrun Fude agreed to authorize and entrust Sichuan Jinxin Fertility (and its successors or liquidators), or such natural person as Sichuan Jinxin Fertility may designate, to exercise all of Jinrun Fude's rights as a 3.98% shareholder of Shenzhen Zhongshan Hospital to the extent permitted by the PRC laws;

(33) a power of attorney dated December 23, 2018 executed by Jinrun Fude in favour of Sichuan Jinxin Fertility, pursuant to which Jinrun Fude authorized and appointed Sichuan Jinxin Fertility to exercise Jinrun Fude's rights as a 3.98% shareholder of Shenzhen Zhongshan Hospital;

(34) an equity pledge agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which each of the Registered Shareholders agreed to pledge all of her equity interest in Jinrun Fude to Sichuan Jinxin Fertility as security for the performance of contractual obligations of the Registered Shareholders and Jinrun Fude under the Contractual Arrangements relating to Chengdu Xinan Hospital and Gaoxin Xinan Hospital and all direct, indirect or consequential damages and foreseeable losses incurred by Sichuan Jinxin Fertility as a result of any event of default on the part of the Registered Shareholders and/or Jinrun Fude;

(35) an equity pledge agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which each of the Registered Shareholders agreed to pledge all of her equity interest in Jinrun Fude to Sichuan Jinxin Fertility as security for the performance of contractual obligations of the Registered Shareholders and Jinrun Fude under the Contractual Arrangements relating to Shenzhen Zhongshan Hospital and all direct, indirect or consequential damages and foreseeable losses incurred by Sichuan Jinxin Fertility as a result of any event of default on the part of the Registered Shareholders and/or Jinrun Fude;

(36) an equity pledge agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude and Chengdu Xinan Hospital, pursuant to which Jinrun Fude agreed to pledge all of its 10% equity interest in Chengdu Xinan Hospital to Sichuan Jinxin Fertility as security for the performance of contractual obligations of Jinrun Fude and Chengdu Xinan Hospital under the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable losses incurred by Sichuan Jinxin Fertility as a result of any event of default on the part of Jinrun Fude and/or Chengdu Xinan Hospital;

(37) an equity pledge agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Chengdu Xinan Hospital and Gaoxin Xinan Hospital, pursuant to which Chengdu Xinan Hospital agreed to pledge all of its 100% equity interest in Gaoxin Xinan Hospital to Sichuan Jinxin Fertility as security for the performance of contractual obligations of Chengdu Xinan Hospital and Gaoxin Xinan Hospital under the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable losses incurred by Sichuan Jinxin Fertility as a result of any event of default on the part of Chengdu Xinan Hospital and/or Gaoxin Xinan Hospital;

(38) an equity pledge agreement dated December 23, 2018 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude and Shenzhen Zhongshan Hospital, pursuant to which Jinrun Fude agreed to pledge all of its 3.98% equity interest in Shenzhen Zhongshan Hospital to Sichuan Jinxin Fertility as security performance of contractual obligations of Jinrun Fude and Shenzhen Zhongshan Hospital under the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable losses incurred by Sichuan Jinxin Fertility as a result of any event of default on the part of Jinrun Fude and/or Shenzhen Zhongshan Hospital;

(39) a spouse undertaking dated December 23, 2018 executed by Mr. Yang Ling (楊靈), the spouse of Ms. Yan Xiaoqing (嚴曉晴), acknowledging and consenting to the entering into of the Contractual Arrangements relating to Chengdu Xinan Hospital and Gaoxin Xinan Hospital by Ms. Yan Xiaoqing (嚴曉晴);

(40) a spouse undertaking dated December 23, 2018 executed by Mr. Yang Ling (楊靈), the spouse of Ms. Yan Xiaoqing (嚴曉晴), acknowledging and consenting to the entering into of the Contractual Arrangements relating to Shenzhen Zhongshan Hospital by Ms. Yan Xiaoqing (嚴曉晴);

(41) a spouse undertaking dated December 23, 2018 executed by Mr. Wan Yang (萬楊), the spouse of Ms. Zhu Yujuan (朱玉鵑), acknowledging and consenting to the entering into of the Contractual Arrangements relating to Chengdu Xinan Hospital and Gaoxin Xinan Hospital by Ms. Zhu Yujuan (朱玉鵑);

(42) a spouse undertaking dated December 23, 2018 executed by Mr. Wan Yang (萬楊), the spouse of Ms. Zhu Yujuan (朱玉鵑), acknowledging and consenting to the entering into of the Contractual Arrangements relating to Shenzhen Zhongshan Hospital by Ms. Zhu Yujuan (朱玉鵑);

(43) a step 1.1 contribution agreement dated December 24, 2018 entered into between Willsun BVI and US New Co, pursuant to which Willsun BVI transferred all of its limited liability company units of Willsun US to US New Co, and in return, US New Co issued 85,505,000 newly issued shares of US New Co's common stock to Willsun BVI;

(44) an equity transfer agreement dated January 18, 2019 entered into between Chengdu Xinan Hospital and Chengdu Jinxin Investment, pursuant to which Chengdu Xinan Hospital transferred all of its equity interest in Gaoxin Xinan Hospital to Chengdu Jinxin Investment at a consideration of the net asset value of Gaoxin Xinan Hospital as at January 31, 2019, but not exceeding RMB4,474,977.00;

(45) an exclusive operation services agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude, each of the Registered Shareholders and Chengdu Xinan Hospital, pursuant to which Sichuan Jinxin Fertility agreed to provide exclusive operation services and consultancy services to Jinrun Fude and Chengdu Xinan Hospital in return for a service fee, which shall be an amount equal to the distributable net profit of Chengdu Xinan Hospital attributable to Jinrun Fude of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable), payable by Jinrun Fude to Sichuan Jinxin Fertility;

(46) an exclusive operation services agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude, Mr. Zeng Yong (曾勇), each of the Registered Shareholders and Shenzhen Zhongshan Hospital, pursuant to which Sichuan Jinxin Fertility agreed to provide exclusive operation services and consultancy services to Jinrun Fude and Shenzhen Zhongshan Hospital in return for a service fee, which shall be an amount equal to 3.98% and 5.46% 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), respectively payable by Jinrun Fude and Mr. Zeng Yong (曾勇) to Sichuan Jinxin Fertility;

(47) an exclusive option agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which (i) each of the Registered Shareholders granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of her equity interest in Jinrun Fude; and (ii) Jinrun Fude granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of the assets of Jinrun Fude;

(48) an exclusive option agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude and Chengdu Xinan Hospital, pursuant to which (i) Jinrun Fude and Chengdu Xinan Hospital granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of Jinrun Fude's 10% equity interest in Chengdu Xinan Hospital; and (ii) Chengdu Xinan Hospital granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of the assets of Chengdu Xinan Hospital attributable to Jinrun Fude;

(49) an exclusive option agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Mr. Zeng Yong (曾勇) and Shenzhen Zhongshan Hospital, pursuant to which (i) Mr. Zeng Yong (曾勇) and Shenzhen Zhongshan Hospital granted Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase all or part of Mr. Zeng Yong's (曾勇) 5.46% equity interest in Shenzhen Zhongshan Hospital; and (ii) Shenzhen Zhongshan Hospital agreed to grant Sichuan Jinxin Fertility an exclusive option for itself or its designated person to purchase 50% of all or part of the assets of Shenzhen Zhongshan Hospital attributable to Mr. Zeng Yong (曾勇);

(50) a shareholders' rights entrustment agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which each of the Registered Shareholders agreed to authorize and entrust Sichuan Jinxin Fertility (and its successors or liquidators), or such natural person as Sichuan Jinxin Fertility may designate, to exercise all of her rights as a shareholder of Jinrun Fude in relation to Jinrun Fude's 10% equity interest in Chengdu Xinan Hospital to the extent permitted by the PRC laws;

(51) a power of attorney dated February 2, 2019 executed by each of the Registered Shareholders in favour of Sichuan Jinxin Fertility, pursuant to which each of the Registered Shareholders authorized and appointed Sichuan Jinxin Fertility to exercise her rights as a shareholder of Jinrun Fude in relation to Jinrun Fude's 10% equity interest in Chengdu Xinan Hospital;

(52) a shareholders' rights entrustment agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude and Chengdu Xinan Hospital, pursuant to which Jinrun Fude agreed to authorize and entrust Sichuan Jinxin Fertility (and its successors or liquidators), or such natural person as Sichuan Jinxin Fertility may designate, to exercise all of its rights as a 10% shareholder of Chengdu Xinan Hospital to the extent permitted by the PRC laws;

(53) a power of attorney dated February 2, 2019 executed by Jinrun Fude in favour of Sichuan Jinxin Fertility, pursuant to which Jinrun Fude authorized and appointed Sichuan Jinxin Fertility to exercise its rights as a 10% shareholder of Chengdu Xinan Hospital;

(54) a shareholders' rights entrustment agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Mr. Zeng Yong (曾勇) and Shenzhen Zhongshan Hospital, pursuant to which Mr. Zeng Yong (曾勇) agreed to authorize and entrust Sichuan Jinxin Fertility (and its successors or liquidators), or such natural person as Sichuan Jinxin Fertility may designate, to exercise all of his rights as a 5.46% shareholder of Shenzhen Zhongshan Hospital to the extent permitted by the PRC laws;

(55) a power of attorney dated February 2, 2019 executed by Mr. Zeng Yong (曾勇) in favour of Sichuan Jinxin Fertility, pursuant to which Mr. Zeng Yong (曾勇) authorized and appointed Sichuan Jinxin Fertility to exercise his rights as a 5.46% shareholder of Shenzhen Zhongshan Hospital;

(56) an equity pledge agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, each of the Registered Shareholders and Jinrun Fude, pursuant to which each of the Registered Shareholders agreed to pledge all of her equity interest in Jinrun Fude to Sichuan Jinxin Fertility as security for the performance of contractual obligations of the Registered Shareholders and Jinrun Fude under the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable losses incurred by Sichuan Jinxin Fertility as a result of any event of default on the part of the Registered Shareholders and/or Jinrun Fude;

(57) an equity pledge agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Jinrun Fude and Chengdu Xinan Hospital, pursuant to which Jinrun Fude agreed to pledge all of its 10% equity interest in Chengdu Xinan Hospital to Sichuan Jinxin Fertility as security for the performance of contractual obligations of Jinrun Fude and Chengdu Xinan Hospital under the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable losses incurred by Sichuan Jinxin Fertility as a result of any event of default on the part of Jinrun Fude and/or Chengdu Xinan Hospital;

(58) an equity pledge agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Mr. Zeng Yong (曾勇) and Shenzhen Zhongshan Hospital, pursuant to which Mr. Zeng Yong (曾勇) agreed to pledge his 5.46% equity interest in Shenzhen Zhongshan Hospital to Sichuan Jinxin Fertility as security for the performance of contractual obligations of Mr. Zeng Yong (曾勇) and Shenzhen Zhongshan Hospital under the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable losses incurred by Sichuan Jinxin Fertility as a result of any event of default on the part of Mr. Zeng Yong (曾勇) and/or Shenzhen Zhongshan Hospital;

(59) a spouse undertaking dated February 2, 2019 executed by Mr. Yang Ling (楊靈), the spouse of Ms. Yan Xiaoqing (嚴曉晴), acknowledging and consenting to the entering into of the Contractual Arrangements by Ms. Yan Xiaoqing (嚴曉晴);

(60) a spouse undertaking dated February 2, 2019 executed by Mr. Wan Yang (萬楊), the spouse of Ms. Zhu Yujuan (朱玉鵑), acknowledging and consenting to the entering into of the Contractual Arrangements by Ms. Zhu Yujuan (朱玉鵑);

(61) a spouse undertaking dated February 2, 2019 executed by Ms. Liao Li (廖莉), the spouse of Mr. Zeng Yong (曾勇), acknowledging and consenting to the entering into of the Contractual Arrangements by Mr. Zeng Yong (曾勇);

(62) a termination agreement dated February 2, 2019 entered into by and among Sichuan Jinxin Fertility, Chengdu Xinan Hospital and Gaoxin Xinan Hospital, pursuant to which Sichuan Jinxin Fertility, Chengdu Xinan Hospital and Gaoxin Xinan Hospital agreed to terminate the pledge of equity interest in Gaoxin Xinan Hospital by Chengdu Xinan Hospital to Sichuan Jinxin Fertility pursuant to the equity pledge agreement as set out in (37) above;

(63) a share purchase agreement dated February 11, 2019 entered into between Youta Pharmaceutical and Sichuan Jinxin Fertility, pursuant to which Sichuan Jinxin Fertility agreed to purchase all of the equity interest in Chengdu Jinyi from Youta Pharmaceutical at a consideration of RMB678,000,000.00;

(64) a property transfer agreement dated February 11, 2019 entered into between Sichuan Jinxin Fertility and Youta Pharmaceutical, pursuant to which Sichuan Jinxin Fertility agreed to acquire the Carpark Facilities from Youta Pharmaceutical at a consideration of RMB60,000,000.00;

(65) a shareholders agreement dated February 14, 2019 and entered into by and among our Company, JINXIN Fertility Investment Group Limited, JINXIN Global Fertility Company Limited, Prosperous Fertility Limited, Brilliant Fertility Limited, Shine Brilliance Investment Limited, Amethyst Gem Holdings Limited, CNCB (Hong Kong) Investment Limited, Pluto Connection Ltd., ZeSenHuiLin Limited, XiZangZeSen Limited, Memory Ocean Technology Limited, Tibet Juyi Limited, Zhou Qing Limited, Max Innovation Limited, Ever Excelling Holding Limited, LionRock New Hope L.P., LionRock New Hope II L.P., LionRock New Hope III L.P., WuXi PharmaTech Healthcare Fund I L.P., Guotai Junan Financial Products Limited, Southern Creation Limited, YU PENG XIANG Company Limited and HRC Investment Holding LLC in connection with, inter alia, their respective rights and obligations related to the Group;

(66) a deed of adherence dated February 14, 2019 and entered into between our Company and Jinxin Employee Holdings Company Limited, pursuant to Jinxin Employee Holdings Company Limited agreed, inter alia, to be bound by the shareholders agreement as set out in (65) above;

(67) a supplemental agreement in relation to the Share Purchase Agreement and the Property Transfer Agreement dated May 7, 2019 entered into between Sichuan Jinxin Fertility and Youta Pharmaceutical, pursuant to which certain terms of the Share Purchase Agreement and the Property Transfer Agreement were amended and supplemented;

(68) a second supplemental agreement in relation to the Share Purchase Agreement and the Property Transfer Agreement dated May 23, 2019 entered into between Sichuan Jinxin Fertility and Youta Pharmaceutical, pursuant to which certain terms of the Share Purchase Agreement and the Property Transfer Agreement were further amended and supplemented;

(69) a cornerstone investment agreement dated June 10, 2019 entered into among our Company, Gaoling Fund, L.P., YHG Investment, L.P., CLSA Capital Markets Limited, CLSA Limited and Morgan Stanley Asia Limited, Morgan Stanley & Co. International Plc, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(70) a cornerstone investment agreement dated June 10, 2019 entered into among our Company, Ally Bridge LB Healthcare Master Fund Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International Plc, CLSA Capital Markets Limited and CLSA Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(71) a cornerstone investment agreement dated June 10, 2019 entered into among our Company, Cormorant Asset Management, LP, Morgan Stanley Asia Limited, Morgan Stanley & Co. International Plc, CLSA Capital Markets Limited and CLSA Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(72) a cornerstone investment agreement dated June 10, 2019 entered into among our Company, Orbimed Partners Master Fund Limited, Worldwide Healthcare Trust Plc, Morgan Stanley Asia Limited, Morgan Stanley & Co. International Plc, CLSA Capital Markets Limited and CLSA Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(73) the Deed of Indemnity; and

(74) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1	JXR 锦欣生殖	304542336	Sichuan Jinxin Fertility	44	Hong Kong	May 28, 2018	May 27, 2028
2	HRC Fertility	5545280	HRC Management	44	United States	August 21, 2018	August 20, 2028
3		4092641	HRC Management	44	United States	January 31, 2012	January 30, 2022
4	HRC Fertility	3991424	HRC Management	44	United States	July 12, 2011	July 11, 2021
5	JXR 锦欣生殖	30994392	Sichuan Jinxin Fertility	39	PRC	March 7, 2019	March 6, 2029
6	JXR 锦欣生殖	31004435	Sichuan Jinxin Fertility	38	PRC	March 7, 2019	March 6, 2029
7	JXR 锦欣生殖	31004455	Sichuan Jinxin Fertility	41	PRC	March 7, 2019	March 6, 2029
8	JXR 锦欣生殖	31015598	Sichuan Jinxin Fertility	42	PRC	March 7, 2019	March 6, 2029
9	JXR	31000712	Sichuan Jinxin Fertility	44	PRC	February 28, 2019	February 27, 2029

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
10	JXR 锦欣生殖	30999310	Sichuan Jinxin Fertility	37	PRC	May 7, 2019	May 6, 2029
11	JXR 锦欣生殖	30999369	Sichuan Jinxin Fertility	44	PRC	May 7, 2019	May 6, 2029
12	JXR 锦欣生殖	31014513	Sichuan Jinxin Fertility	20	PRC	May 7, 2019	May 6, 2029
13	JXR 锦欣生殖	31002831	Sichuan Jinxin Fertility	9	PRC	May 7, 2019	May 6, 2029
14	JXR 锦欣生殖	31005160	Sichuan Jinxin Fertility	16	PRC	May 14, 2019	May 13, 2029
15	JXR 锦欣生殖	31011260	Sichuan Jinxin Fertility	5	PRC	May 14, 2019	May 13, 2029
16	JXR	31006643	Sichuan Jinxin Fertility	35	PRC	May 7, 2019	May 6, 2029
17	锦欣生殖	31012629	Sichuan Jinxin Fertility	44	PRC	May 7, 2019	May 6, 2029
18	锦欣生殖	31002672	Sichuan Jinxin Fertility	35	PRC	May 7, 2019	May 6, 2029
19	JINIVF	27915950	Chengdu Xinan Hospital	44	PRC	November 14, 2018	November 13, 2028
20	JINIVF	27920929	Chengdu Xinan Hospital	10	PRC	November 14, 2018	November 13, 2028
21	JINIVF	27930366	Chengdu Xinan Hospital	35	PRC	November 14, 2018	November 13, 2028
22	JINIVF	27911072	Chengdu Xinan Hospital	5	PRC	February 14, 2019	February 13, 2029
23	锦江生殖	27916094	Chengdu Xinan Hospital	10	PRC	February 7, 2019	February 6, 2029
24	锦江生殖	27917984	Chengdu Xinan Hospital	35	PRC	February 7, 2019	February 6, 2029
25	锦江生殖	27920552	Chengdu Xinan Hospital	5	PRC	February 14, 2019	February 13, 2029

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
26	锦江生殖	27927685	Chengdu Xinan Hospital	44	PRC	February 14, 2019	February 13, 2029
27		27670943	Shenzhen Zhongshan Hospital	5	PRC	November 14, 2018	November 13, 2028
28		27655673	Shenzhen Zhongshan Hospital	10	PRC	November 14, 2018	November 13, 2028
29		27655679	Shenzhen Zhongshan Hospital	20	PRC	November 14, 2018	November 13, 2028
30		27667620	Shenzhen Zhongshan Hospital	35	PRC	November 14, 2018	November 13, 2028
31		27670936	Shenzhen Zhongshan Hospital	44	PRC	November 14, 2018	November 13, 2028
32		27658884	Shenzhen Zhongshan Hospital	5	PRC	December 14, 2018	December 13, 2028
33		27662453	Shenzhen Zhongshan Hospital	10	PRC	December 21, 2018	December 20, 2028
34		27667645	Shenzhen Zhongshan Hospital	20	PRC	January 21, 2019	January 20, 2029
35		27670964	Shenzhen Zhongshan Hospital	35	PRC	December 28, 2018	December 27, 2028
36		27659375	Shenzhen Zhongshan Hospital	44	PRC	January 21, 2019	January 20, 2029

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
37		27665871	Shenzhen Zhongshan Hospital	5	PRC	December 21, 2018	December 20, 2028
38		27673708	Shenzhen Zhongshan Hospital	10	PRC	December 21, 2018	December 20, 2028
39		27676516	Shenzhen Zhongshan Hospital	20	PRC	January 21, 2019	January 20, 2029
40		27663490	Shenzhen Zhongshan Hospital	35	PRC	December 28, 2018	December 27, 2028
41		27663464	Shenzhen Zhongshan Hospital	44	PRC	January 21, 2019	January 20, 2029
42		27658963	Shenzhen Zhongshan Hospital	5	PRC	November 14, 2018	November 13, 2028
43		27663895	Shenzhen Zhongshan Hospital	10	PRC	November 14, 2018	November 13, 2028
44		27670801	Shenzhen Zhongshan Hospital	20	PRC	November 14, 2018	November 13, 2028
45		27667350	Shenzhen Zhongshan Hospital	35	PRC	November 14, 2018	November 13, 2028
46		27670889	Shenzhen Zhongshan Hospital	44	PRC	November 14, 2018	November 13, 2028

As of the Latest Practicable Date, we have applied for the registration of the following trademarks:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Application
1	JXR 锦欣生殖	30999266	Sichuan Jinxin Fertility	24	PRC	May 18, 2018
2	JXR 锦欣生殖	31002576	Sichuan Jinxin Fertility	35	PRC	May 18, 2018
3	HRC FERTILITY	87759081	HRC Management	44	United States	January 17, 2018
4	JXR 锦欣生殖 JINXIN FERTILITY	304886867	Sichuan Jinxin Fertility	44	Hong Kong	April 10, 2019

Patents

As at the Latest Practicable Date, we have registered the following patents:

No.	Patent Names	Patentees	Class of Patents	Patent No.	Application Date
1	Uterus excision procedure and its repair method (官腔切割刀及其連接方法)	Chengdu Xinan Hospital	Invention	2012104746040	November 21, 2012
2	Kit and method for evaluating endometrial receptivity (一種評估子宮內膜容受性的試劑盒及其使用方法)	Shenzhen Zhongshan Hospital	Invention	201610021908X	January 13, 2016
3	A medical scalpel cleaning device (一種醫療用手術刀清洗設備)	Shenzhen Zhongshan Hospital	Invention	2017102296761	April 10, 2017

As at the Latest Practicable Date, we have applied for the registration of the following patents:

No.	Patent Names	Patentees	Class of Patents	Patent No.	Application Date
1	A double-layered platform used for storing frozen embryos (一種儲存冷凍胚胎的雙層支架)	Shenzhen Zhongshan Hospital	Invention	201811188612.2	October 12, 2018
2	A double-layered platform used for storing frozen embryos (一種儲存冷凍胚胎的雙層支架)	Shenzhen Zhongshan Hospital	utility	201821661311.2	October 12, 2018

Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1	jinxin-fertility.com	Sichuan Jinxin Fertility	June 7, 2018	June 7, 2024
2	jxr-fertility.com	Sichuan Jinxin Fertility	June 6, 2018	June 6, 2024
3	jinxin-fertility.cn	Sichuan Jinxin Fertility	June 7, 2018	June 7, 2024
4	jxr-fertility.cn	Sichuan Jinxin Fertility	June 6, 2018	June 6, 2024
5	jinivf.org	Chengdu Xinan Hospital	November 14, 2017	November 14, 2020
6	scivf.org	Chengdu Xinan Hospital	December 25, 2013	December 25, 2026
7	65003333.com	Chengdu Xinan Hospital	January 7, 2019	January 7, 2020
8	cdxnfk.com	Chengdu Xinan Hospital	November 29, 2018	November 29, 2019
9	cdxnfkyy.com	Chengdu Xinan Hospital	November 29, 2018	November 29, 2019
10	cdxnyy120.com	Chengdu Xinan Hospital	January 22, 2019	January 22, 2020
11	xnfkyy.net	Chengdu Xinan Hospital	November 1, 2018	November 1, 2020
12	xnhos.cn	Chengdu Xinan Hospital	November 8, 2018	November 8, 2019
13	xnhos.com	Chengdu Xinan Hospital	November 8, 2018	November 8, 2019
14	zsmw.net	Shenzhen Zhongshan Hospital	August 16, 2009	August 16, 2019
15	szzsivf.com	Shenzhen Zhongshan Hospital	November 13, 2008	November 13, 2019
16	rishenzhen.com	Shenzhen Zhongshan Hospital	March 15, 2014	March 15, 2021
17	mybabycome.com	Shenzhen Zhongshan Hospital	December 13, 2014	December 13, 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(a) *Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations*

Immediately following completion of the Global Offering (assuming that the Over-allotment Option and any options which may be granted under the Share Option Scheme has not been exercised), the interests or short positions of each Director or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), are as follows:

(i) *Interests in our Company*

Name of Director	Capacity/ nature of interest	Number and class of shares/ underlying shares	Approximate percentage of shareholding interest (without taking into account the Shares which may be issued or allotted upon any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)
Dr. John G. Wilcox	Interests of controlled corporations	360,725,005 ordinary Shares (L)(1)(2)	15.15%

Note:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. John G. Wilcox controlled John G. Wilcox, M.D., a medical corporation, which is a 23.65% shareholder of HRC Investment Cayman LLC. Together with other Physician Shareholders, John G. Wilcox, M.D. holds 100% in HRC Investment Cayman LLC, which holds 100% in HRC Investment, which in turn will hold 360,725,005 Shares upon completion of the Global Offering. Under the SFO, Dr. John G. Wilcox is deemed to be interested in our Shares held by HRC Investment.

(ii) *Interest in the Company's associated corporations*

Name of Director	Capacity / Nature of interest	Name of associated corporation	Approximate percentage of shareholding interest
Ms. Yan Xiaoqing	Beneficial owner	Jinrun Fude	51%(Note)

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

(b) ***Interests and short positions of the substantial shareholders in the Shares and Underlying Shares of the Company***

For information on the persons who will, immediately following the completion of the Global Offering (without taking into account the Shares which may be issued or allotted upon any exercise of the Overallotment Option and any options which have been or may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, please see the section headed "Substantial Shareholders" in this prospectus.

(c) ***Interests of the substantial shareholders of Any Member of Our Group (Other than Our Company)***

So far as the Directors are aware, immediately following the completion of the Global Offering, no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than us).

2. **Particulars of Service Contracts**

(a) ***Executive Directors***

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

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) ***Non-executive Director and Independent Non-executive Directors***

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with us for a term of one year with effect from their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and the applicable Listing Rules.

(c) ***Others***

(a) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) During the year ended December 31, 2016, December 31, 2017 and December 31, 2018, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB3.9 million, RMB6.3 million and RMB10.6 million, respectively. Details of the Directors' remuneration are also set out in Note 11 of the Accountant's Report set out in Appendix IA to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the year ended December 31, 2017 and 2018 by us to the Directors.

(c) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2019 is estimated to be approximately RMB8.5 million.

(d) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the years ended December 31, 2016, 2017 and 2018 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(e) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the years ended December 31, 2016, 2017 and 2018.

(f) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

3. **Fees or commissions received**

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the sub-section headed "F. Other Information — 7. Consent of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. **Disclaimers**

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;

(b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of our Directors nor any of the parties listed in the section headed "F. Other Information — 6. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed "F. Other Information — 6. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "F. Other Information — 6. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. RSU SCHEME

Summary of terms of the RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Board on February 15, 2019 (the "**Adoption Date**"). The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

1. Purposes 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 our Company; (ii) encourage the grantees to work towards enhancing the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole; and (iii) provide our Company with a flexible means of either retaining, incentivizing, reward, remunerating, compensating and/or providing benefits to the Selected Participants.

2. Grant of Awards

The Board may, at its sole discretion, determine which eligible participant to the RSU Scheme shall be entitled to receive grants of award of RSUs granted under the RSU Scheme (the "**Awards**") under the RSU Scheme, together with the number of Shares to which each Selected Participants shall be entitled, and make the relevant Awards to the Selected Participant under the RSU Scheme subject to such conditions as the Board may deem appropriate at its discretion.

Any proposed grant of the Awards under the RSU Scheme to any connected person in relation to our Company or any of our subsidiaries must be approved by our independent non-executive directors (except where such connected person is an independent non-executive Director in which case such director shall abstain from such approval process) and in accordance with the requirements under the Listing Rules.

3. Restrictions on Grant of Awards

No grant of Awards to any Selected Participant under the RSU Scheme where any Director and/or such Selected Participant is in possession of unpublished inside information in relation to our Company or any of our subsidiaries or where dealings in Shares have been suspended or dealings in Shares by any Director are prohibited under any code or requirement of the Listing Rules or any applicable legal or regulatory requirement from time to time or where such grant of the RSUs would result in a breach of the RSU Scheme Limit (as defined below).

4. Maximum Numbers of Shares to be Granted

The total number of the RSUs underlying all grants made pursuant to the RSU Scheme shall not exceed in total 1.66% (i.e. 32,981,388 Shares) of the Company's issued share capital as at the Adoption Date (the "**RSU Scheme Limit**"), provided that no account shall be taken into the calculation of the RSU Scheme Limit of any Shares where the right to acquire such Shares has been released, lapsed or vested in accordance with the RSU Scheme.

5. 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.

6. Duration of the RSU Scheme

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 our Board.

7. Administration of the RSU Scheme

The Scheme shall be subject to the administration of the Board and the trustee of the RSU Scheme (the "**Trustee**") in accordance with the terms of the RSU Scheme and the trust deed entered into between our Company and the Trustee (the "**Trust Deed**"). Unless otherwise specified herein, the decision of the Board and the Trustee regarding the administration and operation of the RSU Scheme shall be final and binding on all parties.

The Board has the power to administer the RSU Scheme, including the power to interpret the rules of the RSU Scheme, and the terms of the Award. The Board may delegate the authority to administer the RSU Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more Independent Third Party contractors to assist in the administration of the RSU Scheme as they may think fit.

8. Appointment of Trustee

The Board has appointed The Core Trust Company Limited as the Trustee to administer the granting and vesting of RSUs granted to the grantees pursuant to the RSU Scheme.

9. Satisfaction of Awards

Our Company shall (i) issue and allot Shares to the Trustee under the general or specific mandate granted or to be granted by the Shareholders at the general meetings from time to time, and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price or at price within a specified price range, so as to satisfy the Award. The RSUs will be held in trust for the Selected Participants until the end of each vesting period. When the Selected Participant has satisfied all vesting conditions specified by the Board at the time of making the Award and become entitled to the RSUs, the Trustee shall transfer the relevant Restricted RSUs to that Selected Participant.

Our Company shall comply with the applicable Listing Rules when issuing new Shares and application will be made to the Hong Kong Stock Exchange for granting of the listing of, and permission to deal in, the new RSUs to be issued. Our Company shall not issue or allot Shares, nor instruct the Trustee to acquire Shares on the market at the prevailing market price or at price within a specified price range, where such action (as applicable) is prohibited under the Listing Rules, the SFO or other applicable laws from time to time or where such action (as applicable) would render our Company the subject of a mandatory offer under the Codes on Takeovers and Mergers from time to time.

10. Vesting of RSUs

Vesting shall only occur upon satisfaction (or where applicable, wavier by the Board) of the conditions imposed by the Board. The Board or person(s) to which the Board delegated its authority may either (a) direct and procure the Trustee to release from the Jinxin Fertility Group Limited Trust (the "**Trust**") the RSUs to the Selected Participants by transferring the number of RSUs to the Selected Participants in such manner as determined by the Board from time to time; or (b) to the extent that, at the determination of the Board or its delegate(s), it is not practicable for the Selected Participants to receive the RSUs in Shares solely due to legal or regulatory restrictions with respect to the Selected Participant's ability to receive the RSUs in Shares or the Trustee's ability to give effect to any such transfer to the Selected Participant, the Board or its delegate(s) will direct and procure the Trustee to sell, on the market at the prevailing market price or at price within a specified price range, the number of RSUs so vested in respect of the Selected Participant and pay the Selected Participant the proceeds in cash arising from such sale based on the actual price at which RSUs are sold (net of brokerage,

Hong Kong Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of an Award pursuant to the RSU Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company, the consideration receivable under the related scheme or offer of such RSUs.

Subject to the rules of the RSU Scheme, save as determined otherwise by the Board at its sole discretion, the Selected Participant shall cease immediately to be entitled to all his/her rights and benefits to the Restricted Shares outstanding and unvested in the event that (i) the Selected Participant ceases to be an Eligible Participant (otherwise than by reason of redundancy or by unilateral termination of employment by our Company without cause); (ii) the Selected Participant has been summarily dismissed by the Company; (iii) the Selected Participant has been convicted for any criminal offence involving his integrity or honesty; (iv) the Selected Participant has been charged, convicted or held liable for any offence under the relevant securities laws in the PRC, Hong Kong or any other applicable laws or regulations in force from time to time; (v) the Selected Participant has committed any material breach of any contract entered into between the Selected Participant on the one hand and any member of the Group on the other hand; (vi) the Selected Participant has become bankrupt or unable to pay his or her debts, or is subject to any bankruptcy or analogous proceedings or has made any arrangement or composition with his or her creditors generally; (vii) the Selected Participant is deceased or becomes mentally incapacitated ; (viii) an order for the winding-up of our Company is made or a resolution is passed for the voluntary winding-up of our Company(otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of our Company pass to a successor company); or (ix) the Selected Participant retires by agreement with our Company at any time prior to or on the date on which the RSUs is vested by a Selected Participant.

11. Voting Rights

Neither the Selected Participant nor the Trustee may exercise any of the voting rights in respect of any RSUs that have not yet vested. Upon the RSUs being vested and transferred in the relevant Selected Participant, each Selected Participant shall be entitled to exercise all voting rights in respect of such RSUs**.**

12. Assignment of Awards

Any Award granted under the RSU Scheme are personal to such Selected Participant and cannot be assigned or transferred, except the prior written approval of the Board. Any attempt by each Selected Participant to sell, transfer, charge, mortgage, grant, encumber or create any interest in favor of any third party over the RSUs outstanding and unvested to which he/she is entitled shall be null and void, except in accordance with the RSU Scheme.

13. Alteration of the RSU Scheme

The Scheme may be altered or varied in any respect by a resolution of the Board, provided that any alteration or variation which will materially and adversely affect the subsisting rights of a Selected Participant (present or future) shall be approved by an ordinary resolution at a meeting of our Shareholders.

14. Termination of the RSU Scheme

Upon termination (whether due to early termination or upon expiry of the RSU Scheme) of the RSU Scheme, no further RSUs shall be granted by the Trustee. Following the settlement, lapse, forfeiture or cancellation (as the case may be) of the last outstanding Award made or can be made under the RSU Scheme (whichever is later), the Trustee shall sell all RSUs that are not vested and/or are forfeited in accordance with the terms of the RSU Scheme (the "**Returned Shares**"), or such Shares being deemed to be Returned Shares under the rules of the RSU Scheme and non-cash income remaining in the Trust, if any, and remit the proceeds of sale of the same together with any cash remaining in the Trust fund and sale proceeds (including the cash proceeds of sale of non-cash and non-scrip distributions declared and distributed by the Company in respect of any Shares held upon the Trust), other than all income derived from any Share (including, but not limited to, dividends and other cash distributions, any bonus Shares and scrip Shares received in respect of the Share) held upon the Trust accrued in the Trust, after making appropriate deductions in respect of all disposal costs, expenses and other existing and future liabilities to our Company forthwith after the sale.

15. RSUs granted

As of the Latest Practicable Date, RSUs in respect of an aggregate of 13,676,180 Shares, representing approximately 1.39% of the Shares in issue on the Listing Date, had been granted to 3 Selected Participants pursuant to the RSU Scheme, of which one of the Selected Participants is a member of our senior management and one is both a member of our senior management and a director of our Subsidiary.

The grant and vesting of the RSUs granted pursuant to the RSU Scheme are in compliance with Rule 10.08 of the Listing Rules. Details of the RSUs granted under the RSU Scheme as of the Latest Practicable Date and details of the vesting period are set out in the paragraph headed "Details of the RSUs granted under the RSU Scheme" below.

Details of the RSUs granted under the RSU Scheme

As of the Latest Practicable Date, we have approved the grant of a total of 13,676,180 RSUs (representing approximately 0.57% of our total issued share capital upon completion of the Global Offering) to two employees of our Group and one employee of HRC Medical, pursuant to the RSU Scheme on February 15, 2019, and such RSUs will be vested until the end of each vesting period which may differ among the grantees and be transferred to the grantees upon satisfaction of the relevant vesting conditions as imposed by our Board at the time of making such grant.

E. SHARE OPTION SCHEME

Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on June 3, 2019 ("**Adoption Date**"):

1. ***Purpose of the scheme and performance target***

The purpose of the Share Option Scheme is to enable our Group to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to our Group. The Board has not specified any performance target that must be achieved before options can be exercised.

Given that the Board are entitled to determine any performance targets to be achieved and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Board, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increase of market price of the Shares in order to capitalize on the benefits of the options granted.

2. ***Who may join***

The Board may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Persons**"), to take up options to subscribe for Shares:

Any employee (whether full time or part time) of our Company, its subsidiaries or any entity ("**Managed Entity**") in which our Group holds any equity interest, including:

(a) any executive Director of our Company, its subsidiaries or Managed Entity;

(b) any non-executive Director (including independent non-executive Director) of our Company, its subsidiaries or any Managed Entity;

(c) any senior management of our Company, its subsidiaries or Managed Entity;

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, any person who falls within any of the above classes shall not, by itself, unless the Board otherwise determines, be construed as a grantee of option under the Share Option Scheme.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company as consideration for the grant.

3. ***Maximum number of Shares***

(a) Subject to the provisions of paragraph 3(b) below:

(i) 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% ("**Scheme Mandate Limit**") of the Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any option which may be granted under the Share Option Scheme) unless our Company obtains a fresh approval from its shareholders pursuant to paragraphs (ii) and/or (iii) below. 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.

(ii) Our Company may seek an approval from the shareholders in general meeting to refresh the Scheme Mandate Limit from time to time such that 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 shall not exceed 10% of the Shares in issue as of the date of such shareholders' approval. Options previously granted under the Share Option Scheme (including options which are outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the new limit. Our Company must send a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to the shareholders.

(iii) Our Company may seek separate shareholders' approval in general meeting to grant options over and above the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is then obtained. Our Company must issue a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to the shareholders.

(b) 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 our Company shall not in aggregate exceed 30% of the Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of our Company if such limit is exceeded.

(c) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all of the share option schemes of our Company under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

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 our Company for the time being ("**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 to connected persons***

(a) Any grant of options under the Share Option Scheme and any other schemes to a connected person or any of their respective associates must be approved by independent non-executive Directors of our Company (excluding any independent non-executive Director who is the grantee of the options).

(b) Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such proposed grant of options must be approved by shareholders in general meetings of our Company. Our Company must send a circular to the shareholders. All connected persons of our Company must abstain from voting in favor of the proposed grant of options at such general meeting. Our Company shall comply with the requirements under Rule 13.40, Rule 13.41 and Rule 13.42 of the Listing Rules.

6. ***Time of acceptance and exercise of Option***

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

Subject to the discretion of the Board who may impose restrictions on the exercise of the option, an option may be exercised 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 and (ii) the expiration of the Share Option Scheme.

7. ***Subscription price for Shares***

The subscription price (**"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.

8. ***Ranking of Shares***

Shares issued upon the exercise of an option shall not carry voting rights until the registration on our Company's register of members of the option holder as the holder thereof. If under the terms of a resolution passed or an announcement made by our Company prior to the date of exercise of an option, a dividend is to be or is proposed to be paid to holders of Shares on the register of members on a date prior to such date of exercise, the Shares to be issued upon such exercise will not be entitled to such dividend. Subject as aforesaid, Shares allotted upon the exercise of an option shall rank equally in all respects with the Shares in issue on the date of such exercise.

9. ***Restrictions on the time of grant of Options***

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of our Company's interim, quarterly, half-yearly or annual results (whether or not it is required under the Listing Rules), and (ii) the last date on which our Company must publish its interim, quarterly, half-yearly or annual results announcement under the Listing Rules (whether or not it is required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

The Board may not grant any option to any Eligible Person who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

10. ***Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing from the Adoption Date.

11. ***Lapse of Option***

If the grantee of an option ceases to be an Eligible Person by reason of:

(a) termination of his employment (if the Eligible Person is an employee of our Company, its subsidiaries or any Managed Entity) as any one of more of the grounds that he has been guilty of misconduct, bankruptcy, insolvency or conviction for a criminal offence or has made any arrangements or composition with his creditors generally;

(b) death, winding-up or dissolution; or

(c) voluntary resignation, retirement, expiry of employment contract or termination of employment (if the Eligible Person is an employee of our Company, its subsidiaries or any Managed Entity) on any grounds other than those set out in (a) or (b) above,

then the grantee's outstanding option shall lapse on or before:

(A) in the case of (a) above, on the date of the grantee's termination of employment;

(B) in the case of (b) above, on the date which is the earlier of 12 months after the grantee so ceases or the expiration of the Option Period (as defined in the Share Option Scheme); and

(C) in the case of (c) above, on the date which is 1 month from the date of the grantee's cessation of employment.

12. ***Rights on a general offer, a compromise or arrangement***

In the event of a general offer, whether by way of take-over, or scheme of arrangement, is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and such offer becomes or is declared unconditional, a grantee (or his or her legal personal representative(s)) shall be entitled to exercise the Option (to the extent not already exercised) at any time within 1 month after the date on which such offer becomes or is declared unconditional.

In the event of compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all option holders on the same date as it dispatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each option holder (his or her personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than seven business days prior to the proposed general meeting of our Company) accompanied by the remittance for the Subscription Price in respect of the relevant option exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice provided that the exercise of an option as aforesaid

shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective and as soon as possible thereafter our Company shall allot and issue such number of Shares to the option holder which falls to be issued on such exercise credited as fully paid and register the option holder as holder of such Shares.

13. ***Rights on winding up***

In the event that a notice is given by our Company to the shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily windup our Company, our Company shall forthwith give notice thereof to all option holders and thereupon, each option holder (or his or her legal personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than seven business days prior to the proposed general meeting of our Company) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the option holders credited as fully paid.

14. ***Adjustments to the subscription price***

In the event of any reduction, sub-division or consolidation of the share capital of our Company or any rights issue or capitalization issue, or any distribution of capital assets to shareholders pro rata, the Subscription Price or the number of securities subject to options already granted so far as unexercised and/or the subscription price and/or the method of exercise of the option shall be adjusted in such manner as the Board may think fair and reasonable, provided always that (i) an option holder shall have the same proportion of issued share capital of our Company as that to which he was previously entitled before prior to such adjustments; and (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares or other securities of our Group as consideration for the acquisition of any assets or business of our Group may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any adjustments made on a capitalization issue, an independent financial advisor or the auditors of our Company must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

15. ***Cancellation of options***

Any cancellation of options granted but not exercised must be approved by the Board, with participants and their associates abstaining from voting. New options may be issued to an option holder in place of his cancelled options only if there are available unissued options (excluding the cancelled options) within the limit set out in paragraph 3 above.

16. ***Termination of the Share Option Scheme***

The Board may terminate the Share Option Scheme at any time and in such event no further options shall be offered, but options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

In the event of such termination of the Share Option Scheme, details of the options granted, including options exercised or outstanding, under the Share Option Scheme and options that become void or non-exercisable shall be disclosed in a circular to shareholders seeking approval of the first new scheme established thereafter.

17. ***Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable.

18. ***Others***

Any alternations to the Share Option Scheme in relation to the following areas shall be approved by the shareholders in general meeting:

(a) any provisions relating to the matters set out in Rule 17.03 of the Listing Rules and the alternation to the terms and conditions will be more favorable to the Eligible Persons;

(b) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

(c) the amended terms of the Share Option Scheme must still company with the relevant requirements of Chapter 17 of the Listing Rules; and

(d) any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme.

Present status of the Share Option Scheme

(i) ***Approval of the Listing Committee required***

The Share Option Scheme is conditional upon (a) the Listing Committee granting approval of the listing of and permission to deal in the Shares and any Shares (representing not more than 10% of our Company's issued share capital upon listing) falling to be issued pursuant to the exercise of the options; (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof; and (c) the commencement of dealings in the Shares on the Stock Exchange.

(ii) ***Application for approval***

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares (representing not more than 10% of our Company's issued share capital upon listing) which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) ***Grant of option***

As of the date of this prospectus, no option has been granted or agreed to be granted under the hare Option Scheme.

F. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options granted under the Share Option Scheme).

Morgan Stanley Asia Limited, being one of the Joint Sponsors, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

CLSA Capital Markets Limited, being the other one of the Joint Sponsors, is an indirect wholly-owned subsidiary of CITIC Securities Company Limited. Pluto Connection Limited, being an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, is regarded as members of the sponsor group of CLSA Capital Markets Limited as defined under the Listing Rules. Pluto Connection Limited will hold approximately 2.96% of the issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option and any options granted under the Share Option Scheme are not exercised), respectively. Based on the foregoing facts and taking into account all the other criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules, CLSA Capital Markets Limited is of the view that the shareholding of Pluto Connection Limited in the Company will not impair its independence and it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which our Company agreed to pay an aggregate of US$1 million to the Joint Sponsors to act as the sponsors to our Company in the Global Offering.

4. **Preliminary expenses**

The preliminary expenses incurred by us in relation to our incorporation were approximately US$8,512 and were paid by us.

5. **Promoter**

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. **Qualification of Experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Zhonglun Law Firm	PRC legal advisors
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
Morgan Stanley Asia Limited	Licensed corporation to conduct Type 1 (Dealing in securities), Type 4 (Advising on securities), Type 5 (Advising on futures contracts), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities as defined under the SFO
CLSA Capital Markets Limited	Licensed corporation to conduct Type 4 (Advising on securities) and Type 6 (Advising on corporate finance) regulated activities as defined under the SFO
Conyers Dill & Pearman	Cayman Islands legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Sheppard, Mullin, Richter & Hampton LLP	US legal advisors

7. **Consent of Experts**

Each of the experts named in paragraph 6 has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

8. **Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. **Reserves available for distribution**

As of December 31, 2018, we had distributable reserves comprising the sum of share premium and accumulated losses of the Company amounting to RMB4,278.3 million, which were available for distribution to our equity shareholders.

G. MISCELLANEOUS

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.

(b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

(d) Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) The Directors have been advised that, under the Cayman Islands Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Cayman Islands Companies Law.

(h) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information — Other Information — 7. Consent of Experts" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Fangda Partners at 26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the accountants' report of our Group for the years ended December 31, 2016, 2017 and 2018 from Deloitte Touche Tohmatsu, the texts of which are set out in Appendix IA to this prospectus;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2018;

(d) the accountants' report of Shenzhen Zhongshan Hospital as of and for the year ended December 31, 2016 and as of and for the one month period ended January 31, 2017 from Deloitte Touche Tohmatsu, the texts of which are set out in Appendix IB to this prospectus;

(e) the accountants' report of Willsun BVI Group as of December 31, 2017 and December 23, 2018 and for the periods from March 31, 2017 (date of incorporation of Willsun BVI) to December 31, 2017 and from January 1, 2018 to December 23, 2018 from Deloitte Touche Tohmatsu, the texts of which are set out in Appendix IC to this prospectus;

(f) the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendix II to this prospectus;

(g) the letters, summary of values and valuation certificates relating to the property interests held by Youta Pharmaceutical prepared by JLL, the texts of which are set out in Appendix III to this prospectus;

(h) the legal opinions issued by Zhonglun Law Firm, our PRC Legal Advisors, dated June 13, 2019 in respect of certain aspects of the Group and the property interests of the Group;

(i) the legal opinion issued by Conyers Dill & Pearman, our Cayman legal advisors, summarizing the articles of association of our Company and certain aspects of Cayman Islands Companies Law referred to in the section headed "Summary of the Articles of Association of the Company and Cayman Islands Companies Law" in Appendix IV to this prospectus;

(j) the Cayman Islands Companies Law;

(k) copies of material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus;

(l) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 7. Consent of Experts" in Appendix V to this prospectus;

(m) service contracts and letters of appointment entered into between the Company and each of the Directors; and

(n) the F&S Report.

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