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: 1951)

ANNOUNCEMENT OF THE RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended June 30, 2020 was approximately RMB611.8 million, representing a decrease of 22.7% when compared with that of approximately RMB791.1 million for the six months ended June 30, 2019.

- Net profit of the Group for the six months ended June 30, 2020 was approximately RMB123.5 million, representing a decrease of 30.6% when compared with that of approximately RMB178.0 million for the six months ended June 30, 2019. Adjusted net profit(1) of the Group for the six months ended June 30, 2020 was approximately RMB167.5 million, representing a decrease of 34.7% when compared with that of approximately RMB256.6 million for the six months ended June 30, 2019.

- EBITDA of the Group for the six months ended June 30, 2020 was approximately RMB169.3 million, representing a decrease of 38.7% when compared with that of approximately RMB276.1 million for the six months ended June 30, 2019. Adjusted EBITDA(2) of the Group for the six months ended June 30, 2020 was approximately RMB205.6 million, representing a decrease of 40.8% when compared with that of approximately RMB347.1 million for the six months ended June 30, 2019.

- Basic earnings per share for the six months ended June 30, 2020 amounted to RMB0.05. Adjusted basic earnings per share(3) for the six months ended June 30, 2020 amounted to RMB0.07.

- The Board does not recommend payment of an interim dividend for the six months ended June 30, 2020 (for the six months ended June 30, 2019: nil).

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided EBITDA, adjusted EBITDA, and adjusted net profit as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. The Company believes that the adjusted financial measures provide useful information to investors and others in understanding and evaluating the Group's consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS.

Notes:

(1) Adjusted net profit is calculated as net profit for the Reporting Period, excluding (i) Listing expenses; (ii) ESOP expenses; (iii) amortization and depreciation of medical practice license and property, plant and equipment arising from Shenzhen Zhongshan Hospital and the HRC Management acquisition; (iv) imputed interest income from related parties; and (v) donation to Wuhan to better reflect the Company's current business and operations.

(2) Adjusted EBITDA is calculated as EBITDA for the Reporting Period, excluding (i) Listing expenses; (ii) ESOP expenses; (iii) imputed interest income from related parties; and (iv) donation to Wuhan to better reflect the Company's current business and operations.

(3) Adjusted basic earnings per share is calculated as adjusted net profit divided by weighted average number of ordinary shares for the purpose of calculating basic earnings per share.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The Board of Directors is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2020

	NOTE	Six months ended June 30, 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3	**611,844**	791,120
Cost of revenue		**(394,380)**	(410,269)
Gross profit		**217,464**	380,851
Other income	4	**42,823**	19,053
Other gains and losses	5	**13,570**	15,497
Research and development expenses		**(4,336)**	(5,770)
Administrative expenses		**(96,310)**	(81,345)
Selling and distribution expenses		**(15,579)**	(17,900)
Listing expenses		**–**	(61,620)
Finance costs	6	**(5,190)**	(4,385)
Profit before taxation	7	**152,442**	244,381
Income tax expenses	8	**(28,960)**	(66,423)
Profit for the period		**123,482**	177,958
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**96,290**	(20,724)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1,601)**	12,467
Other comprehensive income (expense) for the period		**94,689**	(8,257)
Total comprehensive income for the period		**218,171**	169,701

	NOTE	Six months ended June 30, 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Profit for the period attributable to:			
– Owners of the Company		**116,093**	170,163
– Non-controlling interests		**7,389**	7,795
		123,482	177,958
Total comprehensive income for the period attributable to:			
– Owners of the Company		**210,763**	162,826
– Non-controlling interests		**7,408**	6,875
		218,171	169,701
Earnings per share:			
– Basic (RMB)	10	**0.05**	0.09
– Diluted (RMB)		**0.05**	0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2020

	NOTE	**As at June 30, 2020 RMB'000 (unaudited)**	As at December 31, 2019 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**912,180**	856,691
Right-of-use assets		**206,445**	170,331
Goodwill		**819,536**	809,312
License		**421,718**	388,130
Contractual right to provide management services		**1,995,711**	1,962,926
Trademarks		**1,322,984**	1,305,306
Equity instrument at fair value through other comprehensive income ("FVTOCI")		**10,184**	10,017
Refundable deposits	11	**9,541**	4,996
Prepayments	11	**5,805**	7,343
Deposit for acquisition of a subsidiary	11	**50,000**	–
Amount due from a related party		**35,000**	–
		5,789,104	5,515,052
Current assets			
Inventories		**26,386**	26,083
Accounts and other receivables	11	**53,385**	46,060
Amounts due from related parties		**88,517**	49,653
Tax recoverable		**11,298**	8,180
Structured bank deposit		**2,352,186**	2,663,980
Financial assets at fair value through profit or loss ("FVTPL")		**43,500**	52,500
Bank balances and cash		**844,532**	579,637
		3,419,804	3,426,093
Current liabilities			
Accounts and other payables	12	**361,857**	319,757
Dividend payable		**151,500**	–
Amounts due to related parties		**34,163**	40,729
Lease liabilities		**40,065**	29,244
Tax payables		**23,120**	46,465
		610,705	436,195

	NOTE	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Net current assets		**2,809,099**	2,989,898
Total assets less current liabilities		**8,598,203**	8,504,950
Non-current liabilities			
Lease liabilities		**180,354**	153,264
Deferred tax liabilities		**722,228**	709,291
		902,582	862,555
Net assets		**7,695,621**	7,642,395
Capital and reserves			
Share capital		**160**	160
Reserves		**7,572,542**	7,526,724
Equity attributable to owners of the Company		**7,572,702**	7,526,884
Non-controlling interests		**122,919**	115,511
Total equity		**7,695,621**	7,642,395

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION AND PRESENTATION

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

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

The condensed consolidated financial statements are presented in Renminbi (“RMB”) as it best suits the needs of the shareholders and investors. Prior to January 1, 2019, RMB was regarded as the functional currency of the Company. The Group completed the acquisition in late December 2018 of HRC Fertility Management, LLC (“HRC Management”) through the 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 the “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 (“PGS”) testing. HRC Medical is a medical corporation engaged in the provision of (i) in vitro fertilization (“IVF”) services; (ii) cryopreservation services; and (iii) gynaecologic surgery, and other related services. The directors of the Company (the “Directors”) consider that upon this acquisition, the primary economic environment in which the Company operates has changed and together with the expected expansion of the Group primarily through future overseas acquisitions, it is more appropriate to use United States dollars (“US$”) as the functional currency of the Company effective from January 1, 2019.

The condensed consolidated financial statement have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures and travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and rent concessions from certain lessors as disclosed in the relevant notes. The Group stopped providing most of its medical services in February 2020 in PRC and from March to April 2020 in U.S.A. On the other hand, the Group has instituted alternative arrangements through digital channels to stay in close contact with patients to timely address their needs and has been working on various marketing campaigns to incentivise their patients to return and receive treatments post outbreak of COVID-19 in an effort to minimize the impact of COVID-19.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRS(s)"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

Application of new and amendments to IFRSs

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

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

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

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

The application of amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending December 31, 2020.

2.2 Impacts and accounting policies on early application of Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

2.2.1 Accounting policies

COVID-19-related rent concessions

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

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

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

2.2.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at January 1, 2020. The Group recognised changes in lease payments that resulted from rent concessions of RMB2,080,000 in the profit or loss for the current interim period.

3. REVENUE AND SEGMENT INFORMATION

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

During the six months ended June 30, 2020 and 2019, the Group's revenue is contributed from its operations in Chengdu, Shenzhen and the U.S.A.

The Group's operating and reportable segments under IFRS 8 *operating segment*, are operations located in the PRC and the U.S.A. during the six months ended June 30, 2020. The revenue generated by each of the operating segments is mainly derived from revenue from provision of assisted reproductive services and related services, and management services. The following is an analysis of the Group's revenue and results by reportable segment.

For the six months ended June 30, 2020:

	PRC *RMB'000*	U.S.A. *RMB'000*	Consolidated *RMB'000*
Revenue			
Segment revenue from external customers	451,051	160,793	611,844
Segment profit	126,386	9,482	135,868
Unallocated administrative expenses			(24,993)
Exchange gain, net			12,409
Certain interest income from banks			3,360
Interest income from structured bank deposits			25,798
Profit before taxation			152,442

For the six months ended June 30, 2019:

	PRC *RMB'000*	U.S.A. *RMB'000*	Consolidated *RMB'000*
Revenue			
Segment revenue from external customers	507,879	283,241	791,120
Segment profit	194,480	107,640	302,120
Unallocated administrative expenses			(22,463)
Exchange gain, net			17,454
Certain interest income from banks			8,890
Listing expenses			(61,620)
Profit before taxation			244,381

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	As at June 30, 2020 *RMB'000* *(unaudited)*	As at December 31, 2019 *RMB'000* *(audited)*
Segment assets		
PRC	**2,279,754**	2,130,085
U.S.A.	**4,082,878**	3,948,625
Total segment assets	**6,362,632**	6,078,710
Corporate structured bank deposits	**2,342,186**	2,643,980
Corporate bank balances and cash	**418,318**	176,061
Equity instrument at FVTOCI	**10,184**	10,017
Unallocated (other assets)	**75,588**	32,377
Total	**9,208,908**	8,941,145

	As at June 30, 2020 *RMB'000* *(unaudited)*	As at December 31, 2019 *RMB'000* *(audited)*
Segment liabilities		
PRC	**562,582**	574,757
U.S.A.	**744,723**	695,973
Total segment liabilities	**1,307,305**	1,270,730
Dividend payables	**151,500**	–
Unallocated (corporate liabilities)	**54,482**	28,020
Total	**1,513,287**	1,298,750

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments, other than equity instrument at FVTOCI, corporate structured bank deposits, corporate bank balances and cash and other unallocated corporate assets; and

- All liabilities are allocated to operating segments, other than dividend payable and other unallocated corporate liabilities.

Revenue from major services

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Types of services		
Assisted reproductive services – PRC		
A point in time recognition	**269,236**	267,314
Over time recognition	**160,175**	154,609
	429,411	421,923
Management services – Over time recognition		
– U.S.A. (Note)	**146,251**	270,202
– PRC	**10,895**	71,166
	157,146	341,368
Ambulatory surgery centre facilities services – U.S.A.		
– A point in time recognition	**10,513**	10,667
Ancillary medical services		
A point in time recognition		
– U.S.A.	**4,029**	2,372
– PRC	**6,101**	8,104
	10,130	10,476
Ancillary medical service		
Over time recognition – PRC	**4,644**	6,686
	14,774	17,162
Total	**611,844**	791,120

Note: The gross management services fee for services provided under the MSA for the six months ended June 30, 2020, including cost reimbursed of RMB20,207,000 (June 30, 2019: RMB35,221,000) as purchasing agent for pharmaceuticals procurement pursuant to HRC Medical's medication supply program, amounted to RMB166,458,000 (June 30, 2019: RMB305,423,000).

Geographical information

On June 30, 2020, the non-current assets located in the PRC, the U.S.A., Hong Kong and the Lao People's Democratic Republic ("Laos") amounted to RMB1,681,224,000, RMB3,913,149,000, RMB13,525,000 and RMB76,481,000, respectively (December 31, 2019: RMB1,717,126,000, RMB3,772,809,000, RMB15,100,000 and nil, respectively). Non-current assets as at June 30, 2020 and December 31, 2019 excluded equity instrument at FVTOCI, deposit for acquisition of a subsidiary and amount due from a related party.

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	Six months ended June 30, 2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
HRC Medical	**151,064**	274,612

4. OTHER INCOME

	Six months ended June 30, 2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest income from structured bank deposits	**26,059**	138
Interest income from banks	**4,867**	10,871
Government grants (Note)	**6,135**	1,882
Imputed interest income from related parties	**–**	2,321
COVID-19 related rent concessions	**2,080**	–
Others	**3,682**	3,841
	42,823	19,053

Note: The government grants mainly represented the grants on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions.

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Gains on fair value change of financial assets at FVTPL	**1,395**	–
Exchange gain, net	**12,409**	17,454
Loss on disposal of a subsidiary	**–**	(21)
Gains on disposal of property, plant and equipment	**3**	227
Others	**(237)**	(2,163)
Total	**13,570**	15,497

6. FINANCE COSTS

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest on lease liabilities	**5,190**	4,385

7. PROFIT BEFORE TAXATION

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	**160,905**	173,292
Share-based compensation benefits	**30,324**	11,677
Amortisation of license (included in administrative expenses)	**6,577**	6,577
Depreciation of property, plant and equipment	**35,971**	31,741
Depreciation of right-of-use assets	**16,055**	14,942

8. INCOME TAX EXPENSES

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**25,091**	30,750
U.S.A. Federal Income Tax	**–**	14,858
U.S.A. State Income Tax	**–**	6,863
	25,091	52,471
Deferred tax:		
Current period	**3,869**	13,952
	28,960	66,423

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 six months ended June 30, 2020 (2019: Nil).

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and implementation regulations of the EIT Law, the statutory EIT rate of subsidiaries of the Company operating in the PRC is 25%, except for certain subsidiaries that are engaged in the "Encouraged Industries in the Western Region" and eligible for the preferential EIT rate at 15%. The Company's subsidiaries that are tax residents in the PRC are subject to the PRC dividend withholding tax of 10% for the non-PRC tax resident immediate holding company established in Hong Kong, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after January 1, 2008.

Certain subsidiaries of the Company are subject to U.S.A. corporate tax representing 21% of the applicable U.S.A. Federal Income Tax rate and an average of 8.84% for California State Income Tax rate for the six months ended June 30, 2020 and 2019 for their activities in the U.S.A.

9. DIVIDENDS

During the six months ended June 30, 2020, a final dividend of HK$6.8 cents per share in respect of the year ended December 31, 2019 was declared to owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to RMB151,500,000.

During the six months ended June 30, 2019, a dividend in the amount of approximately RMB272,913,000 and US$4,590,000 (equivalent to RMB31,048,000) was declared by the Company, being approximately a total of RMB0.15 per ordinary share based on the number of shares in issue at dates of declaration of the dividends.

10. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**116,093**	170,163

	Six months ended June 30,	
	2020	2019
	'000	*'000*
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,402,274**	1,998,592
Effect of dilutive potential ordinary shares:		
Restricted Shares Units issued by the Company	**11,177**	4,480
Overallotment option issued by the Company	**–**	40
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,413,451**	2,003,112

For the six months ended June 30, 2020, the weighted average number of ordinary shares for the purpose of calculation of basic and diluted earnings per share has been adjusted for the effect of the 29,426,643 (2019: 32,981,388) ordinary shares held under the Restricted Share Award Scheme (the "RSU Scheme") by the RSU Scheme's Nominee.

For the six months ended June 30, 2020, the restricted shares (June 30, 2019: the restricted shares and the overallotment option granted by the Company) have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption of the conversion of all potential dilutive ordinary shares arising from restricted shares (June 30, 2019: the restricted shares and the overallotment option granted by the Company). No adjustment is made to earnings.

11. ACCOUNTS AND OTHER RECEIVABLES

	At June 30, 2020 *RMB'000* *(unaudited)*	At December 31, 2019 *RMB'000* *(audited)*
Accounts receivables	**13,334**	12,247
Other receivables and prepayment:		
Prepayments to suppliers	**25,972**	28,282
Refundable deposits	**9,541**	4,996
Deposit for acquisition of a subsidiary *(Note)*	**50,000**	–
Others	**19,884**	12,874
	105,397	46,152
Total accounts and other receivables	**118,731**	58,399
Analysed as:		
Current	**53,385**	46,060
Non-current	**65,346**	12,339
Total	**118,731**	58,399

Note: The amount represents deposit for acquiring the 75% equity interests in Wuhan Huangpu Integrated Gynaecology and Obstetrics Hospital Co., Ltd, in July 2020.

Individual customers of Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital usually settle payments by cash, credit cards, debit cards or governments' social insurance schemes. Payments by governments' social insurance schemes are normally 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.

Individual customers of ambulatory surgery centre facilities services of HRC Management Group would usually settle by cash or payments through insurance schemes. Payments by insurance schemes are normally 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.

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 the reporting period.

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 90 days	**6,287**	5,582
91 to 180 days	**611**	2,880
Over 180 days	**6,436**	3,785
	13,334	12,247

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

12. ACCOUNTS AND OTHERS PAYABLES

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Accounts payables	**114,219**	114,916
Other payables:		
Construction payables	**3,984**	3,695
Refundable customers' deposits	**62,273**	54,347
Accrued employee expenses (including social insurances and housing fund contributions)	**99,313**	102,555
Payable for acquisition of license in Lao People's Democratic Republic	**40,166**	–
Value-added tax and other tax payables	**19,987**	22,302
Deferred income (note i)	**4,653**	5,753
Others	**17,262**	16,189
	247,638	204,841
Total accounts and other payables	**361,857**	319,757

Notes:

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

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

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

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 90 days	**100,333**	93,497
91 to 180 days	**11,778**	20,595
181 to 365 days	**1,993**	106
Over 365 days	**115**	718
	114,219	114,916

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS UPDATES

During the Reporting Period, we continued to adhere to our strategy of establishing a leading global ARS platform with integrated abilities, aiming to address increasing unmet demand, in particular from Chinese patients. We have built a strong market reputation stemming from superior success rates, experienced medical staff and high quality patient care that have greatly contributed to our role as a leading ARS provider in China and the United States. With this strategy and reputation in mind, in the first half of 2020, we continued to expand our network operations, enhance patient experience and loyalty, improve brand awareness through marketing and cooperation initiatives, recruit talent to our experienced network of physicians and maintain superior success rates across our network of operations.

Expansion of operations

During the Reporting Period, we continued to adhere to our strategy of expanding our platform reach and network through acquisitions and cooperation agreements. Key highlights are as follows:

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

In June 2020, Sichuan Jinxin Fertility Medical Management Co., Ltd.* (四川錦欣生殖醫療管理有限公司) ("**Sichuan Jinxin**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire an aggregate of 75% equity interests in Wuhan Huangpu Integrated Gynecology and Obstetrics Hospital Co., Ltd.* (武漢黃浦中西醫結合婦產醫院有限責任公司) ("**Wuhan Jinxin**") (of which 70% equity interests will be held by Sichuan Jinxin and 5% equity interests will be held by a separate legal entity designated by Sichuan Jinxin for the purpose of employee incentives in the future). Upon completion, Wuhan Jinxin became a non-wholly owned subsidiary of the Group. Wuhan Jinxin, a for-profit Class III specialized maternity hospital located in Jiang'an District, Wuhan, Hubei Province, the PRC, is one of only two non-public and for-profit hospitals in Wuhan possessing an IVF license to provide ARS to its patients, including conventional IVF-ET and ICSI. The acquisition of Wuhan Jinxin allows us to strategically expand into a new region with a sizable population and high income per capita, and support the accelerated development of Wuhan Jinxin with our extensive network and fulfill the potentially large unmet medical need in the region.

Enhance patient experience

In order to expand capacity and continue to provide VIP patients with more accurate and high-quality fertility treatment services, Chengdu Xinan Hospital completed renovations to upgrade its VIP treatment center at the end of 2019. The upgraded VIP center continues to be led by a team of expert physicians with world-class medical equipment and diagnostic technology to provide patients with full-service support and personalized fertility treatment solutions. Among other things, VIP patients have access to a 24-hour dedicated consultation hotline, an exclusive butler to provide timely and personalized concierge services, increased consultation time with our physicians and psychological counseling to support patients throughout the entire treatment process. During the second half of 2020, we expect to launch a high-end VIP package to further cater for the diverse specialized needs of our VIP patients, including our online medical consultation services available in the United States. The penetration rate of our VIP services in Chengdu Xinan Hospital and Jinjiang IVF Center Group increased from 5.2% as of June 30, 2019 to 11.6% as of June 30, 2020, primarily attributable to increasing demand from patients for personalized and high-end IVF services.

Marketing and cooperation initiatives

We continued to develop our brand and expertise through various marketing and cooperation initiatives. As of June 30, 2020, we cooperated with 73 medical institutions involving two-way referrals or specialty alliance cooperation agreements. Furthermore, we endeavor to further expand our cooperation network with medical institutions in the PRC, particularly in Guangdong Province where Shenzhen Zhongshan Hospital continues to possess huge potential to broaden its cooperation network with local medical institutions. Chengdu Xinan Hospital recently obtained an online hospital license which will also enhance our geographical penetration of markets that Chengdu Xinan Hospital has yet to cover, including second to third tier cities in Sichuan Province and other regions outside of Sichuan Province. In order to further promote our international influence in the ARS industry, in August 2020, we established Jinxin International Medical Services Company Limited, a joint venture committed to providing high-quality, patient-centric services to its customers. It serves as an open platform to attract more business partners and expand our reach in other regions, including the United States, Southeast Asia and other Asia-Pacific countries, to become a leading international IVF medical service platform for customers in need of ARS.

From the beginning, HRC Fertility's primary mission is to provide world-class medical services to patients through compassion, expertise, innovation and personalized care. With the implementation of various key initiatives and adoption of aggressive marketing and a strategic growth strategy this year, we anticipate a positive outlook for HRC Fertility in 2020. HRC Fertility's key strategy initiative is to increase market share and expand into untapped markets through the hiring of new physicians, opening new centers and relocating existing centers to more desirable markets. It is also to make available internal mental health resources to support patients in having successful IVF treatment cycles and to further separate itself from market competition. Additionally, HRC Fertility has also been investing actively in its infrastructure and data warehouse storage. Construction of new infrastructure enables HRC Fertility to assemble a new call center primarily to cater to new patient inquiries, requests, follow up on leads and reach out to patients whom have missed their appointments. In order to ensure that patients are aware of their scheduled appointments, HRC Fertility has further implemented a patient reminder system. On the other hand, investment in data warehouse enables HRC Fertility to better manage market trends, further develop key performance indicators, ensure that all internal software programs communicate with one another, perform predictive analytics, develop strategic initiatives and further enhance privacy and data-security protections. Apart from strengthening its marketing strategy, HRC Fertility also adopted a business development strategy which allows it to continue to expand its market share and develop cooperative relationships with physicians in the community.

Furthermore, HRC Fertility continued to utilize its extensive experience of serving Chinese patients to actively enhance its brand awareness. HRC Fertility is well-equipped with Chinese-speaking personnel (including nurses, facilitators and translators) who are familiar with the health conditions and culture of Chinese patients. With its facilities and solid experience in serving Chinese and international patients, HRC Fertility is equipped with the ability to recover its business once the United States government lifts travel restrictions resulting from the outbreak of COVID-19. HRC Fertility made a conscious shift to build its own in-house marketing team to move away from using outside sources, such as advertising and digital agencies, to reorganize and rebrand it's marketing efforts. This catered for a centralization of all creative, media, events, social media, digital and production initiatives resulting in a much more cost efficient and strategic approach. The in-house team has been focusing on three key areas, namely lead nurturing, digital presence and creative development. The customer-relationship management (CRM) system continues to provide insight into marketing efforts and conversions pre-NPV through lead nurturing activities that are built via marketing funnels. In terms of HRC Fertility's digital presence, webinars have been rebranded into Facebook Live sessions to provide seminars with more consistent lead flow, and the specialized customer service team which target Chinese patients not served by the agencies in the area continued to benefit HRC Fertility. All in all, HRC Fertility is placing itself in a strong position to not only make 2020 a successful year through a quick recovery from the impact of COVID-19, but to dominate the IVF market in the United States in the long term.

Research and development

In 2020, Chengdu Jinxin Hospital Management Group Limited established the Jinxin Medical Innovation Research Center. We obtained exclusive rights for the application of the technology in Jinxin Medical Innovation Research Center for the purpose of integrating our network's expansive resources and experienced medical team in Shenzhen and Chengdu to conduct high-level clinical research in the ARS field to explore new and innovative methods to improve clinical pregnancy rate, including carrying out endometrial receptivity testing, developing an IVF-AI (artificial intelligence) diagnostic system and developing a stem-cell culture system. Renovation on Jinxin Medical Innovation Research Center were completed in August 2020 and operations are expected to begin the following month.

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

The assisted reproductive medical facilities in our network have gained widespread recognition for their research and publications. During the Reporting Period, the medical facilities in our network in China published eight research papers and filed nine patents in China.

Talents Recruitment

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

During the Reporting Period, Dr. Qiang Geng, a renowned assisted reproductive physician, joined as the associate chief physician of Shenzhen Zhongshan Hospital. Dr. Geng is the founder, and former director, of the reproductive fertility center of Shenzhen Hengsheng Hospital, and previously studied under an acclaimed Chinese professor of reproductive medicine. Dr. Geng brings her wealth of experience to our already robust medical team, which allows us to continue to expand our capabilities and capacity to serve high-quality care to more patients. We will continue to identify and recruit experienced medical professionals in both China and the United States to our medical team.

Key operating data

The following table sets forth the key operating data generated from our network of assisted reproductive medical facilities for the six months ended June 30, 2019 and 2020.

	Six months ended June 30,	
	2020	2019
Number of IVF treatment cycles	**9,643**	13,412
Overall success rate		
Xinan Hospital Group and Jinjiang IVF Center	**53.1%**	56.3%
Shenzhen operations	**52.9%**	55.2%
United States operations	**55.7%**	56.4%

During the Reporting Period, the slight decrease in overall success rate was mainly attributable to the increased age of patients and complication of certain individual cases. Success rate largely depends on the patient's age and the level of complication of each individual case and other factors. After the outbreak of COVID-19, usually, the patients with the most urgent medical needs go to the hospital immediately.

OUTLOOK AND FUTURE

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

As a leading ARS provider in China and the United States, we have established a competitive advantage on branding, technology, medical staff and management in a market with significant entry barriers. All hospitals established in our network are recognized as top-notch in their respective regional market, including but not limited to Sichuan Province, Shenzhen and the Western United States, which demonstrates our leading position in the ARS markets in China and the United States. In the first half of 2020, we further expanded our network to the Wuhan and Southeast Asia markets through the acquisition of Wuhan Jinxin and Jinrui Medical Center in Laos, respectively. We believe, by leveraging our existing resources within the Group as well as continuously recruiting talents and elites to join our Group, we are able to prolong our legacy of success in the current market of the new regions that we have entered. In terms of success rates of IVF treatment cycles, a metric that ARS providers primarily compete on, we have a competitive advantage with success rates well above the national average in both China and the United States ARS markets. In 2018, the average success rate of an IVF treatment cycle in China was approximately 45% compared to our network in China of 54%. Similarly, in the United States ARS market, the average success rate in 2016 was 52.5% compared to our network in the United States of 62%.

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

Increase market share, productivity and capacity

In both China and the United States, we continue to promote market education activities that improve public awareness of our high quality services and increase our market share. Furthermore, by leveraging on our existing marketing leadership in Sichuan and Guangdong Provinces, we plan to penetrate into the Southwest China (such as Guizhou and Yunnan Provinces) market through full utilization of our recently obtained online hospital license at Chengdu Xinan Hospital and our consequential market gain in Guangdong Province from the continuous hiring of experienced physicians to join Shenzhen Zhongshan Hospital and collaboration with local hospitals by way of mutual referral. In the United States, we plan to double our existing capacity in Pasadena by relocating in 2020. We will also seek to consolidate our market position in the United States through the hiring more physicians. In addition to our VIP service, we are also offering and expanding our services to include pre-pregnancy and pre-natal care to provide patients with comprehensive guidance and treatment throughout the whole process. Going forward, we will continue to expand our services and provide more treatment options to patients with infertility problems.

Continue to improve our brand awareness

We intend to reinforce our brand building efforts, allowing us to maintain and enhance our reputation and attract new patients. By leveraging our existing market leadership, long-standing experience and strong reputation in the ARS market, we continue to adopt effective strategies to improve our brand awareness and educate intended patients of ARS. In particular, we utilized our online platform and social media tools to increase publicity and improve patient care. We also seek to further strengthen and expand our cooperation with local hospitals, companies and institutions to expand our patient reach, and will integrate our vendors' resources in the United States to save costs. By collaborating with our leading vendor, we established Jinxin International Medical Services Company Limited, which serves as an open platform to attract more business partners and expand our reach in other regions, including the United States, Southeast Asia and other Asia-Pacific countries, to become a leading international IVF medical service platform for mid- to high-end customers. At the same time, we are committed to continuously improving our branding, services and clinical outcomes for our patients, so as to create competitive strength in the industry.

Continue to invest in research and development to enhance overall performance

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

We will continue to collaborate with Chengdu Jinxin Hospital Management Group Limited to conduct R&D initiatives including endometrial receptivity testing and developing an IVF-AI diagnostic system and stem-cell culture system. We believe the application of these technologies is likely to expand our service offerings as well as improve our clinical outcomes. In the United States, we will continue to work with top tier pharmaceutical companies, such as Ferring Pharmaceuticals, to maintain our leading position in the application of assisted reproductive technologies, which in turn maintains our high success rate. Furthermore, we seek to actively deploy the technology that we possess to expand the services we provide. We will continue to adhere to high quality standards and explore new methods to improve quality control in our IVF laboratories, which is a critical part to the overall IVF success rate. We have organized educational seminars, information sessions and other forms of collaboration on topics such as embryology laboratory management to increase communication and exchanges between the medical teams of the China and United States operations. Moreover, the establishment of Jinxin International Medical Services Company Limited serves as an international platform and has undoubtedly helped to foster, and will continue to foster, the international collaboration among the medical institutions in our Group.

Expand our platform reach through acquisitions

We have been expanding our network in China, the United States and Southeast Asia to address ongoing demands from patients. In China, we are expanding our national network by acquiring ARS providers and/or entering into cooperation arrangements with other ARS providers with an established business in populous and affluent urban centers. In the United States, we also intend to acquire fertility clinics in California.

We would also continue to stick to our mergers and acquisitions strategy by selectively entering into other countries and markets with relatively high demand for ARS or are of particular significance to providing ARS to international patients, such as other Southeast Asia countries and Eastern European countries that are increasingly becoming medical tourism destinations for Chinese patients.

Minimize the impact of the outbreak of Novel Coronavirus

The outbreak of the novel coronavirus (COVID-19) in China is currently under control and the business operations in most of the PRC regions, including Chengdu and Shenzhen where the Group principally engages its business in, managed to resume to normal at a relatively fast pace since February 2020 and was able to meet the average business volume of the corresponding period last year by June 2020. Similar business recovery progress was also observed in our local business in the United States. Since the initial outbreak in December 2019, we have instituted, and will continue to institute, various emergency measures and alternative arrangements to minimize the impact of the outbreak on patients. In particular, digital channels are fully utilized to stay in close contact with patients to timely address their needs. In China, patients have access to an online Q&A platform for consultations with our service representatives, receive follow-ups and can schedule online appointments with medical professionals to ensure that once the outbreak is controlled, patients' needs can be immediately addressed in-person. We will also continue to foster closer cooperation with different online platforms, such as through minority shareholding investments and long-term cooperation agreements. We believe these measures can help maintain our business growth despite any potential outbreak in future. In the United States, HRC Fertility has been cooperating with Chengdu Xinan Hospital to provide IVF treatment to their patients to ensure a steady provision of services and patient flow, despite the outbreak of COVID-19. Additionally, during this outbreak, we and HRC Fertility continue to increase our marketing and patient outreach through agents and various online channels. We are also working on various marketing campaigns to incentivize our patients to return to our hospitals and receive treatments post-outbreak of COVID-19.

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

Financial Review

Revenue

Revenue of the Group decreased by 22.7% from approximately RMB791.1 million for the six months ended June 30, 2019 to approximately RMB611.8 million for the six months ended June 30, 2020. The overall decrease was primarily due to the outbreak of COVID-19 and the travel restrictions imposed by the United States.

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

	Six months ended June 30,			
	2020		2019	
Revenue	***RMB million***	*%*	*RMB million*	*%*
ARS				
Xinan Hospital Group	**319,749**	**52.3**	275,651	34.8
Shenzhen Zhongshan Hospital	**109,662**	**17.9**	146,272	18.5
Sub-total	**429,411**	**70.2**	421,923	53.3
Management service fee				
Jinjiang IVF Center	**10,895**	**1.8**	71,166	9.0
HRC Medical	**146,251**	**23.9**	270,202	34.2
Sub-total	**157,146**	**25.7**	341,368	43.2
Ancillary medical services(1)				
Shenzhen Zhongshan Hospital	**10,745**	**1.8**	14,789	1.9
HRC Medical	**14,542**	**2.4**	13,040	1.6
Sub-total	**25,287**	**4.1**	27,829	3.5
Total	**611,844**	**100.0**	791,120	100.0

Note:

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

Chengdu operations

The revenue contributed by the medical facilities in the Group's network in Chengdu decreased by 4.7% from approximately RMB346.8 million for the six months ended June 30, 2019 to approximately RMB330.6 million for the six months ended June 30, 2020, primarily due to the decrease in the management service fees charged to Jinjiang IVF Center resulting from the outbreak of COVID-19. In addition, more patients were assigned to Jinjiang IVF Center due to the relocation of Chengdu Xinan Hospital in the first half of 2019.

The revenue from ARS provided at Xinan Hospital Group increased by 16.0% from approximately RMB275.7 million for the six months ended June 30, 2019 to approximately RMB319.7 million for the six months ended June 30, 2020, as a result of an increase in the average spending per IVF treatment cycle performed at Xinan Hospital Group resulting from the increased penetration rate of VIP packages and the increase in IVF related services.

Revenue from management services provided in Chengdu decreased by 84.7% from approximately RMB71.2 million for the six months ended June 30, 2019 to approximately RMB10.9 million for the six months ended June 30, 2020, primarily due to the outbreak of COVID-19, which slowed down the Group's business operations. In addition, more patients were assigned to Jingjiang IVF Center due to the relocation of Chengdu Xinan Hospital in the first half of 2019.

Shenzhen operations

The revenue contributed by the Group's Shenzhen operations decreased by 25.2% from approximately RMB161.1 million for the six months ended June 30, 2019 to approximately RMB120.4 million for the six months ended June 30, 2020, primarily due to the outbreak of COVID-19, which slowed down the Group's business operations.

United States operations

Revenue from management services provided by the Group under the MSA with HRC Medical in California, the United States decreased by 45.9% from approximately RMB270.2 million for the six months ended June 30, 2019 to approximately RMB146.3 million for the six months ended June 30, 2020, primarily due to the outbreak of COVID-19 and the travel restrictions imposed by the United States.

Ancillary medical services provided by HRC Medical include ambulatory surgery centre facility services and PGS testing services. Ambulatory surgery centre facilities services revenue relates to provision of ambulatory surgery centre facilities at RSA Centers to doctors in exchange for a fee, decreased by 1.4% from approximately RMB10.7 million for the six months ended June 30, 2019 to approximately RMB10.5 million for the six months ended June 30, 2020. PGS testing services revenue relates to provision of preimplantation genetic screening service at its in-house clinical laboratory called NexGenomics, increased by 69.8% from approximately RMB2.4 million for the six months ended June 30, 2019 to approximately RMB4.0 million for the six months ended June 30, 2020. The increase was primarily due to the fact that PGS testing services revenue previously booked under HRC Medical was booked under NexGenomics starting from 2020.

Cost of Revenue

Cost of revenue of the Group decreased by 3.9% from approximately RMB410.3 million for the six months ended June 30, 2019 to approximately RMB394.4 million for the six months ended June 30, 2020. The decrease of the cost of revenue was mainly attributable to the decrease in pharmaceutical products and consumables, which were largely due to decrease in revenue of the Group.

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

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 42.9% from approximately RMB380.9 million for the six months ended June 30, 2019 to approximately RMB217.5 million for the six months ended June 30, 2020. The decrease in the gross profit was mainly attributable to the decrease in revenue. The Group's gross profit margin decreased from 48.1% for the six months ended June 30, 2019 to 35.5% for the six months ended June 30, 2020. The decrease in the gross profit margin was due to the fixed costs primarily including labor costs, depreciation and amortisation, lease cost did not decrease as much as the decrease of revenue while the Group's business slowed down due to the outbreak of COVID-19.

Other Income

Other income of the Group increased by 124.8% from approximately RMB19.1 million for the six months ended June 30, 2019 to approximately RMB42.8 million for the six months ended June 30, 2020, primarily due to an increase in interest income from the bank deposits.

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

Other Gains and Losses

Other gains and losses primarily represent net exchange gain or loss. The Group recorded net exchange gain of approximately RMB12.4 million for the six month ended June 30, 2020 resulting from converting the U.S. dollar denominated balances at the Group's offshore entities using Renminbi as functional currencies to Renminbi and the conversion of HK dollar denominated balances at the Group's offshore entities using U.S. dollar as functional currencies to U.S. dollar.

Research and Development Expenses

Research and development expenses of the Group decreased by 24.9% from approximately RMB5.8 million for the six months ended June 30, 2019 to approximately RMB4.3 million for the six months ended June 30, 2020, primarily due to a decrease in the cost of materials used by the Group's research and development team.

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

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of marketing and promotional expenses associated with organizing educational activities and cooperating with third parties agencies and partners. These expenses are primarily associated with our United States business. Selling and distribution expenses of the Group decreased by 13.0% from approximately RMB17.9 million for the six months ended June 30, 2019 to approximately RMB15.6 million for the six months ended June 30, 2020, primarily due to the decrease in agency fees and decrease of international patients caused by the outbreak of COVID-19 and the travel restrictions imposed by the United States.

Administrative Expenses

Administrative expenses primarily consist of staff costs, including ESOP expenses, depreciation and amortization, repairment and maintenance, property-related expenses and others. Administrative expenses of the Group increased by 18.4% from approximately RMB81.3 million for the six months ended June 30, 2019 to approximately RMB96.3 million for the six months ended June 30, 2020, primarily due to the increase in ESOP expenses and donation to Wuhan to fight against COVID-19.

Finance Costs

Finance costs of the Group were approximately RMB5.2 million for the six months ended June 30, 2020, due to application of IFRS 16 (during the six months ended June 30, 2019: RMB4.4 million).

Income Tax Expenses

Income tax expenses of the Group primarily consist of PRC enterprise income tax and US income tax. Income tax expenses of the Group decreased by 56.4% from approximately RMB66.4 million for the six months ended June 30, 2019 to approximately RMB29.0 million for the six months ended June 30, 2020, primarily due to the decrease in the Group's profit before taxation.

The effective tax rate of the Group decreased from 27.2% for the six months ended June 30, 2019 to 19.0% for the six months ended June 30, 2020, primarily due to the lower tax expenses paid by the Group's United States operations.

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided EBITDA, adjusted EBITDA and adjusted net profit as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. The Company believes that the adjusted financial measures provide useful information to investors and others in understanding and evaluating the Group's consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS.

The following tables set forth the reconciliation of the Group's non-IFRS financial measures for the six months ended June 30, 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB' 000*
Profit for the year	**123,482**	177,958
Add:		
Listing expenses[1]	**–**	61,620
ESOP expenses[2]	**30,324**	11,677
Amortization and depreciation of medical practice license and property, plant and equipment arising from Shenzhen Zhongshan Hospital and the HRC Management acquisition[3]	**7,648**	7,648
Imputed interest income from related parties[4]	**–**	(2,321)
Donation to Wuhan[5]	**6,000**	–
Adjusted Net Profit	**167,454**	256,582
EBITDA	**169,254**	276,075
Add:		
Listing expenses[1]	**–**	61,620
ESOP expenses[2]	**30,324**	11,677
Imputed interest income from related parties[4]	**–**	(2,321)
Donation to Wuhan[5]	**6,000**	–
Adjusted EBITDA	**205,578**	347,051

Notes:

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

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

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

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

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

Net Profit and Net Profit Margin

As a result of the foregoings, net profit of the Group decreased by 30.6% from approximately RMB178.0 million for the six months ended June 30, 2019 to approximately RMB123.5 million for the six months ended June 30, 2020. Net profit margin of the Group for the six months ended June 30, 2020 was 20.2%, compared to 22.5% for the six months ended June 30, 2019. The lower net profit margin compared to the six months ended June 30, 2019 was primarily due to the fixed cost, primarily including labor cost, lease cost and depreciation did not decrease as much as the decrease of revenue while the Group's business slowed down due to the outbreak of COVID-19.

Adjusted net profit[1] of the Group decreased by 34.7% from approximately RMB256.6 million for the six months ended June 30, 2019 to approximately RMB167.5 million for the six months ended June 30, 2020. The adjusted net profit margin of the Group for the six months ended June 30, 2020 was 27.4%, compared to 32.4% for the six months ended June 30, 2019. The lower adjusted net profit margin of the Group for the six months ended June 30, 2020 was primarily due to the fixed cost, primarily including labor cost, lease cost and depreciation did not decrease as much as the decrease of revenue while the Group's business slowed down due to the outbreak of COVID-19.

EBITDA

EBITDA[2] of the Group decreased by 38.7% from approximately RMB276.1 million for the six months ended June 30, 2019 to approximately RMB169.3 million for the six months ended June 30, 2020. The EBITDA margin of the Group for the six months ended June 30, 2020 was 27.7%, compared to 34.9% for the six months ended June 30, 2019. The lower EBITDA margin of the Group for the six months ended June 30, 2020 was mainly because the decrease in fixed costs, which primarily comprises of labor cost, is not as much as the decrease in the Group's revenue due to its business slowdown during the outbreak of COVID-19.

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1 Adjusted net profit is calculated as net profit for the Reporting Period, excluding (i) Listing expenses; (ii) ESOP expenses; (iii) amortization and depreciation of medical practice license and property, plant and equipment arising from Shenzhen Zhongshan Hospital and the HRC Management acquisition; (iv) imputed interest income from related parties; and (v) donation to Wuhan to better reflect the Company's current business and operations.

2 EBITDA represents profit before taxation excluding (i) finance costs; (ii) depreciation of property, plant and equipment; and (iii) amortization of medical practice license, while less interest income (excluding imputed interest from related parties).

Adjusted EBITDA[3] of the Group decreased by 40.8% from approximately RMB347.1 million for the six months ended June 30, 2019 to approximately RMB205.6 million for the six months ended June 30, 2020. The adjusted EBITDA margin of the Group for the six months ended June 30, 2020 was 33.6%, compared to 43.9% for the six months ended June 30, 2019. The lower adjusted EBITDA margin of the Group for the six months ended June 30, 2020 was mainly because the decrease in fixed costs, which primarily comprises of labor cost, is not as much as the decrease in revenue due to its business slowdown during the outbreak of COVID-19.

Basic and Diluted Earnings per Share

The basic and diluted earnings per share of the Group for the six months ended June 30, 2020 amounted to RMB0.05 and RMB0.05, as compared with RMB0.09 and RMB0.08 as that for the six months ended June 30, 2019. Please refer to note 10 to the condensed consolidated financial statements in this announcement. Adjusted basic earnings per share of the Group for the six months ended June 30, 2020 amounted to RMB0.07, as compared with RMB0.12 for the six months ended June 30, 2019.

Inventories

Inventories of the Group increased by 1.2% from approximately RMB26.1 million as at December 31, 2019 to approximately RMB26.4 million as at June 30, 2020, which primarily remained stable.

Accounts and Other Receivables

Accounts and other receivables of the Group increased by 15.9% from approximately RMB46.1 million as at December 31, 2019 to approximately RMB53.4 million as at June 30, 2020, primarily due to prepayment for acquisition of Wuhan Jinxin.

Accounts and Other Payables

Accounts and other payables of the Group increased by 13.2% from approximately RMB319.8 million as at December 31, 2019 to approximately RMB361.9 million as at June 30, 2020, primarily because of the increase in payable for acquisition of license in Laos.

Liquidity and Capital Resources

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

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

Cash Flows

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

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
Net cash generated from operating activities	**77,514**	249,086
Net cash generated from (used in) investing activities	**245,065**	(18,257)
Net cash (used in) generated from financing activities	**(60,217)**	1,682,167
Cash and cash equivalents at the beginning of the period	**579,637**	1,184,190
Effect of foreign exchange rate changes	**2,533**	–
Cash and cash equivalents at the end of the period	**844,532**	3,097,186

Capital Expenditures

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

	For the six months ended June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided	**28,491**	4,606
Total	**28,491**	4,606

Significant Investments, Material Acquisitions and Disposals

Save as disclosed above, as at June 30, 2020, there were no significant investments held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Lease liabilities

The Group recognized right-of-use assets and corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. As at June 30, 2020, the Group, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB220.4 million. The lease liabilities represent payment for right of using underlying assets, of which RMB113.5 million is secured with the rental deposits and unguaranteed, and the remaining is unsecured and unguaranteed.

Borrowings

As of June 30, 2020, we did not have any borrowings (December 31, 2019: Nil).

Contingent Liabilities and Guarantees

As at June 30, 2020, the Group did not have any material contingent liabilities or guarantees.

Charge of Assets

As at June 30, 2020, there was no charge on the material assets of the Group.

Contractual Obligations

As at June 30, 2020, the Group did not have any contractual obligations that would have a material effect on its financial position or results of operations.

Gearing Ratio

Gearing ratio is calculated using total borrowings divided by total equity as of the end of such period and multiplied by 100%. As at June 30, 2020, the Group was in net cash position and thus, gearing ratio is not applicable (December 31, 2019: not applicable).

Currency Risk

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

Interest Rate Risk

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

Liquidity Risk

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

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2020, the Group and the medical facilities in its network had a total of 1,247 employees, of whom 1,012 were located in China and 235 were located in the United States. The staff costs, including Directors' emoluments were approximately RMB201.4 million for the six months ended June 30, 2020, as compared to approximately RMB195.6 million for the six months ended June 30, 2019.

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

The Group also offers its employees the option to participate in its RSU Scheme, which is adopted on February 15, 2019. Summary of the principal terms of the RSU Scheme are set out in the section headed "Statutory and General Information – D. RSU Scheme" in Appendix V to the Prospectus. Besides, the Group has adopted the Share Option Scheme to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to the Group, which was adopted on June 3, 2019. Summary of the principal terms of the Share Option Scheme are set out in the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix V to the Prospectus. As of June 30, 2020, no option has been granted pursuant to the Share Option Scheme.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended June 30, 2020 (for the six months ended June 30, 2019: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has complied with all applicable code provisions of the CG Code throughout the six months ended June 30, 2020. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the required standards as set out in the Model Code during the six months ended June 30, 2020.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK$2,808.1 million and the unutilized net proceeds was kept at the bank accounts of the Group as at June 30, 2020.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2020:

	Planned applications *(HK$ million)*	**Percentage of total net proceed**	**Net proceeds brought forward for the Reporting Period** *(HK$ million)*	**Actual usage up to June 30, 2020** *(HK$ million)*	**Unutilized net proceeds as at June 30, 2020** *(HK$ million)*	**Expected timeline for utilizing the remaining unutilized net proceeds**[2]
To expand and upgrade existing assisted reproductive medical facilities in the Group's network in China and recruit medical professionals, including physicians and embryologists, in order to increase capacity, expand its service offering and market share	702.0[1]	25%[1]	702.0	–	702.0	By June 2024
For the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in	561.6	20%	561.6	54.8	506.8	By June 2022

	Planned applications *(HK$ million)*	Percentage of total net proceed	Net proceeds brought forward for the Reporting Period *(HK$ million)*	Actual usage up to June 30, 2020 *(HK$ million)*	Unutilized net proceeds as at June 30, 2020 *(HK$ million)*	Expected timeline for utilizing the remaining unutilized net proceeds[(2)]
For investment in research and development to enhance overall performance and maintain the Group's position at the forefront of assisted reproductive technology	280.8	10%	280.8	38.4	242.4	By June 2024
For the potential acquisitions of ARS service providers and businesses along the ARS service chain	561.6	20%	561.6	–	561.6	By June 2022
To improve brand awareness and general ARS awareness in both China and the United States	421.2	15%	421.2	–	421.2	By June 2024
For the Group's working capital and general corporate purposes	280.9	10%	280.9	24.7	256.2	
Total	2,808.1	100%	2,808.1	117.9	2,690.2	

Notes:

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

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 4,882,000 ordinary shares of the Company on the Stock Exchange at an aggregate purchase price of HK$47,852,461.20. All the shares repurchased by the Company during the six months ended June 30, 2020 had been cancelled by the Company. Save as the aforesaid repurchases of shares, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Board has established the Audit and Risk Management Committee which is chaired by an independent non-executive Director, Mr. Ye Changqing, and consists of another two independent non-executive Directors, Dr. Chong Yat Keung and Mr. Wang Xiaobo, and two non-executive Directors, Mr. Dong Yang (resigned on June 29, 2020), Ms. Hu Zhe (appointed on June 29, 2020) and Mr. Fang Min. The primary duties of the Audit and Risk Management Committee are to assist the Board by monitoring the Company's ongoing compliance with the applicable laws and regulations that governs its business operations, providing an independent view on the effectiveness of the Company's internal control policies, financial management processes and risk management systems, in particular, the implementation of the Company's anti-corruption and anti-bribery measures.

REVIEW OF INTERIM RESULTS

The Audit and Risk Management Committee, together with management and the independent auditor of the Company, has reviewed the unaudited condensed interim results of the Group for the six months ended June 30, 2020. The Audit and Risk Management Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters. The Audit and Risk Management Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to June 30, 2020:

- On June 29, 2020, the Group through its indirect wholly-owned subsidiary, Sichuan Jinxin, has entered into an equity transfer agreement with certain shareholders of Wuhan Jinxin, pursuant to which the Group agreed to acquire an aggregate of 75% equity interests in Wuhan Huangpu Hospital (of which 70% equity interests will be held by Sichuan Jinxin and 5% equity interests will be held by a separate legal entity designated by Sichuan Jinxin for employees incentive purpose in future). For more details of the transaction, please refer to the Company's announcement dated June 29, 2020. The transaction was completed in July 2020.

- On August 14 and 17, 2020, Jinxin Fertility Group (BVI) Company Limited, a wholly-owned subsidiary of the Company, entered into a series of agreements with the founding shareholders of Mengmei Life Pty. Ltd. and Jinxin Medical Investment Group Limited, to establish a joint venture, Jinxin International Medical Services Company Limited, to develop IVF-related business. For more details, please refer to the Company's announcement dated August 18, 2020.

- On August 20, 2020, HRC Management terminated the HRC Clinic Lease Agreement (as defined in the Prospectus) with HRC Properties LLC, 333 Arroyo Parkway LLC, JGWilcox Capital Building LLC and Michael Feinman Real Estate LLC (the "**Lessors**") and entered into a new lease agreement with the Lessors to lease the second floor of the three-storey office building located at 333 South Arroyo Parkway, Pasadena, California, the Unites States, which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For more details, please refer to the Company's announcement dated August 24, 2020.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jxr-fertility.com), and the interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"ARS"	assisted reproductive service(s)
"Audit and Risk Management Committee"	the audit and risk management committee of the Board

"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, the PRC with limited liability on November 10, 2015, the Group's subsidiary and successor of Prior Chengdu Xinan Hospital that is a for-profit specialty hospital
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "we" or "our"	Jinxin Fertility Group Limited (錦欣生殖醫療集團有限公司*), previously known as Sichuan Jinxin Fertility Company Limited, an exempted company established in the Cayman Islands with limited liability on May 3, 2018
"Director(s)"	the director(s) of the Company
"ESOP"	collectively the RSU Scheme and the Share Option Scheme
"Gaoxin Xinan Hospital"	Chengdu Gaoxin Xinan Gynecological Hospital Co., Ltd. (成都高新西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, the PRC with limited liability on June 13, 2016, successor of Prior Gaoxin Xinan Hospital and the Group's subsidiary before the Reorganization (as defined in the Prospectus) that is a for-profit gynecological and obstetrics specialty hospital
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HRC Fertility"	HRC Management and HRC Medical
"HRC Management"	HRC Fertility Management, LLC, a limited liability company established under the laws of Delaware, the United States on November 3, 2015, the Group's indirect subsidiary
"HRC Medical"	Huntington Reproductive Center Medical Group, a professional corporation established under the laws of California, the United States on January 1, 1995, a connected person of the Company by virtue of being jointly owned by Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick (each, a substantial shareholder of the Company), and the nine clinics and three IVF laboratories in California which it owns

"IFRS"	International Financial Reporting Standards
"IVF"	in vitro fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy
"Jinjiang District Maternity and Child Health Hospital"	Chengdu Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院), a non-profit maternity and child healthcare hospital established in the PRC in 1954, the IVF center of which is jointly managed by the Group
"Jinjiang IVF Center"	the IVF center of Jinjiang District Maternity and Child Health Hospital
"Jinxin Fertility Center"	the fertility center of Sichuan Jinxin Women and Children Hospital
"Jinxin Women and Children Hospital"	Sichuan Jinxin Women and Children Hospital Co., Ltd (四川錦欣婦女兒童醫院有限公司), a company established under the laws of the PRC with limited liability on December 9, 2016 that is a for-profit women and children hospital, the fertility center of which was jointly managed by the Group
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 25, 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MSA"	the amended and restated management services agreement dated January 22, 2019 pursuant to which HRC Management provided non-medical management services to HRC Medical
"NexGenomics"	NexGenomics, LLC, a limited liability company established under the laws of California, the United States, on February 4, 2015, wholly owned by HRC Management
"NPV"	new patient visit
"Prior Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital (成都西囡婦科醫院), a privately funded non-enterprise entity (民辦非企業單位) established on March 31, 2010, predecessor of Chengdu Xinan Hospital
"Prior Gaoxin Xinan Hospital"	Chengdu Gaoxin Xinan Gynecological Hospital (成都高新西囡婦科醫院), a privately funded non-enterprise entity (民辦非企業單位) established on May 27, 2013, predecessor of Gaoxin Xinan Hospital
"Prospectus"	the prospectus issued by the Company dated June 13, 2019

"RSA Centers"	the three surgical centers located at HRC Medical core clinics in Pasadena, Encino and Newport Beach
"RSU Scheme"	the restricted share award scheme conditionally adopted by the Company on February 15, 2019, the principal terms of which are summarized in "RSU Scheme" in Appendix V to the Prospectus
"Reporting Period"	the six-month period from January 1, 2020 to June 30, 2020
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to the Prospectus
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in Shenzhen, PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)" or "US$" or "USD"	United States dollar(s), the lawful currency of the United States of America
"Xinan Hospital Group"	Chengdu Xinan Hospital and Gaoxin Xinan Hospital

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

By order of the Board
Jinxin Fertility Group Limited
Wang Bin
Chairman

Hong Kong, August 31, 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhong Ying, Dr. John G. Wilcox, Mr. Zhong Yong and Mr. Dong Yang, as executive Directors; Mr. Wang Bin, Mr. Fang Min and Ms. Hu Zhe, as non-executive Directors; and Dr. Chong Yat Keung, Mr. Lim Haw Kuang, Mr. Wang Xiaobo and Mr. Ye Changqing, as independent non-executive Directors.

* *For identification purpose only*