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 YEAR ENDED DECEMBER 31, 2021

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended December 31, 2021 was approximately RMB1,838.8 million, representing an increase of 28.9% when compared with that of approximately RMB1,426.1 million for the year ended December 31, 2020.

- Net profit of the Group for the year ended December 31, 2021 was approximately RMB353.7 million, representing an increase of 35.8% when compared with that of approximately RMB260.5 million for the year ended December 31, 2020. Non-IFRS adjusted net profit[(1)] of the Group for the year ended December 31, 2021 was approximately RMB455.3 million, representing an increase of 22.3% when compared with that of approximately RMB372.3 million for the year ended December 31, 2020.

- Non-IFRS EBITDA[(2)] of the Group for the year ended December 31, 2021 was approximately RMB548.5 million, representing an increase of 38.9% when compared with that of approximately RMB394.7 million for the year ended December 31, 2020. Non-IFRS adjusted EBITDA[(3)] of the Group for the year ended December 31, 2021 was approximately RMB622.5 million, representing an increase of 28.5% when compared with that of approximately RMB484.4 million for the year ended December 31, 2020.

- Basic earnings per share for the year ended December 31, 2021 amounted to RMB0.14. Non-IFRS adjusted basic earnings per share[(4)] for the year ended December 31, 2021 amounted to RMB0.18.

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

Non-IFRS Measures

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

Notes:

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

(2) Non-IFRS EBITDA is calculated as the earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets, which is defined as profit before taxation plus finance costs (excluding interest on lease liabilities), depreciation of property, plant and equipment, and amortization of medical practice license and non-compete agreement, less interest income (excluding imputed interest from related parties).

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

(4) Non-IFRS adjusted basic earnings per share is calculated as non-IFRS adjusted net profit divided by weighted average number of ordinary shares for the purpose of calculating basic earnings per share.

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The Board of Directors is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2021, together with the comparative figures for the corresponding period in 2020.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	3	**1,838,826**	1,426,088
Cost of revenue		**(1,067,344)**	(860,307)
Gross profit		**771,482**	565,781
Other income	4	**55,966**	74,113
Other expenses	5	**(605)**	(6,377)
Other gains and losses, net	6	**62,440**	57,108
Research and development expenses		**(10,651)**	(11,483)
Selling and distribution expenses		**(61,716)**	(41,357)
Administrative expenses		**(327,730)**	(275,260)
Share of results of associates		**(6,823)**	–
Share of result of a joint venture		**(3,290)**	–
Finance costs	7	**(21,146)**	(13,391)
Profit before taxation	8	**457,927**	349,134
Income tax expenses	9	**(104,230)**	(88,638)
Profit for the year		**353,697**	260,496
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**(233,406)**	(406,191)
Fair value loss on equity instrument at fair value through other comprehensive income ("**FVTOCI**")		**(3,891)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**80,522**	36,972
Other comprehensive expense for the year		**(156,775)**	(369,219)
Total comprehensive income (expense) for the year		**196,922**	(108,723)

	NOTES	2021 RMB'000	2020 RMB'000
Profit for the year attributable to:			
– Owners of the Company		**339,901**	251,622
– Non-controlling interests		**13,796**	8,874
		353,697	260,496
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**183,600**	(117,597)
– Non-controlling interests		**13,322**	8,874
		196,922	(108,723)
Earnings per share:	*11*		
– Basic (RMB)		**0.14**	0.10
– Diluted (RMB)		**0.14**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	**2021** **RMB'000**	2020 RMB'000
Non-current assets			
Property, plant and equipment		**1,092,059**	1,056,125
Right-of-use assets		**400,928**	222,421
Goodwill	*12*	**2,719,747**	889,642
Licenses		**1,238,186**	785,983
Non-compete agreement		**19,828**	–
Contractual right to provide management services		**1,797,310**	1,839,369
Trademarks		**2,151,480**	1,255,735
Investments in preferred shares measured at fair value through profit or loss ("**FVTPL**")		**169,930**	171,057
Interests in associates accounted for using equity method		**–**	–
Interest in a joint venture		**210**	–
Equity instrument at FVTOCI		**5,279**	9,387
Loan receivable	*15*	**17,074**	–
Financial assets at FVTPL	*13*	**177,747**	–
Pledged bank deposits		**180,000**	180,000
Refundable deposits		**65,610**	7,783
Prepayments		**47,417**	31,838
Deferred tax assets		**7,020**	–
Amounts due from associates		**129,959**	26,913
Amounts due from other related parties		**62,474**	35,000
		10,282,258	6,511,253
Current assets			
Inventories	*14*	**46,807**	25,476
Accounts and other receivables	*15*	**142,685**	68,745
Amounts due from other related parties		**420,453**	81,086
Tax recoverable		**5,166**	7,481
Time deposits		**846,959**	1,724,567
Other financial assets at FVTPL		**218,737**	63,000
Bank balances and cash		**862,325**	681,619
		2,543,132	2,651,974

	NOTES	2021 RMB'000	2020 RMB'000
Current liabilities			
Accounts and other payables	*16*	**445,518**	361,646
Amounts due to related parties		**415,139**	67,748
Lease liabilities		**62,180**	34,558
Tax payables		**107,438**	61,227
Bank borrowing	*17*	**37,746**	18,000
Other financial liabilities		**3,501**	11,904
		1,071,522	555,083
Net current assets		**1,471,610**	2,096,891
Total assets less current liabilities		**11,753,868**	8,608,144
Non-current liabilities			
Lease liabilities		**370,894**	209,774
Deferred tax liabilities		**1,011,341**	791,344
Bank borrowing	*17*	**126,000**	144,540
Convertible bonds		**1,492,932**	–
		3,001,167	1,145,658
Net assets		**8,752,701**	7,462,486
Capital and reserves			
Share capital		**165**	160
Reserves		**8,545,135**	7,282,860
Equity attributable to owners of the Company		**8,545,300**	7,283,020
Non-controlling interests		**207,401**	179,466
Total equity		**8,752,701**	7,462,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

The Company is an investment holding company. The major subsidiaries of the Company are principally engaged in the provision of (i) assisted reproductive services; (ii) management services; (iii) ambulatory surgery centre facilities services; (iv) ancillary medical services; (v) obstetrics, gynecology and pediatrics medical services; and (vi) sales of medicines, consumables and equipment.

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

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

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

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

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

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

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

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022.
[2] Effective for annual periods beginning on or after 1 January 2023.
[3] Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to IFRSs mentioned below, the directors of the company (the "**Directors**") anticipate that the application of all the other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or International Financial Reporting Standards Interpretation Committee 21 *Levies*, an acquirer applies IAS 37 or International Financial Reporting Standards Interpretation Committee 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

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

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

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

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

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

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

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

Amendments to IAS 8 *Definition of Accounting Estimates*

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

The Group's operating and reportable segments under IFRS 8 *Operating Segments* are operations located in the Mainland China and Hong Kong ("**Greater China**"), and the U.S.A. during the year ended 31 December 2021 and 2020. The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2021:

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

For the year ended 31 December 2020:

	Greater China *RMB'000*	U.S.A. *RMB'000*	Consolidated *RMB'000*
Revenue			
Segment revenue from external customers	1,046,381	379,707	1,426,088
Segment profit	344,360	32,923	377,283
Unallocated administrative expenses			(38,128)
Share-based compensation benefits			(83,649)
Gains on fair value changes of investment in preferred shares measured at FVTPL			18,206
Loss on fair value change of other financial liabilities at FVTPL			(11,904)
Exchange gain, net			42,204
Certain interest income from banks			777
Interest income from time deposits			42,522
Interest income from pledged bank deposits			1,823
Profit before taxation			349,134

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit before taxation for each respective segment excluding unallocated administrative expenses (including the corporate expenses), share-based compensation benefits, gains on fair value changes of investments in preferred shares measured at FVTPL, gains on fair value change of financial assets at FVTPL, gain (loss) on fair value change of other financial liabilities at FVTPL, net exchange gain, imputed interest income from related parties, and certain interest income resulted from the corporate bank balances (including pledged bank deposits and time deposits).

Segment assets and liabilities

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

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

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

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

- All assets are allocated to operating segments, other than equity instrument at FVTOCI, corporate time deposits, corporate bank balances and cash, pledged bank deposits, investments in preferred shares measured at FVTPL, financial assets at FVTPL and other unallocated corporate assets; and

- All liabilities are allocated to operating segments, other than convertible bonds, consideration payable for acquisition of Jinxin Medical Group and other unallocated corporate liabilities.

For the year ended 31 December 2021

	Greater China *RMB'000*	**U.S.A.** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets *(Note)*	**61,699**	**14,832**	**35,484**	**112,015**
Addition to non-current assets through acquisitions of a subsidiaries	**3,449,554**	**–**	**–**	**3,449,554**
Depreciation and amortisation	**118,692**	**46,845**	**4,085**	**169,622**
Loss on disposal of property, plant and equipment	**2**	**–**	**–**	**2**

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

For the year ended 31 December 2020

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

Note: Non-current assets excluded financial instruments and addition to non-current assets through acquisition of a subsidiary.

Disaggregation of revenue from contracts with customers

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

Notes:

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

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

(iii) Management services fee under the MSA for the year ended 31 December 2021 amounted to RMB491,460,000 (31 December 2020: RMB385,628,000), net of cost reimbursed of RMB59,221,000 (31 December 2020: RMB43,229,000) as purchasing agent for pharmaceuticals procurement pursuant to HRC Medical's medication supply program.

All services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. The Group applies the practical expedient of not disclosing the information about its remaining performance obligation when the performance obligation is part of a contract that has an original expected duration of one year or less.

Geographical information

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

Information about major customers

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

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

4. OTHER INCOME

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

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

5. OTHER EXPENSES

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

6. OTHER GAINS AND LOSSES, NET

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

7. FINANCE COSTS

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

8. PROFIT BEFORE TAXATION

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

9. INCOME TAX EXPENSES

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

The Company is tax exempted under the laws of the Cayman Islands and its subsidiaries incorporated in the BVI are also tax exempted under the laws of the BVI from a BVI tax perspective.

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

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

Certain subsidiaries of the Company are subject to U.S.A. corporate tax representing 21% of the applicable U.S.A. Federal Income Tax rate and an average of 8.84% for California State Income Tax rate for the years ended 31 December 2021 and 2020 for their operations in the U.S.A.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the retained profits of the PRC subsidiaries amounting to approximately RMB646,109,000 as at 31 December 2021 (31 December 2020: RMB533,777,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

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

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

10. DIVIDENDS

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

Note: A final cash dividend in respect of the year ended 31 December 2019 of HK6.8 cents (equivalent to RMB0.06) per ordinary share, in an aggregate amount of RMB149,675,000, has been proposed by the Directors and approved by the shareholders in the annual general meeting held on 29 June 2020.

No dividend was paid or proposed for ordinary shareholders of the Company during 2021. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK7.38 cents (approximately RMB6.00 cents) (2020: nil) per ordinary share, in an aggregate amount of HK$184,637,000 (approximately RMB150,000,000) (2020: nil), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

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

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

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

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

12. GOODWILL

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

13. FINANCIAL ASSETS AT FVTPL

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

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

14. INVENTORIES

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

15. ACCOUNTS AND OTHER RECEIVABLES

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

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

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

The individual customers of Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital, Wuhan Jinxin Hospital, Hong Kong Assisted Reproduction Centre Ltd, Hong Kong Reproductive Health Centre Ltd and Jinxin Women and Children Hospital would usually settle payments by cash, credit cards, debit cards or governments' social insurance schemes. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau and similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes from 30 to 90 days from the transaction date.

The individual customers of HRC Management Group would usually settle by cash or payments through insurance schemes. Payments by insurance schemes will normally be settled by commercial insurance companies from 60 to 365 days from the transaction date.

The corporate customers of Chengdu Xinan Hospital usually settle by cash and the payment terms are normally from 60 to 180 days from the transaction date.

The Directors are of the view that there have been no significant increase in credit risk of default because the amounts are from local social insurance bureau, similar government departments or insurance companies with good credit rating and continuous repayment.

The accounts receivables are assessed individually for impairment allowance based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forward looking information at the reporting date. The Directors considered that the ECL for accounts receivables is insignificant as at 31 December 2021 and 2020.

In determining the recoverability of accounts receivables, the management of the Group considers any change in the credit quality of the accounts receivables from the date credit was initially granted up to the end of the reporting period.

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

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

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

16. ACCOUNTS AND OTHER PAYABLES

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

Notes:

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

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

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

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

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

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

17. BANK BORROWING

	2021	2020
	RMB'000	*RMB'000*
Bank borrowing, secured	**163,746**	162,540

The carrying amounts of the above borrowing are repayable:

Within one year	**37,746**	18,000
Within a period of more than one year but not exceeding two years	**54,000**	36,000
Within a period of more than two years but not exceeding three years	**72,000**	108,540
	163,746	162,540

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS UPDATES

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

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

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

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

Chengdu operations

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

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

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

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

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

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

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

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

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

Shenzhen and Greater Bay Area operations

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

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

In January 2021, Shenzhen Zhongshan Hospital upgraded its Mini-VIP service to an integrated VIP center, which is comparable to the VIP center at Chengdu Xinan Hospital, and is led by expert physicians and provides patients with a full suite of privileged services throughout the entire treatment process. As of December 31, 2021, the penetration rate of our VIP services was 4.2%.

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

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

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

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

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

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

Wuhan operations

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

United States operations

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

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

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

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

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

Key operating data

The following table sets forth the key operating data generated from our network of assisted reproductive medical facilities for the years ended December 31, 2020 and 2021.

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

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

OUTLOOK AND FUTURE

Despite the impact of the COVID-19 pandemic on the ARS industry, the global ARS market is expected to recover once the pandemic is under control and continues on its growth trend as demonstrated over the past years. The growth of the China ARS market is particularly due to an increased prevalence of infertility caused by lifestyle changes, an increase in the average age of the parents when having their first childbirth, rising health awareness and environmental pollution. In facing the challenges of decreasing fertility rates, it is inclined that the government encourages patients in need of ARS in treatment. Compared with Europe and the United States with a market penetration of ARS at approximately 30%, the market penetration of ARS in China is still relatively low.

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

As a leading ARS provider in the Greater China and the United States, we have established a competitive advantage on branding, technology, medical staff and management in a market with significant entry barriers. All hospitals established in our network are recognized as top-notch in their respective regional market, including but not limited to Sichuan Province, Guangdong Province, Yunnan Province and the Western United States, which contributes to our leading position in the ARS markets in the Greater China and the United States.

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

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

Increase market share, productivity and capacity

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

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

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

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

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

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

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

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

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

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

Expand our platform reach through acquisitions

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

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

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

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

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

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

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

Continue to invest in research and development to enhance overall performance

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

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

Talent recruitment initiatives

We are committed to recruiting and retaining the best and most experienced medical professionals in the field of assisted reproduction to support our medical facilities in both China and the United States. We will continue to implement the "physician as partner" mechanism to grant physicians with equity ownership as partners of the Company. In 2021, as part of our talent strategy, we have established a Partner Selection Committee which identifies and develops the best physicians or management to to be part of our new generation.

We have adopted the 2022 Restricted Share Award Scheme in February 2022 to recognize the contributions of our employees. The purposes of the 2022 Restricted Share Award Scheme are to (i) provide our employees with the opportunity to acquire proprietary interests in the Company; (ii) encourage our employees to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole; and (iii) provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the our employees.

We intend to further expand our equity incentive coverage to attract more employees to become our partners. We will continue expanding and penetrating into markets with unmet demands, and this will provide our team of medical professionals with opportunities to undertake more important roles beyond medical practice, such as management, in the new markets.

Environmental, Social and Governance (ESG)

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

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

FINANCIAL REVIEW

Revenue

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

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

Revenue	Year ended December 31, 2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
ARS				
Chengdu Xinan Hospital	**729,476**	**39.7%**	699,716	49.1%
Shenzhen Zhongshan Hospital	**379,617**	**20.6%**	267,968	18.8%
Wuhan Jinxin Hospital	**43,182**	**2.3%**	11,163	0.8%
ARC	**8,186**	**0.4%**	–	0.0%
Sub-total	**1,160,461**	**63.0%**	978,847	68.7%
Management service fee				
Chengdu Xinan Hospital	**92,551**	**5.0%**	32,691	2.3%
HRC Management	**432,239**	**23.5%**	342,399	24.0%
Jinxin Women and Children Hospital	**3,429**	**0.2%**	–	0.0%
Sub-total	**528,219**	**28.7%**	375,090	26.3%
Ancillary medical services(1)				
Shenzhen Zhongshan Hospital.	**47,310**	**2.6%**	31,942	2.2%
HRC Management	**27,045**	**1.5%**	37,308	2.6%
Wuhan Jinxin Hospital	**11,721**	**0.6%**	2,901	0.2%
RHC	**8,484**	**0.5%**	–	0.0%
Sub-total	**94,560**	**5.2%**	72,151	5.0%
Obstetrics, gynecology and pediatrics medical services				
Jinxin Women and Children Hospital	**34,298**	**1.9%**	–	0.0%
Sub-total	**34,298**	**1.9%**	–	0.0%
Sales of medicines, consumables and equipment				
Chengdu Jinmai Innovative Testing Co., Ltd.	**2,933**	**0.2%**	–	0.0%
Chengdu Jinxin Health Management Co., Ltd	**18,355**	**1.0%**	–	0.0%
Sub-total	**21,288**	**1.2%**	–	0.0%
Total	**1,838,826**	**100.0%**	1,426,088	100.0%

Note:

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

Chengdu operations

The revenue contributed by the medical facilities in the Group's network in Chengdu increased by 12.2% from approximately RMB732.4 million for the year ended December 31, 2020 to approximately RMB822.1 million for the year ended December 31, 2021, primarily due to an increase in the revenue from ARS provided at Chengdu Xinan Hospital and management service fees charged to Jinjiang IVF Center resulting from the increase in the number of IVF treatment cycles performed at Chengdu Xinan Hospital and Jinjiang IVF Center.

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

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

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

Shenzhen operations

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

United States operations

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

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

Cost of Revenue

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

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

Gross Profit and Gross Profit Margin

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

Other Income

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

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

Other Gains and Losses

Other gains and losses primarily represent gain on fair value change of financial assets at fair value through profit or loss ("**FVTPL**") and net exchange gain or loss. The Group recorded a gain on fair value change of financial assets at FVTPL of approximately RMB30.0 million for the year ended December 31, 2021, primarily due to the change of fair value of approximately 19.33% economic interest in Jiuzhou Hospital and Hewanjia Hospital. The Group recorded a net exchange gain of approximately RMB13.1 million for the year ended December 31, 2021 resulting from converting the Renminbi denominated balances at the Group's offshore entities using U.S. dollar as functional currencies to U.S. dollar.

Research and Development Expenses

Research and development expenses of the Group decreased by 7.2% from approximately RMB11.5 million for the year ended December 31, 2020 to approximately RMB10.7 million for the year ended December 31, 2021.

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expenses

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

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

Non-IFRS Measures

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

The following tables set forth the reconciliation of the Group's non-IFRS financial measures for the years ended December 31, 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

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

Notes:

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

(2) Amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from Shenzhen Zhongshan Hospital, HRC Management, Wuhan Jinxin Hospital, Jinxin Medical Group and Jinxin Women Group acquisitions. By eliminating the effect of these items from the profit attributable to the owners of the Company, it serves the purpose of demonstrating the endogenous growth of the Company.

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

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

Net Profit and Net Profit Margin

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

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

Non-IFRS EBITDA

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

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

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

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

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

Basic and Diluted Earnings per Share

The basic and diluted earnings per Share of the Group for the year ended December 31, 2021 amounted to RMB0.14 and RMB0.14 respectively, as compared with RMB0.10 and RMB0.10 respectively for the year ended December 31, 2020. Please refer to note 11 to the consolidated financial statements in this announcement. Adjusted basic earnings per share of the Group for the year ended December 31, 2021 amounted to RMB0.18, as compared with RMB0.15 for the year ended December 31, 2020.

Inventories

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

Accounts and Other Receivables

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

Financial Assets at FVTPL

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

Goodwill

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

Accounts and Other Payables

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

Liquidity and Capital Resources

The business operations and expansion plans of the Group require a significant amount of capital, including funding of merger and acquisition, upgrading the Group's existing medical facilities and establishing and acquiring new medical institutions and other working capital requirement. In June 2019, the Group received total proceeds of approximately HK$2,808.1 million from the Listing, after deducting the underwriting fees, commissions and related Listing expenses. In February 2021, the Group received total net proceeds of approximately HK$1,253.47 million from the Placing (as defined hereinafter). The Group also obtained additional funding from syndicated loan facilities of up to US$300 million during the year. The net proceeds and the loan facilities would be used to fund the capital requirements of the Group. Therefore, the Directors are of the view that the Group has sufficient resources to meet its future business operations and expansion plans.

Cash Flows

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net cash generated from operating activities	**343,452**	308,039
Net cash (used in) from investing activities	**(1,566,182)**	1,151,913
Net cash from (used in) financing activities	**955,054**	(55,582)
Cash and cash equivalents at beginning of the year	**1,964,516**	579,637
Effect of foreign exchange rate changes	**(7,556)**	(19,491)
Cash and cash equivalents at end of the year	**1,689,284**	1,964,516

Capital Commitments

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,306**	39,144
Total	**5,306**	39,144

Significant Investments, Material Acquisitions and Disposals

Save as disclosed above, as at December 31, 2021, there were no other significant investments held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Lease liabilities

The Group recognized right-of-use assets and corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. As at December 31, 2021, the Group, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB433.1 million. The lease liabilities represent payment for right of using underlying assets.

Borrowings

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

Contingent Liabilities and Guarantees

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

Charge of Assets

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

Contractual Obligations

As at December 31, 2021, the Group did not have any contractual obligations that would have a material effect on its financial position or results of operations.

Gearing Ratio

Gearing ratio is calculated using total borrowings divided by total equity as of the end of such year and multiplied by 100%. As at December 31, 2021, the Group's gearing ratio is 1.87% (December 31, 2020: 2.18%).

Currency Risk

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

Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. Its cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Directors consider that the overall interest rate risk is not significant and no sensitivity analysis is presented. The Company considers the interest rate risk associated with the financial assets at fair value through profit or loss and fixed rate structured bank deposit to be limited because the tenor of such instruments are short, ranging from 31 to 90 days.

Liquidity Risk

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

Besides, the Group has adopted the Share Option Scheme to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to the Group, which was adopted on June 3, 2019. Summary of the principal terms of the Share Option Scheme are set out in the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix V to the Prospectus. As at December 31, 2021, no option has been granted pursuant to the Share Option Scheme.

FINAL DIVIDEND

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

OTHER INFORMATION

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Tuesday, June 28, 2022. A notice convening the AGM is expected to be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, June 23, 2022 to Tuesday, June 28, 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 22, 2022.

For determining the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will also be closed from Tuesday, July 5, 2022 to Thursday, July 7, 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to receive the final dividend, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, July 4, 2022.

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 during the year ended December 31, 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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 year ended December 31, 2021.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK$2,808.1 million and the unutilized net proceeds were kept at the bank accounts of the Group as at December 31, 2021.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2021:

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceed	Actual usage up to December 31, 2021 *(HK$ million)*	Net proceeds brought forward for the Reporting Period *(HK$ million)*	Unutilized net proceeds as at December 31, 2021 *(HK$ million)*	Expected timeline for utilizing the remaining unutilized net proceeds[(2)]
To expand and upgrade existing assisted reproductive medical facilities in the Group's network in China and recruit medical professionals, including physicians and embryologists, in order to increase capacity, expand its service offering and market share	702.0[(1)]	25.0%[(1)]	30.8	677.3	671.2	By June 2024
For the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in[(3)]	561.6	20.0%	561.6	77.0	–	By June 2022
For investment in research and development to enhance overall performance and maintain the Group's position at the forefront of assisted reproductive technology	280.8	10.0%	50.7	242.4	230.1	By June 2024

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceed	Actual usage up to December 31, 2021 (HK$ million)	Net proceeds brought forward for the Reporting Period (HK$ million)	Unutilized net proceeds as at December 31, 2021 (HK$ million)	Expected timeline for utilizing the remaining unutilized net proceeds[(2)]
For the potential acquisitions of ARS service providers and businesses along the ARS service chain[(4)]	561.6	20.0%	561.6	288.7	–	By June 2022
To improve brand awareness and general ARS awareness in both China and the United States	421.2	15.0%	36.8	421.2	384.4	By June 2024
For the Group's working capital and general corporate purposes[(5)]	280.9	10.0%	177.7	235.6	103.2	By June 2024
Total	2,808.1	100%	1,419.2	1,942.2	1,388.9	

Notes:

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

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

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

(4) Including (i) formation of joint venture with the shareholders of Mengmei Life Pty. Ltd. and Jinxin Hospital Management Group Limited in relation to, among others, the promotion, customers acquisition and channels management related to IVF and (ii) acquisition of obsterics, gyneology and pediatric business through Jinxin Medical Management (BVI) Group Limited.

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

USE OF PROCEEDS FROM PLACING

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

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

Use of proceeds	**Planned applications** *(HK$ million)*	**Percentage of total net proceed**	**Actual usage up to December 31, 2021** *(HK$ million)*	**Net proceeds brought forward for the Reporting Period** *(HK$ million)*	**Unutilized net proceeds as at December 31, 2021** *(HK$ million)*	**Expected timeline for utilizing the remaining unutilized net proceeds**[(1)]
To fund potential merger and acquisition opportunities of ARS-licensed providers located in regions in the PRC with relatively high demand for ARS, such as in East China, the Beijing-Tianjin-Hebei region, and other highly potential regions	1,002.78	80.0%	1,002.78	N/A	–	N/A
To fund potential merger and acquisition opportunities of ARS-licensed providers located outside the PRC, such as in Southeast Asia and other Asia-pacific countries	188.02	15.0%	–	N/A	188.02	By June 2023
For general corporate and working capital purposes	62.67	5.0%	–	N/A	62.67	By December 2023
Total	1,253.47	100%	1,002.78	N/A	250.69	

Note:

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

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

During the Reporting Period, the Company had repurchased a total of 5,731,000 Shares on the Stock Exchange at an aggregate purchase price of HK$50,140,147. As of the date of this announcement, the repurchased Shares have been cancelled by the Company.

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

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. Fang Min and Ms. Hu Zhe. 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 govern 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 ANNUAL RESULTS

The Audit and Risk Management Committee has jointly reviewed with the management and the independent auditor of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the audited consolidated financial statements of the Group for the year ended December 31, 2021, which have been agreed by the independent auditors of the Company) of the Group. The Audit and Risk Management Committee and the independent auditors considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jxr-fertility.com), and the 2021 annual 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

"2022 Restricted Share Award Scheme"	the 2022 restricted share award scheme conditionally adopted by the Company on February 17, 2022, the principal terms of which are summarized in the announcement of the Company dated February 17, 2022
"AGM"	annual general meeting of the Company
"ARC"	Hong Kong Assisted Reproduction Centre Limited (香港輔助生育中心有限公司), a company established in Hong Kong with limited liability on June 14, 2007, the Group's indirect subsidiary

"ARS"	assisted reproductive service(s)
"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chengdu Jinxin Aijian Hospital"	Chengdu Jinxin Aijian Hospital Co., Ltd. (成都錦欣愛囝醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on May 7, 2021, the Group's subsidiary that is a for-profit specialty hospital
"Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on November 10, 2015, the Group's subsidiary
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this 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
"COVID-19"	coronavirus disease of 2019
"Director(s)"	the director(s) of the Company
"ESOP"	collectively the RSU Scheme, the 2022 Restricted Share Award Scheme and the Share Option Scheme
"Group"	the Company and its subsidiaries
"HK dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HRC Management"	HRC Fertility Management, LLC, a limited liability company established under the laws of Delaware, the United States on November 3, 2015, the Group's indirect subsidiary

"HRC Medical"	Huntington Reproductive Center Medical Group, a professional corporation established under the laws of California, the United States on January 1, 1995, a connected person of the Company by virtue of being jointly owned by Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick, and the nine clinics and three IVF laboratories in California which it owns
"IFRS"	International Financial Reporting Standards
"IVF"	in vitro fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy
"Jinjiang District Maternity and Child Health Hospital"	Chengdu Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院), a non-profit maternity and child healthcare hospital established in the PRC in 1954, the IVF center of which is jointly managed by the Group
"Jinjiang IVF Center"	the IVF center of Jinjiang District Maternity and Child Health Hospital
"Jinrun Fude"	Chengdu Jinrun Fude Medical Management Company Limited (成都錦潤福德醫療管理有限公司), a limited liability company established under the laws of the PRC with limited liability on May 9, 2018, the Group's subsidiary by virtue of contractual arrangements
"Jinxin Medical Group"	Jinxin Medical Management (BVI) Group Limited and its subsidiaries
"Jinxin Women and Children Hospital"	Sichuan Jinxin Women and Children Hospital Co., Ltd (四川錦欣婦女兒童醫院有限公司), a company established under the laws of the PRC with limited liability on December 9, 2016 that is a for-profit women and children hospital, the fertility center of which was jointly managed by the Group
"Jinxin Women Group"	Jinxin Women Wellness Limited and its subsidiaries
"Jinxin Women Wellness Limited"	Jinxin Women Wellness Limited, a company established under the laws of BVI with limited liability on July 1, 2021, the Group's indirect subsidiary and wholly owns the RHC and the ARC
"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
"Prospectus"	the prospectus issued by the Company dated June 13, 2019
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the twelve-month period from January 1, 2021 to December 31, 2021
"RHC"	Hong Kong Reproductive Health Centre Limited (香港生育康健中心有限公司), a company established in Hong Kong with limited liability on June 14, 2007, the Group's indirect subsidiary
"RSA Centers"	the three surgical centers located at HRC Medical core clinics in Pasadena, Encino and Newport Beach
"RSU Scheme"	the restricted share award scheme conditionally adopted by the Company on February 15, 2019, the principal terms of which are summarized in "RSU Scheme" in Appendix V to the Prospectus
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to the Prospectus
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"sq.m"	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"U.S. dollar(s)" or "US$"	United States dollar(s), the lawful currency of the United States of America
"Wuhan Jinxin Hospital"	Wuhan Jinxin Integrated Gynecology and Obstetrics Hospital Co,. Ltd (武漢錦欣中西醫結合婦產醫院有限公司), a company established in PRC with limited liability on February 17, 2006, the Group's indirect subsidiary

In this 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
Zhong Yong
Chairman

Hong Kong, March 30, 2022

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhong Yong, Dr. John G. Wilcox, Mr. Dong Yang, Ms. Lyu Rong and Dr. Geng Lihong, as executive Directors; Mr. Fang Min, Ms. Hu Zhe and Ms. Yan Xiaoqing, as non-executive Directors; and Dr. Chong Yat Keung, Mr. Li Jianwei, Mr. Wang Xiaobo and Mr. Ye Changqing, as independent non-executive Directors.

* *For identification purpose only*