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, 2023

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended December 31, 2023 was approximately RMB2,788.9 million, representing an increase of 18.0% when compared with that of approximately RMB2,364.5 million for the year ended December 31, 2022.

- Net profit of the Group for the year ended December 31, 2023 was approximately RMB347.0 million, representing an increase of 194.2% when compared with that of approximately RMB117.9 million for the year ended December 31, 2022. Non-IFRS adjusted net profit(1) of the Group for the year ended December 31, 2023 was approximately RMB471.5 million, representing an increase of 72.0% when compared with that of approximately RMB274.1 million for the year ended December 31, 2022.

- Non-IFRS EBITDA(2) of the Group for the year ended December 31, 2023 was approximately RMB706.1 million, representing an increase of 92.4% when compared with that of approximately RMB367.0 million for the year ended December 31, 2022. Non-IFRS adjusted EBITDA(3) of the Group for the year ended December 31, 2023 was approximately RMB781.2 million, representing an increase of 63.1% when compared with that of approximately RMB479.1 million for the year ended December 31, 2022.

- Basic earnings per share for the year ended December 31, 2023 amounted to RMB0.13. Non-IFRS adjusted basic earnings per share(4) for the year ended December 31, 2023 amounted to RMB0.18.

- The Board recommended the payment of a final dividend of HK$5.95 cents per Share for the year ended December 31, 2023 (for the year ended December 31, 2022: 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 acquisitions; (iii) imputed interest income from related parties; and (iv) one-off loss made by HRC Fertility for the settlement of an atypical proceeding commenced in 2019.

(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 cost (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 income 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) one-off loss made by HRC Fertility for the settlement of an atypical proceeding commenced in 2019.

(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, 2023

The Board of Directors is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2023, together with the comparative figures for the corresponding period in 2022.

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 2023

	NOTES	**2023** **_RMB'000_**	2022 *RMB'000*
Revenue	3	**2,788,910**	2,364,479
Cost of revenue		**(1,613,465)**	(1,490,160)
Gross profit		**1,175,445**	874,319
Other income	4	**77,198**	50,152
Other expenses	5	**(31,439)**	(8,110)
Other gains and losses, net	6	**12,728**	(58,052)
Research and development expenses		**(21,746)**	(17,474)
Selling and distribution expenses		**(191,856)**	(151,435)
Administrative expenses		**(481,369)**	(458,853)
Share of results of associates		**5,109**	(4,414)
Share of result of a joint venture		**(161)**	44
Finance costs	7	**(79,641)**	(71,853)
Profit before taxation	8	**464,268**	154,324
Income tax expenses	9	**(117,285)**	(36,375)
Profit for the year		**346,983**	117,949
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**159,234**	899,187
Fair value gain on equity instrument at fair value through other comprehensive income ("**FVTOCI**")		**–**	1,930
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(104,209)**	(571,468)
Other comprehensive income for the year		**55,025**	329,649
Total comprehensive income for the year		**402,008**	447,598

	NOTES	2023 RMB'000	2022 RMB'000
Profit (loss) for the year attributable to:			
– Owners of the Company		**344,723**	121,124
– Non-controlling interests		**2,260**	(3,175)
		346,983	117,949
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**399,266**	447,949
– Non-controlling interests		**2,742**	(351)
		402,008	447,598
Earnings per share:	10		
– Basic (RMB)		**0.13**	0.05
– Diluted (RMB)		**0.12**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	NOTES	**2023** *RMB'000*	2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**2,595,241**	2,529,756
Right-of-use assets		**528,204**	565,425
Goodwill	11	**3,495,983**	3,484,725
Licenses		**1,531,148**	1,576,176
Non-compete agreement		**19,174**	20,312
Contractual right to provide management services		**1,996,613**	1,963,321
Trademarks		**2,664,197**	2,644,863
Investments in preferred shares measured at fair value through profit or loss ("**FVTPL**")		**7,052**	105,743
Interests in associates accounted for using equity method		**159,431**	–
Financial assets at FVTPL	12	**80,000**	–
Interest in a joint venture		**25,093**	25,254
Loan receivable		**28,431**	6,699
Refundable deposits		**65,620**	58,912
Prepayments		**184,595**	203,506
Amounts due from related parties		**28,368**	–
Deferred tax assets		**121,068**	88,516
Life insurance policy		**23,511**	22,452
Amounts due from an associate		**–**	32,503
		13,553,729	13,328,163
Current assets			
Inventories	13	**62,428**	62,545
Accounts and other receivables	14	**169,370**	188,680
Amounts due from related parties		**213,687**	211,338
Tax recoverable		**44,063**	40,063
Time deposits		**87,051**	13,399
Other financial assets at FVTPL		**141,569**	71,300
Bank balances and cash		**624,280**	1,316,549
		1,342,448	1,903,874

	NOTES	2023 RMB'000	2022 RMB'000
Current liabilities			
Accounts and other payables	15	**805,083**	916,929
Amounts due to related parties		**12,264**	47,528
Lease liabilities		**72,199**	63,256
Tax payables		**52,483**	81,581
Bank borrowing	16	**747,804**	18,618
Convertible bonds		**–**	1,636,059
		1,689,833	2,763,971
Net current liabilities		**(347,385)**	(860,097)
Total assets less current liabilities		**13,206,344**	12,468,066
Non-current liabilities			
Lease liabilities		**349,726**	375,986
Deferred tax liabilities		**1,210,705**	1,186,363
Bank borrowing	16	**1,379,664**	2,070,678
Loan payables		**79,437**	99,911
		3,019,532	3,732,938
Net assets		**10,186,812**	8,735,128
Capital and reserves			
Share capital		**180**	166
Reserves		**10,091,243**	8,639,577
Equity attributable to owners of the Company		**10,091,423**	8,639,743
Non-controlling interests		**95,389**	95,385
Total equity		**10,186,812**	8,735,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 medical 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")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

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

Impacts on application of Amendment to 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the consolidated financial statements.

Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised 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 difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance.

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

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* 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.

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

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies — Continued

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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Agreements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

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

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

Amendments to IFRSs in issue but not yet effective — Continued

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

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

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

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 amendments will not result in reclassification of the Group's liabilities.

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 medical consumables and equipment, net of discounts.

During the year ended 31 December 2023 and 2022, the Group's revenue is mainly contributed from its operations in Chengdu, Shenzhen, Wuhan, Kunming, the U.S.A. and Hong Kong Special Administrative Region ("**Hong Kong**").

3. REVENUE AND SEGMENT INFORMATION — Continued

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

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The management had designated the Group to be divided into two operating segments owing to the rapid development of its overseas operations. Prior year segment disclosures have been represented to conform with the current year's presentation.

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. and Lao People's Democratic Republic ("**Laos**") (collectively referred to as "**Overseas**") during the years ended 31 December 2023 and 2022. The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2023:

	Greater China *RMB'000*	**Overseas** *RMB'000*	**Consolidated** *RMB'000*
Revenue			
Segment revenue from external customers	**2,218,608**	**570,302**	**2,788,910**
Segment profit	**635,897**	**9,540**	**645,437**
Unallocated administrative expenses			**(85,674)**
Share-based compensation benefits			**(53,430)**
Certain exchange gain, net			**4,180**
Certain interest income from banks			**185**
Interest income from time deposits			**9,945**
Interest on convertible bonds			**(1,310)**
Certain interest on bank borrowing			**(55,065)**
Profit before taxation			**464,268**

3. REVENUE AND SEGMENT INFORMATION — Continued

For the year ended 31 December 2022:

	Greater China *RMB'000*	Overseas *RMB'000*	Consolidated *RMB'000*
Revenue			
Segment revenue from external customers	1,902,035	462,444	2,364,479
Segment profit	431,196	(83,384)	347,812
Unallocated administrative expenses			(87,437)
Share-based compensation benefits			(33,024)
Loss on fair value changes of investments in preferred shares measured at FVTPL			(76,733)
Gain on deemed disposal of partial investments in preferred shares measured at FVTPL			36,310
Certain loss on fair value changes of financial assets at FVTPL			(13,505)
Certain gains on fair value changes of other financial assets at FVTPL			2,851
Gain on fair value change of other financial liabilities at FVTPL			3,501
Certain exchange gain, net			8,784
Certain interest income from banks			866
Certain interest income from time deposits			9,177
Interest income from pledged bank deposits			2,153
Share of results of associates			(3,610)
Gain on disposal of an associate			4,348
Interest on convertible bonds			(4,710)
Certain interest on bank borrowing			(42,459)
Profit before taxation			154,324

3. REVENUE AND SEGMENT INFORMATION — Continued

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, certain net exchange gain, certain interest income resulted from the corporate bank balances (including time deposits), interest on convertible bonds, and certain interest on bank borrowing (2022: excluding unallocated administrative expenses (including the corporate expenses), share-based compensation benefits, loss on fair value changes of investments in preferred shares measured at FVTPL, gain on deemed disposal of partial investments in preferred shares measured at FVTPL, certain loss on fair value change of financial assets at FVTPL, certain gains on fair value changes of other financial assets at FVTPL, gain on fair value change of other financial liabilities at FVTPL, certain net exchange gain, certain imputed interest income from related parties, certain interest income resulted from the corporate bank balances (including pledged bank deposits and time deposits), share of result of associates, gain on disposal of an associate, interest on convertible bonds, and certain interest on bank borrowing).

Segment assets and liabilities

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

	2023	2022
	RMB'000	*RMB'000*
Segment assets		
Greater China	**10,236,261**	10,527,164
Overseas	**4,466,452**	4,343,676
Total segment assets	**14,702,713**	14,870,840
Corporate bank balances and cash	**12,071**	106,720
Investments in preferred shares measured at FVTPL	**7,052**	105,743
Corporate amounts due from an associate	**–**	15,434
Life insurance policy	**23,511**	22,452
Unallocated (other assets)	**150,830**	110,848
Total	**14,896,177**	15,232,037

	2023	2022
	RMB'000	*RMB'000*
Segment liabilities		
Greater China	**1,702,407**	2,956,015
Overseas	**963,028**	944,673
Total segment liabilities	**2,665,435**	3,900,688
Convertible bonds	**–**	1,636,059
Corporate bank borrowing	**1,997,954**	930,678
Unallocated (other liabilities)	**45,976**	29,484
Total	**4,709,365**	6,496,909

3. REVENUE AND SEGMENT INFORMATION — Continued

Segment assets and liabilities — Continued

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

- All assets are allocated to operating segments, other than, corporate bank balances and cash, investments in preferred shares measured at FVTPL, corporate amounts due from an associate, life insurance policy and other unallocated corporate assets; and

- All liabilities are allocated to operating segments, other than convertible bonds, corporate bank borrowing and other unallocated corporate liabilities.

For the year ended 31 December 2023

	Greater China *RMB'000*	**Overseas** *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)*	**299,397**	**20,602**	**–**	**319,999**
Addition to non-current assets interest in associate accounted for using equity method	**–**	**164,469**	**–**	**164,469**
Depreciation and amortisation	**210,926**	**72,819**	**2,442**	**286,187**
Loss on disposal of property, plant and equipment	**555**	**511**	**–**	**1,066**

For the year ended 31 December 2022

	Greater China *RMB'000*	Overseas *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)*	291,169	97,030	24,700	412,899
Addition to non-current assets through acquisitions of subsidiaries	2,791,152	–	–	2,791,152
Depreciation and amortisation	205,218	53,830	2,346	261,394
Loss on disposal of property, plant and equipment	25	34,518	–	34,543

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

3. REVENUE AND SEGMENT INFORMATION — Continued

Segment assets and liabilities — Continued

Disaggregation of revenue from contracts with customers

	2023	2022
	RMB'000	*RMB'000*
Types of services		
Assisted reproductive services	**1,335,511**	1,053,776
Management services	**565,619**	502,837
Ambulatory surgery centre facilities	**101,674**	76,215
Ancillary medical services	**208,638**	150,956
Obstetrics, gynecology and pediatrics medical services	**470,484**	471,076
Sales of medical consumables and equipment	**106,984**	109,619
Total	**2,788,910**	2,364,479

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time recognition	**1,490,481**	1,282,311
Over time recognition	**1,298,429**	1,082,168
Total	**2,788,910**	2,364,479

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 2023, the non-current assets located in the Greater China and Overseas amounted to RMB9,120,200,000, RMB4,068,640,000, and RMB41,402,000, respectively (31 December 2022: RMB8,936,931,000, RMB4,152,246,000, and RMB52,356,000, respectively). Non-current assets as at 31 December 2023 excluded loan receivable, financial assets at FVTPL, refundable deposits and deferred tax assets (2022: excluded loan receivable, financial assets at FVTPL, refundable deposits, deferred tax assets and amounts due from an associate).

Information about major customers

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

	2023	2022
	RMB'000	*RMB'000*
HRC Medical	**444,627**	351,142

4. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Imputed interest income from related parties	**22**	196
Interest income from banks	**10,738**	16,814
Interest income from time deposits	**9,945**	9,182
Interest income from pledged bank deposits	**–**	2,153
Government grants *(Note)*	**32,553**	6,990
Consulting service income	**6,158**	2,561
Others	**17,782**	12,256
	77,198	50,152

Note: Government grants mainly represent amounts received by Sichuan Jinxin Fertility, a subsidiary of the Group, for its foreign investment awards and nucleic acid incentives with no unfulfilled conditions and the grants on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions. (2022: grants mainly represented amounts received by Sichuan Jinxin Xinan Hospital for its newly granted Class Three Grade A qualification as private hospital and grants on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions).

5. OTHER EXPENSES

	2023	2022
	RMB'000	*RMB'000*
Donations	**30**	3,411
Compensations *(Note)*	**31,347**	3,360
Others	**62**	1,339
	31,439	8,110

Note: During the year ended 31 December 2023, the Group actively sought conciliation on certain litigations and legal claims brought by former patients and employees in the USA. Based on the agreed conciliation or recent constructive developments, an amount of RMB31,347,000 was recognised in the profit or loss during the year, in which RMB17,359,000 was settled and the remaining amount of RMB13,988,000 was include in other payables. The Group did not engaged in any conciliation in 2022.

6. OTHER GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Loss on disposal/write-off of property, plant and equipment	**(1,066)**	(34,543)
Exchange gain, net	**3,988**	9,422
Fair value change of other financial assets at FVTPL	**6,124**	6,205
Fair value change of investments in preferred shares measured at FVTPL	**–**	(76,733)
Gain on deemed disposal of partial investments in preferred shares measured at FVTPL	**–**	36,310
Fair value change of financial assets at FVTPL	**–**	(5,526)
Fair value change of other financial liabilities at FVTPL	**–**	3,501
Gain on early termination of leases	**1,047**	203
Gain on disposal of investments in an associate	**–**	4,348
Others	**2,635**	(1,239)
	12,728	(58,052)

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank borrowings *(Note)*	**59,673**	45,263
Interest on convertible bonds	**1,310**	4,710
Interest on lease liabilities	**18,658**	21,880
	79,641	71,853

Note:

	2023	2022
	RMB'000	*RMB'000*
Total borrowing cost	**169,864**	81,688
Less: amounts capitalised in construction in progress	**(110,191)**	(36,425)
	59,673	45,263

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

8. PROFIT BEFORE TAXATION

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**4,300**	4,336
Directors' remuneration	**37,750**	12,942
Other staff costs		
– salaries, allowances and other benefits	**741,158**	661,964
– retirement benefit schemes contributions for other staff	**83,399**	65,989
– share-based compensation benefits	**27,670**	33,024
Total staff costs	**889,977**	773,919
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	**753,297**	650,928
Amortisation of licenses (included in administrative expenses)	**45,028**	39,034
Amortisation of non-compete agreement (included in administrative expenses)	**1,459**	1,393
Depreciation of property, plant and equipment	**155,062**	150,422
Depreciation of right-of use assets	**88,353**	72,713
Less: capitalised in building under construction	**(3,715)**	(2,168)
Depreciation of right-of-use assets recognised in profit and loss	**84,638**	70,545

9. INCOME TAX EXPENSES

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
PRC EIT	**103,966**	91,962
Under provision in respect of prior year for PRC EIT	**3,355**	–
Hong Kong Profits Tax	**4,364**	4,046
California State Income Tax	**183**	235
	111,868	96,243
Withholding tax	**21,480**	–
Deferred tax:		
Current year	**(16,063)**	(59,868)
	117,285	36,375

9. INCOME TAX EXPENSES — Continued

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 years 2023 and 2022.

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 2023 and 2022 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 RMB908,441,000 as at 31 December 2023 (31 December 2022: RMB784,026,000), 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.

9. INCOME TAX EXPENSES — Continued

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

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation	**464,269**	154,324
Tax at PRC EIT rate of 25%	**116,067**	38,581
Tax effect of share of results of associates	**(1,277)**	1,104
Tax effect of share of results of a joint venture	**40**	(11)
Tax effect of expenses not deductible for tax purposes	**1,224**	1,547
Tax effect of deductible temporary differences previously not recognised	**(13,330)**	–
Under provision in respect of prior year	**3,355**	–
Tax effect of income not taxable for tax purpose	**(2,494)**	(4,977)
Tax effect of R&D expense additional deduction	**(3,795)**	(1,801)
Effect of tax exemption and concessions granted to PRC subsidiaries	**(54,065)**	(44,483)
Utilisation of tax losses previously not recognized	**(4,010)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(327)**	(1,946)
Withholding tax on interest income among subsidiaries	**21,480**	–
Tax effect of tax loss not recognised	**54,417**	48,361
Income tax expenses	**117,285**	36,375

At the end of the reporting period, the Group has accumulated unused tax losses of RMB944,886,000 (2022: RMB627,256,000), subject to approval of relevant tax authorities, available for offset against future profits and recognised accumulated tax losses of RMB454,734,000 (2022: RMB338,732,000) as deferred tax asset. The unrecognised tax losses of RMB66,083,000 (2022: RMB53,607,000) will expire in various years before 2028 (2022: 2027) and other unrecognised tax losses may be carried forward indefinitely.

10. 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:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**344,723**	121,124
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**1,310**	4,710
– Exchange (gain) loss on convertible bonds	**(10,853)**	294
Earnings for the purpose of diluted earnings per share (profit for the year attributable to owners of the Company)	**335,180**	126,128

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,676,019**	2,496,257
Effect of dilutive potential ordinary shares:		
– Restricted Shares Units ("**RSUs**") issued by the Company	**29,937**	7,232
– Convertible bonds issued by the Company	**29,831**	120,980
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,735,787**	2,624,469

For the years ended 31 December 2023 and 2022, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of ordinary shares held by the nominee under the RSU Scheme by the RSU Scheme's Nominee and the effect of the ordinary shares issued by the Company.

For the years ended 31 December 2023 and 2022, 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.

11. GOODWILL

	RMB'000
COST	
At 1 January 2022	2,719,747
Arising from acquisitions of subsidiaries	542,941
Exchange realignment	222,037
At 31 December 2022	3,484,725
Exchange realignment	11,258
At 31 December 2023	3,495,983

12. FINANCIAL ASSETS AT FVTPL

	RMB'000
At 1 January 2022	177,747
Loss on fair value change *(Note i)*	(5,526)
Disposal *(Note i)*	(127,320)
Exchange realignment	8,338
Derecognised upon acquisition of a subsidiary *(Note i)*	(53,239)
At 31 December 2022	–
Purchase *(Note ii)*	80,000
At 31 December 2023	80,000

Notes:

i. During the year ended 31 December 2021, Sichuan Jinxin Fertility acquired 10% equity interests in Guangdong Kangzhi, which holds 51% equity interests in each of Jiuzhou Hospital and Kunming Hewanjia Hospital, at a consideration of RMB37,740,000. In addition, the Company through its wholly-owned subsidiary, Jinxin Fertility Group (BVI) Company Limited, subscribed 15% limited partnership interest in 天津濱海遠欣股權投資中心 (有限合夥)(Tianjin Binhai Yuanxin Equity Investment Center (Limited Partnership), "**Binhai Yuanxin**") at a total consideration of approximately US$17,250,000 (equivalent to approximately RMB111,504,000). Binhai Yuanxin indirectly holds 89.9663% equity interests in Guangdong Kangzhi Hospital and 99.9625% equity interests in each of Guangzhou Yunzhicai and Guangzhou Hejia. Guangzhou Yunzhicai holds 49% equity interests in Yunnan Jiuzhou Hospital, and Guangzhou Hejia holds 49% of equity interests in Kunming Hewanjia Hospital. Accordingly, the Group was entitled to approximately 19.33% economic interests in each of Yunnan Jiuzhou Hospital and Kunming Hewanjia Hospital.

12. FINANCIAL ASSETS AT FVTPL — Continued

Notes: — Continued

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

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

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

ii. On 26 November 2023, Xizang Jinli Enterprise Management Co., Ltd., a subsidiary of the Group, acquired 7.52% of the aggregate committed capital in WP Healthcare Investment (Wuxi Yixing) Partnership (Limited Partnership) ("**WP Partnership**"), a comprehensive in investment fund, as a limited partner with a total subscribe capital of RMB200,000,000. During the year ended 31 December 2023, the capital amounting to RMB80,000,000 was injected by the Group.

13. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Pharmaceutical products	**29,345**	26,170
Consumables and others	**33,083**	36,375
	62,428	62,545

14. ACCOUNTS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Accounts receivables	**73,086**	83,319
Other receivables and prepayment:		
Prepayments on acquisitions of equity interests *(Note i)*	**153,436**	153,082
Prepayments to a director of a subsidiary *(Note ii)*	**25,069**	37,587
Prepayments to suppliers	**87,000**	83,133
Interest receivables	**226**	383
Loan receivables *(Note iii)*	**28,431**	27,187
Others	**15,148**	14,194
	382,396	398,885
Less: Loan receivable classified as non-current assets *(Note iii)*	**(28,431)**	(6,699)
Prepayments classified as non-current assets	**(184,595)**	(203,506)
Accounts and other receivables classified as current assets	**169,370**	188,680

Notes:

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

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

iii. The amount represent US$3,025,000 (equivalent to approximately RMB21,723,000) (2022: US$2,942,000 (equivalent to approximately RMB20,488,000)) loan receivable from a shareholder of an associate and US$969,000 (equivalent to approximately RMB6,708,000) (2022: US$962,000 (equivalent to approximately RMB6,699,000)) loan receivable from IVF Universal, LLC, a supplier to the Group. These amounts are unsecured and interest-free. The loan receivable from a supplier is contracted to collect in 2026 and the loan receivable from a shareholder of an associate is expected to collect in 2026 (2022: the loan receivable from a supplier is expected to collect in 2024) and are therefore classified as non-current assets in the consolidated statement of financial position.

As at 1 January 2022, accounts receivables amounted to RMB64,330,000.

14. ACCOUNTS AND OTHER RECEIVABLES — Continued

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

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 Clinic and Sichuan Jinxin 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 2023 and 2022.

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.

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**44,408**	46,768
91 to 180 days	**16,653**	22,496
Over 180 days	**12,025**	14,055
	73,086	83,319

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

15. ACCOUNTS AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Accounts payables	**231,286**	217,723
Other payables:		
Consideration payable for Shenzhen Hengyu Lianxiang Investment Development Co., Ltd.	**–**	37,234
Consideration payable for acquisition of a subsidiary	**–**	33,670
Construction payables	**48,703**	86,435
Loan payables *(Note i)*	**236,075**	290,488
Dividend payables	**–**	10,504
Refundable customers' deposits	**141,636**	100,734
Accrued employee expenses (including social insurances and housing fund contributions)	**137,959**	159,052
Provision	**13,988**	–
Value-added tax and other tax payables	**12,494**	28,282
Deferred income *(Note ii)*	**11,345**	10,081
Interest payables	**14,015**	12,075
Others	**37,019**	30,562
	653,234	799,117
Total accounts and other payables	**884,520**	1,016,840
Less: Loan payables as non-current liabilities *(Note i)*	**(79,437)**	(99,911)
Total accounts and other payables as current liabilities	**805,083**	916,929

Notes:

(i) The amounts represent unsecured, interest-free loan payables to the former shareholders of Shenzhen Hengyu Lianxiang Investment Development Co., Ltd.. Pursuant to the equity transfer agreement entered into on 4 February 2022, certain consideration is payable by the Group to the former shareholders upon completion of certain construction milestones, which is due to be settled for over one year. Accordingly, as at 31 December 2023, the amount of RMB79,437,000 is expected to be paid after one year and is therefore classified as non-current liabilities in the consolidated statement of financial position.

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

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

15. ACCOUNTS AND OTHER PAYABLES — Continued

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

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**161,031**	151,802
91 to 180 days	**34,265**	16,954
181 to 365 days	**23,629**	35,526
Over 365 days	**12,361**	13,441
	231,286	217,723

16. BANK BORROWING

	2023	2022
	RMB'000	*RMB'000*
Bank borrowing, guaranteed	**2,127,468**	2,089,296

The carrying amounts of the above borrowing are repayable:

Within one year	**747,804**	18,618
Within a period of more than one year but not exceeding two years	**1,379,664**	714,020
Within a period of more than two years but not exceeding three years	**–**	1,356,658
	2,127,468	2,089,296

During the year ended 31 December 2023, the Group entered into certain new borrowings amounting to RMB640,062,000 mainly comprise of a new borrowing guaranteed by the Company amounting to RMB450,000,000 which carries a fixed interest rate of 3.8% per annum. The principle and the interests are repayable on 27 June 2024.

On 28 December 2021, the Company obtained syndicated bank facility amounted to US$300,000,000 (equivalent to approximately RMB2,070,678,000) which is guaranteed by the Company's subsidiaries. Credit Suisse AG, Singapore branch, incorporated in Switzerland with limited liability, and China CITIC Bank International Limited act as mandated lead arrangers and bookrunners of the syndicated bank facility. During the year ended 31 December 2022, the Company drew down the bank facility to its full amount. The loans carry interest at variable market rates of Secured Overnight Financing Rate plus a fixed interest of 2.2% and are repayable by installments of 15%, 20% and 65% of the principal upon 24, 30 and 36 months of the utilisation date.

The Group has repaid US$55,000,000 (equivalent to approximately RMB381,101,000) of the loans in June 2023 and another US$25,000,000 (equivalent to approximately RMB177,545,000) of the loans in November 2023. The outstanding amount of the loans are repayable by instalments of 8% and 65.0% of the principal upon 30 and 36 months of the utilisation date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS UPDATES

In 2023, the Company gradually recovered from the impacts of the COVID-19 pandemic. In line with its long-term business development strategies, the Company continued to optimize and enhance its capabilities from all aspects, including clinical standards, talent nurturing, scientific research and innovation, inventing new disciplines, organization construction, supply chain management, production capacity expansion, adopting new information systems and business integration. This lays a solid foundation for business recovery and growth in the post-pandemic era. In the past year, the Company has also achieved remarkable results in these areas.

In terms of our assisted reproductive business, we are committed to continuously improving the success rate of our fertility treatments, enhancing patient experience and strengthening our market reputation and influence in the ARS industry. In terms of talents, we have continued to strengthen the capabilities of our team of medical professionals through recruitment and internal training. In terms of scientific research, we have invested further in our research and development teams and research initiatives, enhanced the transferability of our scientific research into clinical applications, and promoted the improvement of clinical standards. In terms of specialties, we continued to strengthen our advantages in ARS by constructing featured specialty hospitals and treatment of specific diseases. In terms of operations and management, we established refined and innovative measures to improve the operation and management efficiency of our hospitals. In terms of business expansion, we expanded the capacity of our existing hospitals to capture the growth potential of the industry. In terms of adopting new information systems, the Group has implemented a digital platform and proprietary customer relationship management system into the Group's network of medical facilities to facilitate the information-powered smart hospitals and have digitalized patient management, appointment and payment processes, creating a more efficient and pleasant hospital visit experience and improving overall hospital operations. These measures reinforced our leading edge and market-leading position in assisted reproductive business in Greater China and the United States.

Since successfully completing the acquisition of Sichuan Jinxin Xinan Hospital (Jingxiu Campus) in November 2021, we continued to leverage our advantage in ARS as our core business and diversified our service offerings to provide a full lifecycle of fertility services covering pregnancy preparation, IVF, prenatal, childbirth, postpartum and menopause, enabling us to achieve higher growth with sustainability in the future. The Group has completed an internal restructuring in December 2022 to enable Sichuan Jinxin Xinan Hospital (Jingxiu Campus) to further expand its scope of offerings (which includes obstetrics, gynecology and pediatrics medical services) and provide medical services involving Molecular Genetics Services in accordance with the applicable PRC laws.

In April 2023, Sichuan Jinxin Xinan Hospital (Bisheng Campus) and Sichuan Jinxin Xinan Hospital (Jingxiu Campus) merged their medical licenses to Sichuan Jinxin Xinan Hospital. After the completion of merging the common use of the medical licenses of both Sichuan Jinxin Xinan Hospital (Bisheng Campus) and Sichuan Jinxin Xinan Hospital (Jingxiu Campus), Sichuan Jinxin Xinan Hospital (Bisheng Campus) and Sichuan Jinxin Xinan Hospital (Jingxiu Campus) have built a very strong reputation among our patients and enhanced its market influence in ARS, obstetrics, gynecology and pediatrics business, respectively, due to their excellent medical quality and superior service experience. We also actively strengthened the integration of ARS, obstetrics, gynecology and pediatrics business to promote the synergistic effects of the two hospitals and have achieved satisfactory results in 2023.

Chengdu operations

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

We endeavour to enhance patient satisfaction. We have been adhering to using patient satisfaction as one of the key performance indicators (KPI) for our employees to provide better service and enhance our patients' experience. In 2023, the satisfaction ratings of patients undergoing embryo transfers at Sichuan Jinxin Xinan Hospital (Bisheng Campus) increased by 2.4% to 96.0% as compared to 93.6% in 2022. Doctors with high patient satisfaction ratings also enhanced the reputation of Sichuan Jinxin Xinan Hospital (Bisheng Campus) in the ARS market.

We continue to expand our two-way referrals network and improve the utilization of high-quality medical technology and diversify our patient acquisition networks by leveraging on our leading position of Sichuan Jinxin Xinan Hospital (Bisheng Campus) in the ARS market in Sichuan Province. In 2023, Sichuan Jinxin Xinan Hospital (Bisheng Campus) cooperated with 114 medical institutions by way of two-way referrals or entering into specialty alliance cooperation agreements, which represented an increase of 19.0% over the same period in 2022.

In July 2023, Sichuan Jinxin Xinan Hospital (Bisheng Campus) obtained the qualification for the trial operation of PGT, enabling Sichuan Jinxin Xinan Hospital (Bisheng Campus) to provide medical services in all areas of assisted reproduction including IUI (AIH, AID), IVF-EF, ICSI and PGT. According to the statistics of the National Health Commission, there were only 78 medical institutions in the PRC that have obtained the qualification of PGT as of December 31, 2020. Also, in July 2023, Sichuan Jinxin Xinan Hospital (Bisheng Campus) obtained approval and qualification for providing obstetrics technology services for mothers and infants, and going forward, Sichuan Jinxin Xinan Hospital (Bisheng Campus) will build up its IVF obstetrics specialty for mothers and infants to create an integrated IVF and maternity service model. All these demonstrate the synergy of the merger, allowing Sichuan Jinxin Xinan Hospital (Bisheng Campus) and Sichuan Jinxin Xinan Hospital (Jingxiu Campus) to use their strengths in their respective medical field to apply for advanced licenses as well as to innovate and generate new business, while increasing operational efficiency and reducing costs.

As a Class III Grade A obstetrics, gynecology and pediatrics hospital in Sichuan Province, Sichuan Jinxin Xinan Hospital (Jingxiu Campus) possesses advantages in medical quality, service experience and reputation, which has enabled it to accelerate the establishment of an academic hospital integrated with production, academic and research in the region.

In January 2023, Sichuan Jinxin Xinan Hospital (Jingxiu Campus) obtained its qualification to provide the Molecular Genetics Services, which allows them to conduct prenatal examinations, prenatal screening, prenatal diagnosis and other obstetric diagnosis. The inclusion of Molecular Genetics Services, being the cutting-edge technology for pre-natal examination, is vital to the Group's future development for its ability to diagnose birth defects during pregnancy term with higher accuracy. We expect the inclusion of Molecular Genetics Services to further strengthen the Group's competitiveness and reputation. According to the statistics of the National Health Commission, there were only 5 medical institutions in Chengdu that have obtained the qualification to provide the Molecular Genetics Services as of June 30, 2023, and Sichuan Jinxin Xinan Hospital (Jingxiu Campus) is the only private medical institution with such qualification across Sichuan Province.

Sichuan Jinxin Xinan Hospital (Jingxiu Campus) completed its Good Clinical Practice ("**GCP**") filing with the National Medical Products Administration ("**NMPA**") for medical devices and medicines in April and November 2023, respectively, which not only showcased our high quality clinical outcome and R&D ability but also generated new revenue channels for the hospital.

In addition to our obstetrics business, other businesses such as pediatrics, gynecology and traditional Chinese medicine, as well as the newly launched ophthalmology and stomatology have also experienced rapid development, resulting in the formation of a business trend featuring obstetrics as a specialty and synergizing it with the other departments.

Going forward, Sichuan Jinxin Xinan Hospital (Jingxiu Campus) will continue to focus on providing medical services to women and children of all ages and in all areas of health management, covering the entire pregnancy lifecycle for women and the full development lifecycle for children.

Operations in Shenzhen and Greater Bay Area

In 2023, the operations of Shenzhen Zhongshan Hospital simultaneously focused on its business recovery and establishment of new hospital campus.

To capture the anticipated growth and increasing demand for ARS in Shenzhen and within the Greater Bay Area in the coming future due to the projected increase in population and demand in the region, and given Shenzhen Zhongshan Hospital is almost operating at full capacity, we acquired a new property in February 2022 which is approximately 5 times the size of the current premises, and expect to relocate its operations in the first half year of 2025. The new property will allow Shenzhen Zhongshan Hospital to (i) further diversify its service offerings to provide various reproductive services covering ARS, gynecology, andrology and immunology medical services; (ii) expand the VIP service to satisfy the multi-dimensional needs of our patients and enhance their experience; and (iii) provide sufficient space and a better medical environment to attract patients from the Greater Bay Area, including Hong Kong, in the future.

In addition, Shenzhen Zhongshan Hospital values the driving force generated by scientific research towards clinical applications, encourages scientific innovation and transfers research to clinical applications. The accumulated number of articles published by Shenzhen Innovation Center in the core journals under the Science Citation Index (the "**SCI Journals**") has surpassed 100 articles in 2023.

With the implementation of the national strategy of the Guangdong-Hong Kong-Macao Greater Bay Area, we will continue to deepen our strategic focus in the region and enhance our brand awareness and market share in the region. Since successfully completing the acquisition of RHC and ARC to expand our footprint in Hong Kong and strengthen our presence in fertility services in the Greater Bay Area, we have been actively exploring the establishment of business links between RHC and ARC with Mainland China. In 2023, two clinics began to promote "egg freezing" medical services, resulting in an increase of 145% in the number of frozen eggs compared to the same period of 2022.

Operations in Wuhan and Kunming

Since the resumption of its IVF license and recommenced its ARS operations, Wuhan Jinxin Hospital has adhered to "safety and quality" as core values to create a safe, reliable and standardized medical system for the provision of assisted reproductive medical services. Further, Wuhan Jinxin Hospital utilizes its integrated traditional Chinese and Western medicine approach featured for obstetrics in formulating treatment regime to increase IVF success rate for various infertility diseases. In 2023, the revenue of Wuhan Jinxin Hospital increased by 124.6% year-on-year and has significantly reduced its loss.

Since completing the acquisition of controlling interests in Jiuzhou Hospital and Hewanjia Hospital in July 2022 with our control in these hospitals increasing to 96.50% effective shareholding interest, we have continuously been optimized the business structures and improving clinical and operation standards for both hospitals, which enabled them to further strengthen their market leading position in the ARS field in Yunnan province. The number of IVF treatment cycles performed increased by 27.8% in 2023 compared to the same period of 2022 for its Kunming operations.

United States operations

Our business in the United States under HRC Medical has gradually recovered from the impacts of the COVID-19 pandemic. The number of international patients in 2023 has been restored to a level amounting to approximately 50% of that prior to the COVID-19 pandemic.

As part of our growth strategies, HRC Medical has been attracting and recruiting new doctors to enhance its business development and market share in ARS industry in the U.S. In 2023, HRC Medical successfully recruited 6 new doctors, amongst them, 3 commenced practicing at HRC Medical in 2023, and 3 will get onboard in the next 1 to 2 years.

HRC Management continued to collaborate with the University of Southern California ("**USC**"), a leading private research university in the United States, and its fertility medicine practice of the reproductive and infertility endocrinology division at the Keck School of Medicine ("**USC Fertility**"). We have further deepened our collaboration with USC Fertility where (i) the doctors from USC Fertility practiced and provided clinical services at the Pasadena Clinic under HRC; (ii) the number of physicians participating in USC's fellowship program increased from 2 to 4 with the support of HRC to nurture more physicians; and (iii) HRC Management and USC Fertility co-founded a research committee and collaborated on IVF-related clinical research to improve the quality of fertility treatment.

Laos operations

Jinrui Medical Center in Laos commenced trial operation in August 2023. Going forward, we will continue to provide assisted reproductive medical services with a primary focus on medical quality, standardization and safety management and therefore improving its reliability among its customers who seek IVF treatments in our Laos operations.

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, 2022 and 2023.

	Year ended December 31,	
	2023	2022
Number of IVF OPU cycles	**30,240**	26,125
Overall success rate		
Chengdu operations	**57.5%**	56.1%
Shenzhen operations	**57.4%**	54.5%
Yunnan operations	**54.8%**	–
United States operations	**56.3%**	57.1%

Notes:

1. "Overall success rate" represents the success rates of the medical institutions which performed over 1,500 IVF OPU cycles per annum. Successful rates of medical institutions performing less than 1,500 IVF OPU cycles per annum may not be indicative of its performance due to its size of patient base.

2. Yunnan operations were consolidated into the Group since July 2022.

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

OUTLOOK AND FUTURE

With the end of the pandemic, our businesses are expected to regain its momentum and achieved further growth in 2024. The demand for assisted reproductive technology and services is still strong and has great potential in the global market. The growth of the ARS market in China is particularly promising due to an increased prevalence of infertility caused by lifestyle changes, an increase in the average age of the parents when having their first childbirth, rising health awareness and environmental pollution. Compared with Europe and the United States with a market penetration of ARS at approximately 30%, the market penetration of ARS in China is still relatively low. In facing the challenges of decreasing fertility rate, the PRC government had implemented and is expected to continue to implement various policies and measures to encourage fertility, and the PRC government tends to encourage patients in need of ARS in treatment. We expect the penetration rate and market size for assisted reproductive technology will be significantly increased in China.

In facing the challenges of decreasing fertility rate and change in population structure due to aging problem, the PRC government encourages births by adopting various supportive measures. In July 2021, the Central Committee of the Communist Party of China and the State Council issued the "Decision on Optimizing Fertility Policies to Promote Long-term and Balanced Population Development" (《關於優化生育政策促進人口長期均衡發展的決定》), where couples are allowed to have up to three children, and supportive measures are being introduced covering various aspects to encourage births. The "Human Assisted Reproductive Technology Application Plan (2015–2020)" (《人類輔助生殖技術應用規劃(2015–2020)》) issued by the National Health Commission aims to promote the healthy development of the reproductive medicine industry in an orderly manner to meet the market demands. According to a recent reply by the National Health Commission, it has launched the revision of administrative measures, basis standards and technical specifications related to assisted reproductive technology in order to establish and improve legal egg donation and storage channel. In August 2022, 17 governmental authorities including the National Health Commission issued the "Guidelines on Further Improving and Implementing Supportive Measures for Active Fertility" (《關於進一步完善和落實積極生育支持措施的指導意見》) to guide local governments to consider the affordability of medical insurance (including maternity insurance) funds, relevant technical standards and other factors as a whole, and in accordance with the procedures, gradually list the labor analgesia and assisted reproductive technology programs in the coverage of such medical insurance funds.

Further, there are more provinces and cities in China including ARS treatment into the national reimbursement program to encourage utilization of ARS treatment to alleviate financial burden on patients. For instance, Beijing City and Guangxi Province included certain ARS treatment in the national reimbursement program in July and November 2023, respectively, followed by Gansu province and Inner Mongolia Autonomous Region in February 2024.

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

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

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

Increased productivity, capacity and market share

In the Greater Bay Area, with the implementation of the national strategy of the Guangdong-Hong Kong-Macao Greater Bay Area, we will continue to deepen our strategic focus in the area to capture in full the growth for ARS in the Greater Bay Area. Further in consideration that Shenzhen Zhongshan Hospital is operating almost at full capacity, we acquired a new property in anticipation of the future operation of Shenzhen Zhongshan Hospital. The new property, which is nearly five times the size of the existing property, is expected to officially commence operation in the first half year of 2025. The new property will allow Shenzhen Zhongshan Hospital to (i) further diversify its service offerings to provide various reproductive services covering ARS, gynecology, andrology and immunology medical services; (ii) expand the VIP service to satisfy the multi-dimensional needs of its patients and enhance their patients' experience; and (iii) provide sufficient space and a better medical environment to attract patients from the Greater Bay Area, including Hong Kong, in the future.

Wuhan and Kunming operations are well positioned to further capture patient needs for ARS and are expected to gain more market share in Hubei province and Yunnan province. In particular, since completing the control acquisition of Jiuzhou Hospital and Hewanjia Hospital, both hospitals have optimized their business structures and enhanced their clinical standards, hence experienced significant growth in ARS business in 2023.

Furthermore, Jiuzhou Hospital and Hewanjia Hospital ranked second in Yunnan Province and first amongst private hospitals in terms of market share, and they can offer services to patients from Guizhou Province. With respect to our United States operations, we will continue to implement expansion strategies by attracting and recruiting new physicians to the HRC Medical network, enabling HRC Medical to establish new clinics and enlarge its presence in the West Coast and across the United States.

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

We intend to continue expanding our service offerings to meet the patients' demand for high quality full-cycle services from pre-pregnancy, IVF, pre-natal, childbirth, postpartum and menopause offerings, and reinforce the synergy between our ARS and obstetrics, gynecology and paediatrics medical services.

We take our Chengdu operations as a paradigm for our China network, building a one-stop integrated business model, with ARS being our core services, to create more value through industry chain integration. The business model aims to shape our service offerings to support the entire fertility and pregnancy lifecycle, covering preconception, IVF, prenatal checkups, childbirth, postpartum, menopause offerings and pediatrics, and to offer our patients with quality services.

The Group underwent an internal integration of Sichuan Jinxin Xinan Hospital (Bisheng Campus) and Sichuan Jinxin Xinan Hospital (Jingxiu Campus) in 2023 aiming to achieve synergistic effects in business development. Going forward, Sichuan Jinxin Xinan Hospital (Bisheng Campus), being one of the largest hospitals in China specializing in assisted reproduction, will focus on establishing a regional reproductive health medical center that integrates IVF, pregnancy and childbirth with the adoption of new IVF technologies, whilst Sichuan Jinxin Xinan Hospital (Jingxiu Campus) will expand the target patients for its medical services from pregnant women and children to women and children of all ages, covering health management services of the entire pregnancy lifecycle for women and the full development lifecycle for children. In 2023, the synergy resulting from the integration of assisted reproduction, obstetrics, gynecology and paediatrics businesses has been prominent which included the expansion in the number and scale of service offerings to customers, cost synergies and efficiency improvement, and specialty construction. We will continue to deepen the integration of assisted reproduction, obstetrics, gynecology and pediatrics businesses to create enhanced synergistic effects by various means such as online hospitals, internal restructuring and specialty construction.

Expand our business network through all self-establishment or acquisitions

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

In China, we intend to enter markets with high growth potential through acquisitions, such as first-tier cities and cities with radiant effect. Aside from market potential, when conducting mergers and acquisitions in China, we will also take into account various important factors such as economic environment, target valuation and post-investment integration or consolidation to determine our merger and acquisition strategy, enabling a swift integration of resources and assisting the new hospitals to rapidly improve in respect of medical quality, operation management, market share and others. Further, we established strategic partnership with Warburg Pincus by becoming one of the limited partners of its fund in November 2023 to increase the breadth and depth of the Company's exploration of acquisition opportunities by leveraging on the fund's advantages. We believe the strategic partnership complements the Company's strategic layout and support the Group's mergers and acquisition investment strategies.

In the United States, we seek to expand our business network in the United States, particularly the Western United States, by way of recruiting physicians. HRC Medical owns 4 core clinics and 6 satellite clinics in Los Angeles and San Diego in the Western United States. It is expected that HRC Medical will continue to recruit new physicians to establish more new clinics this year to enhance its market influence in the region.

Besides the Greater China and the United States, we are also actively exploring opportunities to conduct mergers and acquisitions in Southeast Asia. We are of the view that the region has significant growth potential in ARS.

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

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

In the Greater Bay Area, we have included Jinxin Medical Innovation Research Center into the Group's network in January 2022 for more effective management of our scientific research. Jinxin Medical Innovation Research Center is committed to clinical-based scientific research innovation, and ultimately tackle clinical conundrum. In Chengdu, we incorporated Yongsheng Hengfu Research Center focusing on basic research in reproduction biology, which shall enhance the Group's R&D and innovation ability in both basic and clinical research.

In 2023, we continued to promote clinical research, accelerate clinical transformation, improve the quality of our clinical research and promote the construction of new scientific disciplines. Our hospitals have published 44 articles in SCI Journals, 16 articles in core journals and obtained 30 scientific research projects. Furthermore, our hospitals also obtained 20 patents, of which, include five invention patents, 12 utility patents, 1 appearance patent and 2 software copyrights.

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

To further deepen its scientific research levels, the Group has collaborated with several reputable universities with a view to providing better care and medical services for its patients. In 2023, (i) Sichuan Jinxin Xinan Hospital (Bisheng Campus) collaborated with The Chinese University of Hong Kong and provided a training course on assisted reproductive medicine and management; (ii) Shenzhen Zhongshan Hospital collaborated with Guangdong Pharmaceutical University to provide a joint training facility for postgraduate students; and (iii) HRC Management collaborated with the USC Keck School of Medicine in establishing a scientific research training facility.

Talent recruitment and nurturing plan

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

We will continue to implement the "physician as partner" mechanism to grant outstanding physicians with equity ownership as partners of the Company, sharing the fruits from the development of the Company. Our 2022 Restricted Share Award Scheme aims to (i) provide our employees with the opportunity to acquire proprietary interests in the Company; (ii) encourage our employees to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole; and (iii) provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to our employees.

During the Reporting Period, the Board of Directors approved the grant of 65,853,241 Restricted Shares in aggregate to grantees under the 2022 Restricted Share Award Scheme, subject to the acceptance of the grantees and other conditions as may be determined by the Board. As of December 31, 2023, the Company has awarded 57,170,247 Restricted Shares in aggregate to employees of the Company, Directors and Subsidiary Directors under the 2022 Restricted Share Award Scheme.

We will continue to introduce and recruit excellent physicians to join the Company, and cooperate with well-known universities to nurture young physicians. HRC Management continued to collaborate with the USC to support HRC Medical to nurture more physicians.

We also established the "Jinxin Academy" and invited renowned experts to give public lectures, aiming to (i) attract young physicians who are interested in assisted reproductive technology and improve their professional skills; and (ii) reserve talents for the expansion of the Company and the industry. In 2023, medical institutions of the Group continued to provide medical education programs, of which, one were at the national level, 29 were at the provincial level, and 10 were at the municipal level.

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

We have established a digital platform for our customers which digitizes their appointment making and consultation payment process. By integrating medical resources of our hospitals over digital platforms, we offer a continuum of online and offline integrated healthcare services before, during and after medical consultations. Also, this allows our hospital to facilitate a more efficient and pleasant hospital visit for our patients and improve its overall hospital operations.

In 2023, the Group implemented its standardized information system and new electronic medical records (EMR) system into the operations of our hospital network in China.

Furthermore, to continue delivering quality customer service and ensure proper follow-up on diagnosis and treatment systems, we have developed a proprietary customer relationship management (HSCRM) system. The HSCRM system has been implemented into our entire network of assisted reproductive medical facilities and serves more than 200,000 patients. The HSCRM system will enable the Group to better manage its customers, provide higher quality of service and have a better follow-up diagnosis and treatment system. As a result of the HSCRM system, the patient satisfaction ratings have continued to increase.

Environmental, Social and Governance (ESG)

We have dedicated ourselves to enhancing our ESG initiatives in many ways and provide regular updates to our stakeholders in our ESG reports. On the one hand, we believe, through our efforts in ESG, we will continue to create value for the society and gain recognition from the society and patients. In 2023, we insisted on the strategic position of constructing new disciplines of assisted reproduction, actively promoting the new disciplines in each hospital and carrying out scientific research and innovation. We have combined our own physician training model and business experience to develop professional courses for internal staff and industry talents, empower the growth of industry medical and nursing staff, and steadily improve medical quality and medical standards. Meanwhile, we insist on being patient-oriented, promoting digital transformation of our hospitals, strengthening the medical quality management of our hospitals, providing patients with quality medical services throughout the lifecycle of their fertility treatment, establishing a perfect patient communication mechanism and taking multiple measures to continuously ensure patient safety.

On the other hand, we will continue to aid the Company in realizing a healthy and sustainable development in the future. We actively promote the accessibility of healthcare, enabling more families to benefit from the achievements of modern medicine through free and charitable clinics, charity medicine donations and training to primary care institutions. Meanwhile, we insist on green operations, promote energy saving and consumption reduction initiatives in all hospitals, actively address climate change and help create an environment-friendly community.

Financial Review

Revenue

Revenue of the Group increased by 18% from approximately RMB2,364.5 million for the year ended December 31, 2022 to approximately RMB2,788.9 million for the year ended December 31, 2023. The overall increase was primarily attributable to (i) increase in revenue due to gradual recovery of our operations in China after the COVID-19 pandemic in terms of the size of patient base and the customers' needs for VIP services and other value-added services; (ii) increase in revenue generated by our United States operations due to gradual recovery of size of international patient base; and (iii) increase in revenue due to the consolidation of Jiuzhou Hospital and Hewanjia Hospital into our Group since July 13, 2022.

During the Reporting Period, the Group generated revenue from the following services: (i) ARS; (ii) management services; (iii) ancillary medical services; (iv) obstetrics, gynecology and pediatrics medical services; and (v) sales of medicines, consumables and equipment. The Group's revenue is contributed from its operations in the Greater China, the United States and Laos. The following table sets forth a breakdown of the Group's revenue for each service category by region:

	Year ended December 31,			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Chengdu Operations				
ARS	**760,229**	**27.2%**	656,870	27.8%
Management service fee	**133,146**	**4.8%**	147,285	6.2%
Obstetrics, gynecology, pediatrics medical services and sales of medicines, consumables and equipment	**577,468**	**20.7%**	580,695	24.6%
Sub-total	**1,470,843**	**52.7%**	1,384,850	58.6%

	Year ended December 31,			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Shenzhen operations				
ARS	**361,554**	**13%**	311,866	13.2%
Ancillary medical services	**45,773**	**1.6%**	36,426	1.5%
Sub-total	**407,327**	**14.6%**	348,292	14.7%
Kunming operations				
ARS	**155,416**	**5.6%**	51,488	2.2%
Ancillary medical services	**80,091**	**2.9%**	40,937	1.7%
Sub-total	**235,507**	**8.5%**	92,425	3.9%
Wuhan operations				
ARS	**24,147**	**0.9%**	5,112	0.2%
Ancillary medical services	**14,008**	**0.5%**	11,876	0.5%
Sub-total	**38,155**	**1.3%**	16,988	0.7%
Hong Kong operations				
ARS	**31,404**	**1.1%**	28,440	1.2%
Ancillary medical services	**35,372**	**1.4%**	31,040	1.3%
Sub-total	**66,776**	**2.4%**	59,480	2.5%
United States operations				
Management service fee	**432,473**	**15.5%**	355,552	15.1%
Ancillary medical services[1]	**135,068**	**4.8%**	106,892	4.5%
Sub-total	**567,542**	**20.3%**	462,444	19.6%
Laos operations				
Management service fee	**2,761**	**0.1%**	–	–
Ancillary medical services	**–**	**–**	–	–
Sub-total	**2,761**	**0.1%**	–	–
Total	**2,788,910**	**100%**	2,364,479	100%

Note:

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

Chengdu operations

The revenue contributed by the operations in Chengdu increased by 6.2% from approximately RMB1,384.9 million for the year ended December 31, 2022 to approximately RMB1,471 million for the year ended December 31, 2023, primarily due to (i) an increase in revenue generated from our ARS offered at Sichuan Jinxin Xinan Hospital (Bisheng Campus) due to an increase in the number of IVF treatment cycles conducted in 2023 and an increase in average spending per IVF treatment cycle due to higher VIP penetration rate; and (ii) an increase in revenue generated from gynecology and pediatrics-related services provided by Sichuan Jinxin Xinan Hospital (Jingxiu Campus), which was partially offset by a decrease in revenue generated from nucleic acid testing after recovery from the pandemic in 2023.

The revenue from ARS in Chengdu operations increased by 15.7% from approximately RMB656.9 million for the year ended December 31, 2022 to approximately RMB760.2 million for the year ended December 31, 2023, primarily due to an increase in the number of IVF treatment cycles conducted in 2023 and an increase in average spending per IVF treatment cycle resulted from higher demands for premium services, and thus leading to a higher VIP penetration rate.

The revenue from obstetrics, gynecology and pediatrics medical services and sales of medicines, consumables and equipment decreased by 0.6% from approximately RMB580.7 million for the year ended December 31, 2022 to approximately RMB577.5 million for the year ended December 31, 2023, primarily due to a decrease in revenue from nucleic acid testing after recovery from the pandemic in 2023 and from obstetrics business resulted from an overall declining rate across China, which was partially offset by an increase in revenue generated from gynecology and pediatrics-related services provided at Sichuan Jinxin Xinan Hospital (Jingxiu Campus). We have observed that our newly established businesses, such as ophthalmology, stomatology and traditional Chinese medicine, are ramping up and shall contribute to the Group's revenue forthcoming.

Shenzhen operations

The revenue contributed by the Group's Shenzhen operations increased by 16.9% from approximately RMB348.3 million for the year ended December 31, 2022 to approximately RMB407.3 million for the year ended December 31, 2023, primarily due to an increase in revenue generated from ARS resulted from the increase in the number of IVF treatment cycles conducted after recovery from the pandemic and the increase in average spending per IVF treatment cycle attributable to increased demand for premium services and thus leading to a higher VIP penetration rate.

Wuhan operations

The revenue contributed by the Group's Wuhan operations increased by 124.6% from approximately RMB17.0 million for the year ended December 31, 2022 to approximately RMB38.2 million for the year ended December 31, 2023, primarily due to resumption of ARS business in Wuhan on August 31, 2022.

Kunming operations

The revenue contributed by the Group's Kunming operations increased by 154.8% from approximately RMB92.4 million for the year ended December 31, 2022 to approximately RMB235.5 million for the year ended December 31, 2023, primarily due to the consolidation of the revenue generated by Jiuzhou Hospital and Hewanjia Hospital since we increased our control to approximately 96.50% effective shareholding interest in these hospitals in July 2022, coupled with the growth in IVF business experienced by both hospitals in 2023.

Hong Kong operations

The revenue contributed by the Group's Hong Kong operations increased by 12.3% from approximately RMB59.5 million for the year ended December 31, 2022 to approximately RMB66.8 million for the year ended December 31, 2023, primarily due to increase in number of egg freezing cycles performed at clinics in Hong Kong.

United States operations

The revenue contributed by the Group's United States operations increased by 22.7% from approximately RMB462.4 million for the year ended December 31, 2022 to approximately RMB567.5 million for the year ended December 31, 2023, primarily due to an increase in IVF treatment cycles conducted 2023 after travel restrictions were lifted after the pandemic, coupled with an increase in average spending per IVF treatment cycle for both domestic and international patients.

Laos operations

The revenue contributed by the Group's Laos operations for the year ended December 31, 2023 was approximately RMB2.8 million, primarily due to increase in medicine consumption and labor costs in line with increase in revenue.

Cost of Revenue

Cost of revenue of the Group increased by 8.3% from approximately RMB1,490.2 million for the year ended December 31, 2022 to approximately RMB1,613.5 million for the year ended December 31, 2023. The increase in cost of revenue was mainly attributed to increase in the consumption of the pharmaceutical products and consumables by our existing medical institutions in line with increase in revenue, coupled with the consolidation of Jiuzhou Hospital and Hewanjia Hospital.

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 34.4% from approximately RMB874.3 million for the year ended December 31, 2022 to approximately RMB1,175.4 million for the year ended December 31, 2023. The increase in gross profit was mainly attributed to (i) the increase in revenue resulted from business recovery after recovery from the pandemic for our China and overseas operations, coupled with the consolidation of Jiuzhou Hospital and Hewanjia Hospital into our Group; and (ii) the increase in gross profit margin is higher than the increase in revenue. The gross profit margin increased from 37.0% for the year ended December 31, 2022 to 42.1% for the year ended December 31, 2023, primarily attributable to the economies of scale achieved by the Group's operations after recovery from the pandemic, coupled with the effective cost control measures on medicines and consumables and the lowering of staff costs in operations across our medical network resulted from improvement in operation efficiency.

Other Income

Other income of the Group increased by 53.9% from approximately RMB50.2 million for the year ended December 31, 2022 to approximately RMB77.2 million for the year ended December 31, 2023, primarily due to an increase in government grants received by Sichuan Jinxin Fertility for its foreign direct investments in Chengdu.

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

Other Gains and Losses

Other gains and losses primarily represent gains and losses on fair value change of financial assets/investment at fair value at fair value through profit or loss ("**FVTPL**"), on disposal of assets/investments, and on net exchange. The Group recorded net other gain of RMB12.7 million for the year ended December 31, 2023, primarily attributable to (i) foreign exchange gain derived from the fluctuations in the exchange rate of USD against RMB and HKD and (ii) fair value gain on structured financial products derived from effective treasury management.

Research and Development Expenses

Research and development expenses of the Group increased by 24.4% from approximately RMB17.5 million for the year ended December 31, 2022 to approximately RMB21.7 million for the year ended December 31, 2023, primarily attributable to the consolidation of Yongsheng Hengfu Research Centre since December 2022. Yongsheng Hengfu Research Centre focuses on basic research in reproduction biology, whilst Jinxin Medical Innovation Research Center focuses at clinical-based scientific research innovation and tackling clinical conundrum. By combining their strengths, we shall be able to enhance R&D and innovation ability in both basic and clinical research.

Research and development expenses primarily consist of staff costs of the Group's research and development team at Yongsheng Hengfu Research Centre and Jinxin Medical Innovation Research Center.

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 26.7% from approximately RMB151.4 million for the year ended December 31, 2022 to approximately RMB191.9 million for the year ended December 31, 2023, primarily due to the consolidation of Jiuzhou Hospital and Hewanjia Hospital into our Group since July 13, 2022. Jiuzhou Hospital and Hewanjia Hospital used to incur significant marketing activities before consolidation into the Group. After consolidation, we have taken effective measures to attract patients in a more efficient way, such as by recruitment of well-regarded physicians, and effectively improved the cost-benefit ratio of the marketing expenses incurred. We will continue to optimize patient acquisition strategies and reduce the marketing expenses for both hospitals in the future.

Administrative Expenses

Administrative expenses primarily consist of staff costs, including ESOP expenses, depreciation and amortization, repairment and maintenance expenses, property-related expenses and others. Administrative expenses of the Group increased by 4.9% from approximately RMB458.9 million for the year ended December 31, 2022 to approximately RMB481.4 million for the year ended December 31, 2023, primarily due to the consolidation of Jiuzhou Hospital and Hewanjia Hospital into our Group since July 13, 2022 which was partially offset by the decrease in administration expenses incurred by our headquarter due to further improvement in operation efficiency. The increase in administration expenses was lower than the increase in revenue, which positively contributed to in Group's profitability.

Finance Costs

Finance costs of the Group increased by 10.8% from approximately RMB71.9 million for the year ended December 31, 2022 to approximately RMB79.6 million for the year ended December 31, 2023, primarily due to the increase in interest incurred for the syndicated bank facility in U.S. dollar which was drawn down in full in March 2022 resulting from the increase in prime rate charged by banks for loans dominated in U.S. dollar. The Group has taken measures to partially replace the syndicated loan with a lower cost of bank facilities, and are expecting to reduce finance cost to be incurred.

Income Tax Expenses

Income tax expenses of the Group primarily consist of PRC enterprise income tax withholding tax and Hong Kong Profits Tax. Income tax expenses of the Group increased by 222.4% from approximately RMB36.4 million for the year ended December 31, 2022 to approximately RMB117.3 million for the year ended December 31, 2023, primarily due to increase in profit before tax of the Group resulted from the increase in revenue and the improvement in operation efficiency.

The effective tax rate of the Group increased from 23.6% for the year ended December 31, 2022 to 25.3% for the year ended December 31, 2023, primarily due to the increase in taxable income for Shenzhen operations with a higher applicable Enterprise Income Tax (EIT) rate at 25%.

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, 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Profit for the year	**346,983**	117,949
Add:		
ESOP expenses(1)	**53,430**	33,024
Amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from acquisitions(2)	**49,356**	44,127
Imputed interest income from related parties(3)	**(22)**	(196)
One-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business(4)	**–**	38,809
One-off loss made by disposal of Kangseed Investment(5)	**–**	40,423
One-off loss made by HRC Medical for the settlement of an atypical proceeding commenced in 2019	**21,704**	–
Non-IFRS adjusted net profit	**471,451**	274,136
Non-IFRS EBITDA	**706,117**	366,997
Add:		
ESOP expenses(1)	**53,430**	33,024
Imputed interest income from related parties(3)	**(22)**	(196)
One-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business(4)	**–**	38,809
One-off loss made by disposal of Kangseed Investment(5)	**–**	40,423
One-off loss made by HRC Medical for the settlement of an atypical proceeding commenced in 2019	**21,704**	–
Non-IFRS adjusted EBITDA	**781,229**	479,057

Notes:

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

(2) Amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from acquisitions: by eliminating the effect of these items from the profit attributable to the owners of the Company, it serves the purpose of demonstrating the endogenous growth of the Company.

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

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

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

(6) One-off loss made by HRC Fertility for the settlement of an atypical proceeding: this loss was caused by closing an atypical claim which commenced in 2019.

Net Profit and Net Profit Margin

As a result of the foregoing, net profit of the Group increased by 194.2% from approximately RMB117.9 million for the year ended December 31, 2022 to approximately RMB347.0 million for the year ended December 31, 2023. Net profit margin of the Group for the year ended December 31, 2023 was 12.4%, compared to 5.0% for the year ended December 31, 2022. The higher net profit margin compared to the year ended December 31, 2022 was primarily attributable to (i) the economies of scale achieved by the Group since the business recovery across our medical institutions in China and overseas; (ii) the ramping up of our Wuhan operations; and (iii) improvement in supply chain management across our Chengdu operations and operation efficiency across our medical institutions in China and overseas, which was partially offset by consolidation of Jiuzhou Hospital and Hewanjia Hospital into our Group since July 13, 2022 which had lower profit margins and yet to be improved in the future.

Profit attributable to owners of the Company increased by 184.6% from approximately RMB121.1 million for the year ended December 31, 2022 to approximately RMB344.7 million for the year ended December 31, 2023.

Non-IFRS adjusted net profit[1] of the Group increased by 72.0% from approximately RMB274.1 million for the year ended December 31, 2022 to approximately RMB471.5 million for the year ended December 31, 2023. The non-IFRS adjusted net profit margin of the Group for the year ended December 31, 2022 was 11.6%, compared to 16.9% for the year ended December 31, 2023. The higher non-IFRS adjusted net profit margins for the year ended December 31, 2023 was primarily the result of (i) the economies of scale achieved by the Group since the business recovery across our medical institutions in China and overseas; (ii) the ramping up of our Wuhan operations; (iii) improvement in supply chain management across our Chengdu operations and operation efficiency across our medical institutions in China and overseas, which was partially offset by consolidation of Jiuzhou Hospital and Hewanjia Hospital into our Group since July 13, 2022 which had lower profit margins and yet to be improved in the future.

Non-IFRS adjusted net profit attributable to owners of the Company increased by 69.2% from RMB277.3 million for the year ended December 31, 2022 to approximately RMB469.2 million for the year ended December 31, 2023.

Non-IFRS EBITDA

Non-IFRS EBITDA[2] of the Group increased by 92.4% from approximately RMB367.0 million for the year ended December 31, 2022 to approximately RMB706.1 million for the year ended December 31, 2023. The non-IFRS EBITDA margin of the Group for the year ended December 31, 2023 was 25.3%, compared to 15.5% for the year ended December 31, 2022. The higher non-IFRS EBITDA margin of the Group for the year ended December 31, 2023 was primarily attributable to the increase in operation revenue resulted from (i) the economies of scale achieved by the Group since the business recovery across our medical institutions in China and overseas; (ii) the ramping up of our Wuhan operations; and (iii) improvement in supply chain management across our Chengdu operations and operation efficiency across our medical institutions in China and overseas, which was partially offset by consolidation of Jiuzhou Hospital and Hewanjia Hospital into our Group since July 13, 2022 which had lower profit margins and yet to be improved in the future.

1 Non-IFRS adjusted net profit is calculated as net profit for the Reporting Period, excluding (i) ESOP expenses; (ii) amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from acquisitions; (iii) imputed interest income from related parties; (iv) one-off loss made by HRC Fertility for the settlement of an atypical proceeding commenced in 2019.

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

Non-IFRS adjusted EBITDA[3] of the Group increased by 63.1% from approximately RMB479.1 million for the year ended December 31, 2022 to approximately RMB781.2 million for the year ended December 31, 2023. The non-IFRS adjusted EBITDA margin of the Group for the year ended December 31, 2023 was 28%, compared to 20.3% for the year ended December 31, 2022. The higher non-IFRS adjusted EBITDA margin of the Group for the year ended December 31, 2022 was mainly due to the increase in Non-IFRS EBITDA as a result of the foregoing.

Basic and Diluted Earnings per Share

The basic and diluted earnings per share of the Group for the year ended December 31, 2023 amounted to RMB0.13 and RMB0.12, respectively, as compared with RMB0.05 and RMB0.05, respectively, as that for the year ended December 31, 2022. Please refer to note 10 to the consolidated financial statements in this announcement. Adjusted basic earnings per share of the Group for the year ended December 31, 2023 amounted to RMB0.18, as compared with RMB0.11 as that for the year ended December 31, 2022.

Inventories

Inventories of the Group decreased by 0.2% from approximately RMB62.5 million as at December 31, 2022 to approximately RMB62.4 million as at December 31, 2023, primarily due to the improved efficiency on inventory management, particularly with our Chengdu operations.

Accounts and Other Receivables

Accounts and other receivables of the Group decreased by 10.2% from approximately RMB188.7 million as at December 31, 2022 to approximately RMB169.4 million as at December 31, 2023, which was primarily due to the improved efficiency in account receivables aging schedule.

Accounts and Other Payables

Accounts and other payables of the Group decreased by 12.2% from approximately RMB916.9 million as at December 31, 2022 to approximately RMB805.1 million as at December 31, 2023, primarily due to the decrease in payables associated with the acquisition of the new property, being the new hospital building of Shenzhen Zhongshan Hospital, and the decrease in last tranche of consideration payment for the acquisition of Jiuzhou Hospital and Hewanjia Hospital.

3 Non-IFRS adjusted EBITDA is calculated as non-IFRS EBITDA for the Reporting Period, excluding (i) ESOP expenses; (ii) imputed interest income from related parties; (iii) one-off loss incurred by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business, which officially resumed its ARS operation on August 31, 2022; (iv) one-off loss from the disposal of Kangseed Investment, to better reflect the Company's current business and operations; and (v) one-off loss made by HRC Fertility for the settlement of an atypical proceeding commenced in 2019.

Liquidity and Capital Resources

The business operations and expansion plans of the Group require a significant amount of capital, including upgrading the Group's existing medical facilities and establishing and acquiring new medical institutions and other working capital requirements. In June 2019, the Group received total proceeds of approximately HK$2,808.1 million from the Listing, after deducting the underwriting fees, commissions and related Listing expenses. In February 2021, the Group received total net proceeds of approximately HK$1,253.5 million from the Placing (as defined hereinafter). The Group also obtained additional funding from syndicated loan facilities of up to US$300 million in 2021 and a drawdown in full of such bank facilities in March 2022. On January 5, 2023, an aggregate of 175,000,000 placing Shares have been placed by the Company to not less than six placees at the placing price of HK$6.725 per placing Share and the Company received total net proceeds of approximately HK$1,161.6 million (equivalent to approximately RMB999.0 million). The placees, together with their respective ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons. None of the placees has become a substantial Shareholder immediately upon completion of the placing. The placing has been completed on January 16, 2023. The share capital of the Company only comprises ordinary shares. As at December 31, 2023, the authorized share capital of the Company was US$50,000 divided into 5,000,000,000 Shares. The capital structure of the Group was 31.6% debt and 68.4% equity as at December 31, 2023, compared with 42.7% debt and 57.3% equity as at December 31, 2022. Therefore, the Directors are of the view that the Group has sufficient resources to meet its future business operations and expansion.

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,	
	2023	**2022**
	RMB'000	*RMB'000*
Net cash from operating activities	**684,484**	541,740
Net cash used in investing activities	**(375,037)**	(1,377,837)
Net cash from financing activities	**(950,449)**	460,142
Cash and cash equivalents at beginning of the year	**1,329,948**	1,689,284
Effect of foreign exchange rate changes	**2,385**	16,619
Cash and cash equivalents at end of the year	**691,331**	1,329,948

Capital Commitments

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

	For the year ended December 31,	
	2023	**2022**
	RMB'000	*RMB'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**97,908**	82,739
Commitment to WP Partnership	**120,000**	0
	217,908	82,739

Significant Investments, Material Acquisitions and Disposals

Save as disclosed above, as at December 31, 2023, there were no significant investments held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Lease liabilities

The Group recognized right-of-use assets and corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. As at December 31, 2023, the Group, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB421.9 million. The lease liabilities represent payment for right of using underlying assets.

Borrowings

As at December 31, 2023, the Group had bank borrowings of RMB2,127.5 million (December 31, 2022: RMB2,089.3 million).

Pledge of Assets

As at December 31, 2023, the Group did not pledge any other assets.

Contingent Liabilities and Guarantees

As at December 31, 2023, the Group did not have any material contingent liabilities or guarantees.

Contractual Obligations

As at December 31, 2023, the Group did not have any contractual obligations that would have a material effect on its financial position or results of operations.

Interest-bearing Debt Ratio

Interest-bearing debt ratio is calculated using total borrowings (convertible bonds included) divided by total assets as at the end of such year and multiplied by 100%. As of December 31, 2023, the Group's interest-bearing debt ratio is 14.3% (as of December 31, 2022: 24.5%).

RISK MANAGEMENT

Currency Risk

The business of the Group mainly operates in the mainland China, Hong Kong, and the United States with its transactions settled in Renminbi, Hong Kong dollar 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 and bank borrowing. Its cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and bank borrowing. The Directors consider that the overall interest rate risk is not significant and no sensitivity analysis is presented. The Company considers the interest rate risk associated with the financial assets at fair value through profit or loss and fixed rate time deposit to be limited because the tenor of such instruments are short, ranging from 90 days to 3 years or can be redeemable on demand.

Liquidity Risk

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

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2023, the Group and the medical facilities in its network had a total of 3,231 employees, of whom 2,984 were located in China and 337 were located in the United States. The staff costs, including Directors' emoluments were approximately RMB778.9 million for the year ended December 31, 2023, as compared to approximately RMB674.9 million for the year ended December 31, 2022.

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 medical facilities, the medical professionals are provided with competitive compensation packages, attractive promotion opportunities, diverse training courses and a professional working environment. Remuneration packages for the employees primarily comprise of: base salary, performance-based compensation and/or discretionary bonus. As required by PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury insurance and unemployment insurance.

The Group also offers its employees the option to participate in its RSU Scheme and 2022 Restricted Share Award Scheme, which were adopted on February 15, 2019 and February 17, 2022, respectively. Summary of the principal terms of the RSU Scheme is set out in the section headed "Statutory and General Information — D. RSU Scheme" in Appendix V to the Prospectus. 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. During the Reporting Period, the Board of Directors approved the grant of 65,853,241 restricted Shares in aggregate to grantees under the 2022 Restricted Share Award Scheme, of which (i) 29,060,994 Restricted Shares were granted to 159 employees of the Company (who to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company); and (ii) 36,792,247 Restricted Shares were granted to 5 Directors and 10 directors of the Company's subsidiaries (who are connected persons of the Company). The Restricted Shares are subject to the acceptance of the grantees and other conditions as may be determined by the Board. As at December 31, 2023, the Company has awarded 57,170,247 Restricted Shares in aggregate to employees of the Company, Directors and Subsidiary Directors under the 2022 Restricted Share Award Scheme. Save as disclosed above, the Group has not granted any other award Shares during the Reporting Period.

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, 2023, no option has been granted pursuant to the Share Option Scheme.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$5.95 cents per Share for the year ended December 31, 2023 (for the year ended December 31, 2022: 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 Thursday, July 25, 2024. 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 4, 2024.

The register of members of the Company will be closed, for the purpose of determining Shareholders'entitlement to the proposed final dividend, from Tuesday, July 2, 2024 to Thursday, July 4, 2024, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, June 28, 2024.

OTHER INFORMATION

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 25, 2024. 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 June 20, 2024 to June 25, 2024, 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 branch share registrar in Hong Kong, 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 June 19, 2024.

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 C1 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, 2023. 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 C3 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, 2023.

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The Board has established the Audit and Risk Management Committee which is chaired by an independent non-executive Director, Mr. Ye Changqing, and consists of another two independent non-executive Directors, Dr. Chong Yat Keung and Mr. Wang Xiaobo, and two non-executive Directors, Mr. 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, 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, 2023, which has 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.

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, 2023.

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, 2023:

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceed	Actual usage up to December 31, 2023 *(HK$ million)*	Net proceeds brought forward for the Reporting Period *(HK$ million)*	Unutilized net proceeds as at December 31, 2023 *(HK$ million)*	Expected timeline for utilizing the remaining unutilized net proceeds[2]
To expand and upgrade existing assisted reproductive medical facilities in the Group's network in China and recruit medical professionals, including physicians and embryologists, in order to increase capacity, expand its service offering and market share[1]	702.0[1]	25.0%	702.0	–	–	By December 2022
For the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in[3]	561.6	20.0%	561.6	–	–	By December 2021
For investment in research and development to enhance overall performance and maintain the Group's position at the forefront of assisted reproductive technology	280.8	10.0%	113.4	188.0	167.4	By December 2026
For the potential acquisitions of ARS service providers and businesses along the ARS service chain[4]	561.6	20.0%	561.6	–	–	By December 2021
To improve brand awareness and general ARS awareness in both China and the United States	421.2	15.0%	348.6	259.8	72.6	By December 2025

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceed	Actual usage up to December 31, 2023 *(HK$ million)*	Net proceeds brought forward for the Reporting Period *(HK$ million)*	Unutilized net proceeds as at December 31, 2023 *(HK$ million)*	Expected timeline for utilizing the remaining unutilized net proceeds[2]
For the Group's working capital and general corporate purposes[5]	280.9	10.0%	280.9	–	–	By June 2022
Total	**2,808.1**	**100.0%**	**2,586.1**	**447.8**	**240.0**	

Notes:

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

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

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

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

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

USE OF PROCEEDS FROM PLACING

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

The closing of the Placing took place on February 9, 2021. The net proceeds from the Placing were approximately HK$1,253.5 million, which have been and will be utilized in accordance with the purposes set out in the announcements of the Company dated February 2, 2021 and February 9, 2021 respectively. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2023:

	Planned applications *(HK$ million)*	**Percentage of total net proceed**	**Actual usage up to December 31, 2023** *(HK$ million)*	**Net proceeds brought forward for the Reporting Period** *(HK$ million)*	**Unutilized net proceeds as at December 31, 2023**	**Expected timeline for utilizing the remaining unutilized net proceeds(1)**
To fund potential merger and acquisition opportunities of ARS-licensed providers located in regions in the PRC with relatively high demand for ARS, such as in East China, the Beijing Tianjin-Hebei region, and other highly potential regions	1,002.8	80.0%	1,002.8	–	–	By December 2021
To fund potential merger and acquisition opportunities of ARS-licensed providers located outside the PRC, such as Southeast Asia and other Asia pacific countries	188.0	15.0%	–	188.0	188.0	By June 2024
For general corporate and working capital purposes	62.7	5.0%	62.7	–	–	By June 2022
Total	**1,253.5**	**100.0%**	**1,065.5**	**188.0**	**188.0**	

Note:

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

USE OF PROCEEDS FROM TOP-UP PLACING

On January 5, 2023, the Company entered into a placing and subscription agreement with JINXIN Fertility Investment Group Limited as vendor (the "**Vendor**") and Morgan Stanley Asia Limited as placing agent (the "**Top-Up Placing Agent**"), pursuant to which (i) the Vendor agreed to sell, and the Top-Up Placing Agent agreed to procure purchaser to purchase, on a fully underwritten basis, 175,000,000 Shares at a price of HK$6.725 per Share; and (ii) the Vendor agreed to subscribe as principal for, and the Company agreed to issue, 175,000,000 new Shares, being equivalent to the number of placing Shares thereunder at the same price (the "**Top-Up Placing**").

The closing of the placing and subscription under the Top-Up Placing took place on January 9, 2023 and January 16, 2023, respectively. The net proceeds from the Top-Up Placing were approximately HK$1,161.6 million, which have been and will be utilized in accordance with the purposes set out in the announcements of the Company dated January 5, 2023 and January 16, 2023, respectively. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2023:

	Planned applications *(HK$ million)*	Percentage of total net proceed	Actual usage up to December 31, 2023 *(HK$ million)*	Net proceeds brought forward for the Reporting Period *(HK$ million)*	Unutilized net proceeds as at December 31, 2023	Expected timeline for utilizing the remaining unutilized net proceeds(1)
To redeem and repay the relevant part of the outstanding convertible bonds issued by the Company on November 26, 2021 in the principal amount of HK$1,814,706,000	987.96	85.0%	987.96	987.96	–	By June 2023
For the Group's working capital and general corporate purposes	174.35	15.0%	88.2	174.35	86.15	By December 2024
Total	**1,162.31**	**100.0%**	**1,076.17**	**1,162.31**	**86.15**	

Note:

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement and as at the date of this announcement, there were no material events after the Reporting Period.

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, 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on March 27, 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 2023 annual report containing all the information required by the Listing Rules will be despatched 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
"AID"	artificial insemination with donor sperm
"AIH"	artificial insemination with husband's sperm

"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
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chairman"	the Chairman of the Board
"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
"Hewanjia Hospital"	Kunming Jinxin Hewanjia Obstetrics and Gynecology Hospital Co., Ltd.* (昆明錦欣和萬家婦產醫院有限公司), a company established under the laws of the PRC with limited liability on January 15, 2014 and a subsidiary of the Group

“HK dollar(s)” or “HK$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HRC Fertility”	HRC Management and HRC Medical
“HRC Management”	HRC Fertility Management, LLC, a limited liability company established under the laws of Delaware, the United States on November 3, 2015, the Group’s indirect subsidiary
“HRC Medical”	Huntington Reproductive Center Medical Group, a professional corporation established under the laws of California, the United States on January 1, 1995, a connected person of the Company by virtue of being jointly owned by Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick, and the nine clinics and three IVF laboratories in California which it owns
“ICSI”	intracytoplasmic sperm injection
“IFRS”	International Financial Reporting Standards
“IUI”	intrauterine insemination
“IVF”	in vitro fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy
“IVF-ET”	in vitro fertilization and embryo transfer
“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
“Jiuzhou Hospital”	Yunnan Jinxin Jiuzhou Hospital Co., Ltd.* (雲南錦欣九洲醫院有限公司), a company established under the laws of the PRC with limited liability on September 24, 2003 and a subsidiary of the Group

"Kangseed Investment"	a minority shareholding interest investment by the Group in the holding company of a company primarily operating an App for online health management for women
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 25, 2019
"Listing 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 C3 to the Listing Rules
"Molecular Genetics Services"	medical services involving molecular genetics (分子遺傳)
"OPU"	oocyte pick up cycle
"PGT"	preimplantation genetic testing
"Prospectus"	the prospectus issued by the Company dated June 13, 2019
"R&D"	research and development
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the twelve-month period from January 1, 2023 to December 31, 2023
"Restricted Shares"	any Shares that may be offered by the Company to any selected Eligible Participant under the 2022 Restricted Share Award Scheme
"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, and is operated under the brand name Gratia Medical Centre

"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
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Shareholder(s)"	holder(s) of Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to the Prospectus
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Obstetrics and Gynecology Hospital (深圳中山婦產醫院) (previously known as Shenzhen Zhongshan Urological Hospital (深圳市中山泌尿外科醫院)), a company established in Shenzhen, PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"Sichuan Jinxin Fertility"	Sichuan Jinxin Fertility Medical Management Co., Ltd. (四川錦欣生殖醫療管理有限公司), previously known as Chengdu Jinde Corporate Management Company Limited (成都錦德企業管理有限公司), a company established under the laws of the PRC with limited liability on September 12, 2016, our indirect subsidiary
"Sichuan Jinxin Xinan Hospital"	collectively, Sichuan Jinxin Xinan Hospital (Bisheng Campus) and Sichuan Jinxin Xinan Hospital (Jingxiu Campus)
"Sichuan Jinxin Xinan Hospital (Bisheng Campus)"	Sichuan Jinxin Xinan Women & Children Hospital (Bisheng Campus) (四川錦欣西囡婦女兒童醫院畢昇院區) (previously known as Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司)), a company established in Chengdu, Sichuan Province, the PRC with limited liability on November 10, 2015, the Group's subsidiary

"Sichuan Jinxin Xinan Hospital (Jingxiu Campus)"	Sichuan Jinxin Xinan Women & Children Hospital (Jingxiu Campus) (四川錦欣西囡婦女兒童醫院靜秀院區) (previously known as 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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary Director(s)"	the director(s) of any subsidiary of the Company
"U.S. dollar(s)" or "US$" or "USD"	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 the 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 27, 2024

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 purposes only*