Jinxin Fertility Group Limited

錦欣生殖醫療集團有限公司*

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1951)

ANNOUNCEMENT OF THE RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended June 30, 2021 was approximately RMB859.3 million, representing an increase of 40.4% when compared with that of approximately RMB611.8 million for the six months ended June 30, 2020.

- Net profit of the Group for the six months ended June 30, 2021 was approximately RMB162.6 million, representing an increase of 31.7% when compared with that of approximately RMB123.5 million for the six months ended June 30, 2020. Non-IFRS adjusted net profit(1) of the Group for the six months ended June 30, 2021 was approximately RMB228.1 million, representing an increase of 36.2% when compared with that of approximately RMB167.5 million for the six months ended June 30, 2020.

- Non-IFRS EBITDA(2) of the Group for the six months ended June 30, 2021 was approximately RMB246.9 million, representing an increase of 45.9% when compared with that of approximately RMB169.3 million for the six months ended June 30, 2020. Non-IFRS adjusted EBITDA(3) of the Group for the six months ended June 30, 2021 was approximately RMB299.3 million, representing an increase of 45.6% when compared with that of approximately RMB205.6 million for the six months ended June 30, 2020.

- Basic earnings per share for the six months ended June 30, 2021 amounted to RMB0.06. Non-IFRS adjusted basic earnings per share(4) for the six months ended June 30, 2021 amounted to RMB0.09.

- The Board does not recommend payment of an interim dividend for the six months ended June 30, 2021 (for the six months ended June 30, 2020: nil).

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided EBITDA, adjusted EBITDA, and adjusted net profit as non-IFRS measures, which 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 and property, plant and equipment arising from Shenzhen Zhongshan Hospital, HRC Management and Wuhan Jinxin Hospital acquisition; and (iii) donation to Wuhan to better reflect the Company's current business and operations.

(2) Non-IFRS EBITDA is calculated as the earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets, which is defined as profit before taxation plus finance costs, depreciation of property, plant and equipment, and amortization of medical practice license, less interest income.

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

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

The Board of Directors is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2021, together with the comparative figures for the corresponding period in 2020.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	NOTES	**Six months ended June 30,**	
		2021	2020
		RMB'000	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	3	**859,303**	611,844
Cost of revenue		**(496,061)**	(394,380)
Gross profit		**363,242**	217,464
Other income	4	**21,799**	42,823
Other gains and losses	5	**10,778**	13,570
Research and development expenses		**(4,980)**	(4,336)
Administrative expenses		**(144,664)**	(96,310)
Selling and distribution expenses		**(26,127)**	(15,579)
Share of result of an associate		**(3,545)**	–
Share of result of a joint venture		**(871)**	–
Finance costs	6	**(8,845)**	(5,190)
Profit before taxation	7	**206,787**	152,442
Income tax expenses	8	**(44,156)**	(28,960)
Profit for the period		**162,631**	123,482
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**(112,768)**	96,290
Fair value loss on equity instrument at fair value through other comprehensive income ("FVTOCI")		**(3,942)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**36,482**	(1,601)
Other comprehensive (expense) income for the period		**(80,228)**	94,689
Total comprehensive income for the period		**82,403**	218,171

	NOTES	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Profit for the period attributable to:			
– Owners of the Company		**155,648**	116,093
– Non-controlling interests		**6,983**	7,389
		162,631	123,482
Total comprehensive income for the period attributable to:			
– Owners of the Company		**75,420**	210,763
– Non-controlling interests		**6,983**	7,408
		82,403	218,171
Earnings per share:	10		
– Basic (RMB)		**0.06**	0.05
– Diluted (RMB)		**0.06**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	NOTES	**As at June 30, 2021** ***RMB'000*** ***(unaudited)***	As at December 31, 2020 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**1,058,020**	1,056,125
Right-of-use assets		**294,142**	222,421
Goodwill		**883,944**	889,642
Licenses		**774,653**	785,983
Contractual right to provide management services		**1,821,102**	1,839,369
Trademarks		**1,245,647**	1,255,735
Investment in preferred shares measured at fair value through profit or loss ("FVTPL")		**164,922**	171,057
Interest in an associate accounted for using equity method		**–**	–
Interest in a joint venture		**2,629**	–
Equity instruments at FVTOCI		**5,352**	9,387
Loan receivable		**18,900**	–
Pledged bank deposits		**180,000**	180,000
Refundable deposits		**57,986**	7,783
Prepayments		**53,745**	31,838
Deferred tax assets		**2,989**	–
Amounts due from an associate		**23,377**	26,913
Amounts due from other related parties	12	**150,250**	35,000
		6,737,658	6,511,253
Current assets			
Inventories		**20,858**	25,476
Accounts and other receivables	11	**63,935**	68,745
Amounts due from other related parties	12	**184,266**	81,086
Tax recoverable		**7,377**	7,481
Time deposits	13	**1,000,981**	1,724,567
Financial assets at FVTPL	14	**232,730**	63,000
Bank balances and cash		**2,137,084**	681,619
		3,647,231	2,651,974
Current liabilities			
Accounts and other payables	15	**382,055**	361,646
Amounts due to related parties	12	**61,587**	67,748
Lease liabilities		**33,786**	34,558
Tax payables		**39,156**	61,227
Bank borrowing	16	**24,381**	18,000
Other financial liabilities		**14,749**	11,904
		555,714	555,083
Net current assets		**3,091,517**	2,096,891
Total assets less current liabilities		**9,829,175**	8,608,144

	NOTES	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		**281,521**	209,774
Deferred tax liabilities		**793,727**	791,344
Bank borrowing	16	**130,032**	144,540
		1,205,280	1,145,658
Net assets		**8,623,895**	7,462,486
Capital and reserves			
Share capital		**165**	160
Reserves		**8,453,884**	7,282,860
Equity attributable to owners of the Company		**8,454,049**	7,283,020
Non-controlling interests		**169,846**	179,466
Total equity		**8,623,895**	7,462,486

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION AND PRESENTATION

Jinxin Fertility Group Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") was incorporated and registered as an exempted company in the Cayman Islands with limited liability under Companies Law (2018 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961) as amended or supplemented or otherwise modified from time to time on May 3, 2018 and its shares have been listed on the Stock Exchange since June 25, 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 interim report.

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

The condensed consolidated financial statements are presented in Renminbi ("RMB").

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

1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The Covid-19 pandemic and travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group stopped providing most of its medical services in February 2020 in the PRC and from March 2020 to April 2020 in the United States of America ("U.S.A."). In the current interim period, the Group has gradually recovered due to the relaxation of Covid-19 related measures which previously has negative impacts on the operations of the Group's hospitals.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods or on the disclosures set out in these condensed consolidated financial statements.

Accounting policies which became relevant to the Group in the current interim period

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the condensed consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in a joint venture is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An interest in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the interest in a joint venture, any excess of the cost of the interest over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the interest. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the interest, after reassessment, is recognised immediately in profit or loss in the period in which the interest is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the interest (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* ("IAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the interest. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the interest subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the condensed consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. REVENUE AND SEGMENT INFORMATION

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

During the six months ended June 30, 2021, the Group's revenue is contributed from its operations in the cities of Chengdu, Shenzhen, Wuhan in the PRC and the U.S.A. (2020: Chengdu and Shenzhen in the PRC and the U.S.A.).

As at June 30, 2021 and 2020, the Group's operation in Lao People's Democratic Republic ("Laos") is at start-up stage and not yet generated any income.

The Group's operating and reportable segments under IFRS 8 *operating segment*, are operations located in the PRC and the U.S.A. during the six months ended June 30, 2021 and 2020. The revenue generated by each of the operating segments is mainly derived from revenue from provision of assisted reproductive services and related services, and management services. The following is an analysis of the Group's revenue and results by reportable segment.

For the six months ended June 30, 2021:

	PRC	**U.S.A.**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
	(unaudited)	***(unaudited)***	***(unaudited)***
Revenue			
Segment revenue from external customers	**641,343**	**217,960**	**859,303**
Segment profit	**187,653**	**37,639**	**225,292**
Unallocated administrative expenses			**(38,789)**
Loss on fair value change of other financial liabilities at FVTPL			**(2,845)**
Loss on fair value change of interest in associates at FVTPL			**(3,279)**
Exchange gain, net			**16,160**
Certain interest income from banks			**2,927**
Interest income from pledged bank deposits			**1,958**
Certain interest income from time deposits			**8,908**
Share of result of an associate			**(3,545)**
Profit before taxation			**206,787**

For the six months ended June 30, 2020:

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

Segment assets and liabilities

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

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Segment assets		
PRC	**3,336,281**	2,848,113
U.S.A.	**3,921,953**	3,848,161
Total segment assets	**7,258,234**	6,696,274
Equity instruments at FVTOCI	**5,352**	9,387
Corporate time deposits	**981,291**	1,714,567
Corporate bank balances and cash	**1,639,496**	272,098
Pledged bank deposits	**180,000**	180,000
Interests in associates	**164,922**	171,057
Unallocated corporate assets and others	**155,594**	119,844
Total	**10,384,889**	9,163,227

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Segment liabilities		
PRC	**873,080**	887,299
U.S.A.	**798,813**	724,506
Total segment liabilities	**1,671,893**	1,611,805
Unallocated corporate liabilities and others	**89,101**	88,936
Total	**1,760,994**	1,700,741

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

- All assets are allocated to operating segments, other than equity instruments at FVTOCI, corporate time deposits, corporate bank balances and cash, pledged bank deposits, interests in associates and other unallocated corporate assets and others; and

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

Revenue from major services

	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Types of services		
Assisted reproductive services – PRC		
A point in time recognition	**352,106**	269,236
Over time recognition	**227,158**	160,175
	579,264	429,411
Management services – Over time recognition		
– U.S.A.	**200,507**	146,251
– PRC	**35,993**	10,895
	236,500	157,146
Ambulatory surgery centre facilities services – U.S.A.		
– A point in time recognition	**14,253**	10,513
Ancillary medical services		
A point in time recognition		
– U.S.A.	**3,200**	4,029
– PRC	**16,357**	6,101
	19,557	10,130
Ancillary medical services		
Over time recognition – PRC	**9,729**	4,644
	29,286	14,774
Total	**859,303**	611,844

Geographical information

On June 30, 2021, the non-current assets located in the PRC mainland, Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the U.S.A. and Laos amounted to RMB2,379,226,000, RMB35,707,000, RMB3,833,287,000 and RMB53,573,000, respectively (December 31, 2020: RMB2,384,273,000, RMB11,594,000, RMB3,802,237,000 and RMB54,066,000, respectively). Non-current assets as at June 30, 2021 and December 31, 2020 excluded equity instruments at FVTOCI, pledged bank deposits, refundable deposits, loan receivable and amounts due from related parties.

Information about major customers

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

	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Huntington Reproductive Centre Medical Group ("HRC Medical")	**205,194**	151,064

4. OTHER INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest income from pledged bank deposits	**1,958**	–
Interest income from time deposits	**9,013**	26,059
Interest income from bank balances	**4,420**	4,867
Government grants *(Note)*	**1,874**	6,135
Covid-19 related rent concessions	**–**	2,080
Others	**4,534**	3,682
	21,799	42,823

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

5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Gains on fair value change of financial assets at FVTPL	**1,607**	1,395
Exchange gain, net	**16,160**	12,409
Loss on fair value change of interests in associates at FVTPL	**(3,279)**	–
Loss on fair value change of other financial liabilities at FVTPL	**(2,845)**	–
(Loss) gain on disposal of property, plant and equipment	**(19)**	3
Others	**(846)**	(237)
Total	**10,778**	13,570

6. FINANCE COSTS

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest on bank borrowing	**2,742**	–
Interest on lease liabilities	**6,103**	5,190
	8,845	5,190

7. PROFIT BEFORE TAXATION

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	**202,143**	160,905
Share-based compensation benefits	**52,318**	30,324
Amortisation of licenses (included in administrative expenses)	**11,330**	6,577
Depreciation of property, plant and equipment	**35,372**	35,971
Depreciation of right-of-use assets	**20,229**	16,055

8. INCOME TAX EXPENSES

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**39,972**	25,091
Deferred tax:		
Current period	**4,184**	3,869
	44,156	28,960

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

No provision for Hong Kong and U.S.A. Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong and U.S.A. Profits Tax during the six months ended June 30, 2021 (2020: Nil).

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

9. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company (the "Directors") have determined that no dividend will be paid in respect of the interim period.

During the six months ended June 30, 2020, a final dividend of HK6.8 cents per share in respect of the year ended December 31, 2019 was declared to owners of the Company. The aggregate amount of the final dividend declared in the interim period for the six months ended June 30, 2020 amounted to RMB151,500,000.

10. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**155,648**	116,093

	Six months ended June 30,	
	2021	2020
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,467,266,749**	2,402,274,263
Effect of dilutive potential ordinary shares:		
Restricted Shares Units issued by the Company	**13,535,065**	11,177,244
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,480,801,814**	2,413,451,507

For the six months ended June 30, 2021, the weighted average number of ordinary shares for the purpose of calculation of basic and diluted earnings per share has been adjusted for the effect of the 18,395,233 (2020: 29,426,643) ordinary shares held under the Restricted Share Award Scheme ("RSU Scheme") by the RSU Scheme's Nominee.

For the six months ended June 30, 2021 and 2020, the restricted shares granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption of the conversion of all potential dilutive ordinary shares arising from restricted shares granted by the Company in both periods.

11. ACCOUNTS AND OTHER RECEIVABLES

	At June 30, 2021	At December 31, 2020
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Accounts receivables	**10,430**	11,289
Other receivables and prepayments:		
Prepayments to suppliers	**32,132**	21,980
Interest receivables	**8,623**	4,773
Loan receivables	**25,360**	26,100
Others	**6,290**	4,603
	72,405	57,456
Less: Loan receivable classified as non-current assets *(Note)*	**(18,900)**	–
Total accounts and other receivables	**63,935**	68,745

Note: The amount is unsecured, interest-free, repayable on demand and expected to collect in 2023.

The individual customers in the PRC 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 ambulatory surgery centre facilities services in the U.S.A. would usually settle by cash or payments through insurance schemes. Payments by insurance schemes will normally be settled by commercial insurance companies from 60 to 365 days from the transaction date.

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

In determining the recoverability of trade receivables, the Directors consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Within 90 days	**7,216**	5,560
91 to 180 days	**2,602**	2,406
Over 180 days	**612**	3,323
	10,430	11,289

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 expected credit loss ("ECL") for accounts receivables is insignificant as at June 30, 2021 and December 31, 2020.

The basis of determining the inputs and assumptions and the estimation techniques used in the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2021 for assessment of ECL are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2020.

12. AMOUNTS DUE FROM OTHER RELATED PARTIES/AMOUNTS DUE TO RELATED PARTIES

Amounts due from other related parties

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Trade in nature		
HRC Medical *(note iii)*	**74,870**	39,531
成都市錦江區婦幼保健院 (Jinjiang District Maternity and Child Health Hospital) *(notes i & iv)**	**43,992**	19,383
Chengdu Jinxin Investment *(notes i & iv)**	**4,856**	4,856
四川錦欣婦女兒童醫院有限公司 (Sichuan Jinxin Women and Children Hospital Limited) *(notes i & iv)**	**340**	638
成都錦欣博悅生物科技有限公司 (Chengdu Jinxin Boyue Biotechnology Co., Ltd.) *(note i)**	**–**	30
成都錦欣婦產科醫院有限公司 (Chengdu Jinxin Obstetrics and Gynaecology Hospital) *(notes i & iv)**	**10**	10
HRC Properties LLC *(note ii)*	**1**	–
	124,069	64,448

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Non-trade in nature		
Loan receivables:		
Chengdu Jinxin Investment *(note v)*	**90,000**	–
成都錦薈科技有限公司 (Chengdu Jinhui Technology Co., Ltd) *(note v)**	**50,000**	35,000
成都錦霖企業管理有限公司 (Chengdu Jinlin Enterprise Management Co., Ltd) *(note v)**	**30,000**	–
Other receivables:		
成都錦欣生殖醫學與遺傳研究所 (Chengdu Jinxin Institute of Reproductive Medicine and Genetics) *(note i)**	**19,536**	15,536
KangSeed Technology Ltd *(note vi)*	**10,250**	–
Jinjiang District Maternity and Child Health Hospital *(note i)*	**9,554**	–
Jinxin Medical Innovation Research Center *(note i)*	**1,102**	1,097
Jinxin Investment Group Limited *(note i)*	**5**	5
Total	**210,447**	51,638
	334,516	116,086

The following is a liquidity analysis of amounts due from other related parties based on management's estimation on the repayment schedule.

	At June 30, 2021 *RMB'000* *(unaudited)*	At December 31, 2020 *RMB'000* *(audited)*
Analysed as:		
Current	**184,266**	81,086
Non-current**	**150,250**	35,000
Total	**334,516**	116,086

Notes:

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

** The amounts due from Chengdu Jinxin Investment, Chengdu Jinhui Technology Co., Ltd and KangSeed Technology Ltd are classified as non-current assets. These amounts are non-trade in nature.

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

(ii) The entity is owned by certain shareholders of HRC Investment Holding LLC ("HRC Investment"), which is a shareholder of the Group. The amount is unsecured and interest-free.

(iii) The amount represents the accounts receivables from HRC Medical in relation to management services provided in accordance with a management service agreement (the "MSA"). The amount is unsecured and interest-free. The trade balance at June 30, 2021 based on invoice date is aged within 30 days (2020: 30 days) and not past due nor impaired.

(iv) The balances are all aged within 365 days based on the invoice date at the end of the reporting period.

(v) Chengdu Jinhui Technology Co., Ltd and Chengdu Jinlin Enterprise Management Co., Ltd are owned by Chengdu Jinxin Investment. The amount of RMB50,000,000 due from Chengdu Jinhui Technology Co., Ltd are unsecured, carrying variable interest rates by reference to the prevailing market interest rates and repayable in 2025. The amount of RMB90,000,000 due from Chengdu Jinxin Investment are unsecured, carried a fixed interest rate of 3% per annum, repayable on demand and management expected to collect after one year. The amount of RMB30,000,000 due from Chengdu Jinlin Enterprise Management Co., Ltd. are unsecured, interest-free, and repayable on demand but not less than six months.

(vi) The entity is an associate of the Company. The amount is unsecured, interest-free, repayable on demand and expected to collect after one year.

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

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Within 90 days	**112,668**	62,820
91 to 180 days	**4,754**	173
Over 180 days	**6,647**	1,455
	124,069	64,448

Amounts due to related parties

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Trade in nature		
四川錦欣婦女兒童醫院有限公司 (Jinxin Women and Children Hospital) *(note i)**	**666**	640
成都和雋科技有限公司 (Chengdu Hejun Technology Company Limited) *(note i)**	**2,428**	2,240
成都錦欣精神病醫院有限公司 (Chengdu Jinxin Psychiatric Hospital Company Limited *(note i)**	**1,142**	764
Jinxin Investment Group Limited	**–**	4,192
Jinxin Medical Innovation Research Center *(note i)*	**–**	30
	4,236	7,866
Non-trade in nature		
KangSeed Technology Ltd *(note v)*	**45,608**	46,066
Chengdu Jinxin Investment *(note iv)*	**10,968**	10,916
Jinxin Investment Group Limited *(note iii)*	**750**	750
CapexMD, LLC *(note ii)*	**25**	–
Jinjiang District Maternity and Child Health Hospital *(note i)*	**–**	2,150
	57,351	59,882
	61,587	67,748

Notes:

(i) These related parties are controlled by Chengdu Jinxin Investment. The amounts are unsecured, interest-free and repayable on demand.

(ii) The related party is a shareholder of HRC Investment. The amounts are unsecured, interest-free and repayable on demand. They are mainly incurred for expenses paid by the related party on behalf of the Group.

(iii) Chengdu Jinxin Investment has the same beneficial shareholders with the Company. The amount represents expenses paid by the related party on behalf of the Group and is unsecured, interest-free and repayable on demand.

(iv) The amounts as at June 30, 2021 and December 31, 2020 are unsecured, interest-free and repayable on demand.

(v) The related party is an associate of the Company. The amount represents the consideration payable upon the acquisition of the associate.

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

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Within 90 days	**301**	2,877
91 to 180 days	**1,946**	2,147
Over 180 days	**1,989**	2,842
	4,236	7,866

13. TIME DEPOSITS

During the six months ended June 30, 2021 and the year ended December 31, 2020 the Group entered into several time deposits with banks in the PRC, Hong Kong and Macao Special Administrative Region of the PRC. These time deposits carry fixed interest rate of 0.02% to 2.25% per annum (2020: 0.34% to 2.25% per annum) with maturity date on or before August 23, 2021 or 90 days as specified in the agreement (December 31, 2020: August 3, 2021 or 90 days as specified in the agreement).

14. FINANCIAL ASSETS AT FVTPL

The balances represent wealth management products issued by financial institutions subscribed by the Group with no guaranteed principal and return, while the total expected return is up to 4.00% per annum for the six months ended June 30, 2021 (2020: up to 4.00% per annum) depending on the performance of the underlying financial investments. The wealth management products are with a maturity period of 35 days to 98 days, or can be redeemable on demand (2020: a maturity period of 35 days to 63 days, or can be redeemable on demand). The wealth management products are classified as financial assets at FVTPL on initial recognition.

15. ACCOUNTS AND OTHER PAYABLES

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Accounts payables	**136,759**	124,715
Other payables:		
Construction payables	**10,964**	1,295
Dividend payables to non-controlling interests	**16,603**	–
Refundable customers' deposits	**72,838**	64,840
Accrued employee expenses *(Note i)*	**86,539**	98,151
Value-added tax and other tax payables	**10,869**	18,379
Deferred income *(Note ii)*	**3,701**	4,130
Interest payables	**1,145**	1,224
Consideration payable for acquisition of a subsidiary *(Note iii)*	**32,250**	32,250
Others	**10,387**	16,662
	245,296	236,931
Total accounts and other payables	**382,055**	361,646

Note:

i. The amount represents accrued expenses related to employees' salaries, welfare benefits, social insurances, housing fund contributions, etc.

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

iii. The amount represents final payment of acquisition of Wuhan Jinxin Hospital.

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

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

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Within 90 days	**114,843**	104,341
91 to 180 days	**18,369**	16,536
181 to 365 days	**1,025**	2,221
Over 365 days	**2,522**	1,617
	136,759	124,715

16. BANK BORROWING

	As at June 30, 2021 *RMB'000* *(unaudited)*	As at December 31, 2020 *RMB'000* *(audited)*
Bank borrowing-secured	**154,413**	162,540
The carrying amounts of the above borrowing are repayable:		
Within one year	**24,381**	18,000
Within a period of more than one year, but not exceeding three years	**130,032**	144,540
	154,413	162,540

As at June 30, 2021 and December 31, 2020, bank borrowing carries fixed interest rate which is determined at loan prime rate in the PRC less 0.33% per annum upon drawdown of the bank borrowing and is secured by pledged bank deposits. During the current interim period, the effective interest rate on the bank borrowing is 3.52% (2020: 3.52%).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS UPDATES

In the first half of 2021, as the COVID-19 pandemic gradually became under control, we remained fully focused on recovering our business rapidly, which resulted in a solid business performance with a revenue growth of 40.4% over the same corresponding period in 2020. The revenue contributed by the Group's operations in the PRC and the United States increased by 42.2% and 35.6%, respectively over the same corresponding period in 2020.

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

In addition, we expedited and executed our growth and acquisition strategy, which makes us an increasingly well recognised brand in the ARS market, and as a result, we are attractive to the top talents and operating teams in this industry. We were able to continue expanding our operations, enhance patient experience and loyalty, improve brand awareness through marketing and cooperation initiatives and recruit talents to our network of experienced physicians.

Expansion of operations

During the Reporting Period, in both China and the United States, we continued to increase our market share by adhering to our strategy of expanding our global network and improving the reputation and awareness of our brand through acquisitions and cooperation arrangements. We have also increased the operational capacity of our existing network by renovating our medical institutions and expanding our service offerings to better cater our patient's demand for ARS. Key highlights are as follows:

In June 2021, Sichuan Jinxin Fertility Medical Investment Management Co., Ltd.* (四川錦欣生殖醫療投資管理有限公司) ("**Sichuan Jinxin**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire from Guangdong Yuanning Pharmaceutical Co., Ltd.* (廣東元寧製藥有限公司), a wholly-owned subsidiary of Honz Pharmaceutical Co., Ltd. (康芝藥業股份有限公司) ("**Honz Pharma**"), 10% equity interest in Guangdong Kangzhi Hospital Management Co., Ltd.* (廣東康芝醫院管理有限公司) ("**Kangzhi Hospital Company**"). Kangzhi Hospital Company holds 51% equity interest in each of (i) Yunnan Jiuzhou Hospital Co., Ltd.* (雲南九洲醫院有限公司) ("**Jiuzhou Hospital**"), and (ii) Kunming Hewanjia Obstetrics and Gynecology Hospital Co., Ltd.* (昆明和萬家婦產醫院有限公司) ("**Hewanjia Hospital**"). In addition, Tianjin Binhai Yuanxian Management Consulting Center (Limited Partnership)* (天津濱海遠賢管理諮詢中心(有限合夥)) ("**Binhai Yuanxian**"), an investment vehicle in which Jinxin Fertility Group (BVI) Company Limited, a wholly-owned subsidiary of the Company, holds approximately 15% indirect limited partnership interest, has acquired from the wholly-owned subsidiaries of Honz Pharma and certain independent third parties (i) 90% equity interest in Kangzhi Hospital Company, and (ii) 100% equity interest in Guangzhou Yunzhicai Technology Co., Ltd.* (廣州雲芝彩科技有限公司) ("**Guangzhou Yunzhicai**") and Guangzhou Hejia Management Consulting Co., Ltd.* (廣州和家管理諮詢有限公司) ("**Guangzhou Hejia**") which own 49% equity interest in Jiuzhou Hospital and Hewanjia Hospital, respectively. Upon completion of the above transactions, Kangzhi Hospital Company is owned as to 10% and 90% by the Company and Binhai Yuanxian, respectively; Binhai Yuanxian, through Kangzhi

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

In August 2021, HRC Management entered into a management services agreement with the University of Southern California ("**USC**"), and HRC Management will manage and provide various administrative services to the fertility medicine practice of the reproductive and infertility endocrinology division at the Keck School of Medicine, which is owned and operated by USC ("**USC Fertility**") for a term of 10 years in return for management services fees (the "**Management Services Agreement**"). Concurrently, USC and the fertility clinics managed by us in the United States will collaborate and clinically integrate their fertility practices to further advance their IVF-related clinical research, improve the quality of fertility treatment and provide better patient care. The Management Services Agreement diversifies our streams of revenue and provides long-term benefits through synergies created by sharing resources, including the nine fertility centers managed by us in the United States and world-class IVF research, education and physicians of USC Fertility, and thus improving our brand awareness in the United States.

We intend to deepen our strategic focus in the Guangdong-Hong Kong-Macao Greater Bay Area, where it has a huge growth potential to increase our market share and brand awareness in the region. In August 2021, we acquired Hong Kong Reproductive Health Centre Limited (the "**RHC**") and Hong Kong Assisted Reproduction Centre Limited (the "**ARC**") to expand our footprint and provide ARS and fertility services in Hong Kong. RHC is a clinic dedicated to the reproductive health of women and its professional team comprises of specialist physicians from reproductive medicine, obstetrics and gynecology and surgery, and ARC is a full-service fertility ARS provider in Hong Kong. Further, we are in the process of identifying a new building for Shenzhen Zhongshan Hospital to expand its capacity and capabilities of offering enhanced services. We believe that the acquisition of and cooperation with ARC and RHC will strengthen our presence in the Greater Bay Area through the the integration of our operations in Shenzhen and Hong Kong.

Following the completion of acquiring Wuhan Jinxin Hospital in July 2020, we renovated and conducted improvement works to expand its operational capacity to provide patients with high-quality services. Apart from the IVF department, which has been in operation during the renovation period, all other departments of Wuhan Jinxin Hospital resumed their operations in February 2021.

Throughout the Reporting Period, we continued to expand our service offerings in order to provide patients with comprehensive fertility treatment services. In order to to provide patients with superior and personalized solutions to fulfill their dreams of becoming parents, we have achieved a higher treatment success rate and further improved our reputation. We reclassified our fertility treatment services at Chengdu Xinan Hospital into five specialised categories for: (i) patients with repeated IVF failure and thin endometrium; (ii) late age pregnancy (aged 35 or above); (iii) childbearing age pregnancy (aged below 35); (iv) patients with PCOS (Polycystic Ovary Syndrome); and (v) IVF and artificial insemination (especially for ethnic minorities). Furthermore, in order to expand our service scope at Shenzhen Zhongshan Hospital, we established an andrology center to manage both the reproductive andrology department and the male urology department. As such, the expansion of our service scope in the PRC provides more treatment options to patients with infertility problems.

Enhance patients' experience

Chengdu Xinan Hospital continued to provide a wide array of services to its patients to meet the increasing demand for highly personalized services. The revenue at Chengdu Xinan Hospital and Jinjiang IVF Center increased from RMB330.6 million for the six months ended June 30, 2020 to RMB409.6 million for the six months ended June 30, 2021, representing an increase of 23.9%, primarily attributable to the patients' increasing demand for personalized and high-end IVF services as well as the recovery from the COVID-19 pandemic. We continued to launch new VIP service (特需服務) packages to cater for the diverse and specific needs of our patients. Chengdu Xinan Hospital also established a premium service department in January 2021 and the patients' satisfaction has been included as the key performance index (KPI) for this team to enhance patients' experience.

In January 2021, Shenzhen Zhongshan Hospital upgraded its Mini-VIP service to an integrated VIP center, which is similar to the VIP center at Chengdu Xinan Hospital, and is led by expert physicians and provides patients with a full suite of privileged services throughout the entire treatment process. As of June 30, 2021, the penetration rate of our VIP services at Shenzhen Zhongshan Hospital was 4.35%.

In order to provide patients with full-service support and personalized fertility treatment solutions, Wuhan Jinxin Hospital assigned consultants to each patient and provides one-on-one companionship throughout the whole treatment process. Furthermore, by deploying the integration platform which comprised of reputable doctors in Hubei Province, we are able to provide patients with effective and accessible medical care.

Marketing and cooperation initiatives

We continued to develop our brand through two-way referrals. As of June 30, 2021, our Chengdu Xinan Hospital cooperated with 75 medical institutions, which involves two-way referrals or specialty alliance cooperation agreements. Furthermore, Shenzhen Zhongshan Hospital further expands our cooperation network with medical institutions in the Guangdong Province, particularly in Eastern Guangdong, Northern Guangdong and Shenzhen. In Wuhan, we established a dedicated team to expand the two-way referrals network in Hubei Province.

In order to handle all kinds of enquiries of our patients in a timely manner, we have established a call center at our headquarter in May 2021, which will serve as an effective communication channel conducive to attracting and serving patients.

During the first half of 2021, we established the star doctor salon in Wuhan, including the traditional Chinese medicine star doctor salon and hysteroscopy star doctor salon, to bring together more renowned doctors and deliver timely and high-quality medical services. We also utilized a variety of social media tools, such as live streaming, to promote popular science on fertility treatments and interact with the public and improve our brand awareness.

In terms of HRC Fertility through its in-house marketing team, HRC Fertility continues to hold live sessions on Facebook and Twitter to attract more consistent lead flow. All in all, HRC Fertility reinforced its strong position in the IVF market in the United States.

Research and Development and Quality Control

In May 2021, in collaboration with the Shenzhen Institute of Advanced Technology of the Chinese Academy of Sciences, Jinxin Medical Innovation Research Center established the Shenzhen Institute of Advanced Technology of the Chinese Academy of Sciences – Joint Laboratory of Reproductive Immunology of Jinxin Medical Innovation Research Center (中國科學院深圳先進技術研究院－錦欣醫療科技創新中心生殖免疫聯合實驗室) (the "**Jinxin Medical Innovation Research Center**"), which focuses on investigating major scientific issues and technology for reproductive immunology through single-cell multiomics analysis and panoramic pathology to analyze the uterine immune microenvironment in different disease states and its impact on pregnancy for the development of a new generation of uterine microenvironment testing kit. We obtained exclusive rights for the application of technology in Jinxin Medical Innovation Research Center.

In addition to HRC Fertility's laboratories being certified by both the Clinical Laboratory Improvement Amendments (CLIA) under the U.S. FDA (Food and Drug Administration) and the College of American Pathologists (CAP), HRC Fertility is currently preparing for its FDA review.

We have been improving our quality control systems by adopting statistical monitoring systems, strengthening our communication and sharing on quality control among the hospitals within the Group.

The assisted reproductive medical facilities in our network have gained widespread recognition for their research and publications. During the Reporting Period, we published 11 Science Citation Index (SCI) papers.

Talents Recruitment

As a leading ARS provider, we are committed to a talent strategy of recruiting and retaining the best and most experienced medical professionals.

In August 2021, Dr. Li Yuan, a renowned assisted reproductive expert, joined as the chief medical officer of the Group. Prior to joining our Group, Dr. Li Yuan successively served as the laboratory director and assistant to the dean in the Affiliated Reproductive Medicine Hospital of Shandong University* (山東大學附屬生殖醫院) and as a director and founder at the reproductive center of Beijing Chaoyang Hospital* (北京朝陽醫院).

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

Furthermore, Dr. Richard J. Paulson ("**Dr. Paulson**") has joined as medical director of HRC Fertilty. Dr. Paulson founded the fertility practice of USC in 1986 and has been its medical director. Dr. Paulson is also the incumbent professor and vice-chair of the department of obstetrics and gynecology, chief of the division of reproductive endocrinology and infertility, and the director of the fellowship in reproductive endocrinology and infertility at the Keck School of Medicine of USC, and has authored over 200 scientific articles and chapters and received more than 35 research awards. He was also a past president of the American Society for Reproductive Medicine and the Society for Reproductive Endocrinology and Infertility. Dr. Paulson has been continuously listed as one of the "Best Doctors in America" since 1994.

Through our acquisition of controlling interest in ARC and RHC, Dr. Chan Chi Wai Carina ("**Dr. Chan**"), one of the registered specialists in reproductive medicine in Hong Kong according to the Medical Council of Hong Kong, has been retained with the Group as managing partner physician and a person responsible of RHC and ARC.

Dr. Li Yuan, Dr. Ma Yanping, Dr. Paulson and Dr. Chan bring their wealth of experience to our already robust medical team, which allows us to continue to expand our capabilities and capacity to serve high-quality care to more patients. We will continue to identify and recruit experienced medical professionals in both China and the United States to our medical team. In addition, through the collaboration between HRC Management and USC which began in August 2021, USC will deploy certain of its employed physicians who practice primarily in the medical field of fertility medicine to provide clinical services in the medical facilities managed by HRC Management.

Community Engagement

During the first half of 2021, we carried out voluntary clinic activities in Shenzhen, Wuhan and Chengdu, providing local community residents with counselling on infertility and traditional Chinese medicine treatment.

At Shenzhen Zhongshan Hospital, we provided free IVF treatment to patients who fulfilled certain requirements, such as those who has lost their only child or were in financial difficulties. We plan to provide free IVF treatments for a quota of 20 patients each year.

In response to the COVID-19 pandemic, we assembled an emergency rescue team of more than 200 medical and nursing personnel to serve in the front line to assist in the prevention of the pandemic by conducting nucleic acid test and distributing necessities to local families. In January 2021, the Company received its first grade "A" rating in the MSCI ESG ratings. On June 30, 2021, the Company was awarded second place in the Best ESG Award under medical services and medicine category in the 2021 All-Asia Executive Team by Institutional Investor (《機構投資者》), an international authoritative financial magazine.

Key operating data

The following table sets forth the key operating data generated from our network of assisted reproductive medical facilities for the six months ended June 30, 2020 and 2021.

	Six months ended June 30,	
	2021	2020
Number of IVF treatment cycles	**13,164**	9,643
Overall success rate		
Xinan Hospital Group and Jinjiang IVF Center	**55.9%**	53.1%
Shenzhen operations	**51.1%**	52.9%
United States operations	**54.5%**	55.7%
Wuhan Jinxin Hospital	**43.7%**	N/A

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

OUTLOOK AND FUTURE

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

In facing the challenges of decreasing fertility rate and change in population structure due to aging problem, the 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.

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

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

Increase market share, productivity and capacity

In both China and the United States, we continue to increase our market share through the acquisition and expansion of hospitals. Recently, Chengdu Xinan Hospital entered into a collaboration agreement with each of Jiuzhou Hospital and Hewanjia Hospital, pursuant to which Chengdu Xinan Hospital will provide management services to both hospitals in various aspects, including technology enhancement, brand promotion, supply chain management, quality control, talent cultivation and information technology. Furthermore, leveraging on our existing marketing leadership in Sichuan and Yunnan, Chengdu Xinan Hospital, Jiuzhou Hospital and Hewanjia Hospital will integrate resources and complement each other's strengths to further expand our market share in Southwest China including Sichuan, Yunnan and Guizhou.

We intend to deepen our strategic focus in the Guangdong-Hong Kong-Macao Greater Bay Area that possess a huge growth potential to increase our market share and brand awareness in the region. One one hand, we are in the process of identifying a new building for Shenzhen Zhongshan Hospital to expand its capacity and capabilities of offering enhanced services. On the other hand, the Group acquired RHC and ARC in August 2021 to expand its footprint and provide ARS and fertility services in Hong Kong.

In the PRC, our new IOT arrangement with Jiuzhou Hospital and Hewanjia Hospital will allow us to better utilize our experiences in the IVF hospital management and improve the overall performance of the two hospitals.

In Wuhan, we intend to fully utilize our experienced medical teams, premium medical services and diversified marketing measures to further penetrate into the market in the Hubei region. In addition, we will further enhance our ability to acquire customers by reputation through our high-quality medical services.

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

Continue to improve our brand awareness

We intend to reinforce our efforts in building brand awareness, as this allows us to maintain and enhance our reputation and attract new patients. By leveraging on our existing market leadership, long-standing experience and strong reputation in the ARS market, we intend to adopt effective strategies to improve our brand awareness and educate intended patients of ARS.

We intend to utilize a variety of social media tools to increase publicity and improve patient care. We also seek to further strengthen and expand our cooperation with local hospitals, companies and institutions to expand our patient reach. In particular, we endeavor to further expand our cooperation network with medical institutions in the PRC. In August 2021, the acquisition of RHC and ARC in Hong Kong strengthened our marketing strategy and improved our brand awareness in the Guangdong-Hong Kong-Macao Greater Bay Area.

Pursuant to the Management Services Agreement entered into between HRC Management and the USC in August 2021, HRC Management and the USC agreed to cooperate in various areas, including shared medical services, scientific research, doctor training and marketing in order to improve our brand awareness in the United States.

Expand our service offerings to provide comprehensive services in fertility treatment

We intend to continue expanding our service offerings to provide patients with comprehensive and high-quality services in fertility treatment. We also plan to expand facilities for fast-growing value-added services in our network to explore high potential opportunities in these businesses.

We intend to expand male reproductive services in Chengdu. With the newly established "Jinxin Ai'jian International" as its platform, we are dedicated to becoming a top-class medical institution chain that specialize in full-lifecycle male reproductive services. Currently, the preparation and construction work of Jinxin Aijian International is progressing smoothly. The recruitment of core physicians has been completed at this stage, and it is expected to officially commence operation by the end of 2021.

The obstetrics department in Shenzhen Zhongshan Hospital is expected to officially commence operation by the end of 2021. The recruitment of core obstetricians and the purchase of major medical equipment have been completed at this stage. The current positioning is to provide high-end obstetrics services. Upon the completion of construction of the obstetrics department, on one hand, it will be able to meet the patients' demand for full-cycle services from pre-pregnancy, pregnancy, pre-natal and delivery, and on the other hand, it will help prepare the hospital to upgrade itself into a Grade III obstetrics hospital.

Remain dedicated to improving patient's experience

While we have made major strides in enhancing the service and experience our patients receive, such as introducing an upgraded VIP center with a suite of premium services at Shenzhen Zhongshan Hospital, we remain dedicated to serving our patients by upgrading our facilities and adjusting our service offerings to meet their ever-changing and multi-dimensional needs. We expect to replicate the VIP business model in other hospitals in the near future.

Continue to invest in research and development to enhance overall performance

The Jinxin Medical Innovation Research Center is dedicated to promoting and exploring new and innovative methods to expand our service offerings as well as improve our clinical outcomes. Through Jinxin Medical Innovation Research Center, we are also able to expedite clinical transformation and commercialization of our scientific research projects as well as to enhance our scientific research ability by investing in research and development, so as to improve the clinical quality at our hospitals and diversify our revenue streams. Furthermore, by introducing a high quality research team and investing in excellent start-ups in the fertility industry, we seek to actively deploy the technology that we possess to expand the services we provide. We will continue to adhere to high quality standards and explore new methods to improve quality control in our IVF laboratories, which is a critical part to the overall IVF success rate. Furthermore, we intend to continue to invest in research and development initiatives to maintain our leading position in the application of assisted reproductive technologies and improve clinical outcomes in our patients.

Expand our platform reach through acquisitions

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

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

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

Talent recruitment initiatives

We are committed to recruiting and retaining the best and most experienced medical professionals in the field of assisted reproduction to support our medical facilities in both China and the United States. We will continue to implement the "physician as partner" mechanism to grant physicians with equity ownership as a partner of the Company. In 2021, as part of our talent strategy, we have implemented the "Global Partner Election Scheme" to elect individuals to be part of our new generation.

We intend to further expand our equity incentive coverage to attract more employees to become our partners.

We equip our team of medical professionals with the necessary infrastructure and resources that facilitates optimal performance. We will continue expanding and penetrating into markets with unmet demands, and this will provide our team of medical professionals with opportunities to undertake more important roles beyond medical practice, such as management, in the new markets. Furthermore, we enhance our research capabilities by increasing our investments in our research and development teams and research initiatives that are in conjunction with our clinical practice. Additionally, we have an international platform allowing medical professionals in our network to exchange ideas and communicate with each other.

Financial Review

Revenue

Revenue of the Group increased by 40.4% from approximately RMB611.8 million for the six months ended June 30, 2020 to approximately RMB859.3 million for the six months ended June 30, 2021. The overall increase was primarily due to the quick recovery of the Group's operations from the COVID-19 pandemic as well as the increasing patients' need for fertility treatments.

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

	Six months ended June 30,			
	2021		2020	
Revenue	***RMB million***	*%*	*RMB million*	*%*
ARS				
Xinan Hospital Group	**373,623**	**43.5**	319,749	52.3
Shenzhen Zhongshan Hospital	**184,715**	**21.5**	109,662	17.9
Wuhan Jinxin Hospital	**20,926**	**2.4**	–	–
Sub-total	**579,264**	**67.4**	429,411	70.2
Management service fee				
Jinjiang IVF Center	**35,993**	**4.2**	10,895	1.8
HRC Management	**200,507**	**23.3**	146,251	23.9
Sub-total	**236,500**	**27.5**	157,146	25.7
Ancillary medical services[1]				
Shenzhen Zhongshan Hospital	**21,979**	**2.6**	10,745	1.8
HRC Management	**17,453**	**2.0**	14,542	2.4
Wuhan Jinxin Hospital	**4,107**	**0.5**	–	–
Sub-total	**43,539**	**5.1**	25,287	4.1
Total	**859,303**	**100.0**	611,844	100.0

Notes:

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

Chengdu operations

The revenue contributed by the medical facilities in the Group's network in Chengdu increased by 23.9% from approximately RMB330.6 million for the six months ended June 30, 2020 to approximately RMB409.6 million for the six months ended June 30, 2021, primarily due to an increase in the revenue from ARS provided at Xinan Hospital Group and management service fees charged to Jinjiang IVF Center resulting from the increase in the number of IVF treatment cycles performed at Xinan Hospital Group and Jinjiang IVF Center.

The revenue from ARS provided at Xinan Hospital Group increased by 16.8% from approximately RMB319.7 million for the six months ended June 30, 2020 to approximately RMB373.6 million for the six months ended June 30, 2021, as a result of an increase in the number of IVF treatment cycles as well as an increase in the average spending per IVF treatment cycle performed at Xinan Hospital Group.

Revenue from management services provided in Chengdu increased by 230.4% from approximately RMB10.9 million for the six months ended June 30, 2020 to approximately RMB36.0 million for the six months ended June 30, 2021, primarily due to the increase in management service fee charged to Jinjiang IVF Center as a result of more patients receiving IVF treatments at Jinjiang IVF Center.

Shenzhen operations

The revenue contributed by the Group's Shenzhen operations increased by 71.7% from approximately RMB120.4 million for the six months ended June 30, 2020 to approximately RMB206.7 million for the six months ended June 30, 2021, primarily due to the increase in the number of IVF treatment cycles performed at Shenzhen Zhongshan Hospital and an increase in average spending per IVF treatment cycle.

United States operations

Revenue from management services provided by the Group under the MSA with HRC Medical in California, the United States increased by 37.1% from approximately RMB146.3 million for the six months ended June 30, 2020 to approximately RMB200.5 million for the six months ended June 30, 2021, primarily due to the recovery of HRC Medical's operation from the COVID-19 pandemic and an increase in the IVF treatment cycles provided to the local patients in the United States.

Ancillary medical services provided by HRC Management include ambulatory surgery centre facility services and PGS testing services. Ambulatory surgery centre facilities services revenue relates to provision of ambulatory surgery centre facilities at RSA Centers to doctors in exchange for a fee, increased by 35.6% from approximately RMB10.5 million for the six months ended June 30, 2020 to approximately RMB14.3 million for the six months ended June 30, 2021. PGS testing services revenue relates to provision of preimplantation genetic screening service at its in-house clinical laboratory called NexGenomics, decreased by 20.6% from approximately RMB4.0 million for the six months ended June 30, 2020 to approximately RMB3.2 million for the six months ended June 30, 2021.

Cost of Revenue

Cost of revenue of the Group increased by 25.8% from approximately RMB394.4 million for the six months ended June 30, 2020 to approximately RMB496.1 million for the six months ended June 30, 2021. The increase of the cost of revenue was mainly attributed to the increase in pharmaceutical products and consumables, and increase in staff costs and depreciation, all of which were largely due to the increase in revenue.

Cost of revenue of the Group consists primarily of cost of pharmaceutical products and consumables, staff costs, and depreciation of property, plant and equipment, and others. Cost of pharmaceutical products and consumables consists of the cost of pharmaceutical products and consumables that the Group uses in the course of providing its services. Staff costs are primarily incurred in connection with salaries, benefits, social insurance payments 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 67.0% from approximately RMB217.5 million for the six months ended June 30, 2020 to approximately RMB363.2 million for the six months ended June 30, 2021. The increase in the gross profit was mainly attributed to the increased in revenue. The Group's gross profit margin increased from 35.5% for the six months ended June 30, 2020 to 42.3% for the six months ended June 30, 2021. The increase in the gross profit margin was primarily attributable to the economies of scale when the Group's operation recovered from the COVID-19 pandemic.

Other Income

Other income of the Group decreased by 49.1% from approximately RMB42.8 million for the six months ended June 30, 2020 to approximately RMB21.8 million for the six months ended June 30, 2021, primarily due to a decrease in interest income from the time deposits.

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

Other Gains and Losses

Other gains and losses primarily represent net exchange gain or loss. The Group recorded net exchange gain of approximately RMB16.2 million for the six month ended June 30, 2021 resulting from converting the Renminbi denominated balances at the Group's offshore entities using U.S. dollar as functional currencies to U.S. dollar.

Research and Development Expenses

Research and development expenses of the Group increased by 14.9% from approximately RMB4.3 million for the six months ended June 30, 2020 to approximately RMB5.0 million for the six months ended June 30, 2021, primarily due to an increase in the cost of materials used by the Group's research and development team.

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

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of marketing and promotional expenses associated with organizing educational activities and cooperating with third parties agencies and partners and staff cost of the Group's marketing team. Selling and distribution expenses of the Group increased by 67.7% from approximately RMB15.6 million for the six months ended June 30, 2020 to approximately RMB26.1 million for the six months ended June 30, 2021, primarily due to an increase in staff cost of the Group's marketing team and marketing expense of Wuhan Jinxin Hospital.

Administrative Expenses

Administrative expenses primarily consist of staff costs, including ESOP expenses, depreciation and amortization, repairment and maintenance, property-related expenses and others. Administrative expenses of the Group increased by 50.2% from approximately RMB96.3 million for the six months ended June 30, 2020 to approximately RMB144.7 million for the six months ended June 30, 2021, primarily due to the increase in ESOP expenses of RMB28.4 million.

Finance Costs

Finance costs of the Group were approximately RMB8.8 million for the six months ended June 30, 2021, mainly due to application of IFRS 16 (during the six months ended June 30, 2020: RMB5.2 million).

Income Tax Expenses

Income tax expenses of the Group primarily consist of PRC enterprise income tax and US income tax. Income tax expenses of the Group increased by 52.5% from approximately RMB29.0 million for the six months ended June 30, 2020 to approximately RMB44.2 million for the six months ended June 30, 2021, primarily due to the increase in the Group's profit before taxation.

The effective tax rate of the Group increased from 19.0% for the six months ended June 30, 2020 to 21.4% for the six months ended June 30, 2021, primarily due to the higher income tax rate applicable to the Group's United States operations and the increase in the United States operation's profit before taxation.

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided EBITDA, adjusted EBITDA, and adjusted net profit as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. The Company believes that the 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 six months ended June 30, 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**162,631**	123,482
Add:		
ESOP expenses[1]	**52,318**	30,324
Amortization and depreciation of medical practice license and property, plant and equipment arising from Shenzhen Zhongshan Hospital, the HRC Management and Wuhan Jinxin Hospital acquisition[2]	**13,167**	7,648
Donation to Wuhan[3]	**–**	6,000
Non-IFRS adjusted net profit	**228,116**	167,454
Non-IFRS EBITDA	**246,943**	169,254
Add:		
ESOP expenses[1]	**52,318**	30,324
Donation to Wuhan[3]	**–**	6,000
Non-IFRS adjusted EBITDA	**299,261**	205,578

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 and property, plant and equipment arising from Shenzhen Zhongshan Hospital, the HRC Management and Wuhan Jinxin Hospital acquisition. By eliminating the effect of these items from the profit attributable to the owners of the Company, it serves the purpose of demonstrating the endogenous growth of the Company.

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

Net Profit and Net Profit Margin

As a result of the foregoing, net profit of the Group increased by 31.7% from approximately RMB123.5 million for the six months ended June 30, 2020 to approximately RMB162.6 million for the six months ended June 30, 2021. Net profit margin of the Group for the six months ended June 30, 2021 was 18.9%, compared to 20.2% for the six months ended June 30, 2020. The lower net profit margin compared to the six months ended June 30, 2020 was primarily due to the increase in ESOP expenses, the decrease in interest income from time deposits as well as consolidation of Wuhan Jinxin Hospital, which was still loss-making. This was partially offset by the increase of the operating profits made by other hospitals.

Non-IFRS adjusted net profit[1] of the Group increased by 36.2% from approximately RMB167.5 million for the six months ended June 30, 2020 to approximately RMB228.1 million for the six months ended June 30, 2021. The non-IFRS adjusted net profit margin of the Group for the six months ended June 30, 2020 was 27.4%, compared to 26.5% for the six months ended June 30, 2021. The lower non-IFRS adjusted net profit margin of the Group for the six months ended June 30, 2021 was primarily due to the decrease in interest income from time deposits as well as the consolidation of Wuhan Jinxin Hospital, which was still loss-making. This was partially offset by the increase of the operating profits made by other hospitals.

Non-IFRS EBITDA

Non-IFRS EBITDA[2] of the Group increased by 45.9% from approximately RMB169.3 million for the six months ended June 30, 2020 to approximately RMB246.9 million for the six months ended June 30, 2021. The non-IFRS EBITDA margin of the Group for the six months ended June 30, 2021 was 28.7%, compared to 27.7% for the six months ended June 30, 2020. The higher non-IFRS EBITDA margin of the Group for the six months ended June 30, 2021 was mainly due to the economies of scale when the Group's operation was being recovered from the COVID-19 pandemic, which was partially offset by the consolidation of Wuhan Jinxin Hospital.

Non-IFRS adjusted EBITDA[3] of the Group increased by 45.6% from approximately RMB205.6 million for the six months ended June 30, 2020 to approximately RMB299.3 million for the six months ended June 30, 2021. The non-IFRS adjusted EBITDA margin of the Group for the six months ended June 30, 2021 was 34.8%, compared to 33.6% for the six months ended June 30, 2020. The higher non-IFRS adjusted EBITDA margin of the Group for the six months ended June 30, 2021 was mainly due to the economies of scale when the Group's operations was being recovered from the COVID-19 pandemic, which was partially offset by the consolidation of Wuhan Jinxin Hospital.

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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 and property, plant and equipment arising from Shenzhen Zhongshan Hospital, HRC Management and Wuhan Jinxin Hospital acquisition; and (iii) donation to Wuhan to better reflect the Company's current business and operations.

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

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

Basic and Diluted Earnings per Share

The basic and diluted earnings per share of the Group for the six months ended June 30, 2021 amounted to RMB0.06 and RMB0.06, as compared with RMB0.05 and RMB0.05 as that for the six months ended June 30, 2020. Please refer to note 10 to the condensed consolidated financial statements in this announcement. Adjusted basic earnings per share of the Group for the six months ended June 30, 2021 amounted to RMB0.09, as compared with RMB0.07 as that for the six months ended June 30, 2020.

Inventories

Inventories of the Group decreased by 18.1% from approximately RMB25.5 million as at December 31, 2020 to approximately RMB20.9 million as at June 30, 2021, which primarily remained stable.

Accounts and Other Receivables

Accounts and other receivables of the Group decreased by 7.0% from approximately RMB68.7 million as at December 31, 2020 to approximately RMB63.9 million as at June 30, 2021, primarily due to decrease in loan receivables.

Accounts and Other Payables

Accounts and other payables of the Group increased by 5.6% from approximately RMB361.6 million as at December 31, 2020 to approximately RMB382.1 million as at June 30, 2021, primarily because the Group was able to better utilize credit terms with its suppliers.

Liquidity and Capital Resources

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

Cash Flows

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

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net cash generated from operating activities	**174,432**	77,514
Net cash from investing activities	**290,835**	245,065
Net cash from (used in) financing activities	**996,641**	(60,217)
Cash and cash equivalents at beginning of the period	**681,619**	579,637
Effect of foreign exchange rate changes	**(6,443)**	2,533
Cash and cash equivalents at end of the period	**2,137,084**	844,532

Capital Commitments

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

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Capital expenditure in respect of investments	**148,079**	–
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**24,855**	39,144
Total	**172,934**	39,144

Significant Investments, Material Acquisitions and Disposals

Save as disclosed above, as at June 30, 2021, there were no significant investment held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Lease liabilities

The Group recognized right-of-use assets and corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. As at June 30, 2021, the Group, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB315.3 million. The lease liabilities represent payment for right of using underlying assets.

Borrowings

As of June 30, 2021, the Group had bank borrowings of RMB154.4 million (December 31, 2020: RMB162.5 million).

Contingent Liabilities and Guarantees

As at June 30, 2021, the Group did not have any material contingent liabilities or guarantees.

Charge of Assets

As at June 30, 2021, there was no charge on the material assets of the Group.

Contractual Obligations

As at June 30, 2021, the Group did not have any contractual obligations that would have a material effect on its financial position or results of operations.

Gearing Ratio

Gearing ratio is calculated using total borrowings divided by total equity as of the end of such period and multiplied by 100%. As at June 30, 2021, the Group's gearing ratio is 1.79% (December 31, 2020: 2.18%).

Currency Risk

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

Interest Rate Risk

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

Liquidity Risk

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

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2021, the Group and the medical facilities in its network had a total of 1,513 employees, of whom 1,320 were located in China and 193 were located in the United States. The staff costs, including Directors' emoluments were approximately RMB263.0 million for the six months ended June 30, 2021, as compared to approximately RMB201.4 million for the six months ended June 30, 2020.

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

The Group also offers its employees the option to participate in its RSU Scheme, which was adopted on February 15, 2019. Summary of the principal terms of the RSU Scheme are set out in the section headed "Statutory and General Information – D. RSU Scheme" in Appendix V to the Prospectus. Besides, the Group has adopted the Share Option Scheme to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to the Group, which was adopted on June 3, 2019. Summary of the principal terms of the Share Option Scheme are set out in the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix V to the Prospectus. As at June 30, 2021, no option has been granted pursuant to the Share Option Scheme.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended June 30, 2021 (for the six months ended June 30, 2020: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with all applicable code provisions of the CG Code for the six months ended June 30, 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the required standards as set out in the Model Code during the six months ended June 30, 2021.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK$2,808.1 million was kept at the bank accounts of the Group as at June 30, 2021.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2021:

	Planned applications *(HK$ million)*	**Percentage of total net proceed**	**Actual usage up to June 30, 2021** *(HK$ million)*	**Net proceeds brought forward for the Reporting Period** *(HK$ million)*	**Unutilized net proceeds as at June 30, 2021** *(HK$ million)*	**Expected timeline for utilizing the remaining unutilized net proceeds[(2)]**
To expand and upgrade existing assisted reproductive medical facilities in the Group's network in China and recruit medical professionals, including physicians and embryologists, in order to increase capacity, expand its service offering and market share	702.0[(1)]	25.0%[(1)]	24.7	677.3	677.3	By June 2024
For the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in[(3)]	561.6	20.0%	484.6	77.0	77.0	By June 2022
For investment in research and development to enhance overall performance and maintain the Group's position at the forefront of assisted reproductive technology	280.8	10.0%	44.4	242.4	236.4	By June 2024
For the potential acquisitions of ARS service providers and businesses along the ARS service chain[(4)]	561.6	20.0%	272.9	288.7	288.7	By June 2022
To improve brand awareness and general ARS awareness in both China and the United States	421.2	15.0%	3.6	421.2	417.6	By June 2024
For the Group's working capital and general corporate purposes[(5)]	280.9	10.0%	63.3	235.6	217.6	By June 2024
Total	2,808.1	100%	893.5	1,942.2	1,914.6	

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 (actual usage up to December 31, 2020 amounting to HK$235 million) and (ii) other expenditures (actual usage up to December 31, 2020 amounting to HK$38 million).

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

USE OF PROCEEDS FROM PLACING

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

The closing of the Placing took place on February 9, 2021. The net proceeds from the Placing were approximately HK$1,253.47 million, which will be used (i) 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; (ii) to fund potential merger and acquisition opportunities of ARS-licensed providers located outside the PRC, such as in Southeast Asia and other Asia-pacific countries, to further expand the Group's global reach; and (iii) for other general corporate purposes where appropriate, as disclosed in the announcements of the Company dated February 2, 2021 and February 9, 2021, respectively. As of the date of this announcement, none of the net proceeds has been utilized by the Company. The expected timeline for utilizing the net proceeds of the Placing is by December 2023. Such timeline is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

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

During the Reporting Period, 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 governs its business operations, providing an independent view on the effectiveness of the Company's internal control policies, financial management processes and risk management systems, in particular, the implementation of the Company's anti-corruption and anti-bribery measures.

REVIEW OF INTERIM RESULTS

The Audit and Risk Management Committee has jointly reviewed with the management and the independent auditor of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited condensed interim results of the Group for the six months ended June 30, 2021) of the Group. The Audit and Risk Management Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to June 30, 2021:

- On August 5, 2021, the Company proposed to change the board lot size for trading of the Shares on the Stock Exchange from 2,000 Shares to 500 Shares, with effect from August 27, 2021. Details in relation to the change in board lot size were set out in the announcement of the Company dated August 5, 2021.

- On August 26, 2021, HRC Management entered into a management services agreement with USC, a leading private research university in the United States, where HRC Management will manage and provide various administrative services to USC Fertility for a term of 10 years in return for management services fees[(1)]. Concurrent to the management services agreement, USC and the fertility clinics managed by the Group in the United States will collaborate and clinically integrate their assisted reproductive technologies to further advance their IVF-related clinical research, improve the quality of fertility treatment and provide better medical services to patients. Further, it has been put in place a co-marketing arrangement which will allow the fertility clinics managed by the Group in the United States to leverage on the prestigious branding of Keck School of Medicine of USC, and on the other hand, USC can also display HRC's logo on USC's marketing materials. The management services agreement diversifies the streams of revenue for the Group and provides long-term benefits through synergies created by sharing resources, including the nine fertility clinics managed by the Group in the United States and world-class IVF research, education and physicians of USC Fertility. In addition, four physicians from USC Fertility will practice at the Group's fertility center in Pasadena, California. The Directors believe that this will enable the Group to make further advancements in its IVF academic and clinical research, provide fertility treatments at a reduced cost and subsequently improve the medical experience for patients as a whole.

(1) To the best of the Directors' knowledge and belief after making reasonable enquiries, USC and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Therefore, the management services agreement does not constitute any connected transaction of the Company under Chapter 14A of the Listing Rules. Further, as all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the management services agreement are less than 5%, it does not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

- On August 26, 2021, Jinxin Fertility Group (HK) Limited entered into a sale and purchase agreement with, among others, Dr. Chan, Ms. Chan Ying Chi and Dr. Yu Congyi to purchase 51% equity interest in Remarkable Global Enterprises Limited, subject to adjustment(2). Remarkable Global Enterprises Limited wholly-owns RHC and ARC. RHC is a clinic in Hong Kong that specializes in the reproductive health of women and its professional team which is headed by Dr. Chan, comprises of specialist physicians from reproductive medicine, obstetrics and gynecology and surgery in Hong Kong. ARC is one of the 13 IVF centers in Hong Kong, and can provide a full range of assisted reproductive treatments, including artificial insemination with husband's sperm (AIH), artificial insemination with donor sperm (AID), IVF-ET, ICSI, embryo biopsy for pre-implantation genetic testing (PGT), surgical sperm retrieval, freezing and storage of eggs, sperm and embryos, and other related services. Dr. Chan, one of the registered specialists in reproductive medicine in Hong Kong, according to the Medical Council of Hong Kong, has been retained with the Group as managing partner physician and a person responsible of RHC and ARC after the acquisition. Through the acquisition, the Group intends to incorporate the brand of "Jinxin Fertility" into the branding and marketing of RHC and ARC and explore opportunities to cooperate with Shenzhen Zhongshan Hospital. As such, the Board believes that the acquisition will create synergies with the Group as it will (i) allow the Group to establish a prominent presence in Hong Kong and further expand the Group's global footprint, (ii) create opportunities for cooperation between the Group's operations in Guangdong Province through Shenzhen Zhongshan Hospital on one hand, and RHC and ARC in Hong Kong on the other hand, and through such cooperation, consolidate its market leadership in the Greater Bay Area, and (iii) satisfy patients' demand for IVF services in both Hong Kong and the Greater Bay Area.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jxr-fertility.com), and the 2021 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

(2) To the best of the Director's knowledge, information and belief, and having made all reasonable enquires, the sellers in the sale and purchase agreement are third parties independent of the Company and its connected persons (as defined under the Listing Rules). As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the sale and purchase agreement and the acquisition are less than 5%, it does not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

"ARS"	assisted reproductive service(s)
"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on November 10, 2015, the Group's subsidiary and successor of Prior Chengdu Xinan Hospital that is a for-profit specialty hospital
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "we" or "our"	Jinxin Fertility Group Limited (錦欣生殖醫療集團有限公司*), previously known as Sichuan Jinxin Fertility Company Limited, an exempted company established in the Cayman Islands with limited liability on May 3, 2018
"COVID-19"	coronavirus disease of 2019
"Director(s)"	the director(s) of the Company
"ESOP"	collectively the RSU Scheme and the Share Option Scheme
"Gaoxin Xinan Hospital"	Chengdu Gaoxin Xinan Gynecological Hospital Co., Ltd. (成都高新西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on June 13, 2016, successor of Prior Gaoxin Xinan Hospital and the Group's subsidiary before the Reorganization (as defined in the Prospectus) that is a for-profit gynecological and obstetrics specialty hospital
"Group"	the Company and its subsidiaries
"HK dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"HRC 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
"IFRS"	International Financial Reporting Standards
"IVF"	in vitro fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy
"Jinjiang District Maternity and Child Health Hospital"	Chengdu Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院), a non-profit maternity and child healthcare hospital established in the PRC in 1954, the IVF center of which is jointly managed by the Group
"Jinjiang IVF Center"	the IVF center of Jinjiang District Maternity and Child Health Hospital
"Jinxin Women and Children Hospital"	Sichuan Jinxin Women and Children Hospital Co., Ltd (四川錦欣婦女兒童醫院有限公司), a company established under the laws of the PRC with limited liability on December 9, 2016 that is a for-profit women and children hospital, the fertility center of which was jointly managed by the Group
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 25, 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MSA"	the amended and restated management services agreement dated January 22, 2019 pursuant to which HRC Management provided non-medical management services to HRC Medical

"NexGenomics"	NexGenomics, LLC, a limited liability company established under the laws of California, the United States, on February 4, 2015, wholly owned by HRC Management
"Prior Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital (成都西囡婦科醫院), a privately funded non-enterprise entity (民辦非企業單位) established on March 31, 2010, predecessor of Chengdu Xinan Hospital
"Prior Gaoxin Xinan Hospital"	Chengdu Gaoxin Xinan Gynecological Hospital (成都高新西囡婦科醫院), a privately funded non-enterprise entity (民辦非企業單位) established on May 27, 2013, predecessor of Gaoxin Xinan Hospital
"Prospectus"	the prospectus issued by the Company dated June 13, 2019
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the six-month period from January 1, 2021 to June 30, 2021
"RSA Centers"	the three surgical centers located at HRC Medical core clinics in Pasadena, Encino and Newport Beach
"RSU Scheme"	the restricted share award scheme conditionally adopted by the Company on February 15, 2019, the principal terms of which are summarized in "RSU Scheme" in Appendix V to the Prospectus
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in "Share Option Scheme" in Appendix V to the Prospectus
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in Shenzhen, PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"sq.m"	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"U.S. dollar(s)" or "US$" or "USD"	United States dollar(s), the lawful currency of the United States of America
"Xinan Hospital Group"	Chengdu Xinan Hospital and Gaoxin Xinan Hospital

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

By order of the Board
Jinxin Fertility Group Limited
Zhong Yong
Chairman

Hong Kong, August 31, 2021

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 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. Lim Haw Kuang, Mr. Wang Xiaobo and Mr. Ye Changqing, as independent non-executive Directors.

* *For identification purpose only*