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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)

(1) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 15% EQUITY INTEREST IN SHENZHEN ZHONGSHAN HOSPITAL; AND (2) THE NEW CONTRACTUAL ARRANGEMENTS

THE ACQUISITION

The Board is pleased to announce that on January 27, 2022 (after trading hours), the Purchaser entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell 15% equity interest in Shenzhen Zhongshan Hospital at the Consideration of RMB288,682,500 in accordance with the terms and conditions thereof.

The Consideration is split into two payment installments in cash. The first installment of 30% of the Consideration (equivalent to RMB86,604,750) shall be paid within five (5) business days to the signing of the Equity Transfer Agreement, and the second installment of 70% of the Consideration (equivalent to RMB202,077,750) shall be paid within seven (7) business days from the Completion Date. The payment of the Consideration will be funded by the internal resources of the Group.

As of the date of this announcement, the Company indirectly holds 70% equity interest in Shenzhen Zhongshan Hospital and controls the 9.44% equity interest in Shenzhen Zhongshan Hospital held by the Purchaser (as to 3.98%) and Mr. Zeng Yong (as to 5.46%) by virtue of the Existing Contractual Arrangements. The remaining equity interest in Shenzhen Zhongshan Hospital is held by the Vendor as to 15%, Mr. Zeng Yong as to 5.46%, and Ms. Qian Minhui as to 0.10%. Therefore, Shenzhen Zhongshan Hospital is a non-wholly owned subsidiary of the Company.

Upon Completion, the Company will indirectly hold 70% equity interest in Shenzhen Zhongshan Hospital and control 24.44% equity interest in Shenzhen Zhongshan Hospital to be held by the Purchaser (as to 18.98%) and Mr. Zeng Yong (as to 5.46%) by virtue of the Contractual Arrangements. Mr. Zeng Yong and Ms. Qian Minhui will hold the remaining 5.46% and 0.10% equity interest in Shenzhen Zhongshan Hospital, respectively. As such, Shenzhen Zhongshan Hospital will continue to be a non-wholly owned subsidiary of the Company and the financial results of Shenzhen Zhongshan Hospital will continue to be consolidated into the financial statements of the Group and based on discussion with the Company's auditor, the Company has confirmed that it has the right to do so under the prevailing accounting principles.

THE NEW CONTRACTUAL ARRANGEMENTS

Upon Completion, Shenzhen Zhongshan Hospital will enter into the New Contractual Arrangements with the WFOE and the Purchaser, the terms and conditions of which are substantially the same as those of the Existing Contractual Arrangements, upon which the economic benefit in relation to the additional 15% of equity interest in Shenzhen Zhongshan Hospital held by the Purchaser will be consolidated into the Group's results. Therefore, the financial results of Shenzhen Zhongshan Hospital will continue to be consolidated into the Group's consolidated accounts following completion of the Acquisition and the New Contractual Arrangements and based on discussion with the Company's auditor, the Company has confirmed that it has the right to do so under the prevailing accounting principles. As of the date of this announcement, the Target Group has not encountered any interference or encumbrance from any governing bodies in operating its business through Shenzhen Zhongshan Hospital under the New Contractual Arrangements.

LISTING RULES IMPLICATIONS

The Acquisition

Shenzhen Zhongshan Hospital is an indirect non-wholly owned subsidiary of the Company. As of the date of this announcement, the Vendor is a substantial shareholder and a director of Shenzhen Zhongshan Hospital and hence a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company. By virtue of Rule 14A.101 of the Listing Rules, as the Board has approved the Acquisition, and the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Accordingly, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as all applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 5%, the Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules

The New Contractual Arrangements

The Purchaser is owned by the Registered Shareholders, Ms. Yan Xiaoqing (a non-executive Director) and Ms. Zhu Yujuan (an existing employee of the Group, as to 51% and 49%, respectively, and therefore, it is a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions under the New Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In preparation for the listing of the Company, the Company has sought, and the Stock Exchange has granted, the IPO Waiver from the strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Existing Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement for setting an annual cap for the transactions under the Existing Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Existing Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to certain conditions as set out in the Prospectus. The conditions include, among others, that on the basis that the Existing Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding on the one hand, and Jinrun Fude, on the other hand, such framework may be renewed and/or reproduced upon the expiry of the Existing Contractual Arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of its shareholders, on substantially the same terms and conditions as the Existing Contractual Arrangements.

Since the New Contractual Arrangements is reproduced from the Existing Contractual Arrangements as provided under the conditions of the IPO Waiver, the Company is of the view, and in the process of seeking confirmation from the Stock Exchange, that the transactions contemplated under the New Contractual Arrangements would fall within the scope of the IPO Waiver and be exempt from strict compliance with: (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the terms of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver as disclosed in the section headed "Connected Transactions" in the Prospectus. The Company will make further announcement as and when appropriate.

THE ACQUISITION

The Board is pleased to announce that on January 27, 2022 (after trading hours), the Purchaser entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell 15% equity interest in Shenzhen Zhongshan Hospital at the Consideration of RMB288,682,500 in accordance with the terms and conditions thereof.

As of the date of this announcement, the Company indirectly holds 70% equity interest in Shenzhen Zhongshan Hospital and controls the 9.44% equity interest in Shenzhen Zhongshan Hospital held by the Purchaser (as to 3.98%) and Mr. Zeng Yong (as to 5.46%) by virtue of the Existing Contractual Arrangements. The remaining equity interest in Shenzhen Zhongshan Hospital is held by the Vendor as to 15%, Mr. Zeng Yong as to 5.46%, and Ms. Qian Minhui as to 0.10%. Therefore, Shenzhen Zhongshan Hospital is a non-wholly owned subsidiary of the Company.

Upon Completion, the Company will indirectly hold 70% equity interest in Shenzhen Zhongshan Hospital and control 24.44% equity interest in Shenzhen Zhongshan Hospital to be held by the Purchaser (as to 18.98%) and Mr. Zeng Yong (as to 5.46%) by virtue of the Contractual Arrangements. Mr. Zeng Yong and Ms. Qian Minhui will hold the remaining 5.46% and 0.10% equity interest in Shenzhen Zhongshan Hospital, respectively. As such, Shenzhen Zhongshan Hospital will continue to be a non-wholly owned subsidiary of the Company and the financial results of Shenzhen Zhongshan Hospital will continue to be consolidated into the financial statements of the Group and based on discussion with the Company's auditor, the Company has confirmed that it has the right to do so under the prevailing accounting principles.

The principal terms of the Equity Transfer Agreement are summarized below:

THE EQUITY TRANSFER AGREEMENT

Date

January 27, 2022

Parties

(1) Jinrun Fude, a subsidiary of the Company by virtue of the Existing Contractual Arrangements, as the purchaser; and

(2) Mr. Mei Hua (梅驊), as the vendor

Equity interests to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser agreed to purchase, and the Vendor agreed to sell, 15% equity interest in Shenzhen Zhongshan Hospital. Upon Completion, Shenzhen Zhongshan Hospital, the WFOE, the Purchaser and the Registered Shareholders will enter into the New Contractual Arrangements in respect of the 15% equity interest in Shenzhen Zhongshan Hospital to be held by the Purchaser. For details of the New Contractual Arrangements, please refer to the section headed "The New Contractual Arrangements" below.

Consideration and payment terms

Pursuant to the Equity Transfer Agreement, the Consideration shall be RMB288,682,500.

The Consideration is split into two payment installments in cash. The first installment of 30% of the Consideration (equivalent to RMB86,604,750) shall be paid within five (5) business days to the signing of the Equity Transfer Agreement, and the second installment of 70% of the Consideration (equivalent to RMB202,077,750) shall be paid within seven (7) business days from the Completion Date. The payment of the Consideration will be funded by the internal resources of the Group.

Basis of Consideration

The Consideration was arrived at after an arm's length negotiation between the Purchaser and the Vendor with reference to (i) the valuation range of Shenzhen Zhongshan Hospital as of October 31, 2021, which ranges from RMB2,090,000,000 to RMB2,500,000,000 as set out in the Valuation Report prepared by the Independent Valuer using the future discounted cash flow, and such range was arrived by the Independent Valuer having taken into account various factors, including but not limited to the general economic and industry outlook, the lack of marketability of Shenzhen Zhongshan Hospital[1] and financial forecast of Shenzhen Zhongshan Hospital; (ii) the historical financial performance of Shenzhen Zhongshan Hospital; and (iii) the benefits derived from the Group's enhanced control and influence over the management and operation of Shenzhen Zhongshan Hospital as set out in the section headed "Reasons for and Benefits of the Acquisition". Having considered the aforesaid factors, the Directors consider that the Consideration is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Since the discounted cash flow method was adopted by the Company, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules, and as such, this announcement is made in compliance with Rules 14.60A and 14.62 of the Listing Rules.

Assumptions of Valuation

Pursuant to Rule 14.62(1) of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the valuation was based on, are as follows:

General Assumptions

1. there are no material changes in the current laws, regulations and policies, and the macroeconomic situation of the country, nor are there any material changes in the political, economic and social environment of the regions where the parties to the transactions are located;

2. in view of the actual condition of assets as of as of October 31, 2021, it is assumed that Shenzhen Zhongshan Hospital operates on a going-concern basis;

3. there are no material changes in the interest rate, exchange rate, tax base and tax rate, policy levy and other expenses relevant to Shenzhen Zhongshan Hospital after October 31, 2021;

1 A 10% discount for lack of marketability is applied in the valuation performed by the Independent Valuer as Shenzhen Zhongshan Hospital is a private company.

4. the management of Shenzhen Zhongshan Hospital is responsible, stable, and capable of assuming its duties after October 31, 2021; and

5. after October 31, 2021, there are no force majeure and unforeseen factors which will have a significant adverse impact on Shenzhen Zhongshan Hospital.

Special Assumptions

1. Shenzhen Zhongshan Hospital is expected to exhibit revenue growth of a CAGR of approximately 16% between 2021 and 2026 across the four main business lines, namely, assisted reproductive service center, immunodiagnosis, gynecology and reproductive andrology, primarily due to increases in sales volume and unit prices;

2. the gross profit margin of Shenzhen Zhongshan Hospital during the projection period will maintain between 44.9% and 51.8% and the total operating expense is expected to decrease from 11.2% to 9.1% of the revenue during 2022 to 2026 along with the enhancement on its operating efficiency;

3. based on the discussion with the management of the Company, material cost and employee costs, will continue to be a major component of costs of goods sold, and variable costs will increase proportionately with revenue growth, while fixed costs will remain flat over the forecasting period;

4. the effective tax rate of Shenzhen Zhongshan Hospital will continue to range from 18% to 25%;

5. depreciation was calculated using the straight-line depreciation method for various types of fixed and intangible assets;

6. based on the discussion with the management of the Company, the capital expenditures will primarily be used for the purchase of medical equipment; and

7. based on the discussion with the management of the Company, the working capital to revenue ratio of Shenzhen Zhongshan Hospital from 2022 to 2026 will remain similar to its historical working capital to revenue ratio from 2019 to 2021.

Confirmations

In accordance with Rule 14.62(2) of the Listing Rules, the Company has engaged its reporting accountant, Deloitte Touche Tohmatsu, to report on the calculations on which the Valuation Report was based.

So far as the accounting policies and calculations are concerned, the Deloitte Touche Tohmatsu has reported to the Directors in respect of the arithmetic accuracy of the compilation of the discounted future estimated cash flows in connection with the valuation of Shenzhen Zhongshan Hospital as of October 31, 2021, prepared by the Independent Valuer as set out in the Valuation Report. The Directors are solely responsible for the assumptions described above and the work performed by Deloitte Touche Tohmatsu did not include any assessment of the reasonableness or validity of the assumptions. The calculations of forecast do not involve the adoption of accounting policies.

The Directors have reviewed the assumptions which the valuation of Shenzhen Zhongshan Hospital was prepared upon and have considered the report from Deloitte Touche Tohmatsu. The Directors confirm that the valuation of Shenzhen Zhongshan Hospital has been made after due and careful enquiry.

A report from Deloitte Touche Tohmatsu dated January 27, 2022, in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board dated January 27, 2022, in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

Experts and Consents

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	**Qualifications**
Duff & Phelps	Independent professional qualified valuer
Deloitte Touche Tohmatsu	Certified Public Accountants
	Public Interest Entity Auditors registered in accordance with the Financial Reporting Council Ordinance

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, each of the Independent Valuer and Deloitte Touche Tohmatsu is a third party independent of the Company and its connected person(s).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the date of this announcement, neither the Independent Valuer nor Deloitte Touche Tohmatsu has any shareholding, directly or indirectly, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

Each of the Independent Valuer and Deloitte Touche Tohmatsu has given and has not withdrawn its respective written consent to the publication of this announcement with the inclusion of its name and qualification and statements, and all references thereto and to the Valuation Report and the report from Deloitte Touche Tohmatsu dated January 27, 2022, in compliance with Rule 14.62(2) of the Listing Rules, in the form and context in which they are included.

Completion

Completion is expected to take place on February 28, 2022, and in any event no later than March 31, 2022.

GENERAL INFORMATION

Information on Shenzhen Zhongshan Hospital

As of the date of this announcement, Shenzhen Zhongshan Hospital is a subsidiary of the Company. The Company indirectly holds 70% equity interest in Shenzhen Zhongshan Hospital through the WFOE, Jinxin Fertility HK and BVI Holdco, and controls the 9.44% equity interest in Shenzhen Zhongshan Hospital held by the Purchaser (as to 3.98%) and Mr. Zeng Yong (as to 5.46%) by virtue of the Existing Contractual Arrangements. The remaining 20.56% equity interest in Shenzhen Zhongshan Hospital is held by the Vendor as to 15%, Mr. Zeng Yong as to 5.46% and Ms. Qian Minhui as to 0.10%.

Shenzhen Zhongshan Hospital was established and commenced operations in May 2004, and was later acquired by the Group in January 2017. Shenzhen Zhongshan Hospital is a private for-profit specialty hospital specializing in assisted reproductive services.

The unaudited net assets of Shenzhen Zhongshan Hospital as at June 30, 2021 was approximately RMB170.06 million. The audited net profit (both before and after taxation) of Shenzhen Zhongshan Hospital for the years ended December 31, 2019 and 2020 were as follows:

	For the year ended December 31,	
	2019	**2020**
	RMB'000	***RMB'000***
Net profit before taxation	79,636	**101,449**
Net profit after taxation	60,256	**76,982**

The original acquisition cost of the equity interest in Shenzhen Zhongshan Hospital to the Vendor was approximately RMB3 million, being the corresponding paid up capital of Shenzhen Zhongshan Hospital.

Information on the Vendor

The Vendor is a doctor and a professor at the Sun Yat-sen University of Medical Sciences. As of the date of this announcement, the Vendor is a substantial shareholder and a director of Shenzhen Zhongshan Hospital, an indirect non-wholly owned subsidiary of the Company.

Information on the Group

The Company is a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in the provision of assisted reproductive services in the PRC, Hong Kong and the United States.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition under the Equity Transfer Agreement will enable the Group to increase its control in the equity interest in Shenzhen Zhongshan Hospital to approximately 94.44%, thereby enabling the Group to (i) enhance its control and influence over the management and operation of Shenzhen Zhongshan Hospital, (ii) increase its share of economic benefits generated by Shenzhen Zhongshan Hospital, and (iii) have greater flexibility in the formulation of business strategies in Shenzhen Zhongshan Hospital to the Group.

In view of the above, the Directors (including all the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

None of the Directors has a material interest in the Equity Transfer Agreement and therefore is not required to abstain from voting on the board resolutions relating to the Equity Transfer Agreement and the transactions contemplated thereunder.

THE NEW CONTRACTUAL ARRANGEMENTS

Upon Completion, Shenzhen Zhongshan Hospital will enter into the New Contractual Arrangements with the WFOE and the Purchaser, the terms and conditions of which are substantially the same as those of the Existing Contractual Arrangements, upon which the economic benefit in relation to the additional 15% of equity interest in Shenzhen Zhongshan Hospital held by the Purchaser will be consolidated into the Group's results. Therefore, the financial results of Shenzhen Zhongshan Hospital will continue to be consolidated into the Group's consolidated accounts following completion of the Acquisition and the New Contractual Arrangements and based on discussion with the Company's auditor, the Company has confirmed that it has the right to do so under the prevailing accounting principles. As of the date of this announcement, the Target Group has not encountered any interference or encumbrance from any governing bodies in operating its business through Shenzhen Zhongshan Hospital under the New Contractual Arrangements.

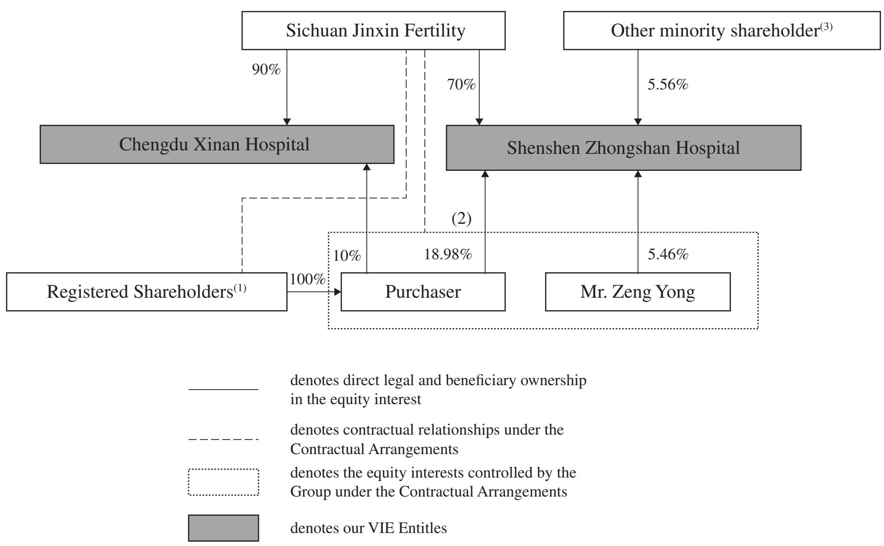
Reasons for the New Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements" in the Prospectus, due to applicable PRC laws and regulatory restrictions on foreign ownership, medical institutions may not be held 100% by foreign investors, and foreign investments are restricted to the form of Sino-foreign equity joint venture or cooperative joint venture. Furthermore, as advised by the PRC Legal Advisors, the competent authority for foreign investment administration in Shenzhen (namely the Commerce Bureau of Shenzhen Municipality (深圳市商務局)) (the "**Competent Authority**") is of the view that the Company, as a foreign entity, shall not directly or indirectly hold more than 70% equity interest in medical institutions in Shenzhen, the PRC (the "**Foreign Ownership Restriction**"). Therefore, the Group had put in place the Existing Contractual Arrangements which are designed to allow the Company to prevent leakages of equity and values of Shenzhen Zhongshan Hospital and to receive the proportionate economic interest returns generated by Shenzhen Zhongshan Hospital.

As advised by the PRC Legal Advisors, Shenzhen Zhongshan Hospital is a medical institution established in Shenzhen, the PRC and is subject to the Foreign Ownership Restriction and as such, the Company is allowed to hold a maximum of 70% equity interest in Shenzhen Zhongshan Hospital. Following the Completion, the Purchaser will increase its ownership in Shenzhen Zhongshan Hospital by 15% equity interest and own an aggregate of 18.98% equity interest. In order for the Group to obtain the economic benefits in relation to the 15% of equity interest in Shenzhen Zhongshan Hospital to be held by the Purchaser, and to prevent leakages of equity and values of Shenzhen Zhongshan Hospital, the WFOE, the Purchaser and Shenzhen Zhongshan Hospital will enter into the narrowly tailored New Contractual Arrangements. As confirmed by the PRC Legal Advisors, the Group obtained confirmation from the Competent Authority in the PRC that the New Contractual Arrangements are narrowly tailored and in compliance with the applicable PRC laws and regulatory restrictions on foreign ownership in order to enable the Group to conduct business in the medical industry.

Details of the New Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefit from Shenzhen Zhongshan Hospital to the Group under the Contractual Arrangements:



Notes:

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

2) The exclusive operations service agreements, exclusive option agreements, powers of attorney, equity pledge agreements and spouse undertakings together form the legal relationship under the Contractual Arrangements.

3) The other minority shareholders include Mr. Zeng Yong and Ms. Qian Minhui who own Shenzhen Zhongshan Hospital as to 5.46% and 0.10%, respectively.

Principal Terms of the New Contractual Arrangements

The principal terms of the New Contractual Arrangements to be entered into upon Completion which the terms and conditions of which are the same terms and conditions as those of the Existing Contractual Arrangement, are summarized as follows:

Exclusive Operation Services Agreement

The Registered Shareholders, the Purchaser and Shenzhen Zhongshan Hospital will enter into an exclusive operation services agreement with the WFOE (the "**Exclusive Operation Services Agreement**"), pursuant to which, Shenzhen Zhongshan Hospital and the Purchaser agree to engage the WFOE as their exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Under the Exclusive Operation Services Agreement, the services to be provided include but are not limited to (i) business, financing and investment; (ii) medical technology related consultation, medical resources sharing and medical professionals training; (iii) human resources management; (iv) market research; (v) strategies for marketing and business expansion; (vi) supplier and inventory management; (vii) operation and marketing strategy formulation and monitoring; (viii) medical service quality control; (ix) internal management; and (x) other services relating to management and operation of medical institutions and shareholder's rights. The WFOE has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Service Agreement, the WFOE may use the intellectual property rights owned by the Purchaser and Shenzhen Zhongshan Hospital free of charge and without any conditions. The Purchaser and Shenzhen Zhongshan Hospital may also use the intellectual property work created by the WFOE from the services performed by the WFOE in accordance with the Exclusive Operation Service Agreement.

Under the Exclusive Operation Services Agreement, the service fee shall be an amount equal to 15% of the distributable net profit of Shenzhen Zhongshan Hospital of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable). Apart from the service fees, the Purchaser and Shenzhen Zhongshan Hospital shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by the WFOE in connection with the performance of the Exclusive Operation Services Agreement and provision of services.

In addition, absent of a prior written consent of the WFOE, during the term of the Exclusive Operation Services Agreement, the Registered Shareholders, the Purchaser and Shenzhen Zhongshan Hospital shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. The WFOE has the right to appoint any third party to provide any or all of the services, or to fulfill its obligations under the Exclusive Operation Services Agreement.

The Exclusive Operation Services Agreement shall become effective upon Completion, and shall remain valid for three years and shall, subject to compliance with the Listing Rules, be automatically renewed for three years each time when its term ends, unless being terminated in accordance with the terms therein.

According to the Exclusive Operation Services Agreement, unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except the WFOE) is entitled to unilaterally terminate the agreement. Furthermore, pursuant to the Exclusive Operation Services Agreement, it may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange; (ii) the WFOE or its designated person directly holds all the equity interest in the Purchaser, and all of the Registered Shareholders' equity interest in the Purchaser or all of the assets of the Purchaser attributable to the Registered Shareholders are transferred to the WFOE pursuant to applicable PRC laws and regulations; (iii) the WFOE or its designated person directly holds all the equity interest in Shenzhen Zhongshan Hospital and all of the Purchaser's equity interest in Shenzhen Zhongshan Hospital or all of the assets of Shenzhen Zhongshan Hospital attributable to the Purchaser are transferred to the WFOE pursuant to applicable PRC laws and regulations; or (iv) the WFOE unilaterally terminates the agreement.

Exclusive Option Agreements

The WFOE, the Registered Shareholders, the Purchaser and/or Shenzhen Zhongshan Hospital will enter into exclusive option agreements (the "**Exclusive Option Agreements**").

Pursuant to the Exclusive Option Agreements, (i) each of the Registered Shareholders irrevocably and unconditionally grants an exclusive option to the WFOE which entitles the WFOE to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in the Purchaser itself or through its designated person(s); (ii) the Purchaser irrevocably and unconditionally grants an exclusive option to the WFOE which entitles the WFOE to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the Purchaser itself or through its designated person(s); (iii) the Purchaser irrevocably and unconditionally grants an exclusive option to the WFOE which entitles the WFOE to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the 15% equity interest in Shenzhen Zhongshan Hospital from the Purchaser itself or through its designated person(s); and (iv) Shenzhen Zhongshan Hospital irrevocably and unconditionally grants an exclusive option to the WFOE which entitles the WFOE to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Shenzhen Zhongshan Hospital attributable to the Purchaser from Shenzhen Zhongshan Hospital itself or through its designated person(s), the WFOE may appoint designated person(s) in its sole discretion when exercising its option. The transfer price of the relevant equity interest and assets shall be the minimum purchase price permitted under PRC law, and each of the Registered Shareholders, the Purchaser and Shenzhen Zhongshan Hospital will undertake that he/she/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interest or assets to the WFOE.

The Registered Shareholders, the Purchaser and Shenzhen Zhongshan Hospital undertake to develop the business of Shenzhen Zhongshan Hospital and not to take any action which may affect its asset value, goodwill and effectiveness of business licenses. Furthermore, in the absence of prior written consent of the WFOE, the Registered Shareholders and the Purchaser shall not (i) transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon; and Shenzhen Zhongshan Hospital shall not assist in transferring or otherwise disposing of any option under the Exclusive Option Agreements, or creating any encumbrances thereon; and (ii) directly or indirectly (by itself or through the entrustment of any other natural person or legal person entity) carry out, own or acquire any business compete with or likely compete with the business of the WFOE or the Group.

In addition, the Registered Shareholders, the Purchaser and Shenzhen Zhongshan Hospital undertake that, upon the WFOE issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will implement necessary actions to affect the transfer and relinquish any pre-emptive right, if any. Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of the Purchaser and Shenzhen Zhongshan Hospital (as applicable) under the PRC laws, all the residual assets which are attributable to the Registered Shareholders and the Purchaser shall be transferred to the WFOE or its designated person(s) at the minimum purchase price permitted under PRC law, and each of the Registered Shareholders, the Purchaser and Shenzhen Zhongshan Hospital undertakes that they will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to the WFOE or its designated person(s); and (ii) in the event of bankruptcy, reorganization or merger of the Purchaser, death or incapacity of the Registered Shareholders or any other event which causes changes to the Registered Shareholders' shareholding in the Purchaser and the Purchaser's shareholding in Shenzhen Zhongshan Hospital, (a) the successor of the Registered Shareholders' equity interest in the Purchaser and the successor of the Purchaser's equity interest in Shenzhen Zhongshan Hospital shall be bound by the New Contractual Arrangements, and (b) any disposal of shareholding in the Purchaser and Shenzhen Zhongshan Hospital shall be governed by the New Contractual Arrangements unless the WFOE consents otherwise in writing.

The Exclusive Option Agreements shall become effective upon Completion. The Exclusive Option Agreements have an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except the WFOE) is entitled to unilaterally terminate the agreement.

The Exclusive Option Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange; (ii) the WFOE or its designated person directly holds all the equity interest in the Purchaser, and all of the Registered Shareholders' equity interest in the Purchaser or all of the assets of the Purchaser attributable to the Registered Shareholders are transferred to the WFOE pursuant to applicable PRC laws and regulations; (iii) the WFOE or its designated person directly holds all the equity interest in Shenzhen Zhongshan Hospital and all of the Purchaser's equity interest in Shenzhen Zhongshan Hospital or all of the assets of Shenzhen Zhongshan Hospital attributable to the Purchaser are transferred to the WFOE pursuant to applicable PRC laws and regulations; or (iv) the WFOE unilaterally terminates the agreement.

The PRC Legal Advisors has advised the Group that the Exclusive Option Agreements would be legal, valid and binding on the parties upon execution, except for the provisions that (i) an arbitral body may grant injunctive relief or directly issue liquidation order against the WFOE; and (ii) interim remedies or enforcement order may be granted by overseas courts such as the courts of Hong Kong and the Cayman Islands, which may not be enforceable under PRC laws.

Shareholders' Rights Entrustment Agreements and Powers of Attorney

The WFOE, the Purchaser and the Registered Shareholders and/or Shenzhen Zhongshan Hospital will enter into the shareholders' rights entrustment agreements (the "**Shareholders' Rights Entrustment Agreements**") and the powers of attorney will be executed by the Registered Shareholders, the Purchaser (the "**Powers of Attorney**") in favor of the WFOE (and its successors or liquidators) or a natural person designated by the WFOE (excluding Ms. Yan Xiaoqing, one of the Registered Shareholders and a non-executive Director, and any person who is not independent or who may give rise to a conflict of interest) (the "**Attorney**").

Pursuant to the Shareholders' Rights Entrustment Agreements and the Powers of Attorney, (i) the Registered Shareholders irrevocably agree to authorize the Attorney to exercise all of their rights and powers as a shareholder of the Purchaser (as applicable); and (ii) the Purchaser irrevocably agrees to authorize the Attorney to exercise all of its rights and powers of a shareholder of Shenzhen Zhongshan Hospital with 15% equity interest, including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. As the WFOE is a subsidiary of the Company, the terms of the Shareholders' Rights Entrustment Agreements and the Powers of Attorney will give the Company control over all corporate decisions of Shenzhen Zhongshan Hospital and approximately 94.44% equity interest of Shenzhen Zhongshan Hospital.

The Shareholders' Rights Entrustment Agreements shall become effective upon Completion. Each of the Powers of Attorney has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except the WFOE) is entitled to unilaterally terminate it.

The Shareholders' Rights Entrustment Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange; (ii) the WFOE or its designated person directly holds all the equity interest in the Purchaser, and all of the Registered Shareholders' equity interest in the Purchaser or all of the assets of the Purchaser attributable to the Registered Shareholders are transferred to the WFOE pursuant to applicable PRC laws and regulations; (iii) the WFOE or its designated person directly holds all the equity interest in Shenzhen Zhongshan Hospital and all of the Purchaser's equity interest in Shenzhen Zhongshan Hospital or all of the assets of Shenzhen Zhongshan Hospital attributable to the Purchaser are transferred to the WFOE pursuant to applicable PRC laws and regulations; or (iv) the WFOE unilaterally terminates the agreement.

Equity Pledge Agreements

The WFOE, the Registered Shareholders, the Purchaser, and/or Shenzhen Zhongshan Hospital will enter into the equity pledge agreements (the "**Equity Pledge Agreements**"). Pursuant to the Equity Pledge Agreements, (i) the Registered Shareholders agree to pledge all of their respective equity interest in the Purchaser; and (ii) the Purchaser agrees to pledge its 15% equity interest in Shenzhen Zhongshan Hospital to the WFOE to secure performance of all their obligations and the obligations of Shenzhen Zhongshan Hospital under the Exclusive Option Agreement, the Powers of Attorney and the Equity Pledge Agreements underlying the New Contractual Arrangements.

If Shenzhen Zhongshan Hospital and the Purchaser declare any dividend during the term of the pledge, the WFOE is entitled to receive all dividends or other income arising from the pledged equity interest, if any. In case of any breach of obligations by any of the Purchaser, the Registered Shareholders and Shenzhen Zhongshan Hospital, the WFOE, upon issuing a written notice to the Registered Shareholders or the Purchaser, will be entitled to all remedies available in the New Contractual Arrangements including but not limited to disposing of the pledged equity interest.

In addition, pursuant to the Equity Pledge Agreements, the Registered Shareholders and the Purchaser undertake to the WFOE, among other things, not to transfer their pledged equity interest and not to create or allow any pledge or encumbrance thereon that may affect the rights and interest of the WFOE without its prior written consent. The Purchaser and Shenzhen Zhongshan Hospital undertake to the WFOE, among other things, not to consent to any transfer the pledged equity interest or to create or allow any pledge or encumbrance thereon without the WFOE's prior written consent.

The pledges in respect of the Purchaser and Shenzhen Zhongshan Hospital take effect upon the completion of registration with the local administration bureau for market regulation and the Group have registered the equity pledge in respect of the Purchaser contemplated under the respective Equity Pledge Agreements with the relevant PRC legal authority pursuant to PRC laws and regulations and the Group will register the equity pledge in respect of Shenzhen Zhongshan Hospital contemplated under the respective Equity Pledge Agreements with the relevant PRC legal authority pursuant to PRC laws and regulations upon signing of the Equity Pledge Agreements.

The Equity Pledge Agreements shall become effective upon Completion. The Equity Pledge Agreements have an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except the WFOE) is entitled to unilaterally terminate it.

The Equity Pledge Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange; (ii) the WFOE or its designated person directly holds all the equity interest in the Purchaser, and all of the Registered Shareholders' equity interest in the Purchaser or all of the assets of the Purchaser attributable to the Registered Shareholders are transferred to the WFOE pursuant to applicable PRC laws and regulations; (iii) the WFOE or its designated person directly holds all the equity interest in Shenzhen Zhongshan Hospital and all of the Purchaser's equity interest in Shenzhen Zhongshan Hospital or all of the assets of Shenzhen Zhongshan Hospital attributable to the Purchaser are transferred to the WFOE pursuant to applicable PRC laws and regulations; or (iv) the WFOE unilaterally terminates the agreement.

Spouse Undertakings

The spouses of each of the Registered Shareholders will sign an undertaking (the "**Spouse Undertakings**") to the effect that the respective interests of the Registered Shareholders in the Purchaser (together with any other interests therein) do not fall within the scope of joint possession, and each of the spouses has no right to or control over such interests of the respective persons and will not have any claim on such interests.

The PRC Legal Advisors are of the view that, upon execution (i) the above arrangements would provide protection to the Group even in the event of death or divorce of the Registered Shareholders; and (ii) the death or divorce of such shareholder would not affect the validity of the New Contractual Arrangements, and the WFOE or the Company can still enforce their right under the New Contractual Arrangements against the Registered Shareholders and their successors.

Common terms of the New Contractual Arrangements

Dispute Resolution

Each of the agreements under the New Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the New Contractual Arrangements, any party has the right to submit the relevant dispute to the Chengdu Arbitration Commission for arbitration, in accordance with the then effective arbitration rules.

The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of the Purchaser and Shenzhen Zhongshan Hospital or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of the Purchaser and Shenzhen Zhongshan Hospital; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company), the PRC and the places where the principal assets of the WFOE or the Purchaser or Shenzhen Zhongshan Hospital are located for interim remedies or injunctive relief.

However, the PRC Legal Advisors have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the Purchaser and Shenzhen Zhongshan Hospital pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that the Purchaser, Shenzhen Zhongshan Hospital or the Registered Shareholders breach any terms of the New Contractual Arrangements, the Group may not be able to obtain sufficient remedies in a timely manner, and the Group's ability to exert (i) fully effective control over the Purchaser, (ii) 94.44% effective control over Shenzhen Zhongshan Hospital and conduct the Group's business could be materially and adversely affected. See the section headed "Risks Relating to the New Contractual Arrangements" in this announcement for further details.

Succession

As advised by the PRC Legal Advisors, the provisions set out in the New Contractual Arrangement, upon execution, would be also binding on any successor(s) of the Registered Shareholders as if such successors were a signing party to the New Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the New Contractual Arrangements. Under the Civil Code of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In the case of a breach, the WFOE can enforce its rights against the successors. Pursuant to the New Contractual Arrangements, in the event of changes in the shareholding of the Purchaser, any successor(s) of the Purchaser shall assume any and all rights and obligations of the Purchaser under the New Contractual Arrangements as if such successor were a signing party to the relevant contract.

Conflicts of Interests

Each of the Registered Shareholders and the Purchaser undertakes that, during the period that the New Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with the WFOE or the WFOE's direct or indirect shareholders. If there is any conflict of interest, the WFOE shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The Registered Shareholders and the Purchaser will unconditionally follow the instructions of the WFOE to take any action to eliminate such conflict of interest.

Loss Sharing

Under the relevant PRC laws and regulations, none of the Company or the WFOE is legally required to share the losses of, or provide financial support to the Purchaser and Shenzhen Zhongshan Hospital. Further, the Purchaser and Shenzhen Zhongshan Hospital are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them. In addition, given that the Group conducts a substantial portion of its business operations in the PRC through the Purchaser and Shenzhen Zhongshan Hospital, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if the Purchaser and Shenzhen Zhongshan Hospital suffer losses.

Liquidation

Pursuant to the Equity Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the shareholders of the Purchaser and Shenzhen Zhongshan Hospital shall, upon the request of the WFOE, give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

Accordingly, in the event a winding up of the Purchaser and Shenzhen Zhongshan Hospital, the WFOE is entitled to liquidation proceeds of the Purchaser and Shenzhen Zhongshan Hospital based on the New Contractual Arrangements for the benefit of the Company's creditors and Shareholders.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the New Contractual Arrangements.

Legality of the New Contractual Arrangements

The PRC Legal Advisors, following completion of reasonable due diligence steps, are of the following legal opinion:

(a) each of the WFOE, the Purchaser and Shenzhen Zhongshan Hospital is duly established and validly existing under the PRC laws, and has obtained or completed all requisite approvals, permits, registrations or filings that are material for carrying out its business operations as required by the applicable PRC laws and regulations;

(b) each of the agreements under the New Contractual Arrangements, upon execution, taken individually and collectively, would constitute legal, valid and binding obligations of the parties thereto except that (a) the Chengdu Arbitration Commission has no power to grant injunctive relief, nor will it be able to order the winding up of the Purchaser and Shenzhen Zhongshan Hospital pursuant to the current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;

(c) the New Contractual Arrangements do not, individually or collectively, violate the provisions of the PRC Civil Code (《民法典》) and do not, individually or collectively, violate all other applicable PRC laws and regulations in order to enable the Group to conduct business in the medical industry, and shall not be deemed as "impairing others' legitimate rights and interests with malicious collusion" or "a false expression of intentions" or fall within any of the circumstances under which will result in the invalidity of the New Contractual Arrangements;

(d) none of the agreements under the New Contractual Arrangements violates any provisions of the existing articles of association of each of the WFOE, the Purchaser and Shenzhen Zhongshan Hospital; and

(e) according to the oral confirmation of the Competent Authority as advised by the PRC Legal Advisors, there are no mandatory or prohibitive provisions of existing PRC laws and administrative regulations relating to the execution and performance of the New Contractual Arrangements in the PRC to date. The Equity Pledge Agreements are subject to registration requirements with the local administration bureau for market regulation and the exercising of the exclusive options by the WFOE, according to the Exclusive Option Agreement, shall be subject to the then effective PRC laws and regulations and relevant approval procedures (if applicable).

The Board's view on the New Contractual Arrangements

Based on the above, the Board is of the view that the New Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to Foreign Ownership Restriction in the PRC. Following Completion, the Company indirectly holds 70% equity interest in Shenzhen Zhongshan Hospital through the WFOE, and controls the 24.44% equity interest in Shenzhen Zhongshan Hospital held by the Purchaser (as to 18.98%) and Mr. Zeng Yong (as to 5.46%) by virtue of the Contractual Arrangements. As such, the Company can receive approximately 94.44% of the economic interest returns generated by Shenzhen Zhongshan Hospital.

The New Contractual Arrangements also provide that the Group could partially unwind the New Contractual Arrangements and hold (directly or indirectly) equity interest in Shenzhen Zhongshan Hospital up to the maximum percentage prescribed by any measures promulgated by the MOFCOM and/or other relevant governmental authorities, or fully unwind the New Contractual Arrangements and directly hold the 100% equity interest in Shenzhen Zhongshan Hospital if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors.

Compliance with the New Contractual Arrangements

The Company respectfully submits that the Group has adopted the following effective internal control measures for the implementation and compliance of the Existing Contractual Arrangements and such measures will be adopted equally for the New Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the New Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(b) the Board will review the overall performance of and compliance with the New Contractual Arrangements at least once a year;

(c) the Company will disclose the overall performance and compliance with the New Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors; and

(d) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the New Contractual Arrangements and the legal compliance of the WFOE, the Purchaser and Shenzhen Zhongshan Hospital to deal with specific issues or matters arising from the New Contractual Arrangements.

In addition, the Company believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of the Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of the Group;

(c) the Company has appointed four independent non-executive Directors, comprising more than one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

(d) the Company will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Risks relating to the New Contractual Arrangements

If the PRC government deems that the New Contractual Arrangements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, the Group could be subject to severe penalties or be forced to relinquish the Group's interests in those operations.

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

The Company is an exempted company incorporated in the Cayman Islands, as such, the Company is classified as a foreign enterprise under PRC laws and regulations, and the Group's wholly-owned PRC subsidiary, the WFOE, is a foreign-invested enterprise. The Group will enter into a series of contractual arrangements with each of the Registered Shareholders, the Purchaser and Shenzhen Zhongshan Hospital. For a detailed description of these contractual arrangements, see the section headed "The New Contractual Arrangements". Through the Group's shareholdings, the Contractual Arrangements, the Company controls the economic benefit of approximately 94.44% of the equity interest in Shenzhen Zhongshan Hospital.

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

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

- levying fines on the Group;

- confiscating the Group's income or the income of the Group's PRC subsidiaries, variable interest entities or their subsidiaries;

- revoking the Group's business licenses and/or operating licenses;

- shutting down the Group's institutions;

- discontinuing or placing restrictions or onerous conditions on the Group's operations, requiring the Group to undergo a costly and disruptive restructuring; and

- taking other regulatory or enforcement actions that could be harmful to the Group's business.

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

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

The New Contractual Arrangements may result in adverse tax consequences to the Group.

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

The shareholders of Shenzhen Zhongshan Hospital may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition.

In connection with the Group's operations in China, the Group relies on the shareholders of Shenzhen Zhongshan Hospital to abide by the obligations under such contractual arrangements. The interests of these shareholders in their individual capacities as the shareholders of Shenzhen Zhongshan Hospital may differ from the Group's interests, as what is in the best interests of Shenzhen Zhongshan Hospital, including matters such as whether to distribute dividends or to make other distributions to fund the Group's offshore requirements, may not be in the Group's best interests. There can be no assurance that when conflicts of interest arise, any or all of these individuals will act in the Group's best interests or those conflicts of interest will be resolved in the Group's favor. In addition, these individuals may breach, or cause Shenzhen Zhongshan Hospital to breach, or refuse to renew, the Existing Contractual Arrangements with the Group.

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

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent the Group from using the proceeds of this offering to make loans to the Group's PRC subsidiaries, or to make additional capital contributions to the Group's PRC subsidiaries.

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

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or Circular 19, effective on June 1, 2015, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit the Group's ability to transfer any foreign currency the Group hold to the Group's PRC subsidiaries, which may adversely affect the Group's liquidity and the Group's ability to fund and expand the Group's business in the PRC.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, the Group is not likely to make such loans to Shenzhen Zhongshan Hospital, a PRC domestic company. Meanwhile, the Group is not likely to finance the activities of Shenzhen Zhongshan Hospital by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by Shenzhen Zhongshan Hospital.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, the Group cannot assure that it will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to its PRC subsidiaries or any variable interest entity or future capital contributions by the Group to its PRC subsidiaries. As a result, uncertainties exist as to the Group's ability to provide prompt financial support to the Group's PRC subsidiaries or Shenzhen Zhongshan Hospital when needed. If the Group fails to complete such registrations or obtain such approvals, the Group's ability to use foreign currency and to capitalize or otherwise fund the Group's PRC operations may be negatively affected, which could materially and adversely affect the Group's liquidity and the Group's ability to fund and expand the Group's business.

If the Group exercise the option to acquire equity ownership of the Purchaser, the ownership transfer may subject the Group to certain limitations and substantial costs.

Pursuant to the New Contractual Arrangements, the WFOE or its designated person(s) has the exclusive right to purchase all or any part of the equity interest in the Purchaser from the Registered Shareholders at the minimum purchase price permitted under the applicable PRC laws.

The equity transfer may be subject to approvals from and filings with relevant PRC regulatory authorities. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The Registered Shareholders will be subject to PRC individual income tax on the difference between the equity interest transfer price and the amount the Registered Shareholders has paid to obtain the equity interest in the Purchaser. The Registered Shareholders will pay the remaining amount to the WFOE under the New Contractual Arrangements. The amount to be received by the WFOE may also be subject to enterprise income tax. Such tax amounts could be substantial and the Group's financial condition may be adversely affected as a result.

The New Contractual Arrangements may not be as effective in providing operational control as direct ownership. The Purchaser and the Registered Shareholders may fail to perform their obligations under the New Contractual Arrangements.

The Group has 70% equity ownership interest in Shenzhen Zhongshan Hospital and relies on the Contractual Arrangements to control the 24.44% equity ownership interest in Shenzhen Zhongshan Hospital.

Although the Group is advised by the PRC Legal Advisors that save as disclosed in this announcement, the New Contractual Arrangements upon execution, would constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, the New Contractual Arrangements may not be as effective in providing us with control over the Purchaser as direct ownership. Direct ownership would allow the Group, for example, to directly or indirectly exercise the Group's rights as a shareholder to effect changes in the board of directors of the Purchaser, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level.

If the Purchaser or the Registered Shareholders fails to perform its respective obligations under the New Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce the Group's rights. All of the New Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the New Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit the Group's ability to enforce the New Contractual Arrangements. The New Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the Purchaser or Shenzhen Zhongshan Hospital, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

In the event the Group is unable to enforce the New Contractual Arrangements or the Group's experience significant delays or other obstacles in the process of enforcing the New Contractual Arrangements, the Group may not be able to exert effective control over the Purchaser and may not prevent leakage of equity and values to the minority shareholder of Shenzhen Zhongshan Hospital or obtain the full economic benefits of the same. The Group's ability to conduct the business may be negatively affected.

LISTING RULES IMPLICATION

The Acquisition

Shenzhen Zhongshan Hospital is an indirect non-wholly owned subsidiary of the Company. As of the date of this announcement, the Vendor is a substantial shareholder and director of Shenzhen Zhongshan Hospital and hence a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company. By virtue of Rule 14A.101 of the Listing Rules, as the Board has approved the Acquisition, and the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Accordingly, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as all applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 5%, the Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules

The New Contractual Arrangements

The Purchaser is owned by the Registered Shareholders, Ms. Yan Xiaoqing (a non-executive Director) and Ms. Zhu Yujuan (an existing employee of the Group, as to 51% and 49%, respectively, and therefore, it is a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions under the New Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In preparation for the listing of the Company, the Company has sought, and the Stock Exchange has granted, the IPO Waiver from the strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Existing Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement for setting an annual cap for the transactions under the Existing Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Existing Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to certain conditions as set out in the Prospectus. The conditions include, among others, that on the basis that the Existing Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding on the one hand, and Jinrun Fude, on the other hand, such framework may be renewed and/or reproduced upon the expiry of the Existing Contractual Arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of its shareholders, on substantially the same terms and conditions as the Existing Contractual Arrangements.

Since the New Contractual Arrangements is reproduced from the Existing Contractual Arrangements as provided under the conditions of the IPO Waiver, the Company is of the view, and in the process of seeking confirmation from the Stock Exchange, that the transactions contemplated under the New Contractual Arrangements would fall within the scope of the IPO Waiver and be exempt from strict compliance with: (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the terms of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver as disclosed in the section headed "Connected Transactions" in the Prospectus. The Company will make further announcement as and when appropriate.

DEFINITIONS

"Acquisition"	the acquisition of 15% equity interest in Shenzhen Zhongshan Hospital and the transaction contemplated under the Equity Transfer Agreement
"Articles of Association"	the articles of association of the Company conditionally adopted on June 3, 2019, and amended from time to time
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"BVI Holdco"	Jinxin Fertility Group (BVI) Company Limited (previously known as LionRock New Hope (BVI) Company Limited), a limited liability company established under the laws of the BVI on March 1, 2018, our subsidiary
"CAGR"	compound annual growth rate
"Chengdu Xinan Hospital"	Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, the PRC with limited liability on November 10, 2015, the Group's indirect subsidiary and a for-profit specialty hospital
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
"Company"	Jinxin Fertility Group Limited (錦欣生殖醫療集團有限公司*)
"Completion"	completion of the Acquisition, as more particularly described under the section headed "Completion" in this announcement
"Completion Date"	the date of Completion in accordance with the provisions of the Equity Transfer Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement, details of which are set out under the section "Consideration" in this announcement
"Contractual Arrangements"	collectively, the Existing Contractual Arrangements and the New Contractual Arrangements
"Director(s)"	the director(s) of the Company

"Equity Transfer Agreement"	the equity transfer agreement dated January 27, 2022 (after trading hours) entered into among the Purchaser and the Vendor in relation to the Acquisition
"Existing Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, the WFOE, the Registered Shareholders, Mr. Zeng Yong, Jinrun Fude and Shenzhen Zhongshan Hospital, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"Group", "we" or "us"	the Company together with its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Valuer"	Duff & Phelps, an independent valuer
"IPO Waiver"	the waiver granted by the Stock Exchange to the Company from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under the Existing Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions under the Existing Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) limiting the terms of the Existing Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to compliance with the waiver conditions as disclosed in the section headed "Connected Transactions" in the Prospectus
"Jinrun Fude"	Chengdu Jinrun Fude Medical Management Company Limited (成都錦潤福德醫療管理有限公司), a limited liability company established under the laws of the PRC on May 9, 2018, the Company's indirect subsidiary by virtue of the Existing Contractual Arrangements
"Jinxin Fertility HK"	Jinxin Fertility Group (HK) Limited (previously known as LionRock New Hope (HK) Company Limited), a limited liability company established under the laws of Hong Kong on March 14, 2018
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 25, 2019
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)

"New Contractual Arrangements"	a series of contractual arrangements to be entered into by, among the WFOE, the Registered Shareholders, the Purchaser and Shenzhen Zhongshan Hospital, details of which are described in the section headed "New Contractual Arrangements" in this announcement
"percentage ratio(s)"	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
"PRC Legal Advisor"	Tian Yuan Law Firm, the legal advisor to the Company as to the laws of the PRC
"Prospectus"	the prospectus of the Company published on June 13, 2019
"Purchaser"	Chengdu Jinrun Fude Medical Management Company Limited (成都錦潤福德醫療管理有限公司), a limited liability company established under the laws of the PRC with limited liability on May 9, 2018, the Group's subsidiary by virtue of the Contractual Arrangements
"Registered Shareholders"	the two individual shareholders of Jinrun Fude, namely, Ms. Yan Xiaoqing and Ms. Zhu Yujuan
"RMB"	the lawful currency of the PRC
"Shares"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001
"Shareholder(s)"	holders of the Shares
"Shenzhen Zhongshan Hospital"	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in Shenzhen, PRC with limited liability on May 18, 2004, the Group's indirect subsidiary that is a for-profit specialty hospital
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules
"Valuation Report"	the valuation report in relation to the valuation of Shenzhen Zhongshan Hospital dated January 22, 2022 prepared by the Independent Valuer
"Vendor"	Mr. Mei Hua (梅驊)

"VIE Entities"	the entities that the Group controls certain percentage of their shareholding through the Existing Contractual Arrangements which comprised, Chengdu Xinan Hospital and Shenzhen Zhongshan Hospital
"WFOE"	Sichuan Jinxin Fertility Medical Investment Management Co., Ltd. (四川錦欣生殖醫療投資管理有限公司), previously known as Sichuan Jinxin Fertility Medical Management Co., Ltd. (四川錦欣生殖醫療管理有限公司) and Chengdu Jinde Corporate Management Company Limited (成都錦德企業管理有限公司), a company established under the laws of the PRC with limited liability on September 12, 2016, an indirect subsidiary of the Company
"%"	per cent

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

Hong Kong, January 27, 2022

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

The English names of the PRC entities referred to in this announcement are merely translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

* *For identification purpose only*

APPENDIX I

REPORT FROM DELOITTE TOUCHE TOHMATSU

The following is the text of the report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 15% EQUITY INTEREST IN SHENZHEN ZHONGSHAN UROLOGICAL HOSPITAL

TO THE DIRECTORS OF JINXIN FERTILITY GROUP LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Duff & Phelps Consulting (Shenzhen) Limited dated January 22, 2022, of a 15% equity interest in Shenzhen Zhongshan Urological Hospital as at October 31, 2021 (the "**Valuation**") is based. Shenzhen Zhongshan Urological Hospital is a company established in the People's Republic of China, which operates a private for-profit specialty hospital specializing in assisted reproductive services. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in an announcement dated January 27, 2022 to be issued by Jinxin Fertility Group Limited (the "**Company**") in connection with the acquisition of 15% equity interest in Shenzhen Zhongshan Urological Hospital (the "**Announcement**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Shenzhen Zhongshan Urological Hospital's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Shenzhen Zhongshan Urological Hospital.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
January 27, 2022

LETTER FROM THE BOARD

January 27, 2022

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Dear Sirs,

Connected Transaction in relation to the Acquisition of 15% equity interest in Shenzhen Zhongshan Hospital and the New Contractual Arrangements

We refer to the valuation report dated January 22, 2022 prepared by Duff & Phelps Consulting (Shenzhen) Limited (the "**Independent Valuer**") in relation to the valuation of the entire equity interests in Shenzhen Zhongshan Hospital as at October 31, 2021 (the "**Valuation**"). As the discounted cash flow approach was adopted in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rules 14.60A and 14.62 of the Listing Rules are applicable.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from our Reporting Accountants, Deloitte Touche Tohmatsu, regarding whether the discounted future estimated cash flows, so far as the calculations are concerned, were properly compiled, in all material respects, in accordance with the assumptions as set out in the Valuation.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board confirmed that the profit forecast has been made after due and careful enquiry by the Directors.

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