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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE EQUITY INTEREST OF
SHENZHEN HENGYU LIANXIANG INVESTMENT
DEVELOPMENT CO., LTD.**

THE ACQUISITION

The Board is pleased to announce that on February 4, 2022 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendors the entire equity interest of the Target Company whose principal asset is the Property under the Project. The total amount of the Consideration payable by the Purchaser for the Acquisition is approximately RMB1,727 million (equivalent to approximately HK\$2,116 million), which consists of (a) approximately RMB1,683 million (equivalent to approximately HK\$2,062 million), subject to adjustments (if any) based on the Completion Accounts to be prepared by the Independent Auditors after completion of the Project, shall be paid to the Target Company for the Outstanding Liabilities; and (b) the balance of the Consideration of approximately RMB44 million (equivalent to approximately HK\$54 million), subject to adjustments (if any) to the amount of the Outstanding Liabilities above, shall be paid to the Vendors as the Equity Consideration. Details of the Equity Transfer Agreement are set out below.

As of the date of this announcement, the Target Company is owned by Gong Haipeng (龔海鵬) as to 35.21%, Lin Yinglai (林映來) as to 34.95% and Zhou Zhenhao (周振浩) as to 29.84% equity interests, respectively. Upon Completion, the Target Company, whose principal asset is the Property under the Project, will be wholly-owned by the Company and will become an indirect wholly-owned subsidiary of the Company. The financial results and assets and liabilities of the Target Company will therefore be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement, under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment or waiver of the conditions precedent under the Equity Transfer Agreement. As the Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

THE ACQUISITION

The Board is pleased to announce that on February 4, 2022 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendors the entire equity interest of the Target Company whose principal asset is the Property under the Project. Details of the Equity Transfer Agreement are set out below.

The Equity Transfer Agreement

Date February 4, 2022

Parties

- (1) The Purchaser
- (2) The Vendors
- (3) The Guarantors
- (4) The Relocatees

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors, the Guarantors and the Relocatees and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

The Purchaser has agreed to acquire, and the Vendors have agreed to sell, the entire equity interest in the Target Company upon the terms and conditions of the Equity Transfer Agreement. In the event that the Vendors do not sell and transfer the entire equity interest in the Target Company to the Purchaser, it shall be deemed to be a breach of the Equity Transfer Agreement on the part of the Vendors, and accordingly the Purchaser shall have the right to terminate the Equity Transfer Agreement and not be obliged to proceed with Completion.

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in real estate development on land with legally obtained right of use of such land. The principal asset of the Target Company is the Property under the Project (details of which are set out in the section headed “The Project” below).

Consideration

The total amount of the Consideration payable by the Purchaser for the Acquisition is approximately RMB1,727 million (equivalent to approximately HK\$2,116 million), which consists of:

- (i) approximately RMB1,683 million (equivalent to approximately HK\$2,062 million), subject to adjustments (if any) based on the Completion Accounts to be prepared by the Independent Auditors after completion of the Project, shall be paid to the Target Company for the Outstanding Liabilities; and
- (ii) the balance of the Consideration of approximately RMB44 million (equivalent to approximately HK\$54 million), subject to adjustments (if any) to the amount of the Outstanding Liabilities above, shall be paid to the Vendors as the Equity Consideration.

For the avoidance of doubt, the Consideration (comprising the payments for the Outstanding Liabilities and the Equity Consideration) payable by the Purchaser for the Acquisition regardless of the adjustments made to the Outstanding Liabilities (if any) shall be no more than approximately RMB1,727 million (equivalent to approximately HK\$2,116 million), being the total amount of the Consideration under the Equity Transfer Agreement.

Outstanding Liabilities

The Purchaser undertakes that it will procure the repayment of the Outstanding Liabilities due from the Target Company to the Lender, the Vendors, the Relocatees and other creditors of the Target Company, details of which are set out below:

Creditors	Nature of the loan/liability	Amount
The Lender	CCB Loan	Approximately RMB195 million
The Vendors	Shareholders Loans	Approximately RMB408 million
The Relocatees	Relocation Compensation	Approximately RMB796 million
Other creditors	Construction, engineering and consultancy fees and other payables incurred in connection with the Project	Approximately RMB285 million

Payment Terms

The Consideration shall be settled by the Purchaser in the following manners:

- (a) the Purchaser shall pay a sum of RMB200 million, representing approximately 11.58% of the Consideration, in cash into the Purchaser Escrow Account within 30 days from the date of execution of the Funding Escrow Agreement (or, if the Lender does not to enter into the Funding Escrow Agreement, the Vendors shall provide a written undertaking to repay the CCB Loan provided by the Lender to the Target Company), and such amount shall be fully released as part of the payment of the Consideration from the Purchaser Escrow Account on the date of Completion (or such other date as agreed between the Purchaser and the Vendors);
- (b) the Purchaser shall pay a sum of approximately RMB1,268 million, representing approximately 73.42% of the Consideration, in cash into the Purchaser Escrow Account within 30 days after all business registration filing documents necessary for the transfer of the entire equity interest in the Target Company have been prepared by the Vendors and held together with the Purchaser, together with satisfaction (or waiver) of other conditions as set out in the Equity Transfer Agreement, and after the satisfaction of the CCB Loan, such amount shall be transferred into the Bank Escrow Account;
- (c) the Purchaser shall further pay the remaining sum of approximately RMB259 million in cash after Completion in accordance with the following payment schedule:

Instalment	Milestone Payment	Amount
1 st instalment	Within 30 days of the Target Company having obtained the completion acceptance filing documents and having transferred the relevant documentations and properties that belong to the Target Company, such as business licenses, contracts, company seal, keys and bank accounts, to the Purchaser and after concerning the Project from the relevant governmental authorities	Approximately RMB86 million

Instalment	Milestone Payment	Amount
2 nd instalment	Within 30 days of the Target Company having obtained the immovable property ownership rights for the Project from the relevant governmental authorities	Approximately RMB22 million
3 rd instalment	Within 30 days of the Target Company having completed the Final Handover of the Project	Approximately RMB43 million
4 th instalment	Within 30 days of the audit following the Final Handover in respect of the Target Company and the Property by the Independent Auditors	Approximately RMB22 million
5 th instalment	Within 10 days of the first anniversary of the Final Handover of the Project	Approximately RMB86 million

Priority of payments and indemnity by the Vendors

The parties agree that the above payments of the Consideration shall be applied in the following order:

- (1) firstly, for the repayment of the CCB Loan;
- (2) secondly, for settlement of the payables in connection with the construction and engineering of the Project;
- (3) thirdly, for the payment of consulting fees in connection with the construction and engineering of the Project;
- (4) fourthly, for the payment of relocation compensation to the Relocatees;
- (5) fifthly, for payment of management fees to Hengyu Industrial for the management of the construction and development of the Project;
- (6) sixthly, for repayment of the Shareholders Loan; and
- (7) lastly, for the payment of the Equity Consideration.

Should the total amount of the Outstanding Liabilities exceeds the total amount of the Consideration, (i) the Purchaser shall have the right to deduct from and set-off such excess amount against the amount from the Shareholders Loan and/or the other Outstanding Liabilities payable by the Purchaser to the Vendors under the Equity Transfer Agreement; and (ii) the Vendors shall further indemnify the Purchaser in respect of such excess amount should the aforesaid Shareholders Loan and/or the other Outstanding Liabilities payable by the Purchaser to the Vendors be insufficient to satisfy such payments.

It is intended that the above payments of the Consideration will be funded by the internal resources of the Group.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors, taking into account, among other things, (i) the value of the Property under the Project, being the principal asset of the Target Company, in the sum of approximately RMB1,703 million (equivalent to approximately HK\$2,086 million) as at January 10, 2022, according to the Property Valuation Report prepared by the Independent Property Valuer using the market comparison approach; (ii) the cash deposit of RMB27 million kept by the Target Company at its bank account as required by the local governmental authority until Final Handover; and (iii) the quality, location and development status of the Project and the benefits that would be brought to the Group due to the Acquisition as described in the paragraph headed "Reasons for and Benefits of the Acquisition".

Having considered the aforesaid factors, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

***Conditions
Precedent***

Completion will be subject to, and conditional upon, the fulfillment (or waiver) of the following Conditions:

- (a) the Vendors having completed the relevant tax declarations for the transfer of the entire equity interest in the Target Company and obtained the relevant tax clearance certificates (if applicable);
- (b) the Vendors having completed the registration of the release of the equity pledge in respect of the entire equity interest in the Target Company and the Target Company having obtained the notice of the release of the said equity pledge;
- (c) there having been no material adverse changes in respect of the Target Company or the Project; and
- (d) no laws, governmental decision or requirement has been passed, issued, promulgated, implemented or made by any governmental authority restricting the transfer of the equity interests of the Target Company, restricting the change of actual controller of the Project or restricting the transfer of assets.

As of the date of this announcement, the above Conditions have not been fulfilled (or waived) in accordance with the provisions of the Equity Transfer Agreement.

Completion

Completion will take place subject to the fulfillment (or waiver) of the above Conditions, on which the parties shall complete the filing of business registration in respect of the transfer of the entire equity interest in the Target Company from the Vendors to the Purchaser with the relevant administration for industry and commerce department in the PRC.

Upon Completion, the Target Company will be wholly-owned by the Company and will become an indirect wholly-owned subsidiary of the Company. The financial results and assets and liabilities of the Target Company will therefore be consolidated into the financial statements of the Group.

Other Terms

Pursuant to the Equity Transfer Agreement, the Vendors have undertaken to the Purchaser that:

- (a) the Target Company will complete the construction of the Project according to the conditions and timing as agreed in the Equity Transfer Agreement and complete the completion acceptance filings;
- (b) the Target Company will obtain the immovable property ownership rights for the Project prior to October 30, 2022;
- (c) the Final Handover of the Project will take place no later than March 15, 2023; and
- (d) in the event that the Property under the Project experiences any building quality issues within the warranty period of the contractor or supplier to the Target Company, the Target Company may claim the relevant contractor or supplier and require the relevant contractor or supplier to bear the responsibilities, expenses or losses associated with the respective building quality issue. If the compensation or remedial measures received by the Target Company, quality assurance deposit withheld by the Target Company and compensation from the insurance policy (if any) purchased by the Target Company are insufficient to cover the losses suffered by the Target Company, the Vendors shall indemnify the Target Company and the Purchaser for the excess amount.

Further, the Guarantors have undertaken to the Purchaser that they shall be jointly and severally liable for all the obligations and liabilities undertaken by the Vendors under the Equity Transfer Agreement.

INFORMATION ON THE TARGET COMPANY AND THE PROJECT

The Target Company

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in real estate development on land with legally obtained right of use of such land. As of the date of this announcement, the Target Company is owned by Gong Haipeng (龔海鵬) as to 35.21%, Lin Yinglai (林映來) as to 34.95% and Zhou Zhenhao (周振浩) as to 29.84% equity interests, respectively.

The principal asset of the Target Company is the Property under the Project (details of which are set out in the section headed “The Project”).

The net assets of the Target Company was approximately RMB9,220,000 as of November 30, 2021. The table below sets out the unaudited combined financial information of the Target Company for the two years ended December 31, 2020 and the unaudited combined financial information of the Target Company for the 11 months ended November 30, 2021, prepared pursuant to the PRC GAAP:

	For the year ended/ As of December 31,		For the 11 months ended/As of November 30,
	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net loss before taxation	(60)	(172)	(18)
Net loss after taxation	(60)	(172)	(18)

Upon the Completion of the Acquisition, the Target Company will become indirectly wholly-owned by the Company and will become its wholly-owned subsidiary. The financial results and assets and liabilities of the Target Company will therefore be consolidated into the financial statements of the Group.

The Project

The Target Company has undertaken the construction and development of certain industrial research and development building located at Hengshenyang United Building, Meilin Street, Futian District in Shenzhen, the PRC with a total gross floor area of approximately 46,000 sq.m. Upon completion of the construction, the Project will be a new building with five levels of basement and have 27 levels above ground, and will primarily be used for the provision of medical services by Shenzhen Zhongshan Hospital. The Property is built on top of a Shenzhen metro station which intersects Line 9 and Line 10 and are served by several bus routes.

The construction of the Project commenced in December 2018 and is currently at an advanced stage of development. The Project is expected to be completed by the third quarter of 2022.

INFORMATION ON THE VENDORS AND THE GUARANTORS

The Vendors

Gong Haipeng (龔海鵬)

Gong Haipeng is the legal representative of Hengyu Industrial, one of the Guarantors, and an independent third party of the Company.

Lin Yinglai (林映來)

Lin Yinglai is a manager of Shengang Construction, one of the Guarantors, and an independent third party of the Company.

Zhou Zhenhao (周振浩)

Zhou Shenhao is a manager of Ying'er Fashion, one of the Guarantors, and an independent third party of the Company.

The Guarantors

Hengyu Industrial

Hengyu Industrial is a company incorporated under the laws of the PRC with limited liability and an independent third party of the Company. It is principally engaged in real estate development, domestic trading and industrial projects.

Ying'er Fashion

Ying'er Fashion is a company incorporated under the laws of the PRC with limited liability and an independent third party of the Company. It is principally engaged in the purchase and sales of textiles, footwear, leather goods and apparel and creative design services.

Shengang Construction

Shengang Construction is a company incorporated under the laws of the PRC with limited liability and an independent third party of the Company. It is principally engaged in construction engineering of real estates, municipal public utilities and railway.

The Relocatees

Hengyu Jingfu

Hengyu Jingfu is a company incorporated under the laws of the PRC with limited liability and an independent third party of the Company. It is principally engaged in domestic trading, supply and marketing of materials (excluding monopolized and controlled goods) and industrial projects. It is a related party of Hengyu Industrial.

Yu Qigang (俞淇綱)

Yu Qigang is the general manager of Ying'er Fashion, one of the Guarantors, and an independent third party of the Company.

INFORMATION ON THE GROUP

The Company is a company incorporated under the laws of the Cayman Islands with limited liability, 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

Shenzhen Zhongshan Hospital was established in May 2004 and is a specialty hospital focused in the provision of fertility services, particularly to patients of the Greater Bay Area. As of the date of this announcement, the current premises of Shenzhen Zhongshan Hospital has been operating nearly at its full capacity. As such, Shenzhen Zhongshan Hospital requires more floor space in order to expand its current scale of services and offer new services to better serve its customers.

In order to position Shenzhen Zhongshan Hospital to capture the anticipated growth and increasing demand for ARS services in Shenzhen and within the Greater Bay Area in the next 10 years due to the expected increase in population and demand in the region, the Group has decided to acquire the Property under the Project. The Property will allow Shenzhen Zhongshan Hospital to (i) further diversify its service offerings to provide full fertility lifecycle services covering ARS services, obstetrics, gynecology, pediatrics and andrology medical services, etc.; (ii) expand the VIP service to satisfy the multi-dimensional needs of its patients and enhancing their patient's experience; and (iii) provide sufficient space and a better medical environment to attract patients from the Greater Bay Area, including Hong Kong, in the future. Shenzhen Zhongshan Hospital is planning to utilize its existing premises for out-patient services and redesignate all other existing services and new services to the Property upon completion of the Project.

The Group will continue to strive for Shenzhen Zhongshan Hospital to become a Class 3 Grade A specialty hospital with a focus on ARS and related fertility services, which will in turn create a higher barrier to entry in the fertility industry while improving the branding of "Jinxin" in the Greater Bay Area.

In light of the foregoing, the Board is of the view that the Acquisition is on normal and commercial terms, and the terms of the Equity Transfer Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement, under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the entire equity interest of the Target Company pursuant to the terms and conditions of the Equity Transfer Agreement
“Bank Escrow Account”	the escrow account set up by the Purchaser with the Lender at China Construction Bank (Shenzhen Branch) or any other bank designated by the Purchaser for repayment of the CCB Loan
“Board”	the board of Directors
“CCB Loan”	the loan facilities provided by the Lender to the Target Company in connection with the Project
“Company”	Jinxin Fertility Group Limited
“Completion Accounts”	the financial statements or accounts as agreed on the costs and expenses associated with the Target Company and the Property of the Project to be audited subsequent to the Final Handover and as approved by the parties
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Equity Transfer Agreement
“Conditions”	the conditions precedent to the Acquisition as set out in the Equity Transfer Agreement
“Consideration”	the consideration payable by the Company for the Acquisition
“Directors”	the directors of the Company
“Equity Consideration”	the balance of the Consideration to be paid by the Purchaser to the Vendors for the acquisition of the entire equity interest in the Target Company
“Equity Transfer Agreement”	the equity transfer agreement dated February 4, 2022 and entered into among the Purchaser, the Vendors, the Guarantors and the Relocates in relation to the Acquisition
“Final Handover”	the final handover of the Project from the Vendors to the Purchaser and/or the Target Company, including (i) the Property and moveable property; and (ii) all other existing relevant information, drawings, plans, records and documents throughout the construction and management of the Property under the Project as agreed in the Equity Transfer Agreement which have not been handed over to the Purchaser previously

“Funding Escrow Agreement”	the funding escrow agreement (資金監管協議) to be entered into between the Purchaser, Target Company and the Lender
“Greater Bay Area”	the “Guangdong-Hong Kong-Macau Greater Bay Area” (粵港澳大灣區), referring to the region comprising two special administrative regions, namely, Hong Kong and Macau, and the nine cities in Guangdong Province, namely, Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing and forming an integrated economic and business hub
“Group”	the Company and its subsidiaries
“Guarantors”	collectively, Hengyu Industrial, Ying’er Fashion and Shengang Construction
“Hengyu Industrial”	Shenzhen Hengyu Industrial (Group) Co., Ltd.* (深圳市恒裕實業(集團)有限公司), a guarantor of the Equity Transfer Agreement
“Hengyu Jingfu”	Shenzhen Hengyu Jingfu Industrial Co., Ltd.* (深圳市恒裕景福實業股份有限公司), a relocatee of the Equity Transfer Agreement
“HK\$”	Hong Kong dollar(s) and cents, the lawful currency of Hong Kong
“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC
“Independent Auditors”	the independent auditors jointly appointed by the Purchaser and the Vendors for the purpose of performing independent audit on the Target Company and the Project, one of the “Big Four” certified public accountants of the PRC
“Independent Property Valuer”	Cushman & Wakefield Limited
“Lender”	China Construction Bank (Shenzhen Branch)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Outstanding Liabilities”	the existing loans and liabilities owed by the Target Company in connection with the Project

“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong and Macao Special Administrative Regions and Taiwan
“Project”	the construction of the building located at Hengshenyong United Building, Meilin Street, Futian District in Shenzhen, the PRC
“Property”	levels 1-3, levels 6-27 and basement levels 1-2 of the building being developed by the Target Company, located at Hengshenyong United Building, Meilin Street, Futian District, Shenzhen, the PRC
“Property Valuation Report”	the property valuation report prepared by the Independent Property Valuer
“Purchaser Escrow Account”	the escrow account set up by the Purchaser with China Merchants Bank (Haikou Branch) or any other bank designated by the Purchaser
“Purchaser”	Hainan Sanya Jinshu Enterprise Management Co., Ltd.* (海南三亞錦舒企業管理有限公司), a wholly-owned subsidiary of the Company
“Relocates”	collectively, Hengyu Jingfu, Shengang Construction and Yu Qigang, who shall be entitled to receive the Relocation Compensation for their relocation to other premises
“Relocation Compensation”	the amount owed by the Target Company to the Relocates for relocating to another premise
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders Loan”	the loan provided by the Vendors to the Target Company
“Shengang Construction”	Shenzhen Shengang Construction Group Co., Ltd.* (深圳市深港建築集團有限公司), a relocatee and guarantor of the Equity Transfer Agreement
“Shenzhen Zhongshan Hospital”	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院), a company established in Shenzhen, PRC with limited liability, our indirect subsidiary that is a for-profit specialty hospital

“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company”	Shenzhen Hengyu Lianxiang Investment Development Co., Ltd (深圳市恒裕聯翔投資發展有限公司), a company established in Shenzhen, PRC with limited liability
“Vendors”	Collectively, Gong Haipeng, Lin Yinglai and Zhou Zhenhao
“Ying’er Fashion”	Shenzhen Ying’er Fashion Group Co., Ltd.* (深圳影兒時尚集團有限公司), a guarantor of the Equity Transfer Agreement

* *The English translation of company names in Chinese is for identification purposes only.*

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into Hong Kong dollars at the rate of HK\$1.00 = RMB0.8163. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

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

Hong Kong, February 4, 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.