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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Jinxin Fertility Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE INTERNAL RESTRUCTURING OF THE GROUP AND ESTABLISHMENT OF THE NEW CONTRACTUAL ARRANGEMENTS**

**Independent Financial Adviser to  
the Independent Board Committee and  
the Independent Shareholders**



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A letter from the Board is set out on pages 8 to 39 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 40 to 41 of this circular. A letter from Sommerley Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 63 of this circular.

A notice convening the EGM of Jinxin Fertility Group Limited to be held at Conference Room No. 3, 5th Floor, Chengdu Xinan Gynecology Hospital, 66 Bisheng Road, Jinjiang District, Chengdu, Sichuan, China on November 29, 2022 at 10:30 a.m. is set out on pages 71 to 72 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.jxr-fertility.com](http://www.jxr-fertility.com)).

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:30 a.m. on November 27, 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

\* For identification purpose only

November 11, 2022

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Ancillary Equity Transfer Agreement”	the equity transfer agreement dated November 7, 2022 entered into between Jinxin Medical Investment and the WFOE involving the transfer of the equity interests held by Jinxin Medical Investment in Chengdu Health, Jinmai Testing and Jinxin Obstetric Health to the WFOE, as further detailed in the section headed “The Transfers — The Ancillary Equity Transfer Agreement” in this circular
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Chengdu Health”	Chengdu Jinxin Health Management Co., Ltd.* (成都錦欣健康管理有限公司), a limited liability company established under the laws of the PRC on December 24, 2014, an indirect subsidiary of the Company
“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, an indirect subsidiary of the Company
“Company”	Jinxin Fertility Group Limited
“connected person”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	has the meaning as defined in the Prospectus
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve the Termination Agreements, the Hospital Equity Transfer Agreement, the Ancillary Equity Transfer Agreement, the New Contractual Arrangements and the transactions contemplated thereunder

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## DEFINITIONS

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“Equity Transfer Agreements”	collectively, the Hospital Equity Transfer Agreement and the Ancillary Equity Transfer Agreement
“Existing Contractual Arrangements”	the series of contractual arrangements, as the case may be, entered into to allow the Company to receive the economic benefits of its VIE Entities, details on the terms of which are described in the section headed “Contractual Arrangements” in the Prospectus
“Existing Sichuan WCH Contractual Arrangements”	the series of contractual arrangements entered into by Sichuan WCH, Jinxin Medical Investment, Jinyi Hongkang and the Registered Shareholders
“Group”	the Company and its subsidiaries
“Hewanjia Hospital”	Kunming Jinxin Hewanjia Obstetrics and Gynecology Hospital Co., Ltd.* (昆明錦欣和萬家婦產醫院有限公司), a company established under the laws of the PRC with limited liability on January 15, 2014
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hospital Equity Transfer Agreement”	the equity transfer agreement dated November 7, 2022 entered into between Jinxin Investment Group Limited and Jinyi Hongkang, as further detailed in the section headed “The Transfers — The Hospital Equity Transfer Agreement” in this circular
“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Contractual Arrangements

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## DEFINITIONS

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“Independent Shareholders”	Shareholders who are independent of and have no interest in the transactions contemplated under the Equity Transfer Agreements, the Termination Agreements and the New Contractual Arrangements
“Internal Restructuring”	the proposed internal restructuring of the Group involving (a) the transfer of 100% equity interest of Jinxin Medical Investment from Jinxin Investment Group Limited to Jinyi Hongkang under the Hospital Equity Transfer Agreement, (b) the transfer of 51% equity interest in Jinmai Testing, 100% equity interest in Chengdu Health and 51% equity interest in Jinxin Obstetric Health under the Ancillary Equity Transfer Agreement from Jinxin Medical Investment to the WFOE; (c) the termination of the Existing Sichuan WCH Contractual Arrangements under the Termination Agreements, and (d) the entering into of the New Contractual Arrangements
“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 are listed on the Stock Exchange, subject to compliance with the waiver conditions as disclosed in the section headed “Connected Transactions” in the Prospectus

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## DEFINITIONS

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“Jinmai Testing”	Chengdu Jinmai Innovative Testing Co., Ltd.* (成都市錦邁創新實驗檢測有限公司), a joint venture company established under the laws of the PRC on June 17, 2019 by Jinxin Medical Investment and Sichuan Micromedical Products Co., Ltd.* (四川省邁可多醫療用品有限公司) (an independent third party of the Company) as to 51% and 49%, respectively, an indirect subsidiary of the Company
“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 subsidiary by virtue of the Existing Contractual Arrangements
“Jinxin Investment Group Limited”	Jinxin Investment Group Limited* (錦欣投資集團有限公司), a limited liability company established under the laws of Hong Kong and an indirect subsidiary of the Company
“Jinxin Medical Investment”	Jinxin Medical Investment Company Limited* (錦欣醫療投資有限公司), a company established under the laws of the PRC with limited liability, the Company’s indirect wholly-owned subsidiary prior to the Transfer
“Jinxin Obstetric Health”	Chengdu Jinxin Obstetric Health Management Consulting Co., Ltd.* (成都錦欣產康健康管理諮詢有限公司), a limited liability company established under the laws of the PRC on April 18, 2022 and is owned respectively as to 51% and 49% by Jinxin Medical Investment and Sichuan Jinpei Health Management Co., Ltd. (四川錦沛健康管理有限責任公司) (an independent third party of the Company), and is an indirect subsidiary of the Company
“Jinyi Hongkang”	Chengdu Jinyi Hongkang Corporate Management Co, Ltd. (成都錦逸弘康企業管理有限公司), a limited liability company established under the laws of the PRC on February 5, 2018, the Company’s subsidiary by virtue of the Existing Contractual Arrangements

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## DEFINITIONS

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“Jiuzhou Hospital”	Yunnan Jinxin Jiuzhou Hospital Co., Ltd.* (雲南錦欣九洲醫院有限公司), a company established under the laws of the PRC with limited liability on September 24, 2003
“Latest Practicable Date”	November 1, 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Molecular Genetics Services”	medical services involving molecular genetics (分子遺傳)
“New Contractual Arrangements”	a series of contractual arrangements to be entered into by the WFOE, the Registered Shareholders, Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH, details of which are described in the section headed “New Contractual Arrangements” in this circular
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	Jingtian & Gongcheng, the legal advisers of the Company as to PRC laws
“Prospectus”	the prospectus of the Company dated June 13, 2019
“Registered Shareholders”	two individual shareholders of Jinyi Hongkang, namely Ms. Lyu Rong and Mr. Xu Jun
“Relevant Equity Interest”	the subject equity interest under the Transfers, namely 100% equity interest in Jinxin Medical Investment, 51% equity interest in Jinmai Testing, 100% equity interest in Chengdu Health and 51% equity interest in Jinxin Obstetric Health

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## DEFINITIONS

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“Relevant Subsidiaries”	collectively, Jinxin Medical Investment, Jinmai Testing, Chengdu Health and Jinxin Obstetric Health
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of US\$0.00001 par value each in the share capital of the Company
“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 PRC with limited liability on May 18, 2004, an indirect subsidiary of the Company and is a for-profit specialty hospital
“Sichuan WCH”	Sichuan Jinxin Women and Children Hospital Co., Ltd.* (四川錦欣婦女兒童醫院有限公司), a limited liability company established under the laws of the PRC, the Company’s subsidiary by virtue of the New Contractual Arrangements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Termination Agreements”	the termination agreement to be entered into by Sichuan WCH, Jinyi Hongkang, the Registered Shareholders and Jinxin Medical Investment in relation to the termination of the Existing Sichuan WCH Contractual Arrangements

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## DEFINITIONS

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“Transfer”	the transfer of (a) the entire equity interest of Jinxin Medical Investment from Jinxin Investment Group Limited to Jinyi Hongkang, and (b) the entire equity interest held by Jinxin Medical Investment in each of Jinmai Testing, Chengdu Health and Jinxin Obstetric Health from Jinxin Medical Investment to the WFOE, pursuant to the terms and conditions of the Equity Transfer Agreements
“VIE Entities”	the entities that the Group controls certain percentage of their shareholding through the Existing Contractual Arrangements which comprised, Chengdu Xinan Hospital, Shenzhen Zhongshan Hospital, Sichuan WCH, Jiuzhou Hospital and Hewanjia Hospital
“WFOE”	Sichuan Jinxin Medical Management Co., Ltd. (四川錦欣醫療管理有限公司), a company established under the laws of the PRC and a subsidiary of the Company
“%”	per cent

\* *For identification purpose only*

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LETTER FROM THE BOARD

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**Jin Xin 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)**

*Executive Directors:*

Mr. Zhong Yong  
Dr. John G. Wilcox  
Mr. Dong Yang  
Ms. Lyu Rong  
Dr. Geng Lihong

*Registered office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111  
Cayman Islands

*Non-executive Directors:*

Mr. Fang Min  
Ms. Hu Zhe  
Ms. Yan Xiaoqing

*Principal place of business in Hong Kong:*

31/F, Tower Two, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

*Independent Non-executive Directors:*

Dr. Chong Yat Keung  
Mr. Li Jianwei  
Mr. Wang Xiaobo  
Mr. Ye Changqing

November 11, 2022

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE INTERNAL RESTRUCTURING OF THE GROUP  
AND  
ESTABLISHMENT OF THE NEW CONTRACTUAL ARRANGEMENTS**

**INTRODUCTION**

References are made to the sections headed “Contractual Arrangements” and “Connected Transactions” in the Prospectus, and the announcements of the Company dated October 19, 2021, November 26, 2021 and November 7, 2022, in relation to, among others, the acquisition of Sichuan WCH.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Board is pleased to announce that the Group is conducting the Internal Restructuring, the main purpose of which is to enable Sichuan WCH to further expand its scope of offerings and provide medical services involving Molecular Genetics Services in accordance with the applicable PRC laws. As the inclusion of such offering requires the involvement of genetic information and DNA of patients, which as confirmed by the Health Commission of Sichuan Province, the provision of the Molecular Genetics Services involves “development and application of technologies for the diagnosis and treatment with human stem and genes” (人體幹細胞、基因診斷與治療技術開發和應用), which falls under the “prohibited investment category” (禁止投資領域) for foreign investors under the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021) (the “**Negative List**”). Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment (外商投資企業不得在禁止外商投資的領域投資) according to the Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC (《關於外商投資企業境內投資的暫行規定》), and therefore, the Company, as a foreign-invested enterprise, shall not directly or indirectly hold any equity interest in Sichuan WCH when Sichuan WCH becomes qualified and pursues Molecular Genetics Services.

Completion of the Internal Restructuring shall be subject to, among others, the approvals of the Independent Shareholders. The Internal Restructuring will be carried out by the Company in the following manner:

- 1) (A) Jinxin Investment Group Limited and Jinyi Hongkang have entered into the Hospital Equity Transfer Agreement, pursuant to which Jinxin Investment Group Limited has agreed to transfer 100% equity interest held in Jinxin Medical Investment to Jinyi Hongkang and (B) Jinxin Medical Investment and the WFOE have entered into the Ancillary Equity Transfer Agreement, pursuant to which Jinxin Medical Investment has agreed to transfer the equity interest held by Jinxin Medical Investment in Jinmai Testing, Chengdu Health and Jinxin Obstetric Health to the WFOE;
- 2) Sichuan WCH, Jinyi Hongkang, the Registered Shareholders and Jinxin Medical Investment will further enter into the Termination Agreements, pursuant to which, the Existing Sichuan WCH Contractual Arrangements in relation to 10% equity interest in Sichuan WCH will be terminated upon the effectiveness of the Termination Agreements; and
- 3) Sichuan WCH, the WFOE, Jinyi Hongkang, Jinxin Medical Investment and the Registered Shareholders will also enter into the New Contractual Arrangements in relation to 100% equity interest in Sichuan WCH on substantially the same terms and conditions as the Existing Contractual Arrangements.

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## LETTER FROM THE BOARD

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Pursuant to the New Contractual Arrangements to be entered between Sichuan WCH, the WFOE, Jinyi Hongkang, Jinxin Medical Investment and the Registered Shareholders, the Group will no longer hold any equity interest in Sichuan WCH, and instead will receive all the economic benefits in Sichuan WCH through the New Contractual Arrangements. Under the New Contractual Arrangements, Sichuan WCH will remain to be a consolidated entity of the Company and its financial results will continue to be accounted for and consolidated into the financial statements of the Group. As such, upon completion of the Internal Restructuring, each of the Relevant Subsidiaries will remain as a subsidiary of the Company.

As advised by the PRC Legal Advisers, the New Contractual Arrangements do not violate mandatory provisions of the existing applicable PRC laws and regulations. The Directors are of the view that the Internal Restructuring, which will enable the Group to expand its scope of service offerings to include Molecular Genetics Services, is vital to the Group's overall business development and therefore, in the interests of the Company and its Shareholders as a whole.

### **(I) The Transfers**

#### *The Hospital Equity Transfer Agreement*

Jinxin Investment Group Limited and Jinyi Hongkang have entered into the Hospital Equity Transfer Agreement, pursuant to which, Jinxin Investment Group Limited has agreed to transfer 100% equity interest held in Jinxin Medical Investment, which owns Sichuan WCH as to 90% equity interest, to Jinyi Hongkang at a consideration of RMB1 million.

#### *The Ancillary Equity Transfer Agreement*

Jinxin Medical Investment and the WFOE have entered into the Ancillary Equity Transfer Agreement, pursuant to which Jinxin Medical Investment has agreed to transfer 51% equity interest in Jinmai Testing, 100% equity interest in Chengdu Health and 51% equity interest in Jinxin Obstetric Health to the WFOE at a consideration of RMB6.38 million.

As each of Jinmai Testing, Chengdu Health and Jinxin Obstetric Health is not a medical institution and is therefore not subject to the Foreign Ownership Restriction (as defined hereafter), their equity interest are being transferred to the WFOE under the Ancillary Equity Transfer Agreement to ensure that the New Contractual Arrangements and the Existing Contractual Arrangements continue to be narrowly tailored pursuant to the Stock Exchange Guidance Letter HKEX-GL77-14.

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## LETTER FROM THE BOARD

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### ***Basis of consideration***

The consideration for each of the transfers of the Relevant Equity Interest under the Equity Transfer Agreements was determined with reference to the book value of each of the Relevant Subsidiaries as long-term equity investments in the Company's consolidated financial statements as of the benchmark date August 31, 2022. The book value of Jinxin Medical Investment, Jinmai Testing, Chengdu Health and Jinxin Obstetric Health as of the benchmark date August 31, 2022 are RMB1,000,000, RMB1,020,000, RMB4,850,000 and RMB510,000, respectively. The Directors, including the independent non-executive Directors, are of the view that the terms of the Equity Transfer Agreements (including their respective considerations) are fair and reasonable, and that the Internal Restructuring is in the interests of the Company and the Shareholders as a whole.

Upon the completion of the Internal Restructuring, each of the Relevant Subsidiaries will remain as a subsidiary of the Company.

### **(II) Termination of the Existing Sichuan WCH Contractual Arrangements**

Sichuan WCH, Jinyi Hongkang, the Registered Shareholders and Jinxin Medical Investment will enter into the Termination Agreements, pursuant to which, the Existing Sichuan WCH Contractual Arrangements in relation to 10% equity interest in Sichuan WCH will be terminated upon the effectiveness of the Termination Agreements.

### **(III) Establishment of the New Contractual Arrangements**

Upon completion of the Transfer, Sichuan WCH will enter into the New Contractual Arrangements with the WFOE, Jinyi Hongkang, Jinxin Medical Investment and the Registered Shareholders on substantially the same terms and conditions as those of the Existing Sichuan WCH Contractual Arrangements, save for consequential changes as a result of the Internal Restructuring of Sichuan WCH, namely the basic information of the parties and the amount of equity interest to be controlled by the WFOE under the New Contractual Arrangements.

In relation to the New Contractual Arrangements, the Company will fulfill and comply with the same conditions of the IPO Waiver as set forth below (the text of which is disclosed in the section headed "Contractual Arrangements" of the Prospectus), *mutatis mutandis*:

#### ***(a) No change without independent non-executive Directors' approval***

No change to the New Contractual Arrangements will be made without the approval of the independent non-executive Directors.

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## LETTER FROM THE BOARD

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***(b) No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the New Contractual Arrangements will be made without the Independent Shareholders' approval. Once Independent Shareholders' approval of any change has been obtained, no further announcement or approval of the Independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the New Contractual Arrangements in the annual reports of the Company (as set out in paragraph (e) below) will, however, continue to be applicable.

***(c) Economic benefits flexibility***

The New Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by Jinrun Fude and the VIE Entities through (i) the Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the lowest price as permitted under applicable PRC laws, (ii) the business structure under which the profit generated by Jinrun Fude and the VIE Entities is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to Sichuan Jinxin Fertility Medical Management Co., Ltd. (四川錦欣生殖醫療管理有限公司) by Jinrun Fude under the Exclusive Operation Services Agreements, and (iii) the Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the VIE Entities and Jinrun Fude.

***(d) Renewal and reproduction***

On the basis that the New Contractual Arrangements provide an acceptable framework for the relationship between the Company and the subsidiaries of the Company in which the Company has direct shareholding, on one hand, Jinrun Fude, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch 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 the Shareholders, on substantially the same terms and conditions as the Existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and/or reproduction of the New Contractual Arrangements, however, be treated as connected persons of the Company and transactions between these connected persons and the Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

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## LETTER FROM THE BOARD

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*(e) Ongoing reporting and approvals*

The Company will disclose details relating to the New Contractual Arrangements on an on-going basis as follows:

- The New Contractual Arrangements in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- The independent non-executive Directors will review the New Contractual Arrangements annually and confirm in the Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the New Contractual Arrangements, (ii) no dividends or other distributions have been made by Jinrun Fude to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) no dividends or other distributions have been made by the VIE Entities to Jinrun Fude which are not otherwise subsequently assigned or transferred to the Group; (iv) any new contracts entered into, renewed or reproduced between the Group and Jinrun Fude during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.
- The Company's reporting accountants will carry out review procedures annually on the transactions, pursuant to the New Contractual Arrangements, and will provide a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant New Contractual Arrangements, and that (i) no dividends or other distributions have been made by Jinrun Fude to the holders of its equity interest which are not otherwise subsequently assigned to the Group; and (ii) no dividends or other distributions have been made by the VIE Entities to Jinrun Fude which are not otherwise subsequently assigned or transferred to our Group. Save as described below, no change to the agreements governing the New Contractual Arrangements will be made without the approval of Independent Shareholders. Once Independent Shareholders' approval of any change has been obtained, no further announcement or approval of the Independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the New Contractual Arrangements in the annual reports of the Company will however continue to be applicable to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

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## LETTER FROM THE BOARD

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- Jinrun Fude will undertake that, for so long as the Shares are listed on the Stock Exchange, Jinrun Fude will provide the Group's management and the Company's reporting accountants' full access to its relevant records for the purpose of their review of the continuing connected transactions.

*(f) Application of Chapter 14A of the Listing Rules in respect of transactions other than the New Contractual Arrangements*

As long as the New Contractual Arrangements subsist, Jinrun Fude will be treated as the Company's subsidiary and the directors, chief executive or substantial shareholders of Jinrun Fude and its respective associates will be treated as connected persons of the Company (excluding for this purpose, Jinrun Fude), and transactions between these connected persons and the Group (including for this purpose, Jinrun Fude), other than those under the New Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined in the Prospectus) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the New Contractual Arrangements subsist and Jinrun Fude will continue to be treated as the Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Jinrun Fude and their respective associates will be treated as connected persons of the Company (excluding for this purpose, Jinrun Fude), and transactions between these connected persons and the Group (including for this purpose, Jinrun Fude), other than those under the New Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

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## LETTER FROM THE BOARD

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### Reasons for and Benefits of the Internal Restructuring and the Entering into the New Contractual Arrangements

The Group intends to strategically develop itself into providing medical services that support the entire fertility and pregnancy lifecycle for family through the acquisition of Sichuan WCH. The inclusion of Molecular Genetics Services, being the cutting-edge technology for pre-natal examination, is vital to the Group's future development for its ability to diagnose birth defects during pregnancy term with a higher accuracy, as compared to the use of cytogenetics. As of December 31, 2021, there were only 13 medical institutions in Sichuan Province qualified to provide pre-natal molecular genetics services and all of which are public hospitals. As of the date of this circular, Sichuan WCH has met the pre-conditions for the approval for the provision of Molecular Genetics Services. Hence, the inclusion of Molecular Genetics Services is essential to the development of the Group in allowing it to reach and maintain a higher level of medical technologies and equipment used in the area of assisted reproduction services, obstetrics, gynecology and pediatrics, which in turn further strengthens the Group's competitiveness and reputation.

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. However, the inclusion of Molecular Genetics Services requires the involvement of genetic information and DNA of patients, which are regarded as highly sensitive in nature, and as confirmed by the Health Commission of Sichuan Province (四川省衛生健康委員會), the provision of Molecular Genetics Services involves "development and application of technologies for the diagnosis and treatment with human stem and genes" (人體幹細胞、基因診斷與治療技術開發和應用), which is a "prohibited investment category" for foreign investors under the Negative List. Furthermore, as advised by the PRC Legal Advisers, according to the Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC (《關於外商投資企業境內投資的暫行規定》), which were jointly promulgated by the Ministry of Commerce and the State Administration of Industry and Commerce on July 25, 2000 and amended on October 28, 2015, foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment (外商投資企業不得在禁止外商投資的領域投資). As such, the Company, as a foreign-invested enterprise, shall not directly or indirectly hold any equity interest in Sichuan WCH when Sichuan WCH becomes qualified to pursue and does pursue the Molecular Genetics Services under the applicable PRC laws and regulatory restrictions on foreign ownership, including the Negative List (the "**Foreign Ownership Restriction**"). Thus, any application by a foreign investor or a domestic company with foreign investment for the approval will not be approved or permitted.

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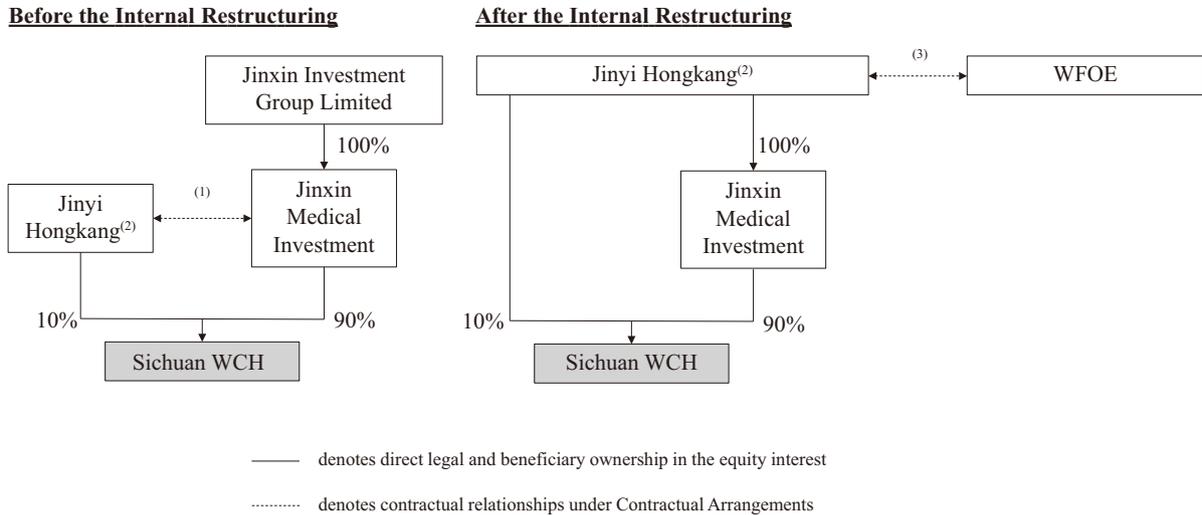
## LETTER FROM THE BOARD

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As advised by the PRC Legal Advisers, since Sichuan WCH is a medical institution established in Chengdu, Sichuan Province, the PRC and intends to provide Molecular Genetics Services under the applicable PRC laws and regulations and is subject to the Foreign Ownership Restriction, the Company is not allowed to hold any equity interest in Sichuan WCH. Following the Transfer, Jinyi Hongkang will directly and indirectly hold 10% and 90% equity interest in Sichuan WCH, respectively. In order for the Group to obtain the economic benefits in relation to the entire equity interest in Sichuan WCH held by Jinyi Hongkang, and to prevent leakages of equity and values of Sichuan WCH, the WFOE, Jinyi Hongkang, Jinxin Medical Investment, the Registered Shareholders and Sichuan WCH will, upon obtaining the approval from the Independent Shareholders at the EGM and subsequent to the Transfer, enter into the narrowly tailored New Contractual Arrangements. As confirmed by the PRC Legal Advisers, the Group obtained confirmation from Health Commission of Sichuan Province (四川省衛生健康委員會) that the New Contractual Arrangements are in compliance with the applicable PRC laws and regulatory restrictions on foreign ownership in order to enable Sichuan WCH to provide Molecular Genetics Services under the applicable PRC laws and regulations.

## LETTER FROM THE BOARD

The following simplified diagram illustrates the flow of economic benefit from Sichuan WCH to the Group before and after the Internal Restructuring:



*Notes:*

- 1) The Exclusive Operation Services Agreement, Exclusive Option Agreements, Powers of Attorney, Equity Pledge Agreements and Spouse Undertakings together form the legal relationship under the Existing Sichuan WCH Contractual Arrangements.
- 2) Jinyi Hongkang is owned by the Registered Shareholders, Ms. Lyu Rong and Mr. Xu Jun, as to 51% and 49%, respectively.
- 3) The Exclusive Operation Services Agreement, Exclusive Option Agreements, Powers of Attorney, Equity Pledge Agreements and Spouse Undertakings together form the legal relationship under the New Contractual Arrangements.

### Principal Terms of the New Contractual Arrangements

The principal terms of the New Contractual Arrangements which the terms and conditions of which are the same as the Existing Contractual Arrangement, are summarized as follows:

#### *Exclusive Operation Services Agreement*

Sichuan WCH will enter into an exclusive operation services agreement with the Registered Shareholders, Jinyi Hongkang, Jinxin Medical Investment and the WFOE (the “**Exclusive Operation Services Agreement**”), pursuant to which, Sichuan WCH, Jinxin Medical Investment and Jinyi Hongkang each agreed to engage the WFOE as their exclusive provider of technical support, consulting services and other services in exchange for a service fee.

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## LETTER FROM THE BOARD

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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 Services Agreement, the WFOE may use the intellectual property rights owned by Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH free of charge and without any conditions. Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH may also use the intellectual property work created by the WFOE from the services performed by the WFOE in accordance with the Exclusive Operation Services Agreement.

Under the Exclusive Operation Services Agreement, the service fee shall be an amount equal to 100% of the distributable net profit of each Sichuan WCH 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, Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH 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, absence of a prior written consent of the WFOE, during the term of the Exclusive Operation Services Agreement, the Registered Shareholders, Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH 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 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

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## LETTER FROM THE BOARD

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or its designated person directly holds all the equity interest in Jinyi Hongkang, and all of the Registered Shareholders' equity interest in Jinyi Hongkang or all of the assets of Jinyi Hongkang 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 Sichuan WCH and all of the equity interest held by Jinyi Hongkang and Jinxin Medical Investment in Sichuan WCH or all of the assets of Sichuan WCH attributable to Jinyi Hongkang and Jinxin Medical Investment 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 will enter into exclusive option agreements (the “**Exclusive Option Agreements**”) with the Registered Shareholders, Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH.

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 Jinyi Hongkang itself or through its designated person(s); (ii) Jinyi Hongkang 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 Jinyi Hongkang itself or through its designated person(s); (iii) Jinyi Hongkang and Jinxin Medical Investment irrevocably and unconditionally grant 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 Sichuan WCH from Jinyi Hongkang and Jinxin Medical Investment itself or through its designated person(s); and (iv) Sichuan WCH 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 Sichuan WCH attributable to Jinyi Hongkang and Jinxin Medical Investment from Sichuan WCH itself or through its designated person(s). 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, Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH 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.

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## LETTER FROM THE BOARD

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The Registered Shareholders, Jinyi Hongkang and Jinxin Medical Investment undertake to develop the business of Sichuan WCH 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, Jinyi Hongkang and Jinxin Medical Investment shall not (i) transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon; and Sichuan WCH 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 Sichuan WCH or Jinyi Hongkang.

In addition, the Registered Shareholders, Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH 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 Jinyi Hongkang and Sichuan WCH (as applicable) under the PRC laws, all the residual assets which are attributable to the Registered Shareholders, Jinyi Hongkang and Jinxin Medical Investment 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, Jinyi Hongkang and Jinxin Medical Investment 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 Jinyi Hongkang and Jinxin Medical Investment, death or incapacity of the Registered Shareholders or any other event which causes changes to the Registered Shareholders' shareholding in Jinyi Hongkang and the shareholding of Jinyi Hongkang and Jinxin Medical Investment in Sichuan WCH, (a) the successor of the Registered Shareholders' equity interest in Jinyi Hongkang and the successor of equity interest held by Jinyi Hongkang and Jinxin Medical Investment in Sichuan WCH shall be bound by the New Contractual Arrangements, and (b) any disposal of shareholding in Jinyi Hongkang and Sichuan WCH shall be governed by the New Contractual Arrangements unless the WFOE consents otherwise in writing.

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.

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## LETTER FROM THE BOARD

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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 Jinyi Hongkang, and all of the Registered Shareholders' equity interest in Jinyi Hongkang or all of the assets of Jinyi Hongkang 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 Sichuan WCH and all of the equity interest held by Jinyi Hongkang and Jinxin Medical Investment in Sichuan WCH or all of the assets of Sichuan WCH attributable to Jinyi Hongkang and Jinxin Medical Investment are transferred to the WFOE pursuant to applicable PRC laws and regulations; or (iv) the WFOE unilaterally terminates the agreement.

### *Shareholders' Rights Entrustment Agreements and Powers of Attorney*

The WFOE will enter into the shareholders' rights entrustment agreements (the "**Shareholders' Rights Entrustment Agreements**") with Sichuan WCH, Jinyi Hongkang, Jinxin Medical Investment and the Registered Shareholders and the powers of attorney executed by the Registered Shareholders, Jinyi Hongkang and Jinxin Medical Investment (the "**Powers of Attorney**") in favor of the WFOE (and its successors or liquidators) or a natural person designated by the WFOE (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 Jinyi Hongkang (as applicable); and (ii) Jinyi Hongkang and Jinxin Medical Investment irrevocably agree to authorize the Attorney to exercise all of its rights and powers of a shareholder in Sichuan WCH with 100% 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 in Sichuan WCH and 100% effective shareholding interest in Sichuan WCH.

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 Jinyi Hongkang, and all of the Registered Shareholders' equity interest in Jinyi Hongkang or all of

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## LETTER FROM THE BOARD

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the assets of Jinyi Hongkang 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 Sichuan WCH and all of the equity interest held by Jinyi Hongkang and Jinxin Medical Investment in Sichuan WCH or all of the assets of Sichuan WCH attributable to Jinyi Hongkang and Jinxin Medical Investment 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 will enter into the equity pledge agreements (the “**Equity Pledge Agreements**”) with Sichuan WCH, the Registered Shareholders, Jinyi Hongkang and Jinxin Medical Investment. Pursuant to the Equity Pledge Agreements, (i) the Registered Shareholders agree to pledge all of their respective equity interest in Jinyi Hongkang; and (ii) Jinyi Hongkang and Jinxin Medical Investment agree to pledge all of its equity interest in Sichuan WCH to the WFOE to secure performance of all their obligations and the obligations in Sichuan WCH under the Exclusive Option Agreements, the Powers of Attorney and the Equity Pledge Agreements underlying the New Contractual Arrangements.

If Sichuan WCH and Jinyi Hongkang 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 Jinyi Hongkang, Jinixin Medical Investment, the Registered Shareholders and Sichuan WCH, the WFOE, upon issuing a written notice to the Registered Shareholders, Jinyi Hongkang or Jinxin Medical Investment, 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, Jinyi Hongkang and Jinxin Medical Investment 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. Jinyi Hongkang and Sichuan WCH undertake to the WFOE, among other things, not to consent to any transfer of the pledged equity interest or to create or allow any pledge or encumbrance thereon without the WFOE’s prior written consent.

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## LETTER FROM THE BOARD

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The pledges in respect of Jinyi Hongkang and Sichuan WCH takes effect upon completion of registration with the local administration bureau for market regulation and the Group will register the equity pledges contemplated under the Equity Pledge Agreements with the relevant PRC legal authority pursuant to PRC laws and regulations.

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 Jinyi Hongkang, and all of the Registered Shareholders' equity interest in Jinyi Hongkang or all of the assets of Jinyi Hongkang 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 Sichuan WCH and all of the equity interests held by Jinyi Hongkang and Jinxin Medical Investment in Sichuan WCH or all of the assets of Sichuan WCH attributable to Jinyi Hongkang and Jinxin Medical Investment 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 Jinyi Hongkang (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 Advisers are of the view that (i) the above arrangements 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.

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## LETTER FROM THE BOARD

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### **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 Jinyi Hongkang and Sichuan WCH 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 Jinyi Hongkang and Sichuan WCH; 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 Jinyi Hongkang or Sichuan WCH are located for interim remedies or injunctive relief.

However, the PRC Legal Advisers 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 Jinyi Hongkang and Sichuan WCH 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 Jinyi Hongkang, Jinxin Medical Investment, Sichuan WCH 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 fully effective control over Jinyi Hongkang and Sichuan WCH 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 circular for further details.

#### ***Succession***

As advised by the PRC Legal Advisers, the provisions set out in the New Contractual Arrangement are 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

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## LETTER FROM THE BOARD

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succession laws 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 Jinyi Hongkang, any successor(s) of Jinyi Hongkang shall assume any and all rights and obligations of Jinyi Hongkang 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, Jinyi Hongkang and Jinxin Medical Investment 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, Jinyi Hongkang and Jinxin Medical Investment 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 Jinyi Hongkang and Sichuan WCH. Further, Jinyi Hongkang, Sichuan WCH 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 Jinyi Hongkang and Sichuan WCH, 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 Jinyi Hongkang and Sichuan WCH suffer losses.

### *Liquidation*

Pursuant to the Equity Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Jinyi Hongkang, Sichuan WCH 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 of a winding up of Jinyi Hongkang and Sichuan WCH, the WFOE is entitled to liquidation proceeds of Jinyi Hongkang and Sichuan WCH based on the New Contractual Arrangements for the benefit of the Company's creditors and Shareholders.

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## LETTER FROM THE BOARD

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### *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 Advisers, following completion of reasonable due diligence steps, are of the following legal opinion:

- (a) each of Sichuan WCH, the WFOE, Jinyi Hongkang and Jinxin Medical Investment is duly established and validly existing under the PRC laws;
- (b) each of Sichuan WCH, the WFOE, Jinyi Hongkang and Jinxin Medical Investment has both the capacity for civil rights and the capacity for civil conducts to execute and perform the New Contractual Arrangements;
- (c) the New Contractual Arrangements will not violate the mandatory or prohibitive provisions in existing PRC laws and administrative regulations and constitutes legal, valid and binding obligations of the parties thereto except that (a) the Chengdu Arbitration Commission (成都仲裁委員會) has no power to grant injunctive relief, nor will it be able to order the winding-up of Sichuan WCH and Jinyi Hongkang 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;
- (d) the New Contractual Arrangements shall not, individually or collectively, be deemed as “impairing others’ legitimate rights and interests with malicious collusion” or “a false expression of intentions” under the Civil Code or fall within any circumstances under which will result in the invalidity of the agreements under the New Contractual Arrangements;
- (e) none of the agreements under the New Contractual Arrangements will violate any provision of the existing articles of association of each of Sichuan WCH, the WFOE, Jinyi Hongkang and Jinxin Medical Investment; and
- (f) the execution and performance of the New Contractual Arrangements are not required to be approved by or filed with any governmental authorities in the PRC. However, the Equity Pledge Agreements are subject to registration requirements with the relevant

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## LETTER FROM THE BOARD

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administration for market regulation and the exercising of the exclusive options by the WFOE according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approving 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 that are prohibited from foreign investment under the Foreign Ownership Restriction in the PRC. Upon entering into of the New Contractual Arrangements, the Company controls 100% equity interest in Sichuan WCH held by Jinyi Hongkang and Jinxin Medical Investment by virtue of the New Contractual Arrangements. As such, the Company can receive all of the economic interest returns generated by Sichuan WCH.

The New Contractual Arrangements also provide that the Group could partially unwind the New Contractual Arrangements and hold (directly or indirectly) equity interest in Sichuan WCH 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 Sichuan WCH if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors.

Apart from Ms. Lyu Rong, being one of the Registered Shareholders of Jinyi Hongkang, a director of Jinyi Hongkang and Jinxin Medical Investment and an executive Director and co-chief executive officer of the Company and is interested in 5,504,000 Shares, who is considered to have a material interest contemplated under the New Contractual Arrangements and has abstained from voting on the relevant Board resolutions approving such transaction, none of the Directors has any material interest in such transaction or is required to abstain from voting on the relevant Board resolutions.

### *Ability to Consolidate Financial Results*

The Directors have discussed the assessment of control under IFRS 10 with the Company's auditor, Deloitte Touche Tohmatsu. Based on the discussion on and the review of the New Contractual Arrangements, the Directors concluded that the Group has control over Sichuan WCH as a result of the New Contractual Arrangements and accordingly, the Group has the right to consolidate the financial statements of Sichuan WCH following the entering into of the New Contractual Arrangements.

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## LETTER FROM THE BOARD

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### *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 advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the New Contractual Arrangements and the legal compliance of the WFOE, Jinyi Hongkang and Sichuan WCH 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;

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## LETTER FROM THE BOARD

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- (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 medical institution operating in the PRC, and foreign investors are not allowed to own any equity interest in a medical institution operating within the “prohibited investment category” of the Negative List.

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. Sichuan WCH intends to include Molecular Genetics Services as part of its scope of offerings, which falls under the “prohibited investment category” of the Negative List. As such, the WFOE intends to enter into a series of contractual arrangements with each of the Group, the Registered Shareholders, Jinxin Medical Investment, Jinyi Hongkang and Sichuan WCH. For a detailed description of these contractual arrangements, see the section headed “The New Contractual Arrangements”. Through the Group's shareholdings and the New Contractual Arrangements, the Company will control the economic benefit of 100% of the equity interest held by Jinyi Hongkang and Jinxin Medical Investment in Sichuan WCH.

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## LETTER FROM THE BOARD

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As advised by the PRC Legal Advisers, except for the arrangements regarding dispute resolution, the New Contractual Arrangements are 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 Advisers 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 Advisers.

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;

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## LETTER FROM THE BOARD

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- 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 Sichuan WCH without reducing the tax liability of the Group's subsidiaries, which could further result in late payment fees and other penalties to Sichuan WCH for underpaid taxes; or (ii) limiting the ability of Sichuan WCH to obtain or maintain preferential tax treatments and other financial incentives.

***The shareholders of Sichuan WCH 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 Sichuan WCH to abide by the obligations under such contractual arrangements. Although the shareholders of Sichuan WCH have authorized the WFOE or its designated party to exercise their respective powers therein, the interests of these shareholders in their capacities as the shareholders of Sichuan WCH may differ from the Group's interests, as what is in the best interests of Sichuan WCH, 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 shareholders will act in the

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## LETTER FROM THE BOARD

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Group's best interests or those conflicts of interest will be resolved in the Group's favor. In addition, these shareholders may breach, or cause Sichuan WCH to breach, or refuse to renew, the Existing Contractual Arrangements with the Group.

Currently, the Group does not have further arrangements to address the potential conflicts of interest faced by the shareholders of Sichuan WCH in their dual capacity as beneficial owners of the Group. The Group relies on the shareholders of Sichuan WCH 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 Sichuan WCH, 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

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## LETTER FROM THE BOARD

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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 Sichuan WCH, a PRC domestic company. Meanwhile, the Group is not likely to finance the activities of Sichuan WCH by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by Sichuan WCH.

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 Sichuan WCH 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 exercises the option to acquire equity ownership of Jinyi Hongkang, 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 Jinyi Hongkang from the Registered Shareholders at the minimum purchase price permitted under the applicable PRC laws.

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## LETTER FROM THE BOARD

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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 Jinyi Hongkang. 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. Jinyi Hongkang and the Registered Shareholders may fail to perform their obligations under the New Contractual Arrangements.***

The Group relies on the New Contractual Arrangements with Sichuan WCH, Jinyi Hongkang, Jinxin Medical Investment and the Registered Shareholders to control the 100% equity ownership interest in Sichuan WCH.

Although the Group is advised by the PRC Legal Advisers that save as disclosed in this circular, the New Contractual Arrangements 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 Jinyi Hongkang 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 Jinyi Hongkang, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level.

If Jinyi Hongkang 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 Jinyi Hongkang or Sichuan WCH, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of

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## LETTER FROM THE BOARD

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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 experiences 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 Jinyi Hongkang and Sichuan WCH or obtain the full economic benefits of the same. The Group's ability to conduct the business may be negatively affected.

### INFORMATION OF 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.

### INFORMATION OF THE PARTIES TO THE NEW CONTRACTUAL ARRANGEMENTS

The Registered Shareholders, Ms. Lyu Rong (a director of Jinyi Hongkang and Jinxin Medical Investment, an executive Director and co-chief executive officer of the Company) and Mr. Xu Jun (a director of Jinxin Medical Investment) are PRC nationals and own Jinyi Hongkang as to 51% equity interest and 49% equity interest, respectively.

Sichuan WCH is a limited liability company established in the PRC and a consolidated entity of the Company. Sichuan WCH is a Class III Grade A hospital that specializes in the provision of obstetrics, gynecology and pediatrics medical services in Chengdu, Sichuan Province, the PRC and in particular, providing medical services, healthcare services and education on women and children's health.

The WFOE is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company which engages in investment holding.

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## LETTER FROM THE BOARD

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### DIRECTORS' VIEW ON THE NEW CONTRACTUAL ARRANGEMENTS

Based on the above, the Board, including the independent non-executive Directors, is of the view that the New Contractual Arrangements are narrowly tailored as they are used to enable the Group to provide molecular genetic services in the PRC which falls within the “prohibited investment category” of the Negative List. Following the Internal Restructuring, the Company controls 100% equity interest in Sichuan WCH through Jinyi Hongkang by virtue of the New Contractual Arrangements. As such, the Company can receive substantially all of the economic interest returns generated by Sichuan WCH.

The New Contractual Arrangements also provide that the Group could partially unwind the New Contractual Arrangements and hold (directly or indirectly) equity interest in Sichuan WCH 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 Sichuan WCH if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors.

### LISTING RULES IMPLICATIONS

After Completion of the Internal Restructuring, the financial results of Sichuan WCH will continue to be accounted for in the financial statements of the Group as if it is a wholly-owned subsidiary of the Company. Jinyi Hongkang is owned by the Registered Shareholders, Ms. Lyu Rong and Mr. Xu Jun, as to 51% and 49%, respectively, and therefore, upon completion of the Internal Restructuring, each of the Registered Shareholders 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 are listed on the Stock Exchange, subject to certain conditions as set out in the Prospectus (the “**Conditions**”). The Conditions include, among others, no change to the agreements governing the Contractual

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## LETTER FROM THE BOARD

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Arrangements will be made without the approval of the Independent Shareholders and independent non-executive Directors. As such, the Company is convening the EGM to obtain approvals of the Independent Shareholders in respect of the Internal Restructuring.

The Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, subject to the approvals of the Independent Shareholders and independent non-executive Directors, 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 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.

### **APPROVAL BY INDEPENDENT NON-EXECUTIVE DIRECTORS AND INDEPENDENT SHAREHOLDERS**

The Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders in respect of the New Contractual Arrangements and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any material interest in the New Contractual Arrangements. A letter from the Independent Board Committee is set out on pages 40 to 41 in this circular.

Ms. Lyu Rong, being one of the Registered Shareholders of Jinyi Hongkang, a director of Jinyi Hongkang and Jinxin Medical Investment and an executive Director and co-chief executive officer of the Company holds 5,504,000 Shares and is required to abstain from voting on the proposed resolution in respect of the New Contractual Arrangements at the EGM. Save as disclosed above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the proposed resolution in respect of the New Contractual Arrangements at the EGM.

### **INDEPENDENT FINANCIAL ADVISER**

Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Contractual Arrangements. A letter from the Independent Financial Adviser is set out on pages 42 to 63 of this circular.

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## LETTER FROM THE BOARD

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### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from November 24, 2022 to November 29, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the EGM, during which period no share transfers will be registered. To be eligible to attend the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on November 23, 2022.

### **EGM**

A notice dated November 11, 2022 convening the EGM is set out on pages 71 to 72 of this circular, which contains an ordinary resolution to approve the Internal Restructuring.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. before 10:30 a.m. on November 27, 2022) or any adjournment thereof.

Completion and return of the form of proxy will not prevent you from attending and voting in person at the EGM and at any adjournment thereof if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

### **VOTING BY POLL**

The resolution set out in the notice of the EGM would be decided by poll in accordance with the Listing Rules and the Articles of Association. The Chairman will explain the detailed procedures for conducting a poll at the commencement of the EGM.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way.

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## LETTER FROM THE BOARD

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After the conclusion of the EGM, the poll results will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.jxr-fertility.com](http://www.jxr-fertility.com).

### RECOMMENDATION

After taking into account the reasons for and benefits of the New Contractual Arrangements, the Directors, including the independent non-executive Directors, are of the view that the terms of the New Contractual Arrangements are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors advise the Independent Shareholders to vote in favor of the ordinary resolution to approve the Internal Restructuring at the EGM.

Yours faithfully,

By order of the Board

**Jinxin Fertility Group Limited**

**Zhong Yong**

*Chairman*



**Jin Xin 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)**

November 11, 2022

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
INTERNAL RESTRUCTURING OF THE GROUP  
TERMINATION OF THE EXISTING SICHUAN WCH  
CONTRACTUAL ARRANGEMENTS  
AND  
ESTABLISHMENT OF THE NEW CONTRACTUAL ARRANGEMENTS**

We refer to the circular of the Company dated November 11, 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Internal Restructuring. Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board on pages 8 to 39 of the Circular, which sets out details of the Internal Restructuring including the New Contractual Arrangements. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 42 to 63 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Contractual Arrangements.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the reasons for and benefits of the Internal Restructuring including the New Contractual Arrangements and the advice of the Independent Financial Adviser, we consider that the terms of the transaction documents under the Internal Restructuring and New Contractual Arrangements are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolution to approve the Internal Restructuring, particulars of which are set out in the notice of EGM set out on pages 71 to 72 of this Circular.

Yours faithfully,

For an on behalf of the Independent Board Committee,

**Dr. Chong Yat Keung**

**Mr. Li Jianwei**

**Mr. Wang Xiaobo**

**Mr. Ye Changqing**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Contractual Arrangements.*



**SOMERLEY CAPITAL LIMITED**  
20th Floor China Building  
29 Queen's Road Central, Hong Kong

November 11, 2022

*To: The Independent Shareholders and the Independent Board Committee*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE INTERNAL RESTRUCTURING OF THE GROUP AND ESTABLISHMENT OF THE NEW CONTRACTUAL ARRANGEMENTS**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the New Contractual Arrangements and the transactions contemplated thereunder. Details of the New Contractual Arrangements are set out in the letter from the Board contained in the circular of the Company (the “**Circular**”) to its shareholders dated November 11, 2022, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the Circular, the Group is conducting the Internal Restructuring which involves (a) the transfer of 100% equity interest of Jinxin Medical Investment from Jinxin Investment Group Limited to Jinyi Hongkong under the Hospital Equity Transfer Agreement, (b) the transfer of 51% equity interest in Jinmai Testing, 100% equity interest in Chengdu Health and 51% equity interest in Jinxin Obstetric Health under the Ancillary Equity Transfer Agreement from Jinxin Medical Investment to the WFOE; (c) the termination of the Existing Sichuan WCH Contractual Arrangements under the Termination Agreements, and (d) the entering into of the New Contractual Arrangements.

After the completion of the Internal Restructuring, the financial results of Sichuan WCH will continue to be accounted for in the financial statements of the Group as if it is a wholly-owned subsidiary of the Company. Jinyi Hongkong is owned by the Registered Shareholders, Ms. Lyu Rong and Mr. Xu Jun, as to 51% and 49%, respectively, and therefore, upon completion of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Internal Restructuring, each of the Registered Shareholders 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.

As disclosed in the letter from the Board of the Circular, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, subject to approvals of the Independent Shareholders and independent non-executive Directors, 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 term of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver as set out in the section headed "(III) Establishment of the New Contractual Arrangements" in the letter from the Board of the Circular, which is disclosed in the section headed "Connected Transactions" in the Prospectus.

The Company will seek approval from the Independent Shareholders in relation to the New Contractual Arrangements by way of a poll at the EGM. Ms. Lyu Rong, being one of the Registered Shareholders of Jinyi Hongkang, a director of Jinyi Hongkang and Jinxin Medical Investment and an executive Director and co-chief executive officer of the Company holds 5,504,000 Shares and is required to abstain from voting on the proposed resolution in respect of the New Contractual Arrangements at the EGM. As at the Latest Practicable Date, save for Ms. Lyu Rong, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the proposed resolution in respect of the New Contractual Arrangements at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Chong Yat Keung, Mr. Li Jianwei, Mr. Wang Xiaobo and Mr. Ye Changqing, has been established to advise the Independent Shareholders in respect of the New Contractual Arrangements. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, Sichuan WCH, Jinyi Hongkang, Jinxin Medical Investment, Ms. Lyu Rong, Mr. Xu Jun or their respective associates, close associates or core connected persons and, accordingly, are considered eligible to give independent advice on the Internal Restructuring. In the last two years, there was no engagement between the Group and us.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Sichuan WCH, Jinyi Hongkang, Jinxin Medical Investment, Ms. Lyu Rong, Mr. Xu Jun or their respective core associates, close associates or core connected persons.

In formulating our advice and recommendation, we have reviewed, among others, (i) the Existing Contractual Arrangements and the Existing Sichuan WCH Contractual Arrangements; (ii) the New Contractual Arrangements; (iii) Equity Transfer Agreements (including the Hospital Equity Transfer Agreement and the Ancillary Equity Transfer Agreement) and Termination Agreements; (iv) the announcements of the Company dated October 19, 2021 and November 26, 2021; (v) the Prospectus; (vi) the annual reports of the Company; (vii) the PRC legal opinion in relation to the New Contractual Arrangements prepared by Jingtian & Gongcheng (the “**PRC Legal Advisor**”); (viii) the principal terms of the Comparable Contractual Arrangements (as defined below); and (ix) the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and the respective professional advisers of the Company and have assumed that they are true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held, up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Internal Restructuring, we have considered the following principal factors and reasons:

#### 1. Background of and reasons for the New Contractual Arrangements

##### *1.1 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.

##### *1.2 Information of the parties to the New Contractual Arrangements*

The Registered Shareholders, Ms. Lyu Rong (a director of Jinyi Hongkang and Jinxin Medical Investment, an executive Director and co-chief executive officer of the Company) and Mr. Xu Jun (a director of Jinxin Medical Investment) are PRC nationals and own Jinyi Hongkang as to 51% equity interest and 49% equity interest, respectively.

Sichuan WCH is a limited liability company established in the PRC and a consolidated entity of the Company. Sichuan WCH is a Class III Grade A hospital that specializes in the provision of obstetrics, gynecology and pediatrics medical services in Chengdu, Sichuan Province, the PRC and in particular, providing medical services, healthcare services and education on women and children's health.

The WFOE is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company which engages in investment holding.

##### *1.3 The Internal Restructuring*

As disclosed in the letter from the Board of the Circular, the Group is conducting the Internal Restructuring which involves (a) the transfer of 100% equity interest of Jinxin Medical Investment from Jinxin Investment Group Limited to Jinyi Hongkang under the Hospital Equity Transfer Agreement; (b) the transfer of 51% equity interest in Jinmai Testing, 100% equity interest in Chengdu Health and 51% equity interest in Jinxin Obstetric Health under the Ancillary Equity Transfer Agreement from Jinxin Medical Investment to the WFOE; (c) the termination of the Existing Sichuan WCH Contractual Arrangements under the Termination Agreements; and (d) the entering into of the New Contractual Arrangements. The

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main purpose of which is to enable Sichuan WCH to further expand its scope of offerings and provide medical services involving Molecular Genetics Services in accordance with the applicable PRC laws. As the inclusion of such offering requires the involvement of genetic information and DNA of patients, which as confirmed by the Health Commission of Sichuan Province, the provision of the Molecular Genetics Services involves “development and application of technologies for the diagnosis and treatment with human stem and genes” (人體幹細胞、基因診斷與治療技術開發和應用), which falls under the “prohibited investment category” (禁止投資領域) for foreign investors under the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021). Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment (外商投資企業不得在禁止外商投資的領域投資) according to the Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC (《關於外商投資企業境內投資的暫行規定》), and therefore, the Company, as a foreign-invested enterprise, shall not directly or indirectly hold any equity interest in Sichuan WCH when Sichuan WCH becomes qualified and pursues Molecular Genetics Services.

Subject to approvals of the Independent Shareholders, the Internal Restructuring will be carried out by the Company in the following manner:

- (1) (A) Jinxin Investment Group Limited and Jinyi Hongkang have entered into the Hospital Equity Transfer Agreement, pursuant to which Jinxin Investment Group Limited has agreed to transfer 100% equity interest held in Jinxin Medical Investment to Jinyi Hongkang and (B) Jinxin Medical Investment and the WFOE have entered into the Ancillary Equity Transfer Agreement, pursuant to which Jinxin Medical Investment agrees to transfer the equity interest held by Jinxin Medical Investment in Jinmai Testing, Chengdu Health and Jinxin Obstetric Health to the WFOE;
- (2) Sichuan WCH, Jinyi Hongkang, the Registered Shareholders and Jinxin Medical Investment will further enter into the Termination Agreements, pursuant to which, the Existing Sichuan WCH Contractual Arrangements in relation to 10% equity interest in Sichuan WCH will be terminated upon the effectiveness of the Termination Agreements; and
- (3) Sichuan WCH, the WFOE, Jinyi Hongkang, Jinxin Medical Investment and the Registered Shareholders will also enter into the New Contractual Arrangements in relation to 100% equity interest in Sichuan WCH on substantially the same terms and conditions as the Existing Contractual Arrangements.

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Pursuant to the New Contractual Arrangements to be entered between Sichuan WCH, the WFOE, Jinyi Hongkang, Jinxin Medical Investment and the Registered Shareholders, the Group will no longer hold any equity interest in Sichuan WCH, and instead will receive substantially all the economic benefits in Sichuan WCH through the New Contractual Arrangements. Under the New Contractual Arrangements, Sichuan WCH will remain to be a consolidated entity of the Company and its financial results will continue to be accounted for and consolidated in the financial statements of the Group. As such, upon the completion of the Internal Restructuring, each of the Relevant Subsidiaries will remain as a subsidiary of the Company. As advised by the PRC Legal Advisors, the New Contractual Arrangements do not violate mandatory provisions of the existing applicable PRC laws and regulations. The Internal Restructuring, which will enable the Group to expand its scope of service offerings to include Molecular Genetics Services, is vital to the Group's overall business development.

### *1.4 The Transfers*

#### *The Hospital Equity Transfer Agreement*

Jinxin Investment Group Limited and Jinyi Hongkang have entered into the Hospital Equity Transfer Agreement, pursuant to which, Jinxin Investment Group Limited has agreed to transfer 100% equity interest held in Jinxin Medical Investment, which owns Sichuan WCH as to 90% equity interest, to Jinyi Hongkang at a consideration of RMB1 million.

#### *The Ancillary Equity Transfer Agreement*

Jinxin Medical Investment and the WFOE have entered into the Ancillary Equity Transfer Agreement, pursuant to which Jinxin Medical Investment has agreed to transfer 51% equity interest in Jinmai Testing, 100% equity interest in Chengdu Health and 51% equity interest in Jinxin Obstetric Health to the WFOE at a consideration of RMB6.38 million.

As each of Jinmai Testing, Chengdu Health and Jinxin Obstetric Health is not a medical institution and is therefore not subject to the Foreign Ownership Restriction, their equity interest are being transferred to the WFOE under the Ancillary Equity Transfer Agreement to ensure that the New Contractual Arrangements and the Existing Contractual Arrangements continue to be narrowly tailored pursuant to the Stock Exchange Guidance Letter HKEx-GL77-14.

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### *Basis of consideration*

The consideration for each of the transfers of the Relevant Equity Interest under the Equity Transfer Agreements was determined with reference to the book value of each of the Relevant Subsidiaries as long-term equity investments in the Company's consolidated financial statements as of the benchmark date August 31, 2022. The book value of Jinxin Medical Investment, Jinmai Testing, Chengdu Health and Jinxin Obstetric Health as of the benchmark date August 31, 2022 are RMB1,000,000, RMB1,020,000, RMB4,850,000 and RMB510,000, respectively.

Upon the completion of the Internal Restructuring, each of the Relevant Subsidiaries will remain as a subsidiary of the Company.

### ***1.5 Termination of the Existing Sichuan WCH Contractual Arrangements***

Sichuan WCH, Jinyi Hongkang, the Registered Shareholders and Jinxin Medical Investment will enter into the Termination Agreements, pursuant to which, the Existing Sichuan WCH Contractual Arrangements in relation to 10% equity interest in Sichuan WCH will be terminated upon the effectiveness of the Termination Agreements.

### ***1.6 Establishment of the New Contractual Arrangements***

Upon completion of the Transfer, Sichuan WCH will enter into the New Contractual Arrangements with the WFOE, Jinyi Hongkang, Jinxin Medical Investment and the Registered Shareholders on substantially the same terms and conditions as those of the Existing Sichuan WCH Contractual Arrangements, save for consequential changes as a result of the Internal Restructuring of Sichuan WCH, namely the basic information of the parties and the amount of equity interest to be controlled by the WFOE under the New Contractual Arrangements. In relation to the New Contractual Arrangements, the Company will fulfill and comply with the same conditions of the IPO Waiver (as set out in the section headed "(III) Establishment of the New Contractual Arrangements" in the letter from the Board of the Circular, which is disclosed in the Prospectus), *mutatis mutandis*.

### ***1.7 Reasons for and benefits of the Internal Restructuring and the Entering into the New Contractual Arrangements***

As stated in the letter from the Board of the Circular, the Group intends to strategically develop itself into providing medical services that support the entire fertility and pregnancy lifecycle for family through the acquisition of Sichuan WCH. The inclusion of Molecular Genetics Services, being the cutting-edge technology for pre-natal examination, is vital to the

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Group's future development for its ability to diagnose birth defects during pregnancy term with a higher accuracy, as compared to the use of cytogenetics. As of December 31, 2021, there were only 13 medical institutions in Sichuan Province qualified to provide pre-natal Molecular Genetics Services and all of which are public hospitals. As of the Latest Practicable Date, Sichuan WCH has met the pre-conditions for the approval for the provision of Molecular Genetics Services. Hence, the inclusion of Molecular Genetics Services is essential to the development of the Group in allowing it to reach and maintain a higher level of medical technologies and equipment used in the area of assisted reproduction services, obstetrics, gynecology and pediatrics, which in turn further strengthens the Group's competitiveness and reputation.

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. However, the inclusion of Molecular Genetics Services requires the involvement of genetic information and DNA of patients, which as confirmed by the Health Commission of Sichuan Province (四川省衛生健康委員會), the provision of Molecular Genetics Services involves "development and application of technologies for the diagnosis and treatment with human stem and genes" (人體幹細胞、基因診斷與治療技術開發和應用), which is a prohibited investment category for foreign investors under the Negative List. Furthermore, as advised by the PRC Legal Advisors, according to the Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC (《關於外商投資企業境內投資的暫行規定》), which were jointly promulgated by the Ministry of Commerce and the State Administration of Industry and Commerce on July 25, 2000, and amended on October 28, 2015, foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment (外商投資企業不得在禁止外商投資的領域投資). As such, the Company, as a foreign-invested enterprise, shall not directly or indirectly hold any equity interest in Sichuan WCH when Sichuan WCH becomes qualified to pursue and does pursue the Molecular Genetics Services under the applicable PRC laws and regulatory restrictions on foreign ownership, including the Negative List. Thus, any application by a foreign investor or a domestic company with foreign investment for the approval will not be approved or permitted.

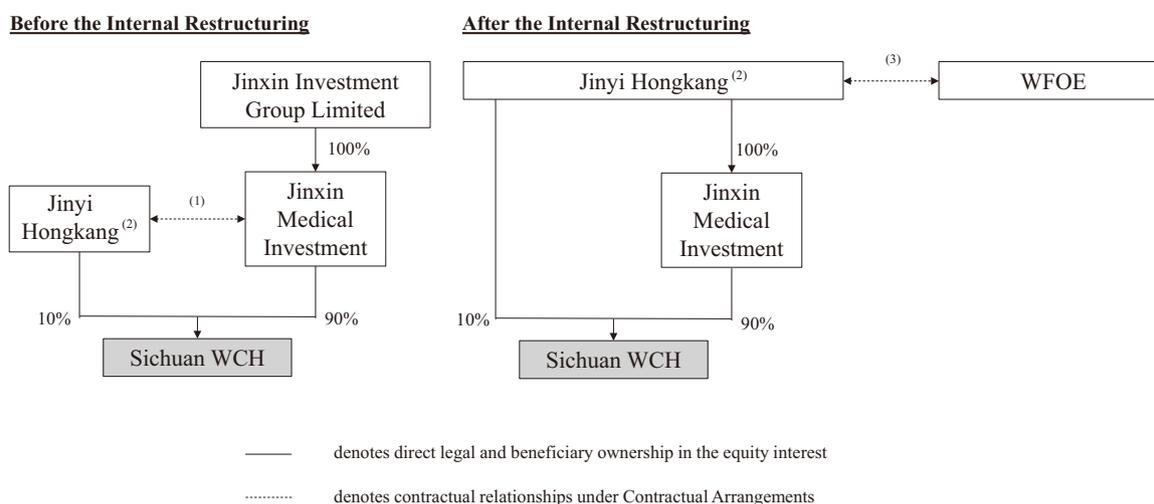
The New Contractual Arrangements also provide that the Group could partially unwind the New Contractual Arrangements and hold (directly or indirectly) equity interest in Sichuan WCH up to the maximum percentage prescribed by any measures promulgated by the MOFCOM and/or other relevant governmental authorities,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

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As stated in the letter from the Board of the Circular, since Sichuan WCH is a medical institution established in Chengdu, Sichuan Province, the PRC and intends to provide Molecular Genetics Services under the applicable PRC laws and regulations and is subject to the Foreign Ownership Restriction, the Company is not allowed to hold any equity interest in Sichuan WCH, as advised by the PRC Legal Advisors. Following the Transfer, Jinyi Hongkang will directly and indirectly hold 10% and 90% equity interest in Sichuan WCH, respectively. In order for the Group to obtain the economic benefits in relation to the entire equity interest in Sichuan WCH held by Jinyi Hongkang, and to prevent leakages of equity and values of Sichuan WCH, the WFOE, Jinyi Hongkang, Jinxin Medical Investment, the Registered Shareholders and Sichuan WCH will, upon obtaining approval by the Independent Shareholders at the EGM and subsequent to the completion of the Transfers, enter into the narrowly tailored New Contractual Arrangements. As confirmed by the PRC Legal Advisors, the Group obtained confirmation from the Health Commission of Sichuan Province (四川省衛生健康委員會) that the New Contractual Arrangements are in compliance with the applicable PRC laws and regulatory restrictions on foreign ownership in order to enable Sichuan WCH to provide Molecular Genetics Services under the applicable PRC laws and regulations.

### 1.8 Shareholding Structure before and after the Internal Restructuring

Set out below is the simplified shareholding structure illustrates the flow of economic benefit from Sichuan WCH to the Group before and after the Internal Restructuring:



*Notes:*

- 1) The Exclusive Operation Services Agreement, Exclusive Option Agreements, Powers of Attorney, Equity Pledge Agreements and Spouse Undertakings together form the legal relationship under the Existing Sichuan WCH Contractual Arrangements.

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- 2) Jinyi Hongkang is owned by the Registered Shareholders, Ms. Lyu Rong and Mr. Xu Jun, as to 51% and 49%, respectively.
- 3) The Exclusive Operation Services Agreement, Exclusive Option Agreements, Powers of Attorney, Equity Pledge Agreements and Spouse Undertakings together form the legal relationship under the New Contractual Arrangements.

### *Overall comment*

As stated in the letter from the Board of the Circular, the principal terms of the New Contractual Arrangements which the terms and conditions of which are the same as the Existing Contractual Arrangement.

Given (i) the inclusion of Molecular Genetics Services is vital for and in line with the Group's strategy to provide a full fertility lifecycle services as disclosed in the annual report of the Company for the year ended December 31, 2021; (ii) it is necessary to conduct the Internal Restructuring as the provision of the Molecular Genetics Services falls under the prohibited investment category (禁止投資領域) for foreign investors under the Negative List in accordance with the applicable PRC laws; (iii) the New Contractual Arrangements will protect the Group's interest in Sichuan WCH and allow the Group to continue to have effective control over Sichuan WCH to the extent permitted under the relevant PRC laws and regulations; and (iv) there will be no change in the Group's economic interests as Sichuan WCH will remain to be a consolidated entity of the Company and its financial results will continue to be accounted for and consolidated in the financial statements of the Group under the New Contractual Arrangements, we are of the view that the entering into of the New Contractual Arrangements is fair and reasonable so far as the Independent Shareholders are concerned.

In addition, we have reviewed the terms of each of the Hospital Equity Transfer Agreement and the Ancillary Equity Transfer Agreement. Given that (i) the consideration for each of the transfers of the Relevant Equity Interest was determined with reference to the book value of each of the Relevant Subsidiaries; and (ii) there will be no change in the Group's economic interests as a whole; and (iii) the purpose of the Equity Transfer Agreements is to facilitate the Internal Restructuring, we are of the view that the terms of each of the Hospital Equity Transfer Agreement and the Ancillary Equity Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

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Based on the above, we concur with the Directors that (i) the New Contractual Arrangements enables the Group to receive substantially all of the economic interest returns generated by Sichuan WCH in compliance with the relevant PRC laws and regulations; and (ii) the entering into of the New Contractual Arrangements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### 2. Assessment of the principal terms of the New Contractual Arrangements

Details of the principal terms of the New Contractual Arrangements, namely (i) the Exclusive Operation Services Agreement; (ii) the Exclusive Option Agreements; (iii) the Shareholders' Rights Entrustment Agreements and the Powers of Attorney; (iv) the Equity Pledge Agreements; and (v) the Spouse Undertakings, are set out in section headed "Principal Terms of the New Contractual Arrangements" in the letter from the Board of the Circular.

In assessing the fairness and reasonableness of the New Contractual Arrangements, we have reviewed (i) the Existing Contractual Arrangements and the Existing Sichuan WCH Contractual Arrangements; (ii) the New Contractual Arrangements; (iii) the announcements of the Company dated October 19, 2021 and November 26, 2021; (iv) the Prospectus; (v) the annual reports of the Company; (vi) the PRC legal opinion in relation to the New Contractual Arrangements prepared by PRC Legal Advisor; and (viii) the principal terms of the Comparable Contractual Arrangements (as defined below). Based on our review, we noted that:

- (i) the entering into of the New Contractual Arrangements is essential for the Group to continue to receive the economic benefits generated by Sichuan WCH in compliance with the relevant PRC laws and regulations;
- (ii) the terms and conditions under the New Contractual Arrangements in relation to 100% equity interest in Sichuan WCH will be substantially the same as the Existing Contractual Arrangements;
- (iii) the Company will fulfill and comply with the same conditions of the IPO Waiver (as set out in the section headed "(III) Establishment of the New Contractual Arrangements" in the letter from the Board of the Circular, which is disclosed in the Prospectus), *mutatis mutandis*, in relation to the New Contractual Arrangements, including but not limited to the following:
  - (a) no change to the New Contractual Arrangements will be made without the approval of the independent non-executive Directors of the Company;

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- (b) save for renewal and reproduction, no change to the New Contractual Arrangements will be made without the approval of the Independent Shareholders;
  - (c) the New Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived from the relevant VIE Entities; and
  - (d) the independent non-executive Directors and the auditors of the Company shall review the transactions contemplated under the New Contractual Arrangements annually;
- (iv) the independent non-executive Directors and the auditors of the Company have reviewed the overall performance of and compliance with the Existing Contractual Arrangements on an annual basis since the listing of the Company on the Stock Exchange in June 2019 (i.e. for each of the three years ended December 31, 2021) and confirmed that the transactions carried out have been entered into in accordance with the relevant provisions of the Existing Contractual Arrangements;
- (v) the PRC Legal Advisor confirmed, among others, that:
- (a) each of Sichuan WCH, the WFOE and Jinyi Hongkang is duly established and validly existing under the PRC laws;
  - (b) each of Sichuan WCH, the WFOE and Jinyi Hongkang has both the capacity for civil rights and the capacity for civil conducts to execute and perform the New Contractual Arrangements;
  - (c) the New Contractual Arrangements will not violate the mandatory or prohibitive provisions in existing PRC laws and administrative regulations and constitutes legal, valid and binding obligations of the parties thereto except that (a) the Chengdu Arbitration Commission (成都仲裁委員會) has no power to grant injunctive relief, nor will it be able to order the winding-up of Sichuan WCH and Jinyi Hongkang 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;
  - (d) the New Contractual Arrangements shall not, individually or collectively, be deemed as “impairing others’ legitimate rights and interests with malicious collusion” or “a false expression of intentions” under the Civil Code or fall within any circumstances under which will result in the invalidity of the agreements under the New Contractual Arrangements;

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- (e) none of the agreements under the New Contractual Arrangements will violate any provision of the existing articles of association of each of Sichuan WCH, the WFOE and Jinyi Hongkang; and the execution and performance of the New Contractual Arrangements are not required to be approved by or filed with any governmental authorities in the PRC. However, the Equity Pledge Agreement is subject to registration requirements with the relevant administration for the relevant administration for market regulation and the exercising of the exclusive options by the WFOE according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).
  
- (vi) the New Contractual Arrangements are in line with the market practice as revealed in the Comparable Contractual Arrangements as detailed in the section headed “3.4 Analysis on comparable arrangements” below; and
  
- (vii) certain effective internal control measures are in place to safeguard the Company’s assets held through the New Contractual Arrangement, details of which are set out in the section headed “Compliance with the New Contractual Arrangement” in the letter from the Board of the Circular.

In addition, based on the listing decision HKEx-LD43-3 and the guidance letter HKEx-GL77-14, and given the principal terms and conditions of the New Contractual Arrangements, in particular:

- (i) the Group could partially unwind the New Contractual Arrangements and hold (directly or indirectly) equity interest in Sichuan WCH 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 Sichuan WCH if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors;
  
- (ii) the New Contractual Arrangements encompasses dealing with the assets of Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH, and not only the right to manage its business but also the right to revenue;
  
- (iii) the New Contractual Arrangements include the Shareholders’ Rights Entrustment Agreements and Powers of Attorney by which (i) the Registered Shareholders irrevocably agree to authorize the Attorney to exercise all of their rights and powers as a shareholder of Jinyi Hongkang (as applicable); and (ii) Jinyi Hongkang and Jinxin Medical Investment irrevocably agree to authorize the Attorney to exercise all of its

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rights and powers of a shareholder in Sichuan WCH with 100% 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 in Sichuan WCH and 100% effective shareholding interest in each of Sichuan WCH; and

- (iv) each of the agreements under the New Contractual Arrangements contains dispute resolution clauses that provide for arbitration and that arbitrators may award remedies over the shares and/or assets of Jinyi Hongkang and Sichuan WCH, or injunctive reliefs or winding up of Jinyi Hongkang and Sichuan WCH and provide the courts with the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal in Hong Kong, Cayman Islands (being the place of incorporation of the Company), the PRC and the places where the principal assets of the WFOE or Jinyi Hongkang or Sichuan WCH are located.

Based on the above, we consider that the terms of the New Contractual Arrangements are on normal commercial terms which are fair and reasonable.

### **3. Waivers from strictly compliance with Chapter 14A of the Listing Rules**

#### ***3.1 The IPO Waiver***

As disclosed in the letter from the Board of the Circular, 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 are listed on the Stock Exchange, subject to certain conditions as set out in the section headed "(III) Establishment of the New Contractual Arrangements" in the letter from the Board of the Circular, which is disclosed in the Prospectus (the "**Conditions**"). The Conditions include, among others, no change to the agreements governing the Contractual Arrangements will be made without the approval of the Independent Shareholders and independent non-executive Directors. As such, the Company is convening the EGM to obtain approvals of the Independent Shareholders in respect of the Internal Restructuring.

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The Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, subject to approvals of the Independent Shareholders and independent non-executive Directors, 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 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.

### *3.2 Term of the New Contractual Arrangements*

Rule 14A.52 of the Listing Rules requires that the period for a connected transaction agreement must be fixed and reflect normal commercial terms or better. It must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. In this case, the listed issuer must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

Given that (i) the New Contractual Arrangements is reproduced from the Existing Contractual Arrangements as provided under the conditions of the IPO Waiver; (ii) the Company is ineligible to operate Sichuan WCH in the PRC in view of the Foreign Ownership Restriction under the PRC laws and regulations; (iii) the Company is able to continue to exercise effective control over the licensed business and operation and to safeguard the assets of Sichuan WCH through the New Contractual Arrangements; and (iv) a comparatively long duration of the New Contractual Arrangements without a fixed term will provide stability to the Group's operations and extend the period of income to be derived from Sichuan WCH, it is commercially desirable and essential for the Group to enter into the New Contractual Arrangements without a fixed term.

### *3.3 Annual caps of the New Contractual Arrangements*

In addition, Rule 14A.53 of the Listing Rules requires the listed issuer to set an annual cap for the continuing connected transactions. The annual cap must be (i) expressed in monetary terms; (ii) determined by reference to the previous transactions and figures in the published information of the listed issuer's group. If there were no previous transactions, the annual cap must be set based on reasonable assumptions; and (iii) approved by shareholders if the transaction requires shareholders' approval.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the section headed “1. Background of and reasons for the New Contractual Arrangements — Overall comments” above, the New Contractual Arrangements allow the Group to receive substantially all of the economic interest return generated by Sichuan WCH in compliance with the relevant PRC laws and regulations. As a result, setting maximum caps for such service fees would limit the ability of the Group to operate the business and receive economic benefits generated by Sichuan WCH, which is not in the interests of the Company and the Shareholders as a whole.

Based on the above, we consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to enter into the New Contractual Arrangements without (i) a fixed term; and (ii) an annual cap for the service fee payable by Sichuan WCH, Jinxin Medical Investment and Jinyi Hongkang to the Group.

### *3.4 Analysis on comparable arrangements*

To further assess the fairness and reasonableness of the terms of the New Contractual Arrangements, we have, on a best effort basis, researched and identified an exhaustive list of comparable transactions (the “**Comparable Contractual Arrangements**”) that (i) involved contractual arrangements, with nature similar to those under the New Contractual Arrangements which involved the development and application of technologies for the diagnosis and treatment with human stem and genes (人體幹細胞、基因診斷與治療技術開發和應用) in the PRC, adopted by companies listed on the Stock Exchange (the “**Comparable Companies**”); and (ii) constituted continuing connected transactions under the respective contractual arrangements pursuant to the Listing Rules, with details disclosed in the respective prospectuses or announcements of the Comparable Companies published during the period from 1 September 2019 to the date of the announcement in relation to the New Contractual Arrangements (the “**Review Period**”). The Review Period, which covers a period of over 36 months, is considered to represent a sufficient period of time to provide a general overview of the recent market practice on contractual arrangements for the purpose of this analysis.

Based on the aforesaid criteria, we have identified 9 Comparable Contractual Arrangements. We consider that the Comparable Contractual Arrangements represent fair and representative samples given (i) the Comparable Contractual Arrangements of the Comparable Companies are similar to the New Contractual Arrangements which involved the development and application of technologies for the diagnosis and treatment with human stem and genes (人體幹細胞、基因診斷與治療技術開發和應用); and (ii) the Comparable Contractual Arrangements identified during the Review Period represent recent structure of obtaining control over PRC companies operating in industries subject to the Foreign Ownership Restriction; and (iii) the sufficient number (i.e. size of 9) of the Comparable Contractual Arrangements identified.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following sets forth the details of the Comparable Contractual Arrangements:

Company name (stock code)	Date of prospectus/ announcement	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement (Y/N)	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
Mega Genomics Ltd. (6667.HK)	September 29, 2022	Engaged in the provision of broad spectrum of genetic testing services.	September 28, 2022	Foreign investment is prohibited in the collection of human genetic information and resources for the purposes of research, development and application of screening technology and test for diagnosis, and the development and application of gene diagnosis and treatment technology.	The remaining of the comprehensive pre-tax profit, deducting any (i) losses from the previous year (if any) and (ii) necessary costs, expenses and taxes required for business operations.	N/A (Note)	Y	Y
CANbridge Pharmaceuticals Inc. (1228.HK)	July 8, 2022	Engaged in the research, development and commercialization of biotech therapies targeting rare diseases in large underserved global markets.	June 10, 2022	Foreign investment is prohibited in the development and application of human stem cells and genes diagnosis and treatment technologies.	100% of the total consolidated profit after deduction of any accumulated deficit in respect of the preceding financial year(s), taxes, the profits obtained and dividends gained in any financial year.	N/A (Note)	Y	Y

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Date of prospectus/ announcement	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
Mega Genomics Ltd. (6667.HK)	June 10, 2022	Engaged in the provision of broad spectrum of genetic testing services.	June 10, 2021	Foreign investment is prohibited in the collection of human genetic information and resources for the purposes of research, development and application of screening technology and test for diagnosis, and the development and application of gene diagnosis and treatment technology.	The remaining of the comprehensive pre-tax profit, deducting any (i) losses from the previous year (if any) and (ii) necessary costs, expenses and taxes required for business operations.	N/A (Note)	Y	Y
Yunkang Group Limited (2325.HK)	May 5, 2022	Engaged in the provision of diagnostic testing services	October 22, 2019 and February 24, 2021	Foreign investors are (i) prohibited from holding equity interest in any enterprise that are engaged in the development and application of gene diagnosis and treatment technology, which form part of our clinical genetic testing service, and (ii) are restricted from holding equity interest in any enterprise that are engaged in medical outpatient service.	The total consolidated profit, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions.	15 years and shall automatically renew for 10 years	Y	Y

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Date of prospectus/ announcement	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
Kindstar Globalgene Technology, Inc. (9960.HK)	June 29, 2021	Engaged in provision of esoteric clinical testing service provider in PRC	August 10, 2020 and October 16, 2020	Foreign investment is prohibited in businesses involving the development and application of technologies for the diagnosis and treatment with human stem cells and genes; and foreign investors are not allowed to hold more than 70% of the equity interest in a sino-foreign joint venture medical institution.	100% of the total consolidated profit, after deduction of any accumulated deficit in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions.	N/A (Note)	Y	Y
New Horizon Health Limited — B (6606.HK)	February 5, 2021	Engaged in research and development of screening products for colorectal cancer, cervical cancer and other types of cancer.	August 12, 2020	Foreign investment is prohibited in the development and application of genes diagnosis and treatment technologies.	Based on the quantity and commercial value of services provided, and may adjust the service fees at its sole discretion.	N/A (Note)	Y	Y
JW (Cayman) Therapeutics Co. Ltd. (2126.HK)	October 22, 2020	Engaged in the research and development, manufacturing, and marketing of anti-tumor drugs in PRC	November 2, 2017, July 29, 2020 and September 15, 2020	Foreign investment is prohibited in the development and application of gene diagnostic and therapeutic technologies.	100% of the total consolidated profit, after deduction of any accumulated deficit in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions.	30 years and automatically extended for another 30 years upon expiry	Y	Y

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Date of prospectus/ announcement	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
Sincere Pharmaceutical Group Limited (2096.HK)	October 13, 2020	Engaged in the R&D, production and commercialization of pharmaceuticals and focused on generic pharmaceuticals	April 30, 2020	Foreign investment is prohibited in the development and application of gene diagnostic and therapeutic technologies.	Total consolidated net profit, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions.	N/A (Note)	Y	Y
Immunotech Biopharm Ltd (6978.HK)	June 29, 2020	Engaged in research and development, manufacturing and commercialisation of immune cell products for treatments of cancers in the PRC.	September 10, 2018	Foreign investment is prohibited in the development and application of technologies of human stem cell and gene diagnosis and treatment	All of the profit before taxes, and may adjust the service fees at its sole discretion.	N/A (Note)	Y	Y
The Company	November 7, 2022	Engaged in the provision of assisted reproductive services in the PRC, Hong Kong and the United States.	N/A	Foreign investment is prohibited in the development and application of technologies for the diagnosis and treatment with human stem and genes	100% of the distributable net profit of each Sichuan WCH of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable)	3 years and automatically renew for 3 years each time when its term ends	Y	Y

*Notes:* No definite duration of the relevant agreement is disclosed.

*Source:* Website of the Stock Exchange

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown above, each of the Comparable Companies entered into a series of contractual arrangements with the relevant PRC operating entities and their shareholders so that the Comparable Companies can exercise effective control over the relevant operating entities and consolidate the financial results of the relevant operating entities into its consolidated financial statements.

The Comparable Contractual Arrangements have maturity terms ranging from 15 years to an indefinite term. Among the 9 Comparable Contractual Arrangements, 7 of them did not disclose a definite term for the contractual arrangements and all of them have applied for and been granted by the Stock Exchange a waiver from strict compliance with Rule 14A.52 of the Listing Rules. Accordingly, we consider that it is a normal business practice for the terms of contractual arrangements similar to the New Contractual Arrangements to exceed three years.

In respect of setting annual caps under contractual arrangements, it is noted that all of the Comparable Contractual Arrangements have applied for and been granted by the Stock Exchange a waiver from strict compliance with Rule 14A.53 of the Listing Rules. Accordingly, we consider that it is a normal business practice for not setting annual caps for contractual arrangements similar to the New Contractual Arrangements.

Having considered the above, we consider the absence of a fixed term and annual caps under the New Contractual Arrangements is justifiable, of normal business practice, fair and reasonable.

In respect of the basis of the service fee, pursuant to the Exclusive Operation Services Agreement, the service fee shall be an amount equal to 100% of the distributable net profit of each Sichuan WCH and Jinyi Hongkang 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, Jinyi Hongkang, Jinxin Medical Investment and Sichuan WCH 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. Given that (i) the basis of the service fee under the New Contractual Arrangements is the same as those under the Existing Contractual Arrangements; and (ii) the WFOE shall ultimately receive a service fee at 100% of the distributable net profit of each Sichuan WCH of a given audited financial year under the New Contractual Arrangements, which is similar as that under the Comparable Contractual Arrangements, we consider the basis of the service fee under the New Contractual Arrangements is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the New Contractual Arrangements are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the entering into the New Contractual Arrangements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) the absence of a fixed term and annual caps under the New Contractual Arrangements is justifiable, of normal business practice, fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the New Contractual Arrangements.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Calvin Leung**  
*Director*

*Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 18 years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company were as follows:

#### (i) *Interest in Shares and underlying Shares*

<b>Name of Director/ chief executive</b>	<b>Nature of interests</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding as at the Latest Practicable Date</b>
Zhong Yong	Long position	4,300,500	0.17%
Dong Yang	Long position	3,475,000	0.14%
Lyu Rong	Long position	5,504,000	0.22%
Yan Xiaoqing	Long position	2,216,000	0.09%

*(ii) Interest in the Company's associated corporations*

<b>Name of Director/ chief executive</b>	<b>Capacity/Nature of interest</b>	<b>Name of associated corporation</b>	<b>Approximate percentage of shareholding as at the Latest Practicable Date</b>
Lyu Rong	Beneficial owner	Jinyi Hongkang	51% <sup>(1)</sup>
Yan Xiaoqing	Beneficial owner	Jinrun Fude	51% <sup>(2)</sup>

*Notes:*

- Ms. Lyu Rong, one of the Registered Shareholders, holds 51% of the equity interest in Jinyi Hongkang. Jinyi Hongkang is a subsidiary of the Company by virtue of the Existing Contractual Arrangements.
- Ms. Yan Xiaoqing, one of the registered shareholders of Jinrun Fude, holds 51% of the equity interest in Jinrun Fude. Jinrun Fude is a subsidiary of the Company by virtue of the Existing Contractual Arrangements.

**b) Substantial Shareholders**

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

<b>Name</b>	<b>Capacity/ Nature of interests</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding as at the Latest Practicable Date</b>
JINXIN Fertility Investment Group Limited <sup>(1)</sup>	Long Position	319,471,061	12.69%
HRC Investment Holding, LLC	Long Position	296,923,575	11.80%
Hillhouse Capital Advisors, Ltd. <sup>(2)</sup>	Long Position	186,863,349	7.42%
Gaoling Fund, L.P. <sup>(2)</sup>	Long Position	161,915,349	6.43%

*Notes:*

1. JINXIN Fertility Investment Group Limited is ultimately controlled by the individual Shareholders, and none of the individual Shareholders are interested in 10% or more of the Company's issued share capital upon the listing of the Company and remain as one of the Company's substantial Shareholders upon the listing of the Company and as of the Latest Practicable Date.
2. Hillhouse Capital Advisors, Ltd. is the investment manager of Gaoling Fund, L.P. and is therefore deemed to be interested in the Shares held by Gaoling Fund, L.P.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

**4. COMPETING BUSINESS INTEREST OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

As at the Latest Practicable Date, no Director was materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group, and no Director was interested in any assets which had been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since the date of the latest published audited accounts of the Company.

As of the Latest Practicable Date, no Director was a director or employee of the Company's substantial shareholders.

**5. DIRECTORS INTEREST IN CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting entered into by any member of the Group subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

**6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since December 31, 2021, being the date to which the latest published audited accounts of the Company were made up.

## 7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 8. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular or has given opinion or letter contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Jingtian & Gongcheng	PRC Legal Advisers
Somerley Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of Jingtian & Gongcheng and Somerley Capital does not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not), to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Jingtian & Gongcheng and Somerley Capital does not have any interest, direct or indirect, in any assets which have been since December 31, 2021, the date up to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Jingtian & Gongcheng and Somerley Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and/or references to its names in the form and context in which they appear.

## 9. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since December 31, 2021, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) The joint company secretaries of the Company are Ms. Ng Sau Mei, the director and head of the listing services department of TMF Hong Kong Limited (a company secretarial services provider) and Ms. Zhai Yangyang, who is a member of the China National Bar Association.
- (c) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (d) The principal place of business of the Company in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (e) The share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (f) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<https://www.jxr-fertility.com>) for the period of 14 days commencing from the date of this circular:

- (a) the Termination Agreements;
- (b) the Hospital Equity Transfer Agreement;
- (c) the Ancillary Equity Transfer Agreement;
- (d) the New Contractual Arrangements;
- (e) the letter from the Independent Board Committee as set out in this circular;
- (f) the letter from the Independent Financial Adviser as set out in this circular;
- (g) the written consent of the experts as referred to in the section headed “Expert and Consent” of this Appendix; and
- (h) this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “EGM”) of Jinxin Fertility Group Limited (the “Company”) will be held at Conference Room No. 3, 5th Floor, Chengdu Xinan Gynecology Hospital, 66 Bisheng Road, Jinjiang District, Chengdu, Sichuan, China on November 29, 2022 at 10:30 a.m. for the purpose of consideration and, if thought fit, passing the following resolution:

### **ORDINARY RESOLUTION**

**1. “THAT**

- (a) the Internal Restructuring comprising the entering into and performance of (i) the Equity Transfer Agreements dated November 7, 2022 and the Transfers; (ii) the Termination Agreements; and (iii) the New Contractual Arrangements (details of the Equity Transfer Agreements, the Termination Agreements and the New Contractual Arrangements have been set out in the circular dated November 7, 2022), be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorized to do all such acts and things and execute all such documents which he/she may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Internal Restructuring, the Transfer, the Equity Transfer Agreements, the Termination Agreements, and the New Contractual Arrangements contemplated thereunder.”

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

Hong Kong, November 11, 2022

\* For identification purpose only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

31/F, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

*Notes:*

1. Any member entitled to attend and vote at the EGM (and any adjournment of such meeting) shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM (and any adjournment of such meeting). A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her/its attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. In order to be valid, the proxy form and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (or any adjournment of such meeting) (as the case may be) at which the person named in the instrument proposes to vote.
4. Completion and return of the proxy form does not preclude a member from attending and voting in person at the EGM (or any adjournment of such meeting) and, in such event, the proxy form shall be deemed to be revoked.
5. Where there are joint holders of any Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders are present at the EGM (and any adjournment of such meeting), the most senior will alone be entitled to vote, whether in person or by proxy. For this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The register of members of the Company will be closed from November 24, 2022 to November 29, 2022 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on November 23, 2022.

*As at the Latest Practicable Date,, 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.*