康圣环球
Kindstar Global

2021 Annual Report

Kindstar Globalgene Technology, Inc.
康聖環球基因技術有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9960

Contents

Definitions

"AGM"	the annual general meeting of the Company to be held on Wednesday, June 1, 2022
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Auditor"	Ernst & Young, the auditor of the Company
"Beijing Hightrust"	Beijing Hightrust Medical Laboratory Co., Ltd. (北京海思特醫學檢驗實驗室有限公司) (formerly known as Beijing Hightrust Clinical Laboratory Co., Ltd. (北京海思特臨床檢驗所有限公司)), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Chengdu Shengyuan"	Chengdu Shengyuan Medical Laboratory Co., Ltd. (成都聖元醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly
"Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company", "the Company" or "Kindstar Global"	Kindstar Globalgene Technology, Inc., (康聖環球基因技術有限公司) an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board (stock code: 9960)
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"CRO"	Contract Research Organizations

"Director(s)"	the director(s) of the Company
"Global Offering"	the global offering of the Shares in connection with the Listing
"Group," "our Group," "the Group" or "we"	the Company and its subsidiaries (including the PRC Consolidated Entities)
"Guangzhou Xinuo"	Guangzhou Xinuo Medical Laboratory Co., Ltd. (廣州希諾醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huaxi Kindstar"	Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd. (四川華西康聖達醫學檢驗有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"IFRS"	International Accounting Standards ("**IAS**"), International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board ("**IASB**")
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons or associates of our connected persons as defined under the Listing Rules
"Kindstar Biotech"	Wuhan Kindstar Biotechnology Co., Ltd. (武漢康聖貝泰生物科技有限公司), a limited liability company established in the PRC and a PRC Consolidated Entity
"Kindstar Global Wuhan"	Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), a limited liability company established in the PRC and a PRC Consolidated Entity
"Kindstar Beijing WFOE"	Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司) (formerly known as Kangxing Shengda (Beijing) Technology Co., Ltd. (康興聖達(北京)科技有限公司)), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company
"Kindstar Wuhan WFOE"	Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company

"Kindstar Investment"	Kindstar (Wuhan) Investment Management Co., Ltd. (康聖環球(武漢)投資管理有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"Kindstar Zhenyuan"	Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd. (武漢康聖真源醫學檢驗所有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"Latest Practicable Date"	April 13, 2022, being the latest practicable date prior to the bulk printing and publication of this annual report
"Listing"	the listing of the Shares on the Main Board on the Listing Date
"Listing Date"	July 16, 2021, on which dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Option"	a right to subscribe for Shares granted pursuant to the terms of the Post-IPO Option Scheme
"Post-IPO Option Scheme"	the post-IPO share option scheme adopted by the Company on June 22, 2021
"Post-IPO RSU Scheme"	the post-IPO restricted share unit scheme adopted by the Company on June 22, 2021
"PRC Consolidated Entity(ies)"	entity(ies) whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of variable interest entity structure
"Pre-IPO Stock Incentive Plans"	the pre-IPO stock incentive plans adopted by the Company on March 14, 2013, December 20, 2015 and December 1, 2016
"Prospectus"	the prospectus of the Company dated June 29, 2021

"Reorganization"	the reorganization of the Group in preparation of the Listing, details of which are set out in "History, Development and Corporate Structure" in the Prospectus
"Reporting Period"	the year ended December 31, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai SimpleGene"	Shanghai SimpleGene Medical Laboratory Co., Ltd. (上海新培晶醫學檢驗所有限公司) (formerly known as Shanghai Meizhong Clinical Testing Center Co., Ltd. (上海美眾臨床檢驗中心有限公司) and Shanghai Meizhong Medical Laboratory Co., Ltd. (上海美眾醫學檢驗所有限公司)), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"Shanghai Xinuo"	Shanghai Xinuo Medical Laboratory Co., Ltd. (上海希諾醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.00025 each
"Share Subdivision"	the share subdivision referred to in "Appendix IV – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 4. Written Resolutions Passed by Our Shareholders on June 22, 2021" in the Prospectus where, upon completion of the conversion of the preference shares, our Directors be authorized to subdivide each of our issued and unissued shares of par value US$0.001 each into four Shares of par value US$0.00025 each, such that following the Share Subdivision, the authorized share capital of the Company shall be US$500,000 divided into 2,000,000,000 Shares of par value US$0.00025 each
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Kindstar"	Tianjin Kindstar Medical Laboratory Co., Ltd. (天津康聖達醫學檢驗實驗室有限公司) (formerly known as Ounuoan (Tianjin) Medical Technology Co., Ltd. (歐諾安(天津)醫學科技有限公司)), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity

Definitions

"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"Wuhan Haixi"	Wuhan Haixi Life Science Technology Co., Ltd (武漢海希生命科技有限公司), a limited liability company established under the laws of the PRC
"Wuhan Kindstar"	Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"Xinjiang Kindstar"	Xinjiang Kindstar Medical Laboratory Co., Ltd. (新疆康聖達醫學檢驗所有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
"%"	per cent

In this report, the terms "associate," "close associate," "connected person," "connected transaction," "continuing connected transaction," "controlling shareholder," "core connected person," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Corporate Information

Board of Directors

Executive Directors

Dr. Huang Shiang *(Chairman and Chief Executive Officer)*
Mr. Tu Zanbing
Ms. Chai Haijie

Non-executive Directors

Mr. Huang Zuie-Chin
Mr. Peng Wei
Ms. Huang Lu

Independent Non-executive Directors

Dr. Yao Shanglong
Dr. Xia Xinping
Mr. Gu Huaming

Audit Committee

Dr. Xia Xinping *(Chairman)*
Mr. Huang Zuie-Chin
Mr. Gu Huaming

Remuneration Committee

Mr. Gu Huaming *(Chairman)*
Dr. Xia Xinping
Mr. Tu Zanbing

Nomination Committee

Dr. Huang Shiang *(Chairman)*
Dr. Yao Shanglong
Dr. Xia Xinping

Joint Company Secretaries

Ms. Chai Haijie
Ms. Chan Wai Ling

Authorized Representatives

Ms. Chai Haijie
Ms. Chan Wai Ling

Hong Kong Legal Advisors

Miao & Co. (In Association with Han Kun Law Offices)
Rooms 3901-05, 39/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Compliance Adviser

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

Registered Office

P.O. Box 472, 2nd Floor
Harbour Place, 103 South Church Street
George Town, Grand Cayman KY1-1106
Cayman Islands

Head Office and Principal Place of Business in the PRC

Biolake D2-1, 666 Gaoxin Road
East Lake High Tech Zone
Wuhan, Hubei
PRC

Principal Place of Business in Hong Kong

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Company's Website

www.kindstar.com.cn

Principal Share Registrar

International Corporation Services Limited
Harbour Place
2nd Floor
103 South Church Street
P.O. Box 472
George Town
Grand Cayman KY1-1106
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banks

Standard Chartered Bank (HK) Limited
China Merchants Bank Wuhan Branch
CITIC Bank Optics Guanggu Free Trade Zone Branch

Stock Code

9960

Four-Year Financial Summary

Condensed Consolidated Statement of Comprehensive Income

	Year ended December 31,			
	2021	2020	2019	2018
		RMB'000		
Revenue	**930,673**	891,391	832,791	706,202
Gross profit	**485,770**	460,981	452,214	378,396
Gross profit margin	**52.2%**	51.7%	54.3%	53.6%
Loss before tax	**(1,453,988)**	(962,352)	(168,605)	(59,415)
Loss for the year	**(1,454,234)**	(970,120)	(169,582)	(54,349)
Non-IFRS measure[1]:				
Adjusted net income	**81,055**	91,979	53,326	18,853

Note :

(1) See "Management Discussion and Analysis – Non-IFRS Measures" in this annual report.

Condensed Consolidated Statement of Financial Position

	Year ended December 31,			
	2021	2020	2019	2018
		RMB'000		
Assets				
Non-current assets	**530,791**	221,724	218,296	262,859
Current assets	**2,658,168**	1,355,235	446,127	313,678
Total assets	**3,188,959**	1,576,959	664,423	576,357
Liabilities				
Non-current liabilities	**11,738**	2,880,713	28,944	40,600
Current liabilities	**452,413**	530,661	1,434,900	1,153,861
Total liabilities	**464,151**	3,411,374	1,463,844	1,194,461
Total equity/(deficit)	**2,724,808**	(1,834,415)	(799,421)	(617,924)

Chairman's Statement

Dear Shareholders:

On behalf of the Board, I am delighted to present the Group's annual report for the year ended December 31, 2021. The year ended December 31, 2021 was a year of exceptional significance for us. By implementing the development strategy, we achieved satisfactory results of operation. Our revenue reached RMB930.7 million, of which non-COVID-19 related testing revenue increased 12.3% from the corresponding period of 2020.

Committed to Becoming a Leading Specialty Esoteric Testing Services Provider in China

Aiming at becoming a leading specialty esoteric testing services provider in China, Kindstar Global is committed to leading the development, advancement, popularization and improvement of specialty esoteric testing in China. We focus on providing high-end esoteric testing services in various specialties. After years of investment, the high growth of independent clinical laboratories (ICL) esoteric testing was proven in the fields of hematology, neurology, genetics and CRO services, among which hematology testing is our earliest, most mature and extensive testing service. We now rank first in China in terms of esoteric testing in hematology specialty, with the lion's share and the largest number of test items in the hematology esoteric testing market. We also rank first in terms of esoteric testing in pediatrics specialty and second in terms of esoteric testing in neurology specialty. We remain highly confident in the width, speed and depth of the development of China's specialty esoteric testing, and are expected to continue to lead the way by accelerating the delivery of our esoteric testing projects in the future.

Non-stop Expansion and Enhancement of Testing Services

During the Reporting Period, we made significant progress in the development of our various specialty testing services. We launched 50 new projects and 13 new combo packages in our hematology testing segment, with testing services promotion recording positive growth in respect of all major disease types. As regards our neurology testing services, we cooperated with another 143 Class III hospitals, launched six new projects, and developed comprehensive diagnostic protocols for major diseases in pediatric neurology, covering neuroimmunology, neurogenetics and neurological infections. In genetic testing, our sales of various steroid hormone testing services doubled year-on-year. We recorded significant growth in revenue from our oncology testing services and made a breakthrough in addressing the challenges of screening high-risk clinical patients and companion dianostic of suspected patients. Our pathogen infection testing was of increasing interest to hospitals at all levels, and the market demand was expected to grow. Our obstetrics and gynaecology testing segment focused on prenatal areas, reproductive areas and gynaecological oncology, and we were in the process of developing and refining multi-omics approaches to the diagnosis of gestational syndromes to provide better integrated solutions for maternal and children healthcare. In terms of CRO and scientific research services, we joined hands with many renowned medical centers to develop and improve a monitoring solution from beginning to end for patients enrolled in CAR-T clinical trials. We concluded CRO cooperation agreements with dozens of well-known pharmaceutical manufacturers at home and abroad on CAR-T immunotherapy, multiple myeloma treatment and other hematological tumor therapies, covering Phase I-III clinical trials.

During the Reporting Period, we started the verification study of the value of biomarkers in clinical applications of cardiovascular diseases (CVD) such as coronary heart diseases, acute myocarditis and acute myocardial infarction, with an aim to ascertain the specificity and sensitivity of the biomarkers in disease prediction, diagnosis and detection for multi-center, large-sample population and further develop testing items suitable for regular clinical uses. In ophthalmology, by the end of 2021, our development covered a number of ophthalmic subspecialty testing areas such as hereditary eye diseases, retinopathy, neuromyelitis optica, allergic conjunctivitis and ocular surface diseases, involving various technical directions such as next-generation sequencing (NGS), polymerase chain reaction (PCR), Westernblot, Elisa, fourth-generation sequencing, single cell sequencing and immune repertoire. In Rheumatology, we had a preliminary intention to launch six types of disease and medicine testing items, covering sicca syndrome, rheumatoid arthritis, ankylosing spondylitis, arthrolithiasis, antiphospholipid syndrome and allopurinol. Parallel efforts on clinical studies and research & development (R&D) were made to support department of rheumatology's diagnosis and treatment. In the field of pediatrics, our scope of service focused on nutrition, growth and development, developmental behavioural disorders, early diagnosis and intervention of genetic diseases, feeding, etc. We carried out a number of tests in the area of children's healthcare.

New R&D and Testing Items

In 2021, despite many challenges in the market, we continued to exert efforts to develop new projects. During the Reporting Period, we owned over 3,500 testing projects, with 112 new R&D projects, 17 patents in total pending or granted, 15 patents being applied, and 23 scientific research articles in aggregate were published. These R&D projects are based on advanced technical platforms such as spectral flow optometry, next-generation sequencing, Liquid Chromatography-Mass Spectrometry (LC-MS), quantitative PCR, and fluorescence in situ hybridization (FISH), and involve a wide range of diseases including hematological diseases, oncology, genetic diseases, infectious diseases, neurological diseases and autoimmune diseases.

In the fast-growing blue ocean market of esoteric testing, we are committed to developing and introducing advanced technologies to meet the largely unmet medical needs in China. We improved our deployment in immune repertoire technology. We established Kindstar Biotech which focuses on immune repertoire technology and signed a strategic cooperation agreement in Wuhan with Shenzhen Neoimmune Co., Ltd., (深圳泛因醫學有限公司) a leading immunomics company in China. We deployed in the field of the fourth-generation gene sequencing technology and initiated strategic cooperation with Wuhan Beina Technology Co., Ltd. (武漢貝納科技有限公司), which focuses on nanopore sequencing services and has shown its unique advantages in the field of scientific research. We will give full play to our respective advantages to promote a greater role of nanopore sequencing technology in the field of clinical diagnosis and better serve the doctors and patients.

Actively Expanding the Application of AI Technology to R&D and Testing

Technology is the driving force for R&D and the growth of an enterprise. We are actively exploring the application of artificial intelligence (AI) technology in R&D and testing. In June 2021, we officially launched the exclusive venous blood chromosome AI software, which effectively eased the shortage of manpower of our hematological testing platform, shortened the test reporting cycle, significantly improved service quality and user experience, and increased the precision of identification and classification to 97% or higher.

Coexistence of Challenges and Opportunities amidst COVID-19 Pandemic

Due to the impact of COVID-19, patients were less willing to visit large hospitals in big cities in 2021, which had a temporary impact on the treatment and testing of diseases of various specialties. In the face of challenges, we responded proactively. Firstly, we established an Internet-based doctor-patient close contact system that allows in-patients and out-patients to receive timely testing anytime and anywhere through our logistics and partner hospitals. Secondly, we prepared in advance for R&D of more specialty technologies and project portfolios. Thirdly, we made more efforts on the strategic layout of laboratories. We set up Wuhan Kindstar Zhenyuan Medical Laboratory (武漢康聖真源醫學檢驗實驗室) which focuses on specialty esoteric testing of infectious diseases, and Shanghai SinoPath Medical Laboratory (上海信諾佰世醫學檢驗實驗室) in Pudong, Shanghai, which focuses on hematology and solid tumor of children, to overcome the challenges of specimen transportation and patient travel restrictions. Fourthly, we optimized the Group laboratory information system (LIS) and data center with more data flow to reduce the flow of the specimen, and through strengthening coordination and cooperation between the laboratories all over the country, enhanced the ability to cope with the risk of emergency. Fifthly, we carried out various joint construction and project cooperation with Class IIIA Hospitals to strengthen the penetration of testing services.

In fact, during the ongoing outbreak of the COVID-19 pandemic since the end of 2019, China's independent esoteric testing industry also fought in the frontline against the pandemic, completing the development and research of diagnostic reagents in a short time and taking up the important task of early diagnosis of the disease as a pioneer in the fight against the pandemic. The industry has also demonstrated one of its biggest highlights in public health emergencies. The outbreak of the pandemic around the world has led to a downturn in the global economy and has exerted a significant impact on the investment and financing sector. Although the COVID-19 pandemic has brought an impact on the capital market, companies can leverage capital to quickly achieve expansion and standardize their operations, and the independent esoteric testing industry has exposed its tremendous potential and development opportunities to the capital market. The industry has now become a noteworthy sub-sector in the medical and health field.

Promoting Stable Business Growth and Scaling up Efforts to Expand Overseas Markets

Looking forward, Kindstar Global will take the initiative to cope with the uncertainties brought by the COVID-19 pandemic and continue with great efforts to seek development and maintain steady growth in its existing specialty and esoteric testing. Meanwhile, it will devote itself to R&D and launch of new series of specialty testing to promote the advancement of precise medical diagnosis and treatment of specialties in China. Our development strategy is: firstly, to strengthen current specialty testing services and develop new specialties around the specialty esoteric testing market in China; secondly, to seek further expansion in R&D, reagents, international and domestic cooperation, Internet-based medical care, big data, artificial intelligence, etc. along the upstream and downstream of the industry chain; thirdly, to expand the business overseas as soon as possible on the premise that COVID-19 can be controlled.

This is our first financial report after the Listing. As a newcomer to the capital market, we sincerely thank all investors for their attention and trust in Kindstar Global, and we are determined to repay them with better results. Thank you again!

Chairman
Huang Shiang

Hong Kong
March 25, 2022

Review of Existing Business Segments

As one of the first companies to set foot in the esoteric testing service industry in China, we have focused on esoteric clinical tests since inception. Hematology testing is our earliest, most mature and extensive testing service. with our market share ranked first in the field of hematology testing for many years. For the year ended December 31, 2021, based on the foundation of hematology testing, we continued to have in-depth deployment in the fields of genetic disease and rare diseases, neurology, infectious diseases, oncology and maternity-related diseases testings, and actively provided services to CRO and medical institutions, which have achieved remarkable results.

1. Hematology Testing: 50 new testing items introduced

During the Reporting Period, our hematology testing segment added 50 new projects and 13 new combo packages, and we achieved positive growth in promoting testing projects for major disease types, such as lymphoma, myelodysplastic syndromes (MDS), multiple myeloma (MM), myeloproliferative neoplasms (MPN), transplant, etc. Among which, revenue generated from key items of Acute myeloid leukemia (AML)/MDS reached 77.26%, revenue generated from key items of lymphoma increased by 96.89% year-on-year and the sales of new items of myeloid diseases achieved breakthrough growth. For the year ended December 31, 2021, the lymphoma large gene panel R&D project was successfully developed. The lab has achieved deep next-generation sequencing (NGS) sequencing of DNA and cfDNA for a variety of clinical samples (bone marrow, peripheral blood, tissue samples, etc.) with an average sequencing depth of 10,000X-20,000X, which were well received by the market as evidenced by sales exceeding 120 items in a single month.

2. Genetic Disease and Rare Disease Testing: the sales of multiple steroid hormone tests doubled year-on-year

During the Reporting Period, in the genetic disease and rare diseases testing business line, our promotion activities focused on diseases such as congenital adrenal hyperplasia (CAH), precocious puberty in children, disorders of sexual development (DSD). Our hormone testing products are becoming increasingly recognized by clients in the pediatric endocrinology, the sales of multiple steroid hormone tests doubled.

3. Neurology Testing: 143 new partnering Class III hospitals

During the Reporting Period, neurology testing segment added 143 partnering Class III hospitals and launched six new projects covering Alzheimer's disease, myasthenia gravis, autoimmune autonomic ganglionopathy and other diseases. In addition, we introduced pharmacogenomic instruments and reagents, and expect to formally establish a pharmacogenetic testing and R&D platform in the first quarter of 2022. In the major diseases of pediatric neurology (autoimmune encephalitis, epilepsy, peripheral neuropathy, neurology infections), we have established a multi-omics testing and analysis process and formed a comprehensive diagnostic protocol for the major diseases of pediatric neurology. In the field of neurology, we insist on the model of "joint construction for multi-center cooperation platform + translational medicine" based on "integrated services for medical diagnosis". For the year ended December 31, 2021, we have added three cooperation platforms for joint construction and translational medicine. In particular, the joint construction immunology laboratory of Jiangxi Provincial People's Hospital has been successfully put into use.

4. Pathogen Infection Testing: 28 new testing items

During the Reporting Period, we added 28 infectious pathogen testing items, including second-generation sequencing, multiplex PCR and single fungal PCR items for tuberculosis, fungi, viruses and other pathogens. For the year ended December 31, 2021, we have provided cellular and molecular scientific research services for over 20 hospitals in more than 10 provinces, cities and autonomous regions in infection sub-segments such as viruses and bacteria, as well as other infection-related fields. In addition, we expect to carry out pathogen fourth generation sequencing in the first half of 2022.

5. Oncology Testing: Revenue from testing services increased significantly, and new technologies empower new products to overcome difficulties in clinical diagnosis

For the year ended December 31, 2021, we have launched new products and new testing service items for various types of cancer, including intestinal cancer, bladder cancer and liver cancer. Through extensive cooperation with hospitals, we have solved the difficult problems of screening patients at clinical high-risk and aided diagnosis for suspected patients. In the tumor recurrence dynamic monitoring sector, we introduced precise recurrence monitoring products for intestinal cancer and bladder cancer, and solved the problems of postoperative recurrence monitoring and therapeutic evaluation for patients. For the tumor companion diagnostic sector, we always followed the market trend closely, and our products covered lung cancer, gastrointestinal tumors, gynecological tumors, urinary tumors, and brain tumors.

6. Maternity-related Testing: Prenatal, reproductive and gynecologic oncology testing, safeguarding the health of both mothers and babies from all directions

Our maternity-related testing service line mainly focused on the prenatal, reproductive and gynecologic oncology fields. The prenatal testing field covered noninvasive prenatal testing (NIPT), NIPT (plus), genetic disease carrier screening, thalassemia screening, preeclampsia screening, deafness gene screening and other projects. For the year ended December 31, 2021, we added the diagnosis of pregnancy syndrome, and a multi omics disease diagnosis solution for pregnancy syndrome (such as gestational diabetes mellitus and gestational hypertension) was produced and perfected gradually. In the field of reproductive testing, we actively promoted the use of miscarriage gene chip, copy number variations sequencing (CNV-seq) prenatal diagnosis, pre-implantation genetic testing (PGT) and other products in medical institutions. With respect to gynecological tumor detection, we also introduced the precise recurrence monitor product for cervical cancer and perfected cervical cancer’s screening program continuously.

7. Contract research organizations and medical institutions services: more than 20 new scientific & research service projects added

During the Reporting Period, we added nearly 20 CRO and research services. In the hematology segment, we were conducting joint R&D with some renowned medical centers, improving the full-length monitoring solution of patients enrolled in CAR-T clinical trial, participating in tests with several cutting-edge indicators, actively exploring indicators and testing technologies that can effectively avoid adverse reactions and other threats to clinical safety, so as to raise the success rate of cell therapy. In the infectious diseases segment, we offered cellular level, molecular level and other scientific research services in the virus/bacterium infection field and other infection-related fields to six hospitals, including the First Affiliated Hospital of Zhengzhou University (鄭州大學第一附屬醫院) and the First Affiliated Hospital of Xi'an Jiaotong University (西安交大第一附屬醫院). In the neurology segment, we conducted a testing project of myasthenia gravis, and also collaborated with apolipoprotein E (APOE) gene project conducted by Sichuan Provincial People's Hospital (四川省人民醫院). In the infectious diseases segment, we provided scientific research services to several large hospitals in the area of metagenomics.

Deployment of New Business Segments

We are committed to promoting the development of specialty esoteric tests in China. Based on the existing business segments, we will gradually enter into new specialty esoteric testing services, with a view to further expand the scope of the specialty areas and improve the operational synergistic effect. During the Reporting Period, we had a new deployment in the following specialty areas.

1. Cardiovascular diseases

As the population ages, the prevalence of CVD is on the rise in China. It has been estimated that the number of existing cardiovascular diseases patients reaches 330 million. During the Reporting Period, we focused on the research of biomarkers of CVD such as coronary heart diseases, acute myocarditis and acute myocardial infarction and explored verification studies with clinical value, and further provided testing items suitable for regular clinical uses. A comprehensive diagnostic service solution integrating the multi-omics technology will be formulated to provide CVD patients with multi-purpose products and services, such as super-early prediction, fast assay for acute cases and prognosis tracking.

2. Ophthalmology

China has the largest number of eye diseases patients in the world, with more than 1 billion existing eye diseases patients, among which over 150 million patients are ophthalmic clinical testing patients. We are actively exploring the opportunity for ophthalmic structured esoteric testing services which are relatively certain in the specialty of ophthalmology. During the Reporting Period, our R&D products covered three major areas: hereditary oculopathy, infectious oculopathy and immune oculopathy, which can provide clinicians and patients with oculopathy etiology testing, genetic counseling, pathology remote consultation, and scientific research cooperation.

3. Rheumatology

There are more than 200 million patients with rheumatic diseases in China currently and the market prospect is bright. During the Reporting Period, we had preliminary intention to carry out six types of disease and medicine testing projects, covering sicca syndrome, rheumatoid arthritis, ankylosing spondylitis, arthrolithiasis, antiphospholipid syndrome and allopurinol detection. Parallel efforts on clinical studies and R&D are made to support department of rheumatology's diagnosis and treatment.

Strategy and Outlook

We will continually strengthen our leading position in hematology esoteric clinical testing in China, and replicate our success in hematology esoteric testing to expedite the growth of esoteric testing service for genetic diseases and rare diseases, infectious diseases, oncology and neurology. We observe that the demand for esoteric testing in many specialties in China has not yet been satisfied. In the next three to five years, we will actively develop and enter into certain new specialty areas of esoteric testing service. At the same time, we are also committed to establishing strong connections with various participants in the esoteric clinical testing industry (including doctors, hospitals, pharmaceutical companies, CROs, academic institutions and regulators), deepening our existing strategic partnerships and continuing to expand our existing cooperation network. Since Listing, we have also attached great importance to the horizontal and vertical integration opportunities in the industry chain. We will steadily realize a strategic and forward-looking deployment through investment, integration and empowerment, which will help us grow.

Due to the deficiency of testing resources in developing countries, diagnosis and treatment standard of certain diseases including hematology diseases is relatively backward, the demand for specialty esoteric testing service is far from being satisfied, the emerging business opportunities in these overseas markets will become the driving force for our future growth. If there is suitable opportunity, we will utilize high technology to expand our business scope to Southeast Asia first. We will develop a fully integrated and cloud-based data collection to allocate resources among the laboratories in and outside of China, and create a 24-hour real-time seamless responsive network for hospitals and medical institutions across the globe. We will shoulder the mission of providing a wide range of high-quality specialty testing services to patients and doctors around the world, and promoting the application of precision medicine.

R&D Investment

The R&D team consists of more than 250 medical and scientific experts in hematology, genetics, oncology and other specialty areas. Such powerful R&D team enables us to provide high-quality esoteric testing customized for customers' needs. Our R&D expense ratio has been kept at around 9% for the past three years, continuous large investment in R&D provides sufficient power to our business development. During the Reporting Period, our R&D investment reached RMB90.3 million, representing a year-on-year increase of 20.0%. For the year ended December 31, 2021, we owned over 3,500 testing projects, with 112 new R&D projects, 17 patents in total pending or granted, 15 patents being applied, and 23 scientific research articles in aggregate were published throughout the year.

Laboratory Construction

In 2021, we added 2 new laboratories, and the total number reached 9. Among which, Shanghai SinoPath Medical Laboratory (上海信諾佰世醫學檢驗實驗室), which is under Shanghai SinoPath Medical Laboratory Co., Ltd. (上海信諾佰世醫學檢驗有限公司), focuses on children's hematological cancer and children's solid tumors specialty esoteric testing. It locates in Pudong New Area, Shanghai and the district's industry policy is strategically important to our development; whereas Wuhan Kindstar Zhenyuan Medical Laboratory (武漢康聖真源醫學檢驗實驗室) focuses on infectious diseases specialty esoteric testing. During the Reporting Period, our annual testing volume (excluding Covid-19 related testing) exceeds 2.8 million, among which, the specialty testing exceeds 1.68 million, representing an increase of nearly 217 thousand as compared with the previous year.

Expansion of the Sales Network

We have built a sales team of over 600 people with an average experience of over 5 years in promotion of esoteric testing market, and our sales network covers over 3,000 hospitals in 31 provinces in China. As the first independent provider of clinical esoteric testing in China, we are widely recognized by top hospitals, doctors and key opinion leaders, and we have maintained over 10 years of long-term collaboration with all top 20 and most of top 100 hospitals in China. During the Reporting Period, our genetic diseases and rare diseases testing, infectious diseases testing and neurology testing covered 735, 1,281 and 1,106 hospitals and medical institutions in China respectively.

In order to expand to the downstream of sales network precisely and benefit more patients, we completed the acquisition of Yijianyun (易檢雲), the leading medical detection platform in China, during the Reporting Period. Taking the "Internet + medical detection" model as its core, Yijianyun cultivates the online detection field. In the future, we will leverage on this to integrate the resources of doctors of various specialties across the country, enrich the delivery channels, improve patients' disease management during the management period, and provide them with online follow-up visits, interactive consultation, and regular monitoring after discharge.

Logistics System Optimization

We own a logistics team of over 1,000 members. 17 years of deep cultivation has made us the most experienced logistics service provider in the industry. In 2021, we carried out intelligent and digital optimization and innovation of the existing logistics system through technologies such as AI, big data, IoT, and cloud computing, which has significantly improved logistics efficiency. During the Reporting Period, we collected over 4.70 million sampling items, of which 93.07% of our samples were delivered to the corresponding laboratories for testing within 24 hours after sampling. In July 2021, we were awarded the certificate of enterprise meeting the national standard of *Pharmaceutical Cold Chain Logistics Operation Guidance*, which is a positive affirmation of our efforts in cold chain logistics of specimen transportation.

Set Foot in IVD Reagents Field

We actively sought opportunities for the integration of industry chains, and strived to enhance our overall competitiveness through the integration of upstream and downstream industry chains. We completed the merger and acquisition and capital increase of Wuhan Haixi during the Reporting Period. Wuhan Haixi is a high-tech enterprise based on research and development, manufacturing and sales of esoteric testing reagents, providing systematic, comprehensive "high-precision and cutting edge" testing reagent products. The acquisition will advance and realize our strategy of developing towards the upstream of clinical esoteric testing services, i.e. the R&D, production and sale of reagents, thereby further enhancing our profitability. In 2022, our main products, reagent kits for detection of V617F mutations of JAK2 gene (PCR- Fluorescence Probing) and reagent kits for qualitative detection of leukemia fusion genes (PCR- Fluorescence Probing) will enter the National Medical Products Administration-registered clinical trial stage.

Prospective Deployment in Immune Repertoire

As an important sequencing technology in next generation, the sequencing technology of the immune repertoire may bring disruptive change to the industry in the future. In recent years, all the testing industry giants make deployment in this field. This technology takes T/B lymphocytes as research target and analyzes the diversity of the body's immune repertoire and specific sequence information of T/B cell clones using multiple PCR and high-throughput sequencing technology to comprehensively and accurately assess and describe the status of the immune system and its relationship with disease. The technology has a wide range of applications such as lymphocytic hematological tumors.

During the Reporting Period, in order to further improve the strategic deployment in the area of immune repertoire, We established Kindstar Biotech. The benchmark for Kindstar Biotech is Adaptive Biotechnologies Corporation (NASDAQ: ADPT), a star company of immune-driven medicine and diagnosis in the United States. Kindstar Biotech aims to develop the application of immune repertoire technology in multiple specialties, and explore the path of biopharmaceutical and immunotherapy by accumulating specialty clinical data. Further, we entered into a strategic cooperation agreement with Shenzhen Neoimmune Co., Ltd. (深圳泛因醫學有限公司, a leading immunomics company in China) in Wuhan. Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership) (湖北瑞江康聖產業投資基金合夥企業(有限合夥)), our subsidiary, led the Pre-A financing for Shenzhen Neoimmune Co., Ltd. In the future, we will join hands with Shenzhen Neoimmune Co., Ltd. to fully utilize our respective unique advantages in product R&D, data accumulation and sales channel to conduct effective strategic synergy, and jointly explore the clinical application of the latest technology in immunology area, so as to achieve high-quality development.

Interdisciplinary Technology Empowerment

We value the empowerment of interdisciplinary advanced technologies to the esoteric testing industry, especially the opportunities brought by artificial intelligence to the industry. We started the R&D of AI analysis system for human karyotype in 2019. After over two years' efforts, we successfully developed a set of intelligent software based on mega level data by virtue of an efficient and engineered interface. The processing speed of AI analysis system is four to six times that of previously-used common analysis software, substantially increasing the efficiency of karyotype analysis and shortening the reporting cycle from 14 days to 5-7 days, thus providing a strong support just in time for the diagnosis and treatment of hereditary and hematologic tumor diseases. In order to enable AI technology to further empower our business, we signed a strategic cooperation with Shanghai Xingmai Information Technology Co., Ltd. ("**Fosun Aitrox**") during the Reporting Period. We and Fosun Aitrox will make joint efforts to explore the application of digital and AI analysis to various subspecialty pathology fields.

COVID-19-related testing business

During the Reporting Period, there was fluctuation in the revenue and segment result of our COVID-19-related testing. The explanation is as follows:

In 2020, COVID-19 pandemic in China broke out in Wuhan, Hubei. As a leading esoteric clinical testing service provider our headquarter located in Wuhan, we became one of the first testing agencies designated by Hubei Provincial Government to carry out COVID-19 nucleic acid tests and a contractor to provide testing services for Huoshenshan hospital and Leishenshan hospital, the two major emergency specialty field hospitals in Wuhan built during the outbreak.

In 2021, as the COVID-19 pandemic was easing significantly compared to the corresponding period of 2020, especially in the Wuhan region, and the testing capacity and technology had improved significantly across China, there was a decrease in the item price for COVID-19 testing. In the post-pandemic stage, the COVID-19-related testing market has become a "Red Ocean". In order to focus more on the high barrier specialty esoteric testing, we proactively adjusted our business structure to overcome the fluctuation in COVID-19-related testing service line. In 2021, after discounting the fluctuation of COVID-19-related testing business and its impact, the revenue and segment result of our non-COVID-19-related testing showed a stable growth and such positive trend shall continue.

Financial review

The table below sets forth our consolidated statements of profit or loss for the periods indicated, together with the change (expressed in percentages) from the year ended December 31, 2020 to the corresponding period of 2021:

	For the year ended December 31,		
	2021	2020	Year-on-year change
	RMB'000	*RMB'000*	%
Revenue	**930,673**	891,391	4.4
Cost of sales	**(444,903)**	(430,410)	3.4
Gross profit	**485,770**	460,981	5.4
Other income and gains	**62,763**	39,598	58.5
Selling and marketing expenses	**(282,240)**	(248,521)	13.6
Administrative expenses	**(69,513)**	(52,320)	32.9
Research and development costs	**(90,325)**	(75,282)	20.0
Other expenses	**(23,346)**	(22,382)	4.3
Listing expenses	**(30,067)**	(15,504)	93.9
Finance costs	**(1,808)**	(2,327)	(22.3)
Profit before fair value loss on financial liabilities at fair value through profit or loss ("**FVTPL**") and tax	**51,234**	84,243	(39.2)
Fair value loss on financial liabilities at FVTPL	**(1,505,222)**	(1,046,595)	43.8
Loss before tax	**(1,453,988)**	(962,352)	51.1
Income tax expense	**(246)**	(7,768)	(96.8)
Loss for the year	**(1,454,234)**	(970,120)	49.9
Attributable to:			
Owners of the parent	**(1,454,430)**	(974,020)	49.3
Non-controlling interests	**196**	3,900	(95.0)
Non-IFRS Measure:			
Adjusted net income	**81,055**	91,979	(11.9)

Revenue

We organize our businesses into nine segments, including hematology testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, neurology testing, maternity-related testing, COVID-19-related testing, routine testing and others. Others mainly include services we provide for contract research organizations.

The table below sets forth our segment revenue by operating segment for the periods presented.

	For the year ended December 31,				
	2021		2020		Year-on-year
	RMB'000	***%***	*RMB'000*	*%*	change
					%
Hematology testing	**535,268**	**57.5**	469,329	52.7	14.0
Neurology testing	**89,848**	**9.7**	76,042	8.5	18.2
Maternity-related testing	**52,248**	**5.6**	52,119	5.8	0.2
Genetic disease and rare disease testing	**43,495**	**4.7**	36,177	4.1	20.2
Infectious disease testing	**51,968**	**5.6**	50,441	5.7	3.0
Oncology testing	**8,615**	**0.9**	7,597	0.9	13.4
COVID-19-related testing	**62,104**	**6.7**	117,851	13.2	(47.3)
Routine testing	**67,672**	**7.3**	67,540	7.6	0.2
Others	**19,455**	**2.0**	14,295	1.6	36.1
Total	**930,673**	**100.0**	891,391	100.0	4.4

The table below sets forth the number of tests we performed by type of testing services and the average price of the type of testing services for the periods presented.

	For the year ended December 31,			
	2021		2020	
	Average price *(in RMB)*	**Testing volume** *(in thousands)*	Average price *(in RMB)*	Testing volume *(in thousands)*
Hematology testing	**641**	**835**	638	736
Neurology testing	**985**	**91**	846	90
Maternity-related testing	**166**	**314**	194	268
Genetic disease and rare disease testing	**260**	**167**	287	126
Infectious disease testing	**203**	**257**	216	234
Oncology testing	**476**	**18**	655	12
Routine testing	**59**	**1,148**	69	983
Total	**307**	**2,830**	316	2,448
COVID-19-related testing[1]	**13.2**	**4,696**	64	1,861

Note:

(1) Number of people testing.

The COVID-19 pandemic in 2020 limited our capacity to provide service and affected the demand for non-COVID-19-related testing. As we are recovering from the impact of pandemic gradually, our total revenue increased by 4.4% from RMB891.4 million for the year ended December 31, 2020 to RMB930.7 million for the Reporting Period, of which revenue from non-COVID-19-related testing recorded a year-on-year increase of 12.3%. The increase was primarily due to (i) the increasing demand from the population for medical services following the development of new technologies; (ii) the expansion of our customer's group (especially hospitals); (iii) the increase in demand for testing services from our existing hospital customers; and (iv) our leading status in hematology testing laid the foundation of our development in other esoteric testing specialties.

- *Hematology testing.* Our revenue from hematology testing services for the year ended December 31, 2021 amounted to RMB535.3 million, representing a year-on-year increase of 14.0%. We achieved positive growth in testing projects for major disease types. During the Reporting Period, we have established research collaboration with 212 medical institutions and provided service of research topic design, which contribute more than RMB10 million revenue. Meanwhile, we have perfected the composite testing item of six categories of hematology oncology sub-diseases which also led to the growth in revenue.

- *Neurology testing.* Our revenue from neurology testing services for the year ended December 31, 2021 amounted to RMB89.8 million, representing a year-on-year increase of 18.2%. Our neurology testing service line are in rapid growth stage. We have collaborated with more hospital customers and extend our testing service from neurology to other departments with demand for neurology immunity testing. For the year ended December 31, 2021, we cooperated with 143 new Class III hospitals and released 6 new projects covering Alzheimer's disease, myasthenia gravis, autoimmune autonomic ganglionopathy and other diseases.

- *Maternity-related testing.* Our revenue from maternity-related testing services for the year ended December 31, 2021 amounted to RMB52.2 million, representing a year-on-year increase of 0.2%. Although the item price for non-invasive Down's syndrome test was lowered, our revenue from maternity-related testing remained stable through our perfection and promotion of multi-omics disease diagnosis solution for pregnancy syndrome (such as gestational diabetes mellitus and gestational hypertension).

- *Genetic disease and rare disease testing.* Our revenue from genetic disease and rare disease testing services for the year ended December 31, 2021 amounted to RMB43.5 million, representing a year-on-year increase of 20.2%. In addition to increasing the coverage of NGS testing services, streamlining testing procedures and improving service satisfaction, we also stepped up the promotion of various steroid hormone testing and pediatric endocrine steroid hormone products. We maintained rapid growth in the pediatric endocrine market share and the sales of multiple steroid hormone tests was doubled year-on-year. Besides, we have also started various testings in Children's healthcare, which contributed year-on-year to the increase in the revenue of genetic disease and rare disease testing segment.

- *Infectious disease testing.* Our revenue from infection disease testing services for the year ended December 31, 2021 amounted to RMB52.0 million, representing a year-on-year increase of 3.0%. During the Reporting Period, we established specialized laboratory to provide infectious diseases-related testing and diagnosis services. We added 28 pathogen-related testing items and provided R&D services to 13 new hospitals. Although our infectious disease testing products are recovering from the impact of COVID-19 pandemic gradually, the growth rate of infectious disease testing service line is still negatively affected by the COVID-19 pandemic when compared with that of other service line.

- *Oncology testing.* Our revenue from oncology testing services for the year ended December 31, 2021 amounted to RMB8.6 million, representing a year-on-year increase of 13.4%. The increase was primarily due to the introduction of new products and technologies for intestinal cancer and bladder cancer during the Reporting Period. We have extended cooperation with hospitals, and solved difficulties in screening for clinical high-risk patients and companion diagnostic for suspected patients.

- *COVID-19-related testing.* Our revenue from COVID-19-related testing services for the year ended December 31, 2021 amounted to RMB62.1 million, representing a year-on-year decrease of 47.3%. The decrease was primarily due to the effective control of the COVID-19 pandemic in China and the lower service item price.

- *Others.* Our other segment results include research and development, CROs and new testing services. Our revenue from other segments for the year ended December 31, 2021 amounted to RMB19.5 million, representing a year-on-year increase of 36.1%. We added nearly 20 CROs and research services during the Reporting Period. Our services are widely used by bio-pharmaceutical companies and CROs, and have become one of the important driving factors of our revenue. These services include discovery of novel targets and mechanisms of acquired resistance, retrospective specimen analysis that can rapidly identify biomarkers associated with drug response and resistance, prospective screening for accelerated clinical trial registration and patient referrals, prospective studies of clinical trials and development of companion diagnostics that could support the approval and commercialization of treatments.

Cost of Sales

Our cost of sales consists of staff costs of the personnel related to the performance of our testing services, costs incurred when we outsource to third-party institutions or laboratories, raw material costs and others. Others mainly include third-party logistics, depreciation and amortization and rental expenses. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated, both in actual amounts and as a percentage of cost of sales.

	For the year ended December 31,				
	2021		2020		Year-on-year
	RMB'000	***%***	*RMB'000*	*%*	change
					%
Staff costs	**115,840**	**26.1**	98,924	23.0	17.1
Outsourcing costs	**112,173**	**25.2**	123,845	28.8	(9.4)
Raw materials	**130,923**	**29.4**	136,412	31.7	(4.1)
Others	**85,967**	**19.3**	71,229	16.5	20.7
Total	**444,903**	**100.0**	430,410	100.0	3.4

Our cost of sales increased by 3.4% from RMB430.4 million for the year ended December 31, 2020 to RMB444.9 million for the year ended December 31, 2021. The increase was primarily due to our expansion of laboratory testing capacity and building of new self-owned and co-owned platform, which led to an increase in staff costs and other fixed costs. The decrease in outsourcing costs was primarily due to our continuous R&D, leading to a decrease in demand for outsourcing.

Gross Profit, Gross Profit Margin and Segment Results

For the year ended December 31, 2021, we recorded a consolidated gross profit of RMB485.8 million, representing a year-on-year increase of 5.4%. Our consolidated gross profit margin for the year ended December 31, 2021 was 52.2%, representing a year-on-year increase of 0.5%, of which the gross profit and gross profit margin of COVID-19-related testing services were RMB22.0 million and 35.4%, respectively, representing a year-on-year decrease of 62.3% and 14.1%, respectively; and the gross profit and gross profit margin of non-COVID-19-related testing services were RMB463.8 million and 53.4%, respectively, representing a year-on-year increase of 15.2% and 1.3%, respectively.

The above year-on-year changes in our gross profit and gross profit margin for the year ended December 31, 2021 were primarily due to (i) the significant retreat of the COVID-19 pandemic in China, especially Wuhan region; (ii) the lower item price for COVID-19 testing because of the increase of COVID-19 testing capacity and improvement of technologies across China; (iii) our focus on improving management and operation efficiency and non-COVID-19-related testing because of the change in COVID-19 testing market. Economy of scale and synergy effect have already been significantly improved in certain specialties; (iv) the enlargement of our business operation sites and purchase of new testing equipment and laboratories to expand our laboratory testing capacity after our successful Listing offsetting the increase in gross profit from the growth of sales partially.

Our management monitors the results of our operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment result is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations, or our segment result, is measured consistently with our profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, listing expenses and fair value loss on financial liabilities at FVTPL are excluded from such measurement. The following table sets forth a breakdown of our segment results for the years indicated, both in actual amounts and as a percentage of segment revenue.

	For the year ended December 31,				
	2021		2020		
	Segment result *(RMB'000)*	**% of segment revenue**	Segment result *(RMB'000)*	% of segment revenue	Year-on-year change %
Hematology testing	**152,573**	**28.5**	131,894	28.1	15.7%
Neurology testing	**14,058**	**15.6**	12,597	16.6	11.6%
Maternity-related testing	**3,554**	**6.8**	3,536	6.8	0.5%
Genetic disease and rare disease testing	**5,428**	**12.5**	2,398	6.6	126.4%
Infectious disease testing	**9,784**	**18.8**	7,343	14.6	33.2%
Oncology testing	**832**	**9.7**	456	6.0	82.5%
COVID-19-related testing	**6,347**	**10.2**	44,608	37.9	(85.8%)
Routine testing	**4,968**	**7.3**	5,196	7.7	(4.4%)
Others	**5,986**	**30.8**	4,432	31.0	35.1%
Total	**203,530**	**21.9**	212,460	23.8	(4.2%)

For the year ended December 31, 2021, our overall operating result was RMB203.5 million, representing a year-on-year decrease of RMB8.9 million or 4.2%. Among which, segment results of COVID-19-related testing was RMB6.3 million, representing a year-on-year decrease of RMB38.3 million, and segment results of non-COVID-19-related testing was RMB197.2 million, representing a year-on-year increase of RMB29.3 million or 17.5%. Despite the adverse impact of the COVID-19 pandemic, our non-COVID-19-related testing segments still recorded a significant growth in the year ended December 31, 2021.

- Segment results of our hematology testing service increased from RMB131.9 million for the year ended December 31, 2020 to RMB152.6 million for the year ended December 31, 2021, representing a year-on year increase of 15.7%, primarily due to the increase in revenue from hematology testings and the increase in profit margin for the segment from 28.1% for the year ended December 31, 2020 to 28.5% for the year ended December 31, 2021. Our operation efficiency and profit margin in hematology testing segment met the required level of a matured esoteric testing segment;

- Segment results of our neurology testing service increased from RMB12.6 million for the year ended December 31, 2020 to RMB14.1 million for the year ended December 31, 2021, representing a year-on-year increase of 11.6%. There was a large increase in revenue but partially offset by a minor decrease in profit margin during the Reporting Period because 1) in order to expand our neurology testing capacity, we adopted the model of "Joint construction for multi-center cooperation platform + translational medicine" and three joint construction + translational medicine platform was newly-added as of December 31, 2021, leading to an increase in fixed assets investments; 2) to diversify our neurology testing catalogue, we released testing items specialized for Alzheimer's disease, various pediatric neurologic diseases, and other autoimmune diseases. Since these new testing items were still in promotion period, economy of scale was yet to be seen;

- Segment results of our maternity-related testing service increased from RMB3.5 million for the year ended December 31, 2020 to RMB3.6 million for the year ended December 31, 2021. Our maternity-related testing service segment results remained stable, primarily due to the relatively stable revenue from maternity-related testing;

- Segment results of our genetic disease and rare disease testing service increased from RMB2.4 million for the year ended December 31, 2020 to RMB5.4 million for the year ended December 31, 2021 representing a year-on-year increase of 126.4%. The increase was primarily due to the gradual enrichment of the testing items, increasing market recognition, and significant economy of scale;

- Segment results of our infectious disease testing service increased from RMB7.3 million for the year ended December 31, 2020 to RMB9.8 million for the year ended December 31, 2021 representing a year-on-year increase of 33.2%. The increase was primarily due the gradual recovery of our infectious disease testing service and introduction and promotion of our infectious pathogens-related testing items, leading to an increase in revenue and improvement of segment results;

- Segment results of our oncology testing service increased from RMB0.5 million for the year ended December 31, 2020 to RMB0.8 million for the year ended December 31, 2021 representing a year-on-year increase of 82.5%. Segment results of our oncology testing service increased rapidly over the Reporting Period but at a smaller scale overall. The growth in the segment results is in line with the growth in revenue;

- Segment results of our COVID-19-related testing service decreased from RMB44.6 million for the year ended December 31, 2020 to RMB6.3 million for the year ended December 31, 2021 representing a year-on-year decrease of 85.8%. The decrease was primarily due to the retreat of the COVID-19 pandemic in Wuhan and the decrease in COVID-19 testing price, leading to a decrease in revenue and gross profit margin for COVID-19-related testing service; and

- Our other segment results increased from RMB4.4 million for the year ended December 31, 2020 to RMB6.0 million for December 31, 2021, representing a year-on-year increase of 35.1%, primarily due to the increase in revenue from research service and CRO service.

Other Income and Gains

Our other income and gains increased by 58.5% from RMB39.6 million for the year ended December 31, 2020 to RMB62.8 million for the year ended December 31, 2021. Other income and gains were primarily from bank interest income, government subsidies and sales of reagents.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 13.6% from RMB248.5 million for the year ended December 31, 2020 to RMB282.2 million for the year ended December 31, 2021. The increase was primarily due to (i) the increase in sales which led to an increase in the remuneration for our sales and marketing personnel; (ii) the gradual recovery of our business from the COVID-19 pandemic which led to a year-on-year increase in selling and marketing expenses; (iii) expansion of customer base and promotion of new testing items.

Administrative Expenses

Our administrative expenses increased by 32.9% from RMB52.3 million for the year ended December 31, 2020 to RMB69.5 million for the year ended December 31, 2021. The increase was primarily due to the increase in various post-Listing professional fees including audit, legal, compliance and investor relations consultation fees.

Research and Development Costs

Our research and development costs increased by 20.0% from RMB75.3 million for the year ended December 31, 2020 to RMB90.3 million for the year ended December 31, 2021. The increase was primarily due to our continuous investment in hematology, oncology, infectious diseases, autoimmune disease testings. During the Reporting Period, we started 112 R&D projects, 17 patents in total were pending or granted, 15 patents were being applied, and 23 scientific research articles in aggregate were published.

Other Expenses

Our other expenses increased by 4.3% from RMB22.4 million for the year ended December 31, 2020 to RMB23.3 million for the year ended December 31, 2021.

Listing Expenses

We incurred listing expenses of RMB15.5 million and RMB30.1 million for the year ended December 31, 2020 and 2021, respectively, representing 1.7% and 3.2% of our revenue for the same period, in relation to the Global Offering and Listing of our Shares on the Stock Exchange.

Finance Costs

Our finance costs decreased by 22.3% from RMB2.3 million for the year ended December 31, 2020 to RMB1.8 million for the year ended December 31, 2021. The decrease was primarily due to the decrease in interest payment as a result of repayment of bank loans and other loans.

Fair Value Loss on Financial Liabilities at FVTPL

Our fair value loss on financial liabilities at FVTPL increased by 43.8% from RMB1,046.6 million for the year ended December 31, 2020 to RMB1,505.2 million for the year ended December 31, 2021. The increase was primarily due to the change in the fair value of convertible redeemable preferred shares issued before Listing.

Income Tax Expense

Our income tax expense decreased by 96.8% from RMB7.8 million for the year ended December 31, 2020 to RMB0.2 million for the year ended December 31, 2021.

Loss for the Year

As a result of the foregoing reasons, our loss for the year increased from RMB970.1 million for the year ended December 31, 2020 to RMB1,454.2 million for the year ended December 31, 2021.

Non-IFRS Measures: Adjusted Net Income

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted net income as additional financial measure, which is not required by or presented in accordance with IFRS. We believe that this non-IFRS measure facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash items. We added back fair value loss on financial liabilities at FVTPL, which was caused by an increase in the fair value of our convertible redeemable preferred shares and convertible bonds issued by us. The convertible bonds were converted into convertible redeemable preferred shares in 2020, and further converted, together with our other convertible redeemable preferred shares, into ordinary shares on the Listing Date, after which we did not recognize any further loss on fair value changes from the convertible redeemable preferred shares. We also added back listing expenses as these are also non-recurring in nature and are not directly related to our operating activities. The use of this non-IFRS measure has limitations as an analytical tool. Investors and shareholders of our Company should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of our non-IFRS financial measure for the year ended December 31, 2020 and 2021 to the nearest measure prepared in accordance with IFRS:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(1,454,234)**	(970,120)
Add:		
Fair value loss on financial liabilities at FVTPL	**1,505,222**	1,046,595
Listing expenses	**30,067**	15,504
Adjusted net income	**81,055**	91,979

Liquidity and Capital Resources

We have maintained a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management. We manage and maintain our liquidity through the use of internally generated cash flows from operations, bank borrowings and proceeds from the Global Offering. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

For the year ended December 31, 2021, we funded our working capital and other capital expenditure requirements through a combination of income generated from operations, investments received and the proceeds from the Global Offering. The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**68,028**	73,462
Net cash flows used in investing activities	**(666,059)**	(121,960)
Net cash flows generated from financing activities	**1,587,024**	851,925
Net increase in cash and cash equivalents	**988,993**	803,427
Cash and cash equivalents at the beginning of the year	**841,227**	59,510
Effect of foreign exchange rate changes, net	**(33,520)**	(21,710)
Cash and cash equivalents at the end of the year	**1,796,700**	841,227

Cash and cash equivalents

For the year ended December 31, 2021, our net cash flows generated from operating activities was RMB68.0 million. The difference between our net cash generated from operating activities and our loss before tax primarily resulted from adjustments for non-cash items.

For the year ended December 31, 2021, our net cash flows used in investing activities was RMB666.1 million, mainly attributable to purchase of wealth management product and time deposits and purchases of property, plant and equipment.

For the year ended December 31, 2021, our net cash flows generated from financing activities was RMB1,587.0 million, primarily attributable to proceeds from issue of ordinary shares.

As a result of the foregoing, our cash and cash equivalents, which were primarily held in Renminbi and United States dollars, increased by 113.6% from RMB841.2 million as of December 31, 2020 to RMB1,796.7 million as of December 31, 2021.

During the Reporting Period, we conducted business in China, and most of our transactions were settled in Renminbi. Our presentation and functional currency is Renminbi. We were not exposed to any significant foreign exchange risk since we did not have any significant financial assets or liabilities denominated in currencies other than Renminbi, other than United States dollars or Hong Kong dollars bank deposit primarily from investors as capital contributions. Our foreign exchange risk exposure mainly comes from the risk of exchange of United States dollars or Hong Kong dollars to Renminbi. We manage our foreign exchange risk by regularly reviewing net foreign exchange exposures and entering into foreign exchange forward and swap contracts. Our hedging activities period shall not exceed twelve months. Our management will continue to pay attention to the market and our own foreign exchange risk profile, and will consider taking appropriate hedging measures when necessary.

Indebtedness

As of December 31, 2021, as we had utilized credit limit of RMB6.6 million for issuance of acceptance bills, our unutilized banking facilities were RMB293.4 million.

Gearing ratio

We monitor capital on the basis of the gearing ratio. The gearing ratio is calculated by dividing the total borrowings as shown in the consolidated statements of financial position by the equity attributable to the shareholder of the Company. As of December 31, 2021, our gearing ratio was zero as we had no borrowings. No gearing ratio is presented in 2020 as we had total deficit in equity balance as of December 31, 2020, mainly attributable to the significant amount of convertible redeemable preferred shares.

Capital Expenditures

Our principal capital expenditures relate primarily to the purchase of equipment and the renovation of our laboratories. The following table sets forth our capital expenditures for the periods indicated.

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Purchases of property, plant and equipment	**281,652**	23,200
Purchases of other intangible assets	**6,603**	3,585
Total	**288,255**	26,785

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liabilities.

Significant Investments and Future Plans for Material Investments or Capital Assets

As of December 31, 2021, we did not hold any significant investment. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, we have no future plans for material investments or capital assets.

Material Acquisitions and Disposals

Wuhan Haixi

Kindstar Wuhan WFOE entered into an equity transfer agreement (the "**Equity Transfer Agreement dated November 30, 2021**") with Wuhan Haixi, a limited liability company established under the laws of the PRC, Dr. Huang Shiang ("**Dr. Huang**") and Dr. Li Xiaoqing in relation to the acquisition of 21.77% equity interest in Wuhan Haixi by Kindstar Wuhan WFOE at a total consideration of RMB10,657,900 (the "**Acquisition**").

On the even date, Kindstar Wuhan WFOE, Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership) (湖北瑞江康聖產業投資基金合夥企業(有限合夥)) ("**Hubei Rivercity**"), a limited partnership established under the laws of the PRC, Kindstar Beijing WFOE, Dr. Huang and Dr. Li Xiaoqing entered into a capital increase agreement (the "**Capital Increase Agreement dated November 30, 2021**", together with the Equity Transfer Agreement dated November 30, 2021, the "**Agreements dated November 30, 2021**") with Wuhan Haixi pursuant to which, among others, each of Kindstar Wuhan WFOE and Hubei Rivercity agreed to make a contribution of RMB15,000,000, by way of cash, to Wuhan Haixi (the "**Capital Increase**").

Upon completion of the Acquisition and Capital Increase, Wuhan Haixi will be held as to 51.10% by the Company through Kindstar Wuhan WFOE and Kindstar Beijing WFOE, and will become a non wholly-owned subsidiary of the Company.

Based on the parties' valuation of Wuhan Haixi, the parties contracted that Kindstar Wuhan WFOE and Hubei Rivercity shall be compensated when Wuhan Haixi's operating revenue will be lower than 95% of RMB7,500,000 or when Wuhan Haixi's net profit will be lower than 95% of RMB3,000,000, respectively, for the year ending December 31, 2021. The parties will adjust the valuation of Wuhan Haixi based on the actual operating revenue and net profit (whichever is lower) for the year ending December 31, 2021 and the formula aforementioned. Dr, Huang and Dr. Li Xiaoqing will compensate Kindstar Wuhan WFOE and the Investors the difference between the original valuation and the adjusted valuation by transferring additional equity interest to Kindstar Wuhan WFOE and Hubei Rivercity (being the transferee in the Equity Transfer Agreement and the investors in the Capital Increase Agreement) without consideration as compensation (the "**Compensation Equity Interest**"). The Compensation Equity Interest will then be allocated between Kindstar Wuhan WFOE and Hubei Rivercity on a pro rata basis with reference to their respective equity interests in Wuhan Haixi after the completion of Acquisition and Capital Increase.

On December 10, 2021 (after trading hours), Kindstar Wuhan WFOE, Hubei Rivercity, Kindstar Beijing WFOE, Dr. Huang, Dr. Li Xiaoqing and Wuhan Haixi entered into a supplemental agreement to the Agreements dated November 30, 2021 to, amongst others, address certain scenarios where Dr. Huang and Dr. Li Xiaoqing will be required to transfer all of their equity interests in the Wuhan Haixi to Kindstar Wuhan WFOE and Hubei Rivercity as Compensation Equity Interest.

The operating revenue and the net profit of Wuhan Haixi for the year ending December 31, 2021 were approximately RMB7.2 million and RMB3.6 million respectively. Hence, the performance guarantee was met.

Dr. Huang is an executive Director and a substantial shareholder of the Company, hence also a connected person of the Company. Accordingly, the Acquisition and Capital Increase constituted connected transactions of the Company. Under Rule 14A.81 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), as the Acquisition and Capital Increase both involved the acquisition of interests in the Wuhan Haixi within 12 months, they were required to be aggregated as if they were one transaction. Please refer to the announcements of the Company dated December 1, 2021, December 10, 2021 and December 31, 2021 for further details. The Acquisition and Capital Increase was completed on January 26, 2022.

Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership)

On September 15, 2021, Kindstar Investment, Ezhou Changda Asset Management Co., Ltd. (鄂州市昌達資產經營有限公司) ("**Ezhou Changda**"), a limited liability company established under the laws of the PRC, and Hubei Gedian Development Zone Construction Investment Co., Ltd. (湖北省葛店開發區建設投資有限公司) ("**Gedian Investment**"), a limited liability company established under the laws of the PRC (each as a limited partner) and Wuhan Booth Investment Information Co., Ltd. (武漢布斯投資資訊有限公司) ("**Wuhan Booth**"), a limited liability company established under the laws of the PRC (as the general partner) entered into a partnership agreement for the formation of Hubei Rivercity. The total capital contribution by all partners of Hubei Rivercity were RMB300,000,000, of which RMB177,000,000 were contributed by Kindstar Investment, RMB60,000,000 were contributed by Ezhou Changda, RMB60,000,000 were contributed by Gedian Investment, and RMB3,000,000 were contributed by Wuhan Booth. The formation of Hubei Rivercity constituted a discloseable transaction of the Company. Please refer to the announcements of the Company dated September 15, 2021 and October 25, 2021 for further details.

Transactions with Non-Controlling Interests

Xinjiang Kindstar

On August 19, 2021, Wuhan Kindstar (as the purchaser) and Mr. Zheng Jianhua (鄭建華) and Xinjiang Kindstar, a limited liability company established under the laws of the PRC (as the vendors) entered into an equity transfer agreement ("**Equity Transfer Agreement dated August 19, 2021**"), pursuant to which Wuhan Kindstar agreed to purchase, and Mr. Zheng Jianhua (鄭建華) and Xinjiang Yijiali agreed to sell an aggregate of 43% equity interest in Xinjiang Kindstar at a total consideration of RMB25,800,000. Upon completion, Xinjiang Kindstar became a wholly-owned subsidiary of Wuhan Kindstar.

On December 29, 2021, the parties to the Equity Transfer Agreement dated August 19, 2021 entered into a supplemental equity transfer agreement, under which the consideration adjustment mechanism in the payment terms of the Equity Transfer Agreement was amended.

Since Xinjiang Kindstar was a PRC Consolidated Entity and each of Mr. Zheng Jianhua (鄭建華) and Xinjiang Yijiali was a substantial shareholder of Xinjiang Kindstar and hence a connected person of the Company at the subsidiary level, the transaction constituted a connected transaction of the Company. Please refer to the announcements of the Company dated August 19, 2021 and December 29, 2021 for further details. As of December 31, 2021 and the Latest Practicable Date, the transaction has not been completed.

Acquisition of property

On October 15, 2021, Wuhan Kindstar (as the purchaser) and Wuhan Optics Valley Biological Industry Base Construction Investment Co., Ltd. (武漢光穀生物產業基地建設投資有限公司) ("**Wuhan Optics Valley**"), a limited liability company established under the laws of the PRC (as the vendor) entered into the Wuhan National Bioindustry (Innovation) Base Property Transfer Agreement dated October 15, 2021 (the "**Property Transfer Agreement**"), pursuant to which Wuhan Kindstar agreed to purchase, and Wuhan Optics Valley agreed to sell, the 1st to 7th floors of the building located at Biolake D2-1, 666 Gaoxin Road, East Lake High Tech Zone, Wuhan, Hubei, PRC (the "**Property**") at a total consideration of RMB224,248,523 in accordance with the terms and conditions of the Property Transfer Agreement. The acquisition of the Property constituted a discloseable transaction of the Company. Please refer to the announcement of the Company dated October 15, 2021 for further details.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended December 31, 2021.

Charges on Group Assets

As of December 31, 2021, we did not have any charged assets.

Final Dividend

The Board has resolved not to declare any final dividend for the year ended December 31, 2021.

Company Information

The Company was incorporated in the Cayman Islands on August 24, 2007 as an exempted company with limited liability, and the shares were listed on the Main Board of the Stock Exchange on July 16, 2021.

Employees

As of December 31, 2021, we had 2,870 employees in total and most of them were located in Hubei and Sichuan Provinces, Beijing and Shanghai. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide online and in-person formal and comprehensive company-level and department-level training to our employees on a quarterly basis in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills, and provide training and development programs to our employees and external training sessions from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

The remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of us and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and benefit plans.

The Company adopted the pre-IPO stock incentive plans on March 14, 2013, December 20, 2015 and December 1, 2016. As of December 31, 2021, options to subscribe for 114,985,256 Shares, representing approximately 11.27% of the then total issued share capital of the Company, were outstanding and held by the grantees. On June 22, 2021, the Company also adopted the Post-IPO RSU Scheme and Post-IPO Option Scheme, of which our employees are eligible participants, effective upon the Listing Date. Details of the Post-IPO RSU Scheme and the Post - IPO Option Scheme are set out in the sections headed "Statutory and General Information –E. Post-IPO RSU Scheme" and "Statutory and General Information – F. Post-IPO Option Scheme" in Appendix IV to the Prospectus. As of December 31, 2021, no restricted share unit or option had been granted or agreed to be granted under the Post-IPO RSU Scheme or Post-IPO Option Scheme, respectively.

Significant Events After the Reporting Period

Save as disclosed in note 44 to the consolidated financial statements, there are no material events subsequent to December 31, 2021 which could have a material impact on our operating and financial performance as of the Latest Practicable Date.

Use of Proceeds from the Global Offering

The Company was listed on the Stock Exchange on July 16, 2021. The net proceeds from the Global Offering amounted to approximately HKD2,053.6 million. The net proceeds from the Global Offering (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the intended use of the proceeds set out in the Prospectus. The following table sets forth the status of the use of net proceeds from the Global Offering[1]:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering (In HKD millions)	Actual usage between the Listing Date and December 31, 2021 (In HKD millions)	Unutilized net proceeds as of December 31, 2021 (In HKD millions)	Timeframe for the unused balance
Sales and marketing of our existing esoteric testing service lines to cover more hospitals, especially Class III hospitals					
Sales, marketing and expansion of hematology testing business	15	308.0	54.3	253.7	By June 30, 2023
Sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business	10	205.4	26.8	178.6	By June 30, 2023
Sales, marketing and expansion of oncology, infectious disease and neurology testing businesses	10	205.4	31.7	173.7	By June 30, 2023
Research and development of our existing esoteric testing service lines					
Research and development of hematology testing	6.7	136.9	41.6	95.3	By June 30, 2023
Research and development of genetic diseases and rare diseases and maternity-related testing	6.7	136.9	4.9	132.0	By June 30, 2023
Research and development of neurology, infectious disease, oncology and routine testing	6.7	136.9	8.4	128.5	By June 30, 2023
Development and commercialization of new lines of esoteric testing services	15	308.0	22.6	285.4	By June 30, 2023

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering (In HKD millions)	Actual usage between the Listing Date and December 31, 2021 (In HKD millions)	Unutilized net proceeds as of December 31, 2021 (In HKD millions)	Timeframe for the unused balance
Expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses	5	102.7	4.8	97.9	By June 30, 2023
Increasing our testing capacity	10	205.4	46.4	159.0	By June 30, 2023
Overseas expansion into markets outside of China	5	102.7	–	102.7	By June 30, 2023
Working capital and other general corporate purposes	10	205.4	24.4	181.0	–
Total	**100.0**	**2,053.6**	**265.9**	**1,787.7**	By June 30, 2023

Note:

(1) *The figures in the table are approximate figures.*

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds only into short-term deposits with licensed financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above intended use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

Directors and Senior Management

Our Directors

Executive Directors

Dr. Huang Shiang (黃士昂), aged 63, was appointed as our Director on February 22, 2011, and re-designated as our executive Director on February 8, 2021. Dr. Huang was also appointed as the Chief Medical Officer on September 30, 2020 and as the Chairman and Chief Executive Officer on February 8, 2021. Dr. Huang founded our Group in 2003. He is responsible for overall strategic planning and business direction of our Group and management of our Company.

Dr. Huang has over 34 years of experience in medical practice, research, diagnosis and management. Dr. Huang started his career at Union Hospital affiliated to Tongji Medical University (同濟醫科大學附屬協和醫院) (currently known as "Union Hospital affiliated to Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院附屬協和醫院)", "**Union Hospital**") in June 1986, where he served as a resident doctor and later served as an attending doctor. From June 1989 to April 1994, Dr. Huang served as a visiting research scientist and later as a research scientist at Becton Dickinson Immunocytometry Systems in the United States. From July 1994 to 1995, Dr. Huang worked as a senior scientist at Applied Imaging Corporation. From 1995 to 1998, Dr. Huang served as an associate project scientist at UCSD Cancer Center. From 2000 to June 2001, Dr. Huang worked as a vice president and chief technology officer at W.B. Technologies, Inc.

Dr. Huang has been working at the Union Hospital since 2001 as a distinguished professor and later as a professor. Dr. Huang received his Bachelor of Sciences in Medicine from Wuhan Medical College (武漢醫學院) (currently known as "Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)") and his Master of Medicine from Tongji Medical University (同濟醫科大學) (currently known as "Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)") in Wuhan, Hubei Province, the PRC, in August 1983 and July 1986, respectively. He has become a registered practicing physician in Mainland China since May 1999.

Dr. Huang currently holds directorship in the following major subsidiaries and operating entities of our Group: Wuhan Kindstar, Beijing Hightrust, Shanghai SimpleGene, Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd. (成都溫江康聖友醫互聯網醫院有限公司) ("**Wenjiang Kangshenyou Medical**") and Kindstar Biotech.

Dr. Huang is the spouse of Ms. Guo Gui-Rong and father of Mr. Huang Bo, substantial shareholders of the Company, who owned 16.05% and 11% of the issued share capital of the Company respectively as of December 31, 2021. Dr. Huang is also the founder of Shiang Huang Family Trust which owned 5.65% of the issued share capital of the Company as of December 31, 2021.

Mr. Tu Zanbing (涂贊兵), aged 49, was appointed as our Director on December 4, 2020, and re-designated as our executive Director on February 8, 2021. Mr. Tu was also appointed as our Chief Operating Officer on February 8, 2021. Mr. Tu joined our Group in August 2003.

Mr. Tu worked as an engineer at the Fourth Railway Design Institute (鐵道第四設計院) from October 2000 to October 2001, and later as a vice director of operating department in the industrial development center from October 2001 to December 2002.

Mr. Tu has been the general manager of Wuhan Kindstar since August 2003. He has also been the general manager of Huaxi Kindstar since December 2017. From April 2014 to August 2015, Mr. Tu served as the general manager of Shanghai SimpleGene. Mr. Tu currently holds directorship in the following major subsidiaries and operating entities of our Group: Wuhan Kindstar, Xinjiang Kindstar and Shanghai SinoPath Medical Laboratory Co., Ltd. (上海信諾佰世醫學檢驗有限公司), and is the general manager of Wenjiang Kangshengyou Medical.

Mr. Tu received his Bachelor's degree in Automation and Master's degree in Business Administration from Huazhong University of Science and Technology (華中科技大學) (formerly known as "Huazhong Institute of Technology (華中理工大學)"). in Wuhan, Hubei Province, the PRC, in April 1999 and December 2002, respectively.

Ever Prospect Global Limited is wholly-owned by Mr. Tu. Accordingly, Mr. Tu was deemed to be interested in the 38,624,144 Shares held by Ever Prospect as of December 31, 2021. According to voting proxy arrangements, Ms. Guo Gui-Rong, a substantial shareholder of the Company, has effective control over the voting rights attached to the Shares held by Ever Prospect.

Ms. Chai Haijie (柴海節), aged 43, was appointed as our Director on December 4, 2020, and re-designated as our executive Director on February 8, 2021. Ms. Chai was also appointed as our chief financial officer and joint company secretary on February 8, 2021.Ms. Chai joined our Group in July 2014.

Ms. Chai has over 17 years of experience in finance and accounting. She began her career at KPMG Shanghai Office from August 2004 to September 2008. From September 2008 to November 2010, Ms. Chai served as a senior accountant in the Ernst & Young Hua Ming Wuhan Branch. From December 2010 to November 2012, Ms. Chai worked as the chief financial officer of Hubei Grand Trio Investment Management Co., Ltd. (湖北鴻鼎投資管理有限公司). She subsequently worked at Wuhan Yuansheng Optoelectronic Communication Industry Investment Co., Ltd. (武漢塬生光電通信產業投資有限責任公司) from May 2013 to June 2014.

Ms. Chai currently holds directorship in the following major subsidiary and operating entity of our Group: Wuhan Kindstar and Kindstar Investment.

Ms. Chai received her Bachelor's degree in Financial Administration and her Master's degree in Business Administration from Huazhong University of Science and Technology (華中科技大學) in Wuhan, Hubei Province, the PRC, in June 2001 and June 2004, respectively. She passed the National Uniform Examination for Certified Public Accountants in March 2006, and obtained the qualification of certified public accountant from Chinese Institute of Certified Public Accountants in January 2011.

Ms. Chai was interested in 2,541,614 share options granted to her to receive 10,166,456 Shares as of December 31, 2021.

Non-executive Director

Mr. Huang Zuie-Chin (黃瑞瑨), aged 56, was appointed as our Director on January 30, 2012 and re-designated as our non-executive Director on February 8, 2021.

Mr. Huang has over 30 years of biological executive and investment experience since graduation from Stanford University. In June 2011, he joined Kleiner Perkins Caufield & Byers China (凱鵬華盈中國基金) as a managing partner and focuses on the firm's life science practice. Mr. Huang was also the founding managing partner of Panacea Venture and Panacea Venture Healthcare Fund II, L.P., which are venture capitals focusing on investments in innovative and transformative early and growth stage healthcare and life sciences companies worldwide.

Mr. Huang also concurrently holds the following positions outside our Group:

- a director of CASI Pharmaceuticals, Inc., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: CASI), since April 2013;
- a non-executive director of Genscript Biotech Corporation, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 01548), from August 2015 to January 2018;
- the chairman of the board of Windtree Therapeutics, Inc., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: WINT), since January 2019;
- a director and the chairman of the board of Ziopharm Oncology, Inc., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: ZIOP) since July 2020 and January 2021, respectively; and
- an executive director of Auto Italia Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 720), since July 2020.

Mr. Huang graduated from University of California, Berkeley in the United States with a bachelor of science degree in chemical engineering in May 1988. He obtained a master of business administration degree from the Stanford Graduate School of Business in the United States in June 1992.

Mr. Peng Wei (彭偉), aged 35, was appointed as our Director on October 27, 2020, and re-designated as our non-executive Director on February 8, 2021.

Mr. Peng joined the Monitor Group (currently known as Monitor Deloitte) in 2008 after graduation and worked as a consultant until July 2011. Mr. Peng has served respectively as an investment manager from July 2013 to December 2015, a vice-president from January 2016 to December 2017 and a principal from January 2018 to December 2018 of Shanghai Panxin Equity Investment Management Co., Ltd. (上海磐信股權投資管理有限公司). Mr. Peng served as a principal of Tianjin Panmao Enterprise Management Partnership (Limited Partnership) (天津磐茂企業管理合夥企業(有限合夥)) from January 2019 to September 2020 and has served as a principal of Beijing Panmao Investment Management Co., Ltd (北京磐茂投資管理有限公司) since October 2020.

Mr. Peng received his Bachelor's degree in Information Engineering from Shanghai Jiaotong University (上海交通大學) in Shanghai, the PRC, in July 2008, and his Master of Business Administration from Yale University, New Haven, Connecticut, the United States in May 2013.

Mr. Peng was the supervisor of the following companies which were established in the PRC and subsequently deregistered during his tenure:

- On August 5, 2015, Mr. Peng was appointed as a supervisor of Shanghai Shiwei Information Technology Co., Ltd. (上海詩味信息科技有限公司) ("**Shanghai Shiwei**"), a company established in the PRC engaged in the provision of fitness services. On June 25, 2018, the business license of Shanghai Shiwei was revoked due to cessation of business operation for six consecutive months.

- On November 9, 2015, Mr. Peng was appointed a supervisor of Luzhou Zhongkang Hospital Management Co., Ltd. (瀘州眾康醫院管理有限公司), a company established in the PRC engaged in the provision of hospital management services, which was deregistered on March 20, 2017 by way of voluntary dissolution.

Mr. Peng further confirmed (i) the above companies were solvent immediately prior to such revocation and dissolution; (ii) there was no wrongful act on his part leading to such revocation or dissolution and was not aware of any actual or potential claim that had been or would be made against him as a result of such revocation or dissolution; and (iii) no misconduct or misfeasance on his part had been involved in such revocation or dissolution.

Ms. Huang Lu (黃璐), aged 48, was appointed as our Director on September 9, 2020 and re-designated as our non-executive Director on February 8, 2021.

Ms. Huang worked as a resident doctor at Shanghai Second Medical University School of Clinical Medicine (上海第二醫科大學市六臨床醫學院) (currently known as "Clinical Medical School of the Sixth People's Hospital affiliated to Shanghai Jiao Tong University (上海交通大學六院臨床醫學院)") after graduation from Shanghai Second Medical University (上海第二醫科大學) (currently known as "Shanghai Jiaotong University School of Medicine (上海交通大學醫學院)"). Ms. Huang worked as a member of the Marketing Department at Continuum Health Partners. Ms. Huang worked as Investment Director from October 2003 to July 2016 in Morningside IT Management Services (Shanghai) Co. Ltd. (晨興信息科技諮詢(上海)有限公司), and has been worked as Managing Director since August 2016 in HCA (Shanghai) Consulting Co Ltd (卓聲諮詢(上海)有限公司).

Ms. Huang has been a non-executive director of Stealth BioTherapeutics Corp, a company listed on the NASDAQ (stock symbol: MITO), since June 2018.

Ms. Huang received her Bachelor's degree in Clinical Medicine from Shanghai Second Medical University (上海第二醫科大學) (currently known as "Shanghai Jiaotong University School of Medicine (上海交通大學醫學院)") in Shanghai, the PRC, in July 1997, and received her Master of Business Administration from St. John's University, New York, the United States, in September 2002.

Independent Non-executive Directors

Dr. Yao Shanglong (姚尚龍), aged 66, was appointed as our independent non-executive Director on 29 June, 2021.

Dr. Yao once served as the director of anesthesiology department and later as the deputy dean in Union Hospital. Dr. Yao served as the chairman of the Chinese Society of Anesthesiologists under Chinese Medical Doctor Association (中國醫師協會) from April 2011 to April 2014. He was the associate chairman of Chinese Society of Anesthesiology under Chinese Medical Association (中華醫學會) from August 2012 to November 2018.

Dr. Yao received his Bachelor's degree in medicine from Wannan Medical College (皖南醫學院), in Wuhu, Anhui Province, the PRC in August 1982, and received his Master's degree in medicine and Doctor's degree in medicine from Tongji Medical University (同濟醫科大學) (currently known as "Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)"), in Wuhan, Hubei Province, the PRC in July 1987 and June 1990, respectively.

Dr. Xia Xinping (夏新平), aged 56, was appointed as our independent non-executive Director on 29 June, 2021.

Dr. Xia has solid academic background and extensive experience in finance. Dr. Xia started to work at Huazhong University of Science and Technology (華中科技大學), where, between August 1987 and June 1991, Dr. Xia served as a teaching assistant; between June 1991 and June 1996, he served as a lecturer; between June 1996 and May 2000, he served as an associate professor. He has been serving as a professor under the Department of Finance under the School of Management of Huazhong University of Science and Technology (華中科技大學) (the "School of Management") since May 2000. Between January 2003 and December 2011, he also served as the Vice Dean of the School of Management.

Since May 2019, Dr. Xia has been serving as an independent non-executive director and the chairman of the audit committee of Gemdale Properties and Investment Corporation Limited (金地商置集團有限公司) (stock code: 0535), a company listed on the Hong Kong Stock Exchange. In discharging his duties as the chairman of the audit committee, he has reviewed, monitored, and discussed with the management, among other things, accounting principles and practices, internal control, risk management, adequacy of resources, qualifications and experience of the staff, connected and continuing connected transactions, and financial reporting matters including the annual results for the year ended December 31, 2019 and 2020 and unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2020, of that company. Dr. Xia has also been responsible in ensuring the full, complete and accurate disclosure in the financial statements pursuant to the accounting standards and other legal requirements relating thereto. Dr. Xia was also an independent director of Gemdale Corporation (金地(集團)股份有限公司) (stock code: 600383), a company listed on the Shanghai Stock Exchange, from May 2009 to April 2017 and was the chairman of the audit committee of that company from 2010 to 2017. In discharging his duties, he reviewed and discussed with the management, among other things, annual audited financial statements of Gemdale Corporation published during his tenure. Since April 2017, Dr. Xia has also been served as an independent director of Hubei Fuxing Science and Technology Co., Ltd. (湖北福星科技股份有限公司) (stock code: 000926), a company listed on the Shenzhen Stock Exchange. From May 2014 to June 2020, he was an independent director of Shenzhen New Nanshan Holding (Group) Co., Ltd. (深圳市新南山控股(集團)股份有限公司) (formerly known as "Yahgee Modular House Co., Ltd. (雅緻集成房屋股份有限公司)" and "Yahgee Modular House (Group) Co., Ltd. (雅緻集成房屋(集團)股份有限公司)") (stock code: 002314), a company listed on the Shenzhen Stock Exchange. He was also on the board of Fiberhome Telecommunication Technologies Co., Ltd. (烽火通信科技股份有限公司) (stock code: 600498), a company listed on the Shanghai Stock Exchange, as an independent director from December 2011 to December 2017.

Dr. Xia received his Bachelor's degree in Engineering, Master's degree in Management and Doctor's degree in Management from Huazhong University of Science and Technology (華中科技大學) (formerly known as "Huazhong Institute of Technology (華中工學院)" and "Huazhong University of Science and Technology (華中理工大學)") in Wuhan, Hubei Province, the PRC in July 1985, June 1990 and June 2000, respectively.

Mr. Gu Huaming (顧華明), aged 58, was appointed as our independent non-executive Director on June 29, 2021.

After graduation, and between May 1993 and February 1996, Mr. Gu worked at J.J.B. Hilliard, W.L. Lyons, LLC (acquired by Robert W Baird & Co. Incorporated in April 2019). After that, Mr. Gu served as the Strategic Planner at Emerson Electric Co., the Business Development Director at GE Plastics Pacific and the Senior Vice President at EQT Partners Asia Limited. Mr. Gu joined Baird Investment Advisor Co., Ltd in July 2007 as a partner to source, evaluate, execute and monitor investments in China and Asia Pacific area. Mr. Gu has also been a director of Vega Global Limited. since January 2020, and a director of PCA Sign Resources SDN. BHD. since November 2018, respectively.

Mr. Gu is also a founding member of the Finance Advisory Board of the Gatton College of Business and Economics at the University of Kentucky since January 2020.

Mr. Gu received his Bachelor's degree in Philosophy from Renmin University of China (中國人民大學) in Beijing, the PRC, in July 1986. Mr. Gu also obtained a Master's degree in Business Administration from the University of Kentucky, Kentucky, the United States, in May 1993.

Mr. Gu was the director of the following companies which were incorporated in the Hong Kong and subsequently dissolved during his tenure:

- On Mar 10, 2016, Mr. Gu was appointed as a director of DIAMOND PAGODA LIMITED, a private company limited by shares incorporated in the Hong Kong engaged in the investment holding, which was dissolved on Aug 30, 2019 by way of voluntary dissolution.

- On Mar 10, 2016, Mr. Gu was appointed as a director of RAINBOW ORBIT LIMITED, a private company limited by shares incorporated in the Hong Kong engaged in the investment holding, which was dissolved on Jun 14, 2019 by way of voluntary dissolution.

Mr. Gu further confirmed (i) the above companies were solvent immediately prior to such dissolutions; (ii) there was no wrongful act on his part leading to such dissolutions and was not aware of any actual or potential claim that had been or would be made against him as a result of such dissolutions of the above companies; and (iii) no misconduct or misfeasance on his part had been involved in such dissolutions.

Senior Management

Our senior management is responsible for the day-to-day management of our business. Dr. Huang Shiang, Mr. Tu Zanbing and Ms. Chai Haijie, executive Directors of our Company, are also members of our senior management team. See their biographies in the paragraph headed "Executive Directors".

Joint Company Secretaries

Ms. Chai Haijie (柴海節), our executive Director and Chief Financial Officer, was appointed as our joint company secretary on February 8, 2021. Please see her biography in the paragraph headed "Executive Directors".

Ms. Chan Wai Ling (陳蕙玲), was appointed as our independent joint company secretary on February 8, 2021.

Ms. Chan is a director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Chan has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is currently the company secretary/joint company secretary of six companies listed on the Hong Kong Stock Exchange of Hong Kong Limited, namely, China Conch Venture Holdings Limited (中國海螺創業控股有限公司) (stock code: 586), Razer Inc. (stock code: 1337), IMAX China Holding, Inc. (stock code: 1970), Greenway Mining Group Limited (信盛礦業集團有限公司) (stock code: 2133), Budweiser Brewing Company APAC Limited (百威亞太控股有限公司) (stock code: 1876) and China Feihe Limited (中國飛鶴有限公司) (stock code: 6186).

Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly 'The Hong Kong Institute of Chartered Secretaries') and The Chartered Governance Institute (formerly 'The Institute of Chartered Secretaries and Administrators') in the United Kingdom.

Ms. Chan holds a Bachelor of Arts (Honors) degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from the University of London.

Corporate Governance Report

The Board of Directors (the "**Board**") is pleased to report to the shareholders on the corporate governance of the Company since the Listing Date and up to December 31, 2021.

Corporate Governance Practices

The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that during the period commencing from the Listing Date and ended on December 31, 2021, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 (which has been renumbered as code provision C.2.1 since January 1, 2022) described in the paragraph headed "Board of Directors – Chairman and Chief Executive Officer".

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the period commencing from the Listing Date and ended on December 31, 2021.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company in respect of securities in the Company as referred to the CG Code.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Board of Directors

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them. The Board has delegated the day-today operation of the Company to the management while matters affecting the Company's overall strategies, policies and financial matters are reserved to the Board

Board Composition

The Board currently comprises nine Directors, consisting of three Executive Directors, three Non-executive Directors, and three Independent Non-executive Directors.

The composition of the Board is as follows:

Executive Directors

Dr. Huang Shiang
Mr. Tu Zanbing
Ms. Chai Haijie

Non-executive Directors

Mr. Huang Zuie-Chin
Mr. Peng Wei
Ms. Huang Lu

Independent Non-executive Directors

Dr. Yao Shanglong
Dr. Xia Xinping
Mr. Gu Huaming

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 39 to 44 of the Annual Report for the year ended December 31, 2021.

None of the members of the Board is related to one another.

The relationships between the Directors and substantial shareholders are disclosed in the respective Directors' biography under the section "Directors and Senior Management" on pages 39 to 44.

During the Reporting Period, one Board Meeting, one Audit Committee Meeting, one Remuneration Committee Meeting, one Nomination Committee Meeting and meeting between Chairman and independent non-executive Directors were held as the shares of the Company were listed on Stock Exchange in July 2021.

The Company is obliged to comply with the CG Code and will take appropriate arrangements for holding at least 4 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting, 1 Remuneration Committee meeting and the meeting between the Chairman and the independent non-executive Directors in the forthcoming year. No general meeting was held during the Reporting Period.

Chairman and Chief Executive Officer

Code provision A.2.1 (which has been renumbered as code provision C.2.1 since January 1, 2022) of the CG Code stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. The roles of chairman of the Board and chief executive officer of the Company are held by Dr. Huang Shiang. In view of Dr. Huang's experience, personal profile and his roles in the Group, and the fact that Dr. Huang has been a chief executive of the Group since its incorporation, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Dr. Huang acts as the chairman of the Board and continues to act as the chief executive officer of the Company.

While this will constitute a deviation from code provision A.2.1 (which has been renumbered as code provision C.2.1 since January 1, 2022) of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Dr. Huang and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Independent Non-executive Directors

During the period commencing from the Listing Date and ended on December 31, 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Appointment and Re-election of Directors

The Non-executive Directors (including Independent Non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for and has general powers over the management and operation of our business, including determining our business strategies and investment plans, implementing resolutions, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on corporate governance, risk management and internal control and compliance with legal and regulatory requirements.

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

During the Reporting Period, the Company organized training sessions conducted by the qualified professionals/legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the Reporting Period and up to date of this report are summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Dr. Huang Shiang	✓
Mr. Tu Zanbing	✓
Ms. Chai Haijie	✓
Non-Executive Directors	
Mr. Huang Zuie-Chin	✓
Mr. Peng Wei	✓
Ms. Huang Lu	✓
Independent Non-Executive Directors	
Dr. Yao Shanglong	✓
Dr. Xia Xinping	✓
Mr. Gu Huaming	✓

Note:

During the Reporting Period, all Directors attended training sessions and received training materials, including from the Company's lawyers.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 7.

Audit Committee

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only, with a minimum of three members with Independent Non-executive Directors in majority and at least one member with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee consists of two Independent Non-executive Directors, namely Dr. Xia Xinping, Mr. Gu Huaming and one Non-executive Director, namely Mr. Huang Zuie-Chin. Dr. Xia Xinping is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group and overseeing the audit process.

During the Reporting Period, the Audit Committee held two meetings to review the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties. The Company will take appropriate arrangements for holding at least two Audit Committee meetings and met with the external auditors if necessary in the forthcoming year.

Remuneration Committee

Rule 3.25 of the Listing Rules requires an issuer to establish a Remuneration Committee chaired by Independent Nonexecutive Director and comprising a majority of Independent Non-executive Directors.

The Remuneration Committee consists of three members, namely Mr. Gu Huaming, Independent Non-executive Director, Dr. Xia Xinping, Independent Non-executive Director and Mr. Tu Zanbing, Executive Director. Mr. Gu Huaming is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the Reporting Period, the Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

Details of the remuneration of the senior management by band are set out in note 11 in the Notes to the Audited Financial Statements for the year ended December 31, 2021.

Nomination Committee

The Nomination Committee consists of three members, namely Dr. Huang Shiang, Executive Director, Dr. Yao Shanglong, Independent Non-executive Director and Dr. Xia Xinping, Independent Non-executive Director. Dr. Huang Shiang is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of our Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile and make relevant disclosure annually. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, length of services, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Procedures

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

Arrangements have been made to adopt a Director Nomination Policy which shall set out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level in the forthcoming year.

During the period commencing from the Listing Date and ended on December 31, 2021, there was no change in the composition of the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the CG Code.

During the period commencing from the Listing Date and ended on December 31, 2021, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Meetings and Attendance Records of Directors

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the period commencing from the Listing Date and ended on December 31, 2021 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Dr. Huang Shiang	4/4	N/A	N/A	1/1	N/A
Mr. Tu Zanbing	4/4	N/A	1/1	N/A	N/A
Ms. Chai Haijie	4/4	N/A	N/A	N/A	N/A
Non-executive Directors					
Mr. Huang Zuie-Chin	4/4	2/2	N/A	N/A	N/A
Mr. Peng Wei	4/4	N/A	N/A	N/A	N/A
Ms. Huang Lu	4/4	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Dr. Yao Shanglong	3/3	N/A	N/A	1/1	N/A
Dr. Xia Xinping	3/3	2/2	1/1	1/1	N/A
Mr. Gu Huaming	3/3	2/2	1/1	N/A	N/A

Apart from regular Board meetings, the Chairman also held meetings with the Independent Non-executive Directors without the presence of other Directors during the Reporting Period.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee, assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Risk Management

- Senior management oversees and manages the overall risks associated with the Company's business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with Company's corporate objectives; (ii) monitoring the most significant risks associated with Company's business operations and our management's handling of such risks; and (iii) ensuring the appropriate application of our risk management framework across the Group.

- Legal and internal control personnel are responsible for developing and implementing risk management policy and carrying out day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies.

The Company consider that Directors and members of senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

- Directors (who are responsible for monitoring the corporate governance of the Group), with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations upon Listing.

- Audit Committee shall (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of the Group.

- Engaged a compliance adviser to provide advice to the Directors and management team regarding matters relating to the Listing Rules, to ensure the use of the proceeds from the Global Offering complies with the section entitled "Future Plans and Use of Proceeds" in the Prospectus and provide support and advice regarding the requirements of relevant regulatory authorities on a timely basis.

- Engaged a PRC legal advisor to advise us on and keep us abreast with PRC laws and regulations upon Listing. The Company will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, members of our senior management and relevant employees on the latest applicable laws and regulations.

- Maintain strict anti-corruption policies among our sales personnel in our sales and marketing activities.

- Maintain a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management.

- Adopted internal protocols governing both the confidentiality and privacy for patient sample and data.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the period commencing from the Listing Date and ended on December 31, 2021.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the period commencing from the Listing Date and ended on December 31, 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the period commencing from the Listing Date and ended on December 31, 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 146 to 147.

Auditors' Remuneration

The remuneration paid to the Company's external auditors of the Company in respect of audit services for the year ended December 31, 2021 amounted to RMB3.1 million.

Joint Company Secretaries

Ms. Chai Haijie and Ms. Chan Wai Ling have been appointed as the Company's joint company secretaries. Ms. Chan Wai Ling is a corporate services director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Ms. Chai Haijie, Executive Director, Chief Financial Officer and Authorized Representative between the Company and Hong Kong Stock Exchange has been designated as the primary contact person at the Company which would work and communicate with Ms. Chan Wai Ling on the Company's corporate governance and secretarial and administrative matters.

For the year ended December 31, 2021, Ms. Chai Haijie and Ms. Chan Wai Ling have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Putting Forward Proposals at General Meetings

General meetings may be convened by the Board on requisition of two or more members of the Company, as at the date of deposit of requisition, representing not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company or by such shareholder(s) who made the requisition (as the case may be) pursuant to Article 12.3 of the Company's Articles of Association.

Shareholders should follow the requirements and procedures as set out in the Cayman Islands Companies Law and where applicable, the Company's Articles of Association, for convening a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(For the attention of the Board of Directors)
Email: ir@kindstar.com.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at +86 027 85573007 for any assistance.

Communication With Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the period commencing from the Listing Date and ended on December 31, 2021, the Company has not made any changes to its Memorandum and Articles of Association. An up to date version of the Company's Memorandum and Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. Any declaration and payment of dividends will be subject to the Company's Memorandum and Articles of Association and the Cayman Islands Companies Law. Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval, depending on the availability of dividends received from our subsidiaries, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions, contractual and applicable legal restrictions and other factors.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the first Environmental, Social and Governance ("**ESG**") Report published by Kindstar Globalgene Technology, Inc. and its subsidiaries ("**Kindstar Global**", "**the Group**" or "**us**"). This report summarizes the Group's principles and concepts for performance of corporate social responsibility and aims to enable shareholders to fully understand the operating results of Kindstar Global, including our financial performance, and more importantly, our ESG achievements. The talent and efforts of each employee of Kindstar Global empower us to fulfill our vision and commitment regarding social responsibility. By implementing strategies and measures relating to ESG, we deepen relationships with stakeholders based on better understanding of their appeal on ESG issues, promote sustainable development, and continuously monitor ESG performance and improve ESG strategies. Let's work together to create a unique ESG journey for Kindstar Global.

Basis for preparation and reporting principles

This report is prepared in accordance with Appendix 27 – "Environmental, Social and Governance Reporting Guide" (hereinafter referred to as "the Guide") of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited, and the scope and content of the report also comply with the disclosure principles required by the Guide.

Our ESG report is prepared based on the following three reporting principles:

Materiality	Our ESG management approach is designed around key areas that are considered to materially affect us. Such key areas will be introduced in the section headed "Communication with Stakeholders and Materiality Assessment" set out in the ESG report.
Quantitative	Disclosures are presented in a measurable format when applicable, and the disclosures of key performance indicators are also accompanied by the explanations as to the calculation method and the source of the conversion factors used.
Consistency	The same ESG reporting framework is used for the statistics and calculation of key performance indicators for the annual ESG report to enable meaningful comparisons.

Environmental, Social and Governance Report

Reporting Period and scope

This report covers the overall sustainable development practiced by Kindstar Global from January 1, 2021 to December 31, 2021 (the "**Reporting Period**"). The financial threshold principles are adopted to select the scope of this report, which covers the Group's Wuhan headquarter and major subsidiaries in Beijing, Xinjiang, Shanghai, Western China, Chengdu and Tianjin.

Reporting language

This report is published in both Traditional Chinese and English. In case of any discrepancy, the Traditional Chinese version shall prevail.

Contact information

For more details of the Group's corporate governance, please refer to the section headed "Corporate Governance Report" set out in this Annual Report and the official website of Kindstar Global at https://www.kindstar.com.cn/.

1. About Kindstar Global

1.1. Introduction of the Group

Kindstar Global is a large-scale group providing high-end medical specialty esoteric testing services in China. It is committed to advancing the specialty esoteric testing technologies and services in China and promoting the development and improvement of specialty diagnosis and treatment and personalized medicine in China. With the objective of putting patients' interests first and physicians' needs first, Kindstar Global follows international specifications, standards and industry guidelines, introduces and researches on the world's advanced technologies and specialty esoteric testing methods, and provides comprehensive, advanced and accurate specialty esoteric testing services to large class III hospitals, specialty hospitals and general hospitals in China.

Development milestones of Kindstar Global:

In 2003, we introduced internationally-advanced testing technologies, created testing platforms, and established Wuhan Kindstar Medical Laboratory.

In 2004, we trained personnel, cooperated with Wuhan Union Hospital of China, provided in-hospital esoteric testing services, and completed the preliminary survey of Wuhan's medical testing market.

In 2005, we provided medical testing services for some hospitals in Wuhan, invested in the establishment of Beijing Hightrust Medical Laboratory, and started esoteric testing services in Beijing.

In 2006, we provided medical testing services for all regions of Hubei Province.

In 2008, we obtained the venture capital of Hong Kong Morningside Group; provided hematological esoteric testing services in 18 provinces and cities nationwide and built a service network covering the whole province of Hubei. Wuhan Kindstar Medical Laboratory was rated by Science Times as one of the "top ten independent medical laboratories" in the field of laboratory medicine in China.

In 2009, we merged with Beijing Rongheng Global Gene Technology Co., Ltd. to establish Kindstar Global Esoteric Testing Group. Meanwhile, we introduced high-end esoteric testing services for solid tumor molecular pathology to keep abreast of the latest developments in international oncology.

In 2011, we signed a strategic cooperation agreement with Mayo Clinic in the U.S. to introduce high-end testing programs in various specialties; we opened a business segment in Tibet, achieving nationwide coverage of our service network.

In 2012, we integrated laboratories nationwide, conducted the transfer of Mayo esoteric testing technology in a comprehensive manner, and expanded new specialty areas nationwide.

In 2013, we were awarded the certificate of "High and New Technology Enterprise" in Hubei Province; we had a cumulative of 3,350 hospitals under cooperation and have signed contracts with 1,685 hospitals.

In 2014, upon accreditation by the China National Accreditation Service for Conformity Assessment (CNAS), Wuhan Kindstar Medical Laboratory met the requirements of ISO15189:2007 and was awarded an accreditation certificate by CNAS in July.

In 2015, with the approval of the Ministry of Human Resources and Social Security of the People's Republic of China, Beijing Hightrust established a post-doctoral research station.

In 2016, the new office building of Kindstar Global headquarters was completed. Tejiankang Health Management Center was formally established. Beijing Hightrust won the CNAS ISO15189:2012 laboratory accreditation certificate.

In 2017, the Huaxi Blood Disease Esoteric Testing Center of Huaxi Kindstar Medical Diagnostics (Sichuan) Co., Ltd., jointly established with West China Hospital, Sichuan University, was formally established. Kindstar Global once again passed the ISO15189 audit.

In 2018, the Expert Forum on Adult Hematologic Tumor and Pediatric Hematologic Tumor was held in the headquarters.

In 2019, Kindstar Global made its international debut and officially joined the American Society of Hematology (ASH). A contract was signed for "Kindstar Global – Cleveland" International Digital Pathology Consultation.

In 2020, during the COVID-19 outbreak, we were the third-party testing unit designated by Huoshenshan Hospital and Leishenshan Hospital.

In 2021, the Science Association of Wuhan Kindstar Medical Laboratory Co., Ltd was formally established. In October, the latest research and development results of flow cytometry testing of Kindstar Global were recognized by ICCS.

1.2. Honors of the Company

Wuhan Kindstar:

Certificates and Medals	Award Name	Awarding Institution
	2020-2021 Annual Excellent High-tech Enterprise	Wuhan Hi-tech Industrial Association
	Advanced Unit in the Fight against COVID-19 in Hubei Province (September 2020)	People's Government of Hubei Province
	2021 China Talent Management Technology Model Award	Beisen Cloud Computing
	National Standard Enterprise for Operation Specification for Drug Cold Chain Logistics GB/T28842-2012	
	Member of China Federation of Logistics & Purchasing Pharmaceutical Logistics Branch	

Certificates and Medals	Award Name	Awarding Institution
	Group Standard Drafting Unit of IVD Cold Chain Logistics Warehousing and Distribution Integration Management Standards	
	Recommended Enterprise of Pharmaceutical Cold Chain Logistics Service in 2020-2021	

Beijing Hightrust:

Awards	Award Name	Awarding Institution
Corporate Awards	Certificate of High and New Technology Enterprise	Beijing Municipal Science & Technology Commission/Beijing Municipal Finance Bureau/Beijing Municipal Tax Service, State Taxation Administration
Corporate Awards	Zhongguancun High-tech Enterprise	Administrative Commission of Zhongguancun Science Park
Corporate Awards	Advanced Unit for Building Harmonious Labor Relations	Social Affairs Bureau of Beijing Economic-Technological Development Area

In January 2021, our subsidiary Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. was awarded the honorary title of "2020-2021 Annual Excellent High-tech Enterprise" by Wuhan Hi-tech Industrial Association, which further highlighted the Group's leading role and important position in terms of business model and technological innovation.

In April 2021, Wuhan Kindstar attended the third meeting of the first council of Wuhan Hi-tech Industrial Association and the launch event of the "Eagle Plan" as a council member. We will actively promote high-tech industrial innovation and cooperate with various organizers to build a support system for high-growth enterprises and jointly create a sound innovation ecology.

1.3. ESG Strategies and Management

Kindstar Global knows clearly the importance of environmental, social and governance to the sustainable development of the Group's business. Therefore, in 2021, we established an environmental, social and governance committee ("**ESG committee**") and an environmental, social and governance working group ("**ESG working group**") and specified the relevant responsibilities.

The ESG committee is composed of senior management members with different functions upon appointment by the Board. Its main responsibilities are as follows:

- Formulate and review ESG related strategies and management methods;
- Supervise ESG issues and related risks;
- Communicate with other committees on a regular basis to ensure that relevant committees are aware of the latest ESG issues affecting the Company;
- Communicate with ESG working group and coordinate ESG related work on a regular basis, and;
- Approve and review objectives and major initiatives on a regular basis.

The ESG working group is composed of general staff from different functional departments. Its main responsibilities are as follows:

- Formulate and implement ESG related policies and procedures;
- Monitor and track the progress of ongoing objectives and initiatives, and;
- Provide feedback to ESG committee.

The Board obtains ESG related information of the Group through the work results of the ESG committee and ESG working group, and performs ESG related responsibilities through participating in the discussion of the committee, including formulating the management policies and strategies on environmental, social and governance, such as the evaluation of materiality and prioritization of ESG issues, and the management of material environmental, social and governance issues (including risk management) and the process thereof, and reviewing the progress according to relevant environmental, social and governance goals.

As this report is the Group's first ESG report prepared according to the standards of the Hong Kong Stock Exchange, there is insufficient data for the Group to make effective analysis and set goals this year. The group was also unable to review the set goals in accordance with the standards this year. The Group will strive to improve the governance and supervision system and determine the base year and set relevant ESG goals after collecting sufficient data.

1.4. Communication with Stakeholders and Materiality Assessment

The Group always attaches importance to and maintains effective communication with all stakeholders, and fully considers the impact of its own business on all stakeholders. During the Reporting Period, we identified seven major stakeholders, including shareholders and investors, regulatory authorities, customers, employees, business partners, higher education institutions and research institutions and non-governmental organizations. We carefully understand and listen to the expectations and requirements of stakeholders through diversified communication channels, and actively respond to the different demands of stakeholders in various fields. We will also fulfill the key responsibilities of relevant environmental, social and governance issues to promote the sustainable development of the Group.

The group of stakeholders, their expectations and their typical communication channels with the Company are as follows:

Major stakeholders	Expectations and requirements	Main communication channels
Shareholders and investors	Operational compliance Return on investment Protection of shareholders' rights and interests Accuracy and timeliness of information disclosure	The general meetings of shareholders Enterprise annual reports, announcements and other information in the public domain Telephone/email enquiries through official website on “Investor relations” column Investors’ conferences
Regulatory authorities	Operational compliance Ensure product quality and safety Promote economic development Promote healthcare development	Compliance reports Written responses to consultation Involvement in community activities
Customers	Ensure product quality and safety Ensure high quality and efficient services Protection of customers’ privacy Provision of professional esoteric testing services	Website and emails of the Group Hotlines Customer service centers Customer satisfaction surveys and opinion forms Online service platform
Employees	Compensation and benefits Career development Safe working environment Vocational training Humanistic care	Job performance assessments Staff activities Training and seminars Employee researches
Business partners/ Suppliers	Integrity and mutual benefit Supply chain management	Supplier evaluation system On-site inspections Meetings

Major stakeholders	Expectations and requirements	Main communication channels
Higher education institutions and research institutions	Scientific research innovation Promote healthcare development through cooperation Nourish industry talents	Scientific research base meetings Participation in summits Industry seminars
Community/ Environment/ Non-governmental organizations	Job opportunities Effective use of resources Support community development Reduce pollutant emissions	Carry out charity activities Participation in seminars/lectures/work conferences Environmental protection campaigns

We communicate with different types of stakeholders through different channels to understand their opinions and expectations on the Group and establish a long-term and mutual trust relationship, so as to determine the scope of this report. At the same time, by communicating with the stakeholders, Kindstar Global can timely understand the stakeholders' views and requirements on the Group. We arrange the management and employees of each department of the Company to review the operation of the Company and identify relevant ESG issues in terms of their functions. After careful analysis by the Board and management and evaluation of the materiality and relevance of these ESG issues to our Company, the following materiality assessment results are obtained:

Environment

1. Compliance operation
2. Greenhouse gas emissions
3. Safe disposal of medical waste
4. Energy use
5. Water resources use

Employee

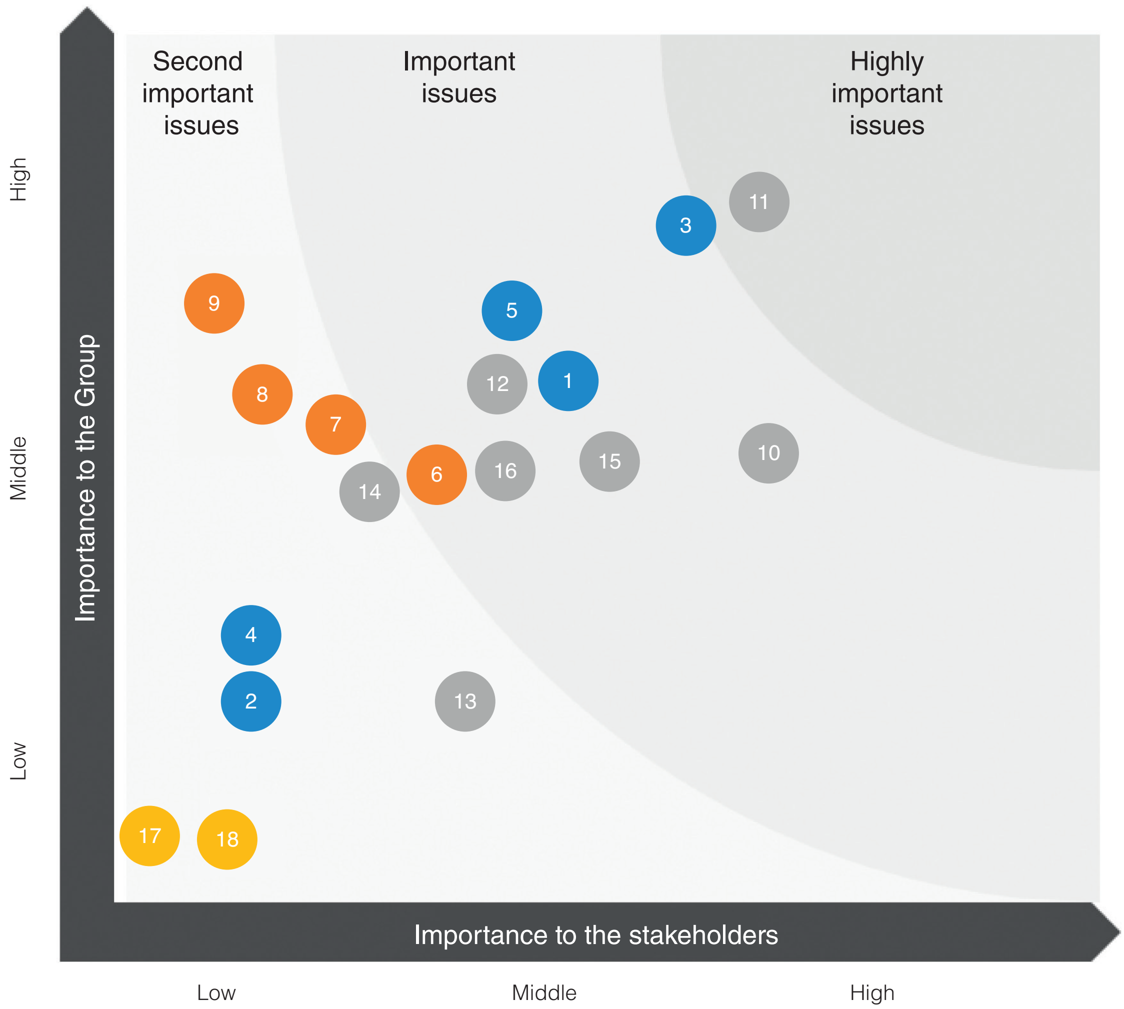
6. Employee welfare and rights
7. Employee career development
8. Workplace safety and health
9. Corporate culture

Service

10. High quality development
11. Product quality and safety
12. Customer service and privacy protection
13. Responsible supply chain
14. Intellectual property right
15. Anti-money laundering and anti-corruption
16. Complaint handling

Community

17. Community participation
18. Public benefit activities



Based on these results, the Company will continue to improve its ESG performance to meet the expectations of stakeholders and address the risks faced by the Company, so as to develop a sustainable development strategy of the Group. The details of our work and key performance indicators defined in the ESG report guidelines that are considered relevant and significant to the Company's operation are divided into six categories — "high quality for development", "extraordinary products and services", "strictly compliant operation", "guarantee humanistic care", "building a green ecology together" and "public welfare harmony community", which are integrated with our business development to achieve sustainable development operation.

2. High Quality for Development

2.1. Leading independent esoteric testing service

Since our inception in 2003, we have strategically focused on clinical esoteric testing to meet a large amount of unmet medical needs in China. After years of development, we have become a leading independent clinical esoteric testing service provider in China. The independent clinical esoteric testing serves as an important part of medical infrastructure. Compared with routine testing, the independent clinical esoteric testing falls in the field of specialty, with major technical and operational challenges. We boast a wide range of testing items that can provide comprehensive and customized services and advanced technology that can analyze and test all kinds of specimens. In the market competition, we are the market leader of the rapidly developing independent clinical esoteric testing industry and the main supplier of hematology esoteric testing services. In the past 17 years, we have established a comprehensive testing portfolio, extensive hospital network and advanced technology platform. Among all independent esoteric testing suppliers in China, we boast the largest esoteric testing portfolio, providing more than 3,500 kinds of testing items on the service list, including more than 2,300 kinds of hematology testing items. More than 1,100 testing items are completely developed internally, and about 2,400 testing items are developed by or introduced from third parties upon authorization.

The vision of Kindstar Global is to be the leader of the specialty diagnosis and treatment and customized medical diagnosis. We provide clinical testing services to hospitals and their patients primarily in six major specialty areas in esoteric testing, including hematology, genetic diseases and rare diseases, infectious diseases, oncology, neurology and maternity-related diseases. Our testing services include: (i) clinical testing services, where we provide comprehensive testing services to hospitals, or through them, individual patients, ranging from sample collection and transportation, testing, to analysis of testing results and issue of clinical reports, and (ii) testing services for R&D projects and others, where we provide testing services for CROs, sponsors of clinical trials, pharmaceutical companies and research institutes, for scientific research and development of precision medicine as well as esoteric testing services.

In 2021, our hematology testing segment added 50 new projects. Neurology testing segment added 143 partnering Class III hospitals. The sales of multiple steroid hormone tests doubled for genetic disease and rare diseases testing. Revenue from oncology testing services increased by 13.4%, and new technologies empower new products to overcome difficulties in clinical diagnosis. 28 infectious pathogen testing items were added. Our maternity-related testing services include the prenatal, reproductive and gynecologic oncology testing, safeguarding the health of both mothers and babies from all directions.

Kindstar Global has internationally-advanced centers of 40,000 square meters for clinical testing, scientific research cooperation and applied R&D with national qualification in Beijing, Shanghai, Wuhan, Chengdu, Urumqi and Tianjin, including a series of technical platforms and professional laboratories. It provides sophisticated diagnostic tests for more than 3,000 hospitals in more than 600 cities across the country. Meanwhile, it also provides medical research, drug testing and translational medicine research services to clinicians all over the country.

Adhering to the mission of "giving priority to patients' interests and doctors' needs", Kindstar Global is also committed to integrating the strategies of environment, society and governance into all businesses, products and services of the Group, with a view to achieving green operation, building a harmonious society and realizing responsible economic operation, and creating sustainable development value for shareholders, investors, customers, employees, business partners and other stakeholders.

2.2. Innovation-leading service

Throughout the economic development, innovation has always been an important force to promote the development of enterprises. The development of medical enterprises is inseparable from the innovation in medical technologies. The Group goes deep into the field of medical diagnosis and is committed to the path of innovation-driven development. Guided by clinical experience and diseases, the Group develops industry cooperation and industry-university R&D to transform advanced technology so as to enhance its corporate innovation ability and make innovation the driving force in leading corporate services.

The Group develops its innovation and cooperation ability from two dimensions. The first is to develop its own core technology system. Our R&D team consists of medical and scientific experts in hematology, genetics, oncology and other specialty areas, which enables us to provide high-quality esoteric testing services customized for our customers' needs and cater to the evolving market demands. During the Track Record Period, we developed an average of around 100 new testing items in-house each year. The second is the innovation in industry-university-R&D cooperation system. We have been continuously enhancing our R&D capability through our extensive collaborations with renowned medical institutions and pharmaceutical companies. As the market pioneer, we are committed to establishing strong connections with various participants in the esoteric clinical testing industry, including physicians, hospitals, pharmaceutical companies, CROs, academic institutions and regulators. We aim to deepen our existing strategic partnerships and continue to widen our collaboration network, to facilitate the growth of our business and enhance the overall development of China's esoteric testing industry. We will further strengthen our clinical trial programs to meet the research and clinical needs of our partners.

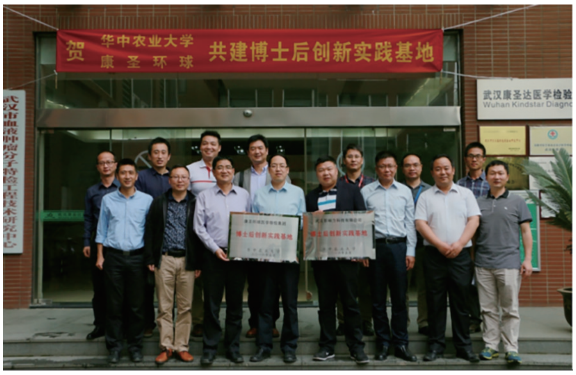
Examples of self-developed core technology system:

The Company established Kindstar Biotech (康聖貝泰) in September 2021, which is committed to the immune repertoire research. A team has been established to carry out research and development in this field for nearly three years, and has currently completed the development of second-generation sequencing technology of immune repertoire and conducted numerous tests on clinical samples. Comparing with other technical methods, the early data detection results are found highly reliable and fully suitable for clinical diagnosis. The Company will also continue to actively build cutting-edge technology platforms in various forms to explore the future technological development direction of the clinical esoteric testing industry.

In addition, we will also take advantage of the win-win cooperation model to cooperate with NeoImmune, an immunohistochemistry company, to make full use of our respective unique advantages in product R&D, data accumulation and sales channels, effectively carry out strategic coordination, jointly explore the clinical application of the latest technology in the immunity field, and promote common high-quality development.

Examples of innovative development in industry-university-R&D cooperation:

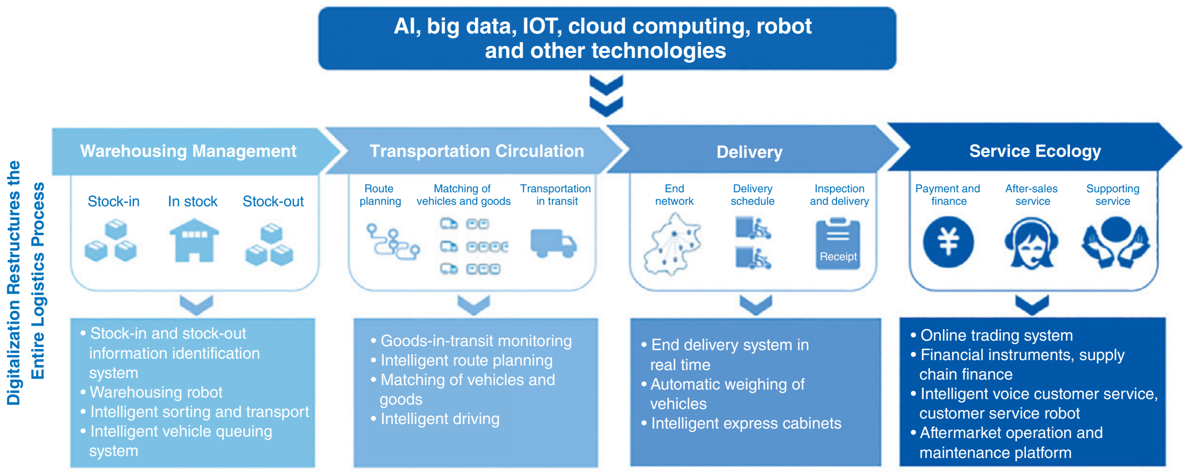
Medical enterprises fall within the knowledge-intensive industry. The industry-university-R&D cooperation has become a strategic measure to accelerate the innovation and development of the industry, the transformation of technological achievements, and to enhance the competitiveness of products and enterprises. In May 2016, the Group and Huazhong Agricultural University ("**HZAU**") jointly built a postdoctoral innovation practice base to open up a new way for promoting the industry-university-R&D integration of the Group. The heads of operation, sales, production, R&D and other departments had in-depth communications with experts and professors of HZAU, and reached numerous consensus on the establishment direction of precision medicine and big data analysis platform, and the development strategy based on market demands while emphasizing integration, speed and stability.



We also collaborate with renowned medical institutions and pharmaceutical companies globally to complement our proprietary R&D and consistently introduce innovative and proven high-quality testing services. We have engaged in more than 30 international and domestic collaboration programs over the past ten years in areas such as esoteric testing of hematological malignancies and oncology as well as metagenomic NGS tests and circulating tumor cell tests, focusing on the development of advanced technologies with wide clinical applications. We have entered into partnerships with medical institutions and global pharmaceutical companies. For example, we set up a co-laboratory with a public hospital in Southwest China in 2016 focusing on the development of hematology esoteric testing in the region. We have also collaborated with a well-known biotech company headquartered in the United States for the validation and clinical adoption of its key sequencing and screening technologies. Through collaborations, we have in-licensed over four testing technologies and co-developed 20 testing items to promote a win-win development for industry-university-R&D.

We focus on research and development of innovative testing technologies and continuous expansion of our testing portfolio. We also closely monitor the latest technology developments in the field and engage in regular dialogue with key opinion leaders and physicians to master the unmet clinical needs for esoteric tests. Our strong R&D capability allows us to promptly expand our testing services to meet evolving market demands. For example, we initiated COVID-19's nucleic acid testing research in February 2020, which allowed us to undertake the testing services for Huoshenshan and Leishenshan, the two major emergency specialty field hospitals in Wuhan, China built during the outbreak. We conducted over one million tests for COVID-19 during the pandemic, which greatly contributed to the nationwide fight against the pandemic.

The expansion of the Company's service range is also backed by its in-house logistics function and cold-chain capability. The Company has successfully set up a logistics team of over 1,000 employees, which could effectively cover the medical institutions nationwide. Meanwhile, the Company has a centrally managed customer service center, a nationwide logistics service network and a professional quality monitoring system to ensure high-quality logistics services. The Company also applied cold-chain technologies to ensure the activity and effectiveness of the sampling during the delivery. On July 27, 2021, the Company obtained the Certificate of Enterprise Compliance with the National Standard of "Pharmaceutical Cold Chain Operation Standard" issued by the Cold Chain Logistics Sub-Committee of the National Logistics Standardization Technical Committee and the China Logistics and Procurement Joint Committee, which is a great recognition of the Company's work in sample cold chain logistics transportation. The Company will further strengthen the construction of its logistics service network and focus on continuous innovation and digital development of logistics services.



Innovation and digital planning of logistics service

The Group strictly complies with the *Patent Law of the PRC* 《中華人民共和國專利法》, the Implementation Regulations for the *Patent Law of the PRC* 《中華人民共和國專利法實施細則》 and the *Trademark Law of the PRC* 《中華人民共和國商標法》. Innovation is the life of an enterprise. In order to encourage innovation in intellectual property rights, the Company has formulated the *Notice on Patent and Software Copyright Incentives and Implementation Plan* 《關於專利、軟件著作權獎勵及實施方案的通知》 in accordance with the relevant laws and regulations of the PRC, with the aim of mobilizing the enthusiasm of R&D personnel and bringing their creativity into full utilization. In addition, 17 patents in total pending or granted in terms of intellectual property rights, including 16 utility patents and 1 patent for appearance design; and 15 patents in total are being applied, all of which are utility patents. In 2021, 23 scientific research articles in aggregate were published.

2.3. Winning the future

1. Fortify the Leading Position of the Company in Hematology Esoteric Clinical Testing in China, Actively Explore New Specialty Esoteric Testings

The Company will leverage its strengths to increase its market penetration in hematology esoteric clinical testing. Furthermore, the Company will keep developing hematological testing platform with worldwide advanced technologies, transforming pioneering technologies into companion diagnostic applications to promote precision medicine in hematology. We will also reproduce the Company's successful experience in hematology esoteric testing, accelerate the development of esoteric testing services for hereditary diseases, infectious diseases, oncology and neurology. In the next three to five years, we will actively develop certain numbers of new esoteric testing service specialty areas.

2. Deepen Strategic Collaboration with Leading Industry Participants

The Company will continue to collaborate with the leading international pharmaceutical companies to promote the application of esoteric testing services in precision medicine, and the Company will strategically focus on prospective and retrospective studies on emerging clinically relevant biomarkers. In addition, the Company will further advance the collaboration with the top Chinese research institutes to introduce more sensitive DNA mutation detection technologies to hospitals in China, in order to facilitate the classification of diagnosis, the prognostic prediction, the selection of precision medicine for patients and monitor the changes in patients during follow-up treatment.

3. *Migrate Across the Industry Value Chain to Enhance Business Competitiveness*

The Company further enriches its service offerings and optimize user experience through diversifying and digitalizing its service offerings. For instance, the Company will work with medical institutions, physicians and insurance companies to facilitate health management for patients with chronic diseases and online medical services through remote testing diagnosis. The Company is able to generate a comprehensive personal health profile for each patient based on the Company's data analytics capability and clinical records, which will assist physicians in issuing follow-up esoteric tests and monitoring the health conditions of patients during and post treatment. Such technology-empowered services can significantly improve market penetration of the Company in a cost-efficient manner, especially in the remote areas in China.

4. *Expand Service Scope to South East Asia and "The Belt and Road Initiative" Countries*

The Company plans to expand its footprints into Southeast Asia, led by advanced technologies. To facilitate its global expansion, the Company will develop a platform fully integrating cloud-based data collection, cleaning, and interpretation. Through its cloud infrastructure, the Company will be able to re-distribute its diagnostic capacities and resources among the laboratories based in and outside of China. The Company leverages the operational flexibility afforded by online business model to create a 24-hour real-time seamless responsive network for hospitals and medical institutions across the globe. Going forward, the Company intends to build a worldwide cooperation network consisting of carefully selected operational advisors and network partners to support its global expansion in key aspects of its business, such as business development of hospital customers, coverage of medical insurance reimbursement, and global expansion of esoteric-testing-related services.

5. *Application of AI Technology and Laboratories Intellectualization*

After more than 2 years, the Company has successfully developed a chromosome AI system. The system integrated years of work experiences of Kindstar Global's analysis team and assisted by highly efficient and completed engineering interface, realizing the intellectualization of chromosome analysis. The utilization of AI analysis system is 4-6 times faster than conventional analysis software, dramatically improving the performance of karyotype analysis, shortening the reporting cycle from 14 days to 5-7 days and providing strong support for the diagnosis and treatment of genetic and haematological tumour-related diseases in a timely manner. The self-development of chromosome AI system is unquestionably a milestone step for the Company. The Company has been also in the full process of building an automated laboratory and increasing its investment in instrument and equipment as well as automatic construction of each laboratory.

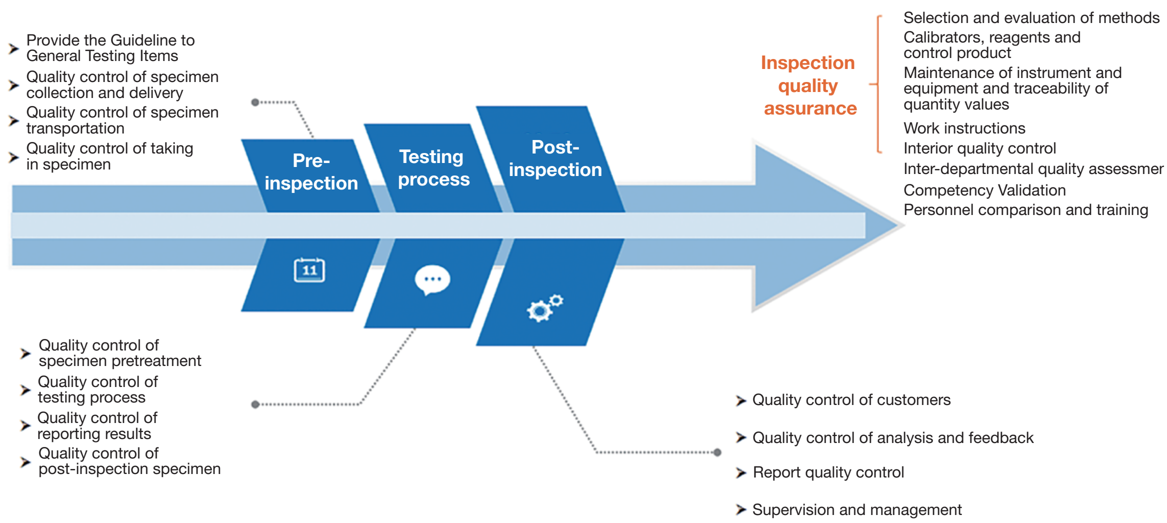
3. Extraordinary Products and Services

The Group strictly complies with all laws and regulations in the places where it operates and carries out its business prudently. Through lean management and standardized corporate governance, we strengthen our internal controls and engage in providing superior esoteric testing services to our customers and safeguard the legitimate rights and interests of the Group and our customers. Focused on the relentless pursuit of quality, Kindstar Global adheres to its core value which the most important corporate culture of quality is life. Kindstar culture is mainly composed of missions, visions and core value. The core value is the bible to guide the behaviors of all Kindstar person, which can cohere the strength of the organization and the team to ensure that all Kindstar person moving with same pace and unified actions towards the vision under the guidance of the shared mission.

3.1. Strengthening Quality Management

Kindstar Global is committed to be excellent in quality philosophy and has established a comprehensive quality management system. On the basis of a medical institution practice permit, the Company has also obtained the quality management system certifications conforming to ISO9001: 2015, ISO14001: 2015 and ISO45001: 2018, the acceptance certificate of technique used by clinical gene amplification testing laboratory (臨床基因擴增檢驗實驗室技術驗收合格證書) and the certificate accreditation conforming to ISO15189: 2012 from the China National Accreditation Service for Conformity Assessment (CNAS).

Quality is life: product quality is the cornerstone of the industry to determine the reputation and weight of enterprises in the hearts of its customers, and is also the basis of enterprises to achieve long-term development. Guided by the concept of overall quality management, Kindstar Global has divided management systems construction into pre-inspection, inspection and post-inspection results report commencing with the business process management.



Before the testing of the sample: relevant systems such as *Pre-testing Procedures*, *Logistics Manual*, *Sample Management Procedures*, *Standard Operating Procedures for Sample Handover and Rejection* have been established. Pre-analytical quality control over testing application, patient preparation, collection, identification and receipt of clinical sample, transportation and registration of sample, and other pre-test work is well conducted to ensure the accuracy of the test results.

During the testing: relevant systems such as the *Selection of Testing Methods and Assessment Procedures*, *Assessment Procedures of Testing Procedures*, *Establishment of Biological Reference Interval and Assessment Procedures*, *Evaluation Procedures of Measurement Uncertainty and Comparison Management Procedures* have been established. Establishment, selection, validation and assessment process of testing methods shall be standardized to ensure proper execution of the testing procedures and achievement of expected goals to meet customers' requirements.

Results reporting after the testing: the *Results Reporting Procedures* has been established. Effective control on the preparation, review and modification of test results ensures that test reports from laboratories are accurate. clear, certain, objective, complete and readable so as to provide stable and reliable services for patients and clinicians. The laboratories will store the specimen after testing in accordance with the storing conditions in *Guide on General Testing*. Specimen after testing will be processed as medical wastes after the expiration of storing periods.

In addition, the *Quality Assurance Procedures for Testing Work*, *Internal Review Procedures*, *Procedures for Management Review*, *Risk Management Control Procedures*, *Safety Management Procedures of Laboratories* and *Quality Manual* have also been established to ensure the safe and reliable implementation of quality, and the monitoring methods are: monthly quality supervision, annual internal review, management review, external supervision and inspection, unannounced inspection, assessment of testing procedures and regular participation in inter-departmental quality evaluation and comparison activities at the national, provincial and municipal level or organized by the Ministry of Health. We shall ensure that laboratory operations meet the requirements of accredited organizations and national laws and regulations.

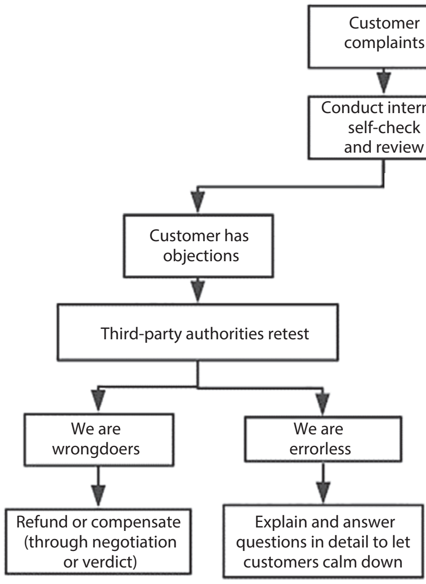
Nowadays in 21st Century, products and technologies experienced quick updates and replacements across industries, and the growing rate of an enterprise becomes a benchmark to measure its presence in the industry it operates and a determinant factor of keeping pace with the times; meanwhile, as a player in healthcare industry, the timely issuance of a medical examination report is sometimes related to the health or even life of a patient, and responding quickly to the demands of doctors and patients is an indication highlighting enterprise belief.

3.2. Valuing customer feedback

Kindstar Global is dedicated to creating a sound customer service system, valuing customer feedback and setting up customer service centers for professional and timely response to the feedback from all levels of medical institutions and customers nationwide. In terms of improving our customer service system, we have formulated the *Medical Counselling Control Procedures*, the *Satisfaction Monitoring and Abnormal Feedback Handling Procedures*, the *Corrective Actions Control Procedures*, the *Preventative Actions Control Procedures*, the *Internal Review Procedures*, the *Procedures for Management Review*, and the *Management Procedures for Revocation, Addition, Trial and Modification of Testing Items*, which mainly clarify the control procedures for all types of consultation and complaints, and different handling measures shall be taken based on different cases. In addition, the Group also organizes training for customer service department to form a relatively sound and standardized working mechanism for resolving complaints. During the year, we had received a total of 8 complaints, including 3 cases of pretreatment, 1 case of customer service and logistics department, 2 cases of molecular, 1 case of clinical chemistry, 1 case of hemopathology and 1 case of invalid complaint, all of which have been properly handled. There have been no complaints on testing quality or issues on service quality in the past two years.

The Company establishes a sound customer complaint handling mechanism and timely delivers information through online customer service hotline, official WeChat account, Weibo, or by contacting sales personnel and other forms. Via online teleconferencing, on-site training and other forms, we internally analyze the root cause of the issues and formulate solutions. In the annual satisfaction assessment, the timeliness of sales problem solving was 100% affirmed by customers.

The Company regularly reviews and assesses customer complaints, conducts graded and classified analysis of customer complaints, and focuses on the analysis of key issues. By disaggregating information, reform is conducted for common problems while individual problems are solved separately. The information on complaints shall be timely understood and solved. We shall timely communicate with customers, identify the key link of the issues and the direct responsible person thereof, and put forward solutions to ensure the fastest solving of issues; timely summary and post-issue sorting shall be made, after which a timely notice shall be posted in the group, and regular online conferences shall be held to summarize and discuss the issues, thereby giving reminders to other regions; positive feedback and dealing with abnormal situations are required to timely reassure customers. We regularly arrange laboratory professionals to conduct training for laboratory related issues; we collect market opinions and feedback from the customers, and timely update the marketing strategies; we will reflect on issues with our partners according to the content of complaints firstly, and improve and upgrade the projects.



Process for Handling of Customer Complaints

In respect of reducing complaints, on the one hand, the quality department maintains rigorous requirements for quality management and conducts inspection and verification regularly; on the other hand, we communicate with customers closely to avoid events arising from misunderstanding and incoordinate understanding based on good trust from customers while serving them.

In respect of complaint massages, we find out the key point of the issues and key factors for the emergence thereof so as to consider process optimization from the start point. As for the inevitable weakness in our products and technologies, we need make honest statements without deceiving to reach a consensus, based on which both parties can reduce the error rate.

3.3. Customer Privacy Protection

Kindstar Global pays high attention to information security. We provide strict protection for our users' privacy through rigorous security management system and advanced technologies of hardware and software. The Group strictly complies with the *Law of the People's Republic of China on Guarding Secrets* (《中華人民共和國保密法》), *Implement Measures for Law of the People's Republic of China on Guarding Secrets* (《中華人民共和國保密法實施辦法》) and other laws and regulations in respect of information security to manage data collection, usage and storage of all kinds, regulate information security management and ensure data availability, integrity and confidentiality so as to protect customers' privacy in all respects.

The Group formulated *Risk Management Procedures for Information Security* (《信息安全風險管理程序》), and with these strict procedures, we can understand information security risks by means of information assets identification and risk grade assessment, and choose appropriate objectives and approaches to put information security risks under control at an acceptable level by taking into account risks, thus maintaining sustainable development of the Company's businesses to meet the requirements under the Company's information security management guidelines. These procedures attach key identifiers to the hardware and software facilities carrying security information, which serves as the basis of risk assessment for making risk management strategies. Risks can be controlled at an acceptable level by the sound information security management of the system. We obtained a certificate that recognizes our management system integrating informatization and industrialization in terms of information security. We were applying for a certificate of ISO27001 Information Security Management System.

We also established *Kindstar Global's Customer Information Management Policies* (《康聖環球客戶信息管理制度》), which states the principle that all of the Group's business should comply with personal privacy information management rules in course of operation, for the staff of the Group to follow. Corresponding management initiatives were adopted for all nodes. Customer information entry shall be initiated in a designated module and then reviewed and approved by all departments level by level to ensure information security. Customer information will be reviewed regularly in the management afterwards. Not only each of the functional departments participates in the information circulation, but also the IT department plays a key role in customer information maintenance. In addition, our staff are required to proactively take part in trainings on information security awareness and information security skills organized by the Company to improve their information security awareness.

The Company obtained filling certification in grade II for national classified protection of information system security on December 15, 2021. During the evaluation process, Wuhan Anyu Information Security Technology Co., Ltd. ("**Anyu**") conducted an inspection on the machine room, network interconnection equipment and security equipment, security management documentation, personnel and other specific objectives of the Company to evaluate the security of production network of Kindstar from all directions. During the process of evaluation for certification, the production network system of Wuhan Kindstar passed the testing for 135 indicators required by grade II of Baseline for Classified Protection of Cybersecurity (GB/T22239-2019) and other provisions, such as information protection, security audit and communication security, etc. The testing conclusion of Wuhan Kindstar was good in the Classified Evaluation Report on Production Network of Kindstar under Classified Protection of Cybersecurity provided by Anyu on February 25, 2022, which indicated that the Company reached the national standards in terms of network security and data protection, established sound network security protection system and was able to provide reliable and safe services for users in terms of physical security, network security, data security, management system, personnel management, operation and maintenance management of system, etc. The Company has always kept security as first priority. The fact that we obtained the filling certification in grade II of classified protection of information system security from Ministry of Public Security convincingly demonstrates our strength and good qualifications.

3.4. Regulating Procurement Management

The Group attaches importance to supplier management. We established *Procurement Management Policies* 《採購管理制度》 to regulate the procurement processes and related activities of the Group, in order to improve work efficiency and quality, effectively reduce procurement cost, and guarantee smooth procurement processes. The procurement department of Kindstar Global is the specialized department for management and implementation of the Company's procurement work and responsible for establishing the procurement management system. When selecting suppliers, we consider their corporate qualification, quotation, service capability and other factors and actively conduct investigation and assessment on suppliers to improve their awareness of responsibility. In addition, we will enter into *Letter of Honesty and Integrity Commitment by Suppliers* 《供貨服務商廉潔誠信承諾書》 with procurement assessors to guarantee transparency, justice, integrity, honesty and legitimacy during procurement processes.

We assess and supervise suppliers regularly and aim to establish sustainable supply chains based on product and service quality, efficiency, customer service, service stability and other assessment indicators. There are more than 172 major suppliers involved in the business of the Group during this year. The table below sets forth their regional distribution by product and service type:

Type/Region	Central China	East China	South China	North China	Southwest and Northwest China
Products and devices	76	57	13	12	2
Services	6	4	1	1	–

4. Strictly Compliant Operation

4.1. Righteous Operation

Kindstar Global has always been operating in a righteous manner with the mission of putting patients' interests and doctors' needs first, and has been strengthening the construction of compliance management in all aspects of our operation. We integrate the concept of sustainable development management into our business operation, build a sustainable development management system, adhere to the principles of ethical and compliant management, and continuously strengthen communication with stakeholders to ensure the sustainable development of the Company and give back to our customers and society.

Following the principle of fair competition in the market, Kindstar Global consciously maintains the market order, establishes an open and transparent pricing system, and conducts business activities in compliance with laws and regulations. The Group issues compliance management reports and conducts compliance publicity and training to raise employees' compliance awareness and promote our compliance and sustainable development.

The Group applies the principle of good faith throughout our business processes, including investigation before entering into contract, implementation management of the business process, standardization of the contract signing process, contract performance and archiving. We standardize business behavior from our business process and strengthen the supervision of the performance process to prevent business risks. In 2021, we had no cases of default arising from breaches of the terms of business activities.

4.2. Anti-Corruption Construction

The Group abides by a series of laws and regulations aimed at preventing corruption, bribery and other unethical business practices, including the *Anti-Money Laundering Law of The People's Republic of China* (《中華人民共和國反洗錢法》) and the *Company Law of The People's Republic of China* (《中華人民共和國公司法》). All Group companies comply with the laws and regulations of their respective operating regions and actively promote anti-corruption work.

Kindstar Global is committed to meeting the highest ethical standards in its business dealings and abiding by the essence and spirit of all relevant laws, regulations and provisions. According to the law, we have formulated the Anti-Bribery Compliance Manual, which defines the targets of anti-bribery and the boundaries of bribery, and prohibits bribery in all aspects.

In an effort to combat corruption and uphold integrity, the Group has established a reasonable organizational structure starting from the environment with prevention as a prerequisite, provided correct guidance from the perspective of values, and advocated a corporate culture of integrity. The Company organized anti-corruption and anti-bribery training during the reporting year, which aimed to explain anti-corruption and anti-bribery and provide related prevention programs to employees, promote integrity management in the company, and enhance employees' integrity awareness and ethics. During the reporting year, we had no cases of corruption.

In order to maintain the integrity and dedication of all employees of Kindstar Global, protect the interests of the Company and individuals from infringement and ensure the healthy development of the Company, every employee should abide by the Anti-Bribery Compliance Manual and other anti-bribery regulations. Each employee shall sign the Anti-Bribery Policy Compliance Certificate to ensure that he/she is aware of the Company's requirements for integrity and anti-bribery.

The following are the Company's compliance practices:

Anti-corruption:

The Group aims to educate employees about anti-corruption regulations and corruption loopholes. Starting from anti-corruption management, the Group has developed a series of preventive measures in multiple business dimensions to provide enterprise operation benefits and establish a good culture of compliance with the laws and regulations.

1 Develop a code of discipline

Evidence-based:

- It is strictly prohibited to illegally accept or offer benefits, and avoid accepting or offering overly extravagant entertainment;
- Remind employees to pay attention to conflicts of interest and prevent the abuse of proprietary information and financial information of the Company;
- Any employee who wants to work part-time must apply to the Company in advance;
- Correctly use the consultation and communication system, and specify the channels for inquiries or complaints.

2 Strengthen the supervisory system

Ten principles for internal supervision:

- Clear and specific company policies;
- Clear working procedures;
- Clearly-defined scope of responsibilities;
- Proper division of functions and responsibilities;
- Properly preserve sensitive information;
- Effectively implement regulatory measures;
- Conduct independent audit on a regular basis;
- Provide channels for complaints and advice;
- Continuously review the supervisory system;
- Do not tolerate any illegal behavior.

3 Actively participate in training

- Study anti-corruption laws;
- Common corrupt practices and preventive measures;
- Provide employees with their own code of ethics;
- Learn the skills to solve ethical problems.

Anti-corruption Management Steps

In terms of anti-bribery:

Firstly, the Company defines the prohibited behaviors relating to anti-bribery in product sales activities. Secondly, the Company implements third-party management and control, and prevent corruption and bribery risks through due diligence and compliance investigations, high-risk transaction signal alerts, payment of remuneration to third parties and signing of agreements and anti-commercial bribery terms and anti-corruption compliance statements to prevent corruption and bribery risks.

The Company has also established scientific and systematic commercial bribery risk assessment procedures to identify, analyze, evaluate and dispose of risks, and regularly reviews the effectiveness of risk assessment procedures and assessment results. For the assessment targets including partners, business agreements, third-party management and control and other areas that may have potential corruption and bribery risks, a comprehensive assessment shall be conducted at least once a year.

In the event of risk warning, the spot check evaluation procedure can be started for specific matters. Evaluation methods may include spot-check evaluation and comprehensive evaluation. The evaluation procedure includes 1) risk identification; 2) risk analysis and evaluation; 3) risk disposal.

The Company has established a reporting and internal investigation system for corruption and bribery risks, strengthened internal compliance management, timely stopped and corrected various misconduct of the enterprise and employees and protected the legitimate rights and interests of the whistleblowers in accordance with the law. The Company has set up a special reporting telephone or mailbox as reporting channel. A whistleblower can report by telephone, SMS, letter, email, face-to-face reporting and other methods. Anonymous reporting shall be allowed. The Company protects the personal rights, property rights, work rights, reputation rights and other legitimate rights and interests of the whistleblowers. For the reported cases that have been investigated and verified, enterprises are encouraged to give corresponding rewards to the whistleblower according to the nature of the case. The enterprise shall establish the internal investigation system to investigate the reported matters or compliance risk matters found in the regular evaluation of the enterprise. The internal investigations can be carried out by the enterprise itself or by a third-party professional organization upon engagement. After completion of the internal investigation, the enterprise shall take corresponding measures against the violators and third parties according to the investigation conclusions, including punishment measures, management and control measures, etc. The Company's internal control loopholes found in the internal investigation shall be rectified in a timely manner, and the internal compliance management of the enterprise shall be strengthened by revising relevant policies, improving relevant procedures, strengthening training and other measures.

In terms of anti-corruption and fraud:

In this part, the Company reviewed the global investigation report on occupational fraud and abuse of authority in 2020 and learned lessons from some cases. The Company has formulated the anti-corruption policy to regulate the behaviors of employees in Kindstar Global from four aspects: gifts and entertainment, charity and donation, third-party management, books and records. In addition, we have made an anti-corruption statement. Kindstar Global believes that commercial corruption affects fair competition in the market, which has a very negative impact on the society, economy and development of the enterprise itself. Kindstar Global insists on operating with integrity, abides by business ethics, complies with all applicable laws and regulations of the place where it operates business and adopts a "zero tolerance" attitude towards corruption.

Kindstar Global has taken active and effective measures and established relevant management systems to prevent commercial corruption. Kindstar Global requires all employees or entities and individuals engaging in business activities on behalf of the Company not to bribe public officials or other entities and individuals in any direct or indirect manner to obtain business opportunities. If suppliers, agents, consultants and other business partners (hereinafter referred to as "**partners**") do so to employees of the Company for the same purpose, employees must refuse and report such acts to the Company. When conducting business cooperation with partners, the Company requires the partners to comply with the Company's anti-corruption policy and restrain their behaviors through the terms of the agreement and corresponding monitoring procedures.

5. Guarantee Humanistic Care

Kindstar Global attaches great importance to talent development, believing employees are the most important assets in our operations. To this end, the Company has formulated the *Kindstar Global Human Resource Management System* 《康聖環球人力資源管理制度》 and *Employee Handbook* 《員工手冊》, which specify procedures including recruitment and employment, labor services, attendance management, performance management and training and development, to strengthen human resources management, effectively protect the legitimate rights and interests of employees, continuously improve employee welfare and enhance employees' sense of belonging. As of December 31, 2021, the total number of employees of the Group which fall within the scope of this report is 2,760.

5.1. Equal Employment System

Kindstar Global strictly abides by the *Labor Law of the People's Republic of China* 《中華人民共和國勞動法》, *Labor Contract Law* 《勞動合同法》, *Labor Dispute Mediation and Arbitration Law of the People's Republic of China* 《中華人民共和國勞動爭議調解仲裁法》, *Labor and Employment Promotion Law of the People's Republic of China* 《中華人民共和國勞動就業促進法》, *Employment Services and Employment Management Regulations* 《就業服務和就業管理規定》, *Prohibition of Child Labor* 《禁止使用童工》 and other laws and regulations related to labor and employment, and provides employees with a harmonious, inclusive, equal, and non-discriminatory working environment. We have formulated the *Kindstar Global Human Resource Management System* 《康聖環球人力資源管理制度》, which includes recruitment management, labor service management, attendance management, salary and welfare management, performance appraisal management and training and development management. The Company appoints talents based on the principle of "open personnel process, equal opportunities, merit-based recruitment" (人事公開、機會均等、擇優錄用).

We strictly abide by Article 94 of the *Labor Law of the People's Republic of China*, which specifies that "where the employing unit illegally recruits minors under the age of 16, the administrative department of labour shall order it to make corrections, and impose a fine thereon. If the circumstances are serious, the administrative department for industry and commerce shall revoke its business license". For the purpose of avoiding the employment of child labor, we ask candidates to show their identity documents for verification during the employment process to ensure that he/she meets the minimum working age requirements. When a new employee joins the Company, the Human Resources Department signs an employment contract with the employee and requires the employee to present documents such as an ID card, proof of academic qualifications, proof of termination of employment with the previous company and a personal photo when handling formal employment procedures to ensure that the employee's identity is genuine and valid and prevent illegal employment.

In addition, the Group specifies the standard working hours for its employees to ensure sufficient rest time for its employees and avoid forced labor.

During the Reporting Period, the Group did not violate any relevant laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, prevention of child labor or forced labor.

5.2. Remuneration and Benefits of Employees

The Group offers its employees with competitive remuneration and benefits based on individual capabilities and performance management to fully utilize the value of our talents in the enterprise. Through a comprehensive employee performance appraisal system, we are able to achieve the Group's overall development strategy while improving the quality and performance of our employees.

The Company has developed a complete remuneration and benefits system for its employees, whose remuneration includes basic salary, assessment salary, overtime salary, various subsidies, business commission and bonuses, etc. We also pay social insurance such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and housing provident fund for its employees according to regulations. In terms of benefits, in addition to offering statutory holidays, the Company also provides paid annual leave and various types of conditional leave in order to protect the legitimate rights and interests of employees.

In addition, the Group also provides various kinds of care for employees in respect of welfare. Every meaningful holiday, the Company will organize employee activities, such as "Offline round fan making on Mother's Day" and "Offline rice dumpling making on Dragon Boat Day". The Company also sends cakes and wishes to employees on their birthdays. The labor union of the Company will buy birthday gifts for union members every month and hold birthday parties according to the actual condition. During the Dragon Boat Festival, Mid-Autumn Festival, Spring Festival and other festivals, the Company will buy holiday gifts for all members, and on Children's Day, the Company will buy gifts for members with children.

The Company also maintains an open communication attitude, and employees can provide feedback and suggestions and seek solutions through the Company's open and formal communication platforms and channels. In order to create convenient and effective communication channels and improve the promptness and feedback efficiency of communication, the Company has set up online and offline communication channels, enabling employees to reflect their opinions to the management and improve their sense of belonging. The channels mainly include:

- Offline information release and interaction platform: Publication of internal information of each system
- Online information release and interaction platform: Kindstar Lexiang, company mails, OA system
- Instant information release and interaction platform: Enterprise WeChat, telephone

5.3. Focusing on talent development

Training systems

The Company is committed to providing training and development opportunities for employees to help them give full play to their business potential and management talents. Meanwhile, the Company advocates for building a learning and sharing mechanism and precipitating organizational wisdom. Employees can based on their work and personal growth needs, apply for training resources in a targeted manner through the Company's online learning platform and various offline training courses.

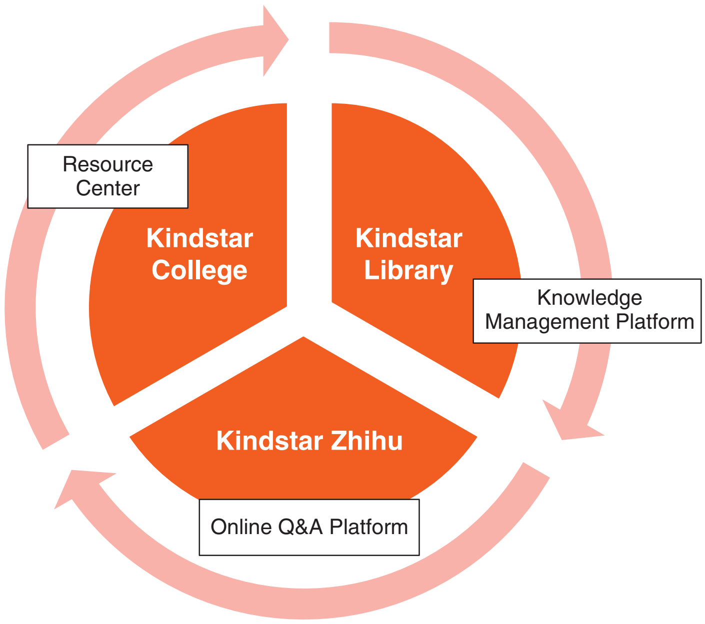
In order to build an efficient and cohesive team, the Group has established a complete employee development and training system to standardize the implementation and management of training for employees at each level, and to continuously improve the talent cultivation mechanism. The Group's employee training programs are set in a scientific and reasonable way in order to cultivate various types of talents. The training system is classified as:

(I) New recruits training system: New recruits who have joined the Company for less than 3 months can learn the Company's enterprise culture, rules and regulations, and business processes through the online self-learning (test) and offline training modes, so that they can fit into the Company and departments in the shortest time, and become a full member after passing the assessment on the new recruits upon training.

(II) General ability development system: The Company helps employees master general professional skills by setting different thematic learning programs and courses through offline training, online live broadcast and video on demand, etc., so that they can complete their jobs better and obtain career development.

(III) Leadership development system: The Company sets up different training programs for employees at different management levels, to help them change their role awareness and improve their management ability to be competent for their positions.

The Company has diversified talent cultivation channels, and builds our talent cultivation system through various ways. We have created the online platform of "Kindstar Lexiang", which is accessed by the "workbench" of the Enterprise WeChat, and can be used for studying online courses, including related online system accesses such as Kindstar College (Classroom), Kindstar Library (Knowledge Base), Kindstar Zhihu (Question-and-Answer) and other comprehensive learning tools.



The Group also has a professional lecturer team for our training system. The Company welcomes employees with experience and expertise who are willing to share to join our lecturer team. In the team, you can share work skills, professional skills, work experience, cutting-edge information, interests, industry information and other areas of expertise or knowledge.

Empowerment plan

During the reporting year, we also held a series of eagle programs to promote mutual learning among employees, including the Kindstar Global Group Genetic Karyotyping Professional Competition and the "Pfizer Cup" Golden Collar Talent Campus Simulation Job Search Competition.

The pandemic situation in 2021 still affects everyone's heartstrings. In order to improve the detection efficiency, the ability of karyotype analysts to process the details of chromosome reports, and the ability to accurately and quickly judge a large number of morphologically normal or abnormal forms, the Group held a professional competition for genetic karyotyping on November 5, 2021. The participating units include many companies of the Group. After a long period of study and accumulation, the karyotype analysts greatly improved their abilities. The winners were also selected after the competition. The event optimized the talent training system of the Group.

Huaxi Kindstar cytogenetic platform competition site

The examiners double-checked the questions raised by the contestants

In October 2021, the 11th Pfizer Cup "Golden Collar Talent" Campus Simulation Job Search Competition of Hubei University of Chinese Medicine was jointly hosted by the Student Affairs Office of Hubei University of Chinese Medicine and Wuhan National Bio-Industry Innovation Base Co., Ltd. to show the professional skills such as workplace awareness, adaptability, teamwork, and interpersonal communication skills from various scenarios. During the ask and answer session, the contestants were calm and flexible, showing good communication, expression, collaboration and adaptability. In the final, Kind stars led by Kindstar Global won the championship.


第六届湖北省大学生模拟求职大赛湖北中医药大学总决赛
会议室


2021年武汉康圣达首届内审员培训


We Want Your Feedback

Training dynamics

During the year, a total of about 86%(Note 1) of employees received training, and the average training hours per employee was 19.85 hours(Note 2). Information on the training by gender and rank of employees is as follows:

	Number of trainees	Percentage of trainees(Note 3)	Total training hours (hour)	Average hours (hour) of training completed by each employee(Note 4)
By gender of employee				
– Male	766	82%	17,525	18.86
– Female	1,598	87%	37,264	20.35
By employee rank				
– Senior management employees	21	78%	566	20.96
– Medium management employees	348	87%	10,969	27.49
– Other employees	1,995	85%	43,255	18.53

Note 1: The total number of trainees divided by the number of employees at the end of the year.

Note 2: The total training hours of employees divided by the number of employees at the end of the year.

Note 3: The number of trainees who belong to the related type of employees divided by the number of employees trained.

Note 4: The hours of training received by the related type of employees divided by the number of the related type of employees at the end of the year.

5.4. Employee health and safety

Kindstar Global takes the protection of the health and safety for employees as the top priority, strictly abides by the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), the *Labor Protection Regulations for Female Employees* (《女職工勞動保護規定》), the *Regulations on the Supervision and Administration of Workplace Occupational Health* (《工作場所職業衛生監督管理規定》) and other laws and regulations, builds a safety management system, creates a safe and healthy working environment and carries out comprehensive safety education for employees. In the face of the ongoing impact of the COVID-19, the Company has been taking reliable protective measures to protect the health and safety of its employees.

Workplace Safety

In order to ensure safe production and a safe workplace, Kindstar Global has built a comprehensive safety production system, formulated the Safety Manual, and provided safety management specifications in terms of protection, biosafety management, and emergency response. The Company has obtained safety certifications in the fields of biosafety laboratory credentials, clinical inspections, microbiology, and COVID-19, and meets the requirements of ISO15189: 2012 in all these fields.

In order to strengthen the biosafety management of pathogenic microorganism laboratories (hereinafter referred to as laboratories) and protect the health of laboratory staff and the public, biosafety management regulations have been formulated, which define pathogenic microorganisms in detail and list possible dangerous links. Regarding the transportation of pathogenic microorganism samples, we have also formulated corresponding measures and emergency plans to ensure the safety of the highly pathogenic microorganisms (viruses) or samples during transportation. In terms of storage, the preservation institution has also formulated a strict safety preservation system, made records of the entry, exit and storage of pathogenic microorganisms (viruses) and samples, established a file system, and designated a special person to take charge. Special libraries or special counters shall be set up for storage of highly pathogenic microbial strains (viruses) and samples.

The unit establishing the laboratories should formulate a scientific and strict management system in accordance with the provisions of these regulations, and strengthen the management of the daily activities of the laboratories. Moreover, the unit should regularly inspect the implementation of relevant biosafety regulations, and regularly inspect, maintain and upgrade laboratory facilities, equipment, and materials to ensure that they conform to the national standards.

Physical and mental health of employees

The Group is committed to providing employees with a healthy and comfortable working and living environment. As a medical enterprise, it is imperative for us to care about both the physical and mental health of employees. The Company arranges annual physical examinations for employees which pays attention to their physical health. In addition, the Company also organizes employee care actions. For example, the Company held the "Care for Employees' Eye Health Thematic Activities" and other series of activities focusing on employee health on March 16, 2021.

In the production field, necessary protective equipment will also be provided in the process of collection, transportation, storage and disposal of medical waste, and regular health checks will be carried out; if necessary, relevant personnel will be immunized to prevent them from health damage.

During the Reporting Period and the past three years, the Company had no record of work-related death, or any major violations of relevant health and safety laws and regulations.

Fight against the pandemic

Under the continuous impact of COVID-19, the Group has responded to the call of the state and incorporated pandemic prevention and anti-pandemic management into normal management. In order to ensure the safety of employees, the Company has specially formulated the COVID-19 Prevention and Control Emergency Plan, and established a pandemic prevention and control leading group to be responsible for dispatching personnel and supplies, including the procurement and distribution of anti-pandemic materials and communicating with department heads, so as to ensure that pandemic prevention and control measures are implemented by every individual. In order to protect the life safety of employees, the following anti-pandemic measures are implemented in the Group and its subsidiaries:

1. Place recycling bins for the discarded masks;

2. Update pandemic prevention information in time;

3. Announce the latest pandemic prevention policies to employees;

4. Register the vaccination information about employees;

5. Monitor employees' body temperature in real time;

6. Register and measure temperature of visitors;

7. Disinfect the office area regularly;

8. Require scanning the site code for entering or leaving the office;

9. Adjust working hours, locations and methods for employees affected by the pandemic;

10. Carry out health monitoring for employees who travelled to and from medium-risk, high-risk or low-risk areas in accordance with pandemic prevention regulations;

11. Forms related to pandemic prevention: registration form for staff temperature measurement, registration form for disinfection and pandemic prevention, registration form for distribution of pandemic prevention materials and registration form for visitors' health information.

5.5 Summary of data in social category

Social category	Unit	2021
Number of employees by gender		
Male	Persons	929
Female	Persons	1,831
Number of employees by employee rank		
Senior management employees	Persons	27
Intermediate management employees	Persons	399
Other employees	Persons	2,334
Number of employees by age group		
Under 30	Persons	1,053
30 to 50	Persons	1,512
Over 50	Persons	195
Number of employees by geographical region		
China	Persons	2,757
Overseas (United States of America)	Persons	3
Number and rate of employee turnover (overall rate and by gender)		
Total employee turnover rate[note 1]	%	20%
Male employee turnover and turnover rate[(note 2)]	%	194 (21%)
Female employee turnover and turnover rate[(note 2)]	%	369 (20%)
Number and rate of employee turnover (by age group)[(note 2)]		
Under 30	%	324 (31%)
30 to 50	%	209 (14%)
Over 50	%	30 (15%)
Occupational health and safety		
Lost days due to work injury	Days	101
Work-related fatalities (for the last three years)	Persons	0

Note 1: Number of employees who left office divided by the number of employees at the end of the year.

Note 2: Number of employees in this category divided by the number of employees in this category at the end of the year.

6. Building a green ecology together

While maintaining quality growth, Kindstar Global also upholds the concept of caring for the Earth and protecting the environment. We have established a sound environmental management system and measures to ensure that we work with our employees and customers to build a green ecology together. In the light of the increasingly severe global environmental risk situation, we must also take actions to establish the concept of ecological civilization featuring respecting and protecting nature and take the path of sustainable development. During this Reporting Period, we did not violate any laws and regulations on environment.

6.1. Tackling climate change

Climate change is currently a global challenge that affects everyone's life. In 2015, almost all countries adopted a milestone international agreement, the Paris Agreement, agreeing to significantly reduce global greenhouse gas emissions with a view to limiting global warming within 1.5 degrees Celsius this century. This Agreement has underlined the urgency of the climate-related conditions.

In 2020, at the United Nations General Assembly, our country made it clear that China aims to peak CO2 emissions before 2030 and achieve carbon neutrality before 2060. In recent years, Kindstar Global has also taken an active part in the carbon emission reduction scheme, proactively following the global trend of green and low-carbon development and actively laying out a carbon neutral pattern. During the reporting year, the Company also developed the Environmental, Social and Governance Policy specific for climate change, which also states how to assess significant climate-related issues and how to respond to them. We monitor the impact of weather changes on enterprise business in real time and asses the magnitude of the impact. Then we develop countermeasures based on the assessment results to prevent the impact of extreme weather on our business.

Our greenhouse gas ("**GHG**") emissions from operations came mainly from the use of fuel in vehicles for business travel and the use of purchased electricity. The Group also put a number of measures in place to address GHG emissions, the details of which were set out in the "Practicing Green Operations" section.

The summary of the Group's GHG emissions*note 1* for the year is as follows:

Category of GHG emissions	Unit	Discharge amount
Emissions of greenhouse gases		
Scope 1 Direct GHG emissions	Carbon dioxide equivalent (tons)	97.19
Scope 2 Indirect GHG emissions from energy consumption	Carbon dioxide equivalent (tons)	3,973.06
Total GHG emissions	Carbon dioxide equivalent (tons)*note 2*	4,070.25
Intensity of GHG emissions		
Per employee (Scope 1/2)	Carbon dioxide equivalent (tons)/employee	1.47

Note 1: The calculation is made with reference to How to prepare an ESG Report - Appendix II: Reporting Guidance on Environmental KPIs published by Hong Kong Exchanges and Clearing Limited and Greenhouse Gas Accounting Tool for Chinese Cities published by World Resources Institute.

Note 2: Carbon dioxide equivalent (tons) is a unit of measurement based on the greenhouse effect from each ton of carbon dioxide. It can measure and compare the greenhouse effect from the emissions of various greenhouse gases including carbon dioxide (CO2), methane (CH4) and nitrous oxide (N2O).

6.2. Practicing green operations

Taking into account all the industry features, Kindstar Global has been committed to alleviating the impact of its operation on the natural environment, promoting and practicing green operations and incorporating green philosophy into our daily operation. The Group mainly impacted the environment in these aspects: electricity and water consumption in the offices, management of waste, water consumption and waste water disposal in the laboratory and the fuel used by the vehicles of the Company for operational purpose. The Group has made efforts to practice green operations and contributed to building a harmonious ecology. It has taken a series of measures for medical waste/general solid waste management, energy consumption, water resource management and gas emission reduction.




Medical waste management/general solid waste

Falling in the esoteric testing service industry, the Group produces medical wastes during daily operation. Pursuant to the requirements, we set up the medical waste disposal flowchart, the classified catalogue of medical waste, the Regulations on the Management of Medical Waste, the Medical Waste Temporary Storage Room Management System and objectives and disposal measures for hazardous wastes. We strictly comply with a number of relevant regulations such as the *Regulations on Administration of Bio-safety* 《生物安全管理條例》, the *Classified Catalogue of Medical Waste* 《醫療廢物分類目錄》, the *Regulations on the Management of Medical Waste* 《醫療廢物管理條例》, *Standard of Packaging Bags* 《醫療廢物專用包裝物》, *Containers and Warning Symbols Specific to Medical Waste* 《容器標準和警示標識規定》, the *Implementation Measures of the Management of Medical Waste* 《醫療衛生機構醫療廢物管理辦法》 and the *Biosecurity Law of the People's Republic of China* 《中華人民共和國生物安全法》.

Medical waste is classified into infectious waste, pathological waste, damage waste, drug waste and chemical waste. In disposing the medical waste, we make daily records, including the source, category, weight or amount, delivery time, disposal method, destination and the handler's signature of the medical wastes. The records shall be maintained for at least 3 years. We eventually transfer the medical wastes to a third-party entity with the qualifications approved by the government for disposal. We have also established the rules and regulations in connection with the safely disposal of medical waste and the contingency plan for accidents. We set up the monitoring department or full (part)-time personnel to inspect, supervise and implement the medical waste management in the entity. In addition, we also conduct training on legal expertise and professional techniques, safety protection and emergency response for our employees and management members who collect, deliver, store and dispose medical wastes.

Our offices also produce general solid waste during operation. The daily garbage produced will be transported and disposed by qualified environmental sanitation firms to ensure garbage sorting and disposal. During daily operation, the Company reuses resources by daily recycling to reduce the waste of resources. The Company encourages employees to recycle the printing papers and other stationeries to reduce waste discharge. Due to the small amount of non-hazardous waste produced by the Group, no statistics was made.

Hazardous waste	Units	Year 2021
Medical waste	ton	123.61
Other wastes	ton	3.57
Total	ton	127.18
Hazardous waste intensity	ton/employees	0.05

Energy use

The Group insists on reducing the consumption of resources (including energy, water, etc.) as much as possible under the condition of efficient operation, supporting the use and promotion of clean energy, and improving the comprehensive utilization rate of resources. The Group manages the use of energy such as water, electricity and fuel oil, focuses on the management of major energy-consuming equipment, calculates the consumption monthly, and standardizes the equipment operation process to fully and effectively utilize energy. If we investigate any abnormal or excessive consumption, we will find out the cause and look for rectification measures. The operation of the Group does not involve packaging except a small amount of testing kits' package. Considering its minimal impact on the environment, the Group did not collect relevant data. In the future, if the operation of the Group involves usage of a large number of packaging, the Group will collect and disclose such information in detail. Looking forward to the future, we will continue to identify feasible opportunities to reduce consumption in our operations. To achieve sustainable development, the Group regularly circulates environmental protection information to employees and provides practical suggestions on environmental protection lifestyles.

The Company has made the following measures for energy use, energy conservation and emission reduction:

1. The administrative manager is responsible for the dispatch and use of vehicles, and approves and arranges the use of vehicles in various departments to ensure the effective use of office vehicles;

2. The motor vehicles in the Company are inspected monthly, and the safety technical inspection and vehicle inspection are carried out once a year. Only when they meet the national standards can they be allowed on the road. Establish and improve vehicle management rules and regulations and safety management accounts to ensure driving safety;

3. All vehicles of the Company are refuelled with a unified fuel card, and the system of one vehicle one card is implemented. Drivers refuel vehicles with a fuel card, so that the Company can put vehicles under management;

4. Phase out old-fashioned vehicles and purchase vehicles with new China VI vehicle emission standards;

5. Reduce the use of fuel vehicles and switch to pure electric vehicles;

6. According to the temperature requirements and usage time of air conditioners in different departments and functional areas on each floor, the air conditioner controllers in different blocks are grouped by using the management software of the central air conditioner remote monitoring system, and the automatic closing operations at different time points are set respectively to reduce circumstances that the air conditioner is always on in the unmanned area after work due to personnel negligence, which effectively reduces the consumption of unnecessary electricity;

7. Strictly control the classification of domestic waste and medical waste to reduce the generation of medical waste;

8. Control the use of raw materials in the laboratory and reduce the amount of discharge gas.

With the Group's efforts to improve energy efficiency and strengthen the promotion of energy conservation information to employees, the main energy consumed by the Group is electricity used in operations and diesel and gasoline used for vehicles. The energy consumption and its intensity in the reporting year are as follows:

Classification of energy	Unit	Year 2021
Indirect energy: power consumption	MWh	4,571.65
Total power consumption intensity	MWh/employees	1.66
Direct non-renewable energy: gasoline consumption	liter	44,568.75
Gasoline consumption intensity	liter/employees	16.15

Water resource management

The water used by the Group is concentrated in office and domestic water, testing water, water for cleaning experimental apparatus and equipment, water for cleaning work clothes and water for washing hands of experimental personnel. For the waste liquid generated in the laboratory, we will use a special chemical waste liquid storage barrel to properly store it, file the relevant information with the Hubei Province Hazardous Waste Supervision Internet of Things, and then entrust the designated qualified chemical sewage treatment agency to deal with it. For the medical wastewater generated in the production process (water for preparing solution, water for cleaning labware and water for cleaning the laboratory), we are equipped with sewage treatment facilities with a daily treatment capacity of 30 tons, which can fully deal with the standard discharge of experimental wastewater. The wastewater discharge standard is in line with the Discharge Standard of Water Pollutants for Medical Organization (GB18466-2005); our sewage treatment is also subject to external supervision. A third-party testing agency with relevant qualifications will conduct sewage testing twice a year and issue test report, and we are also subject to random inspection by Wuhan Center for Disease Control & Prevention. Office water and basic sanitary water are discharged into the municipal sewage pipe network after pretreatment, and the collected sewage meets the tertiary discharge standard of Integrated Wastewater Discharge Standard of China.

Kindstar Global attaches importance to the impact of water consumption on the environment and has formulated a series of water-saving measures. Water-saving reminders are installed in each water-using areas to improve employees' water-saving awareness. The non-contact induction faucets installed in the laboratory can help save water.

For the year ended December 31, 2021, the water consumption of the Group and its intensity are as follows:

	Unit	Year 2021
Water consumption	ton	29,329.80
Total water consumption intensity	ton/number of employees	10.63

Reduce air emissions

The air emissions of the Group mainly come from the exhaust gas discharged by the Company's vehicles. We have taken effective emission reduction measures to reduce air emissions. We control car usage by implementing the system of "one fuel card for one car". The mileage of vehicles is registered every month to avoid invalid and random use of vehicles. In addition, the Company is gradually replacing old-fashioned vehicles with large displacement with pure electric vehicles for transportation to reduce emission of air pollutants from fuel combustion.

During the year, the types and data of the Group's air emissions[note 1] from vehicles are as follows:

Type of emissions	Unit	Year 2021	Intensity[note 2]
Nitric Oxides (NOX)	kg	121.21	0.04
Sulfur Oxides (SOX)	kg	0.66	<0.01
Particulate Matter (PM)	kg	14.01	0.01

Note 1: The calculation is arrived at with reference to the "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" published by Hong Kong Stock Exchange and the "Guide to the Techniques for the Preparation of a List of the Emissions of Atmospheric Pollutants from Road Vehicles (Trial)" (道路機動車大氣污染物排放清單編製技術指南(試行)) published by the Ministry of Ecology and Environment of the People's Republic of China.

Note 2: Intensity is calculated as emissions divided by 2,760 employees as of the end of the Reporting Period.

6.3. Promote Low-carbon Emission and Environmental Protection

In recent years, China has continuously incorporated "promoting green and low-carbon development and improving the quality of ecological environment" into its national economic development plans to strengthen efforts in ecological environment protection. China has accelerated the planning and implementation of peaking carbon dioxide emissions and the construction of a carbon emissions trading market to push ecological and environmental protection as a whole and lay the foundation for realizing carbon neutrality by 2060.

As a global citizen, the Group reviews its economic behavior on a regular basis and integrates environmental protection into its strategic planning. In 2021, we established an environmental, social and governance leading group and working group led by the Board. Through frequent communications and discussions, we formulated management policies on environmental, social and governance to guide ESG issues involved in business operation. At the same time, according to the recommendations of the relevant taskforce on climate-related financial disclosures (TCFD), we disclosed specific data on emissions in the report, endeavored to reduce the Group's carbon footprint during its operation and promoted a low-carbon culture.

In addition, in order to practice the concept of green and low-carbon development, we organized activities to protect the environment. On March 4, 2021, we organized an activity with the theme of "Caring for the Environment Begins with Me", leading employees to clean up the white trash on Erfei Hill near the Company as a form of exercise. We started from the surroundings and took practical actions to protect the environment.

The Company also organized training on environmental protection compliance in the reporting year to the practice the philosophy of low carbon and environmental protection; the training topics are related to:

I. The new challenges and trends of "pursuing the liabilities of not only the offender but also the Party committee and discipline inspection authorities" for corporate environmental compliance;

II. Common types of corporate environmental violations;

III. Common administrative vulnerabilities of corporate environmental compliance.

7. Public Welfare Harmony Community

As a corporate citizen who actively fulfills its social responsibility, the Group has been adhering to and practicing the principle of "What is taken from society is used in society", giving back to society in various forms, benefiting people and actively participating in social welfare projects and activities. We are courageous in assuming our responsibility to the society and adhere to the core value of putting quality first and regard it as the fundamental of our healthy development. The Group implements sustainable corporate strategic development through activities such as initiatives of caring for employees, condolences to people in needy communities, participation in the fight against COVID-19 in communities and lectures on medical knowledge. The Group will also continue to explore diversified ways of making its contribution to the harmonious and healthy development of communities.

7.1. We Are Fighting Against COVID-19 Together

As a third-party organization that conducts nucleic acid testing for COVID-19, Kindstar Global formed its own team as soon as it received the news and joined the battle against the pandemic. The promise of "Life first, people first" is our most striking value in the fight against the pandemic. We have the responsibility and obligation to take up this social responsibility and contribute the power of Kindstar to universal screening.

In order to better prevent the spread of the COVID-19 pandemic, the Company set up an emergency working group for pandemic prevention and control, led by general manager Mr. Tu Zanbing and assisted by the heads of various departments. In light of the characteristics of business, the working group made corresponding plans to prevent and control the COVID-19 pandemic for staff and workplaces.

1. At the beginning of the COVID-19 pandemic, Kindstar Global was one of the first third-party institutions designated by the Hubei Provincial Government to conduct nucleic acid testing for the COVID-19, as well as the contractor of comprehensive external testing services for the Huoshenshan and Leishenshan Hospitals in Wuhan.

2. In order to help enterprises in Wuhan resume work safely, Kindstar Global provides visiting testing services to ensure the safe resumption of work and production of enterprises. During the resumption of work and production, the Company sampled up to 6500 cases/day, and the total number of samples collected was close to 200,000. Its services covered the entire city and benefiting entities of various industries including banks, factories, telecommunications operators and state-owned enterprises.

3. We participated in the meeting to discuss the universal nucleic acid testing program, and participated in the ten-day Wuhan universal nucleic acid screening campaign. We set up sites in major communities for nucleic acid sampling and testing and collected nearly 1 million samples in the ten-day campaign.

4. In order to fight against the pandemic in Xinjiang, the employees of Xinjiang Branch worked hard 24 hours a day, and Wuhan Kindstar sent a support team to Xinjiang to quickly complete the coordination of medical supplies such as testing instruments, medical consumables and protective supplies. They assisted the local branch to carry out universal nucleic acid screening, and completed more than 1 million cases of testing in three phases.

5. Before the Chinese New Year in February 2021, in order to avoid the gathering of people, we developed a WeChat applet for online appointment of tests in different periods of time to conduct nucleic acid screening for enterprises, institutions, individuals, etc. to return home for the Chinese New Year.

6. In August 2021, we participated in the universal nucleic acid screening in Jingzhou, Jingmen and Wuhan regions. On August 2, the universal nucleic acid screening was launched in Wuhan region, and the cumulative number of nucleic acid tests was about 2,546,000. The cumulative number of nucleic acid tests in Jingmen and Jingzhou was about 441,700.

7. During the period of universal nucleic acid, we developed "Xiaokang Battle Epidemic" applet, and later, at the request of the Health and Welfare Commission, we docked with "Health Wuhan Official Microblog" to improve the efficiency of information entry; we communicated with the community about sampling personnel and sampling areas, reasonably allocated sampling materials and consumables, and arranged on-site personnel to dispatch and deal with emergencies at any time; we promptly arranged vehicles to the pandemic sealing and control areas for specimen delivery; we uploaded test results, etc.

8. Wuhan Kindstar provided testing services for COVID-19 nucleic acid and physiological and biochemical indicators for all athletes participating in the Olympic Sports Area during the 14th National Games in 2021, providing a strong guarantee for the athletes' smooth participation;

9. Kindstar Global supported the COVID-19 nucleic acid test in Yanliang District, Xi'an, with a total of 830,000 tests, which lasted for one month from December 26 until all cases in Xi'an were cleared.

10. Kindstar Global is equipped with a mobile cabin vehicle, which is a polymerase chain reaction ("**PCR**") mobile chain laboratory, covering an area of 40 square meters, and comprising 10 Applied Biosystems ABI 7500 real-time quantitative fluorescence PCR amplifiers. The interior of the laboratory was divided into regions for reagents preparation, specimen preparation, amplification analysis and high-pressure disinfection. Through gene amplification, one-stop nucleic acid tests could be completed. Its COVID-19 hybrid nucleic acid test volume per day could achieve 100,000, which could greatly shorten the time of testing and meet the requirement of large-scale nucleic acid testing nationwide. In 2021, the mobile cabin vehicle supported the nucleic acid screening in Shangrao, Jiangxi, with a total of 283,200 tests completed. From December 2021 to January 2022, the mobile cabin vehicle supported the nucleic acid screening in Xi'an, with a total of 836,100 tests completed.

As a social government-accredited nucleic acid testing agency for COVID-19, we rely on our professional testing service capabilities to help companies do a good job in work resuming screening, minimize the risk of COVID-19 infection in companies resuming work and eliminate the potential risk of infection as early as possible, so as to protect the safety of companies resuming work at all times. Therefore, we have been recognized by the government and the community, and we have also demonstrated our commitment to fight against the pandemic.

7.2. Healthcare Inclusion

"Screening for two cancers"

"Two cancers" refers to breast cancer and cervical cancer, which are two major "killers" threatening women's health. Early detection, early diagnosis and early treatment can reduce the mortality rate of "two cancers" among women. In October 2021, in order to care for women's health, raise women's awareness of reproductive health and take early precautions, Kindstar Medical Laboratory cooperated with Dangyang Maternal and Child Health Hospital to carry out a free two-cancer screening program for women of the appropriate age, sampled by the hospital and timely collection of samples by Kindstar on a daily basis and delivery to Wuhan laboratory for testing. From October 14 to 29, a total of 3,053 people were tested.

"Genetic screening"

We provided leukemia genetic screening detections for 1,000 children with leukemia nationwide by high-throughput sequencing technology: Free NGS-based fusion gene screening for ALL child patients; NGS-based gene mutation screening for AML child patients. The public welfare program provided free detection services for nearly one thousand children with leukemia, which helped standardize the diagnosis and treatment of leukemia in China.

"Detection of chronic granulocytic leukemia"

As a commercial laboratory certified by international standards, we have actively taken part in the public welfare programs of the industry, providing a total of over 18,000 free molecular detections for more than 9,000 patients with chronic myeloid leukemia (CML) nationwide, to help improve the level of standardized detection and treatment of CML throughout China and enable patients to ultimately benefit from the scientifically standardized detection.

7.3 Care for communities

"Public welfare activity for health detections"

On October 28, 2021, the staff representatives and professional nurses of Kindstar came to the meeting room on the second floor of Qingheli Community in early morning to arrange the relevant activity site for a charity of health detection. After listening to the lecture for the popularization of high blood pressure, hyperlipidemia and hyperglycemia, the elders in Qingheli community had a deeper understanding of high blood pressure, hyperlipidemia, hyperglycemia and daily monitoring. After the selection of programs, glycosylated hemoglobin detection was given to them through this activity.

The activity started at 10:00 am. Everyone wore masks and queued up at intervals according to the pandemic prevention requirements. The Company's staff did the registration, pasted bar codes, distributed sample tubes, and patiently explained the benefit of the detection program and its difference from conventional finger blood collection to the elders who were in doubt again and again. As the elders are susceptible to disease, community workers demanded strict control of the number of people in order to respond to pandemic prevention requirements and reduce the risk of gathering, so a total of 31 people were detected in this charity activity. When the detection reports come out, we will interpret the reports to the elders with abnormal results, and urge and remind them to change their living habits, pay attention to diet adjustment, or seek medical treatment in time according to their own situations.

Blood collection site for this activity

"Public welfare activity of eye examination"

In order to care for the eye health of its employees, strive to improve their health level, make them enjoy the health services of expert diagnosis and treatment nearby, and promote the life concept of healthy work, Kindstar held a public welfare activity of eye examination on March 16, 2021. The examination items included naked eye vision examination, glaucoma screening, keratoconjunctivitis, xerophthalmia, cataract, lacrimal passage and other eye diseases screening. Nearly 50 people signed up for the activity.

"Organizing activities for child patients on Children's Day"

We hold activities for child patients from the pediatric hematology department of Fujian Union Hospital on every Children's Day, including site layout, materials preparation and construction, small gifts and programs such as children's paintbrushes, hoping to alleviate their suffering from diseases and bring them hope and positive attitude to life. We receive recognition and feedback from child patients and their families every year.

"Caring the elders in difficulties – The public welfare activity for consoling in Dragon Boat Festival"

At 10:00 a.m., June 9, 2021, accompanied with the staff of Qingheli community in Jiufeng street, the staff representatives of Wuhan Kindstar Medical Laboratory Co., Ltd. brought specifically prepared gifts for Dragon Boat Festival such as rice, flour and oil and extended festival condolences to five families with deaf-mute, disable, mental disorder and other families in difficult life in the community, and reminded them to ask organizations or community for help timely when facing difficulties, and we will make efforts to help. The five families were delighted for the visiting of the staff of enterprise and the community.

"Caring for the children in difficulties – The public welfare activity for learning supplies donation"

On October 16, 2021, aiming at children's healthy growth, the staff representatives of Wuhan Kindstar Medical Laboratory Co., Ltd. conducted the "Sail the Childish Dreams" activity for teenager-caring in Qingheli community. The staff representatives visited 20 families with children in difficulties in the community, sent out school bags, educational toys, books and other resources. The staff representatives enquired the children about the situations of life and learning in detail. The caring and consoling activity not only materially helped the families with children in difficulties, but also made them feel the warm concern from social families.

7.4. The public welfare science popularization

"Small vision leading to a great world, lighting up life with science"

On the morning of July 28, 2021, under the leadership of the Group's leading teachers, 23 teenagers from Qingheli community took the bus specially assigned by Kindstar to Kindstar Global Building located in D2, Biolake, East Lake High Tech Zone. The staff representatives of Kindstar who were waiting at the entrance of the building early received them and started the exploration of science with them.

Lecturing site

During the question-and-answer session, the kids were very enthusiastic. We also prepared small gifts for those who answered actively:

Question-and-answer session site

"Have you paid attention to three high"

In response to the "Healthy China" initiative advocated by the State, Wuhan Kindstar Medical Laboratory Co., Ltd., after intensive preparations in the early stage and under the guidance of our colleagues, held a health science popularization lecture on "Have you paid attention to three high" for the elderly residents in Qingheli community on October 25, 2021. This event explained to the elderly residents of the community about hypertension, hyperglycemia, and hyperlipidemia, which are the most common diseases among the elderly and are often neglected in the early stage, also illustrated what the "three high" are, their causes, the harm to the body, and how to early detection, early treatment, regular medication, diet safety, disease prevention, etc. During the lecture, we used pictures and cases, which were easy to understand. Everyone listened very carefully and interacted actively. After the lecture, the representatives of the Party Committee from Kindstar distributed small gifts of love to the residents. Through this event, we believe that the elderly residents in the community can pay more attention to their health, their diet, and actively detect diseases and seek medical treatment early, so that their health awareness can be enhanced, which can greatly improve their quality of life and maintain a healthy living condition.

7.5. Contributing to Social Wellness

On March 5, or the Day to Honor Comrade Lei Feng (雷鋒紀念日), Kindstar Medical Laboratory Co., Ltd. organized a blood donation activity. The Company's headquarters posted a notice that this activity was an act to salute Lei Feng and to advocate volunteerism. Leading by the employee representatives, a total of 31 employees signed up for this volunteer activity, including one with a rarest blood type, all of whom hoped their blood could help people in need.

Beautiful Moments of the Blood Donation by Angelic Staff

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

General Information

The Company was incorporated in the Cayman Islands on August 24, 2007 as an exempted company with limited liability under the Companies Law. The Shares were listed on the Main Board of the Stock Exchange on July 16, 2021.

Principal Activities

The Company is an investment holding company. The Group is principally engaged in the provision of clinical testing services in the PRC. Details of the principal activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements.

Business Review

The business review and performance analysis of the Group for the year ended December 31, 2021 as required by Schedule 5 to the Companies Ordinance is set out in the chapter headed "Business Review and Outlook" from pages 13 to 16 and "Management Discussion and Analysis" from pages 17 to 38 of this annual report which constitute part of this directors' report.

Financial Highlights

	For the year ended December 31,		
	2021	2020	Year-on-year change
	RMB'000	*RMB'000*	%
Revenue	**930,673**	891,391	4.4
– Non-COVID-19-related testing[1]	**868,569**	773,540	12.3
– COVID-19-related testing	**62,104**	117,851	(47.3)
Gross profit	**485,770**	460,981	5.4
Gross margin	**52.2%**	51.7%	0.5
Segment result[2] – non-COVID-19-related testing	**197,183**	167,852	17.5
Segment result – COVID-19-related testing	**6,347**	44,608	(85.8)
Adjusted net income[3]	**81,055**	91,979	(11.9)
Adjusted net margin[4]	**8.7%**	10.3%	(1.6)

Notes:

(1) *Includes hematology testing, neurology testing, maternity-related testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, routine testing and others.*

(2) *Segment result is profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, listing expenses and fair value loss on financial liabilities at FVTPL are excluded.*

(3) *For details and calculation of our adjusted net income, see "Management Discussion and Analysis – Non-IFRS Measures: Adjusted Net Income".*

(4) *Equals adjusted net income divided by revenue for the year and multiplied by 100%.*

Revenue

For the year ended December 31, 2021, we recorded a total revenue of RMB930.7 million, representing an increase of RMB39.3 million or 4.4% from RMB891.4 million for the year ended December 31, 2020. Among which, revenue generated from non-COVID-19-related testing and COVID-19-related testing services for the year ended December 31, 2021 were RMB868.6 million and RMB62.1 million respectively, representing year-on-year changes of 12.3% and -47.3% respectively. As a result of the effective control of the COVID-19 pandemic in China, we focused more on non-COVID-19 testing. Hence, revenue generated from COVID-19-related testing services as a proportion of our total revenue recorded a year-on-year decrease. In contrast, revenue generated from non-COVID-19-related testing services recorded a stable year-on-year growth despite continuous impact of the COVID-19 pandemic.

Gross profit and gross profit margin

For the year ended December 31, 2021, we recorded a consolidated gross profit of RMB485.8 million, representing a year-on-year increase of 5.4%. Our consolidated gross profit margin for the year ended December 31, 2021 was 52.2%, representing a year-on-year increase of 0.5%, of which the gross profit and gross profit margin of COVID-19 related testing services were RMB22.0 million and 35.4%, respectively, representing a year-on-year decrease of 62.3% and 14.1%, respectively; and the gross profit and gross profit margin of non-COVID-19-related testing services were RMB463.8 million and 53.4%, respectively, representing a year-on-year increase of 15.2% and 1.3%, respectively.

The above year-on-year changes in our gross profit and gross profit margin for the year ended December 31, 2021 were primarily due to (i) the significant retreat of COVID-19 pandemic in China, especially Wuhan region; (ii) the lower item price for COVID-19 testing because of the increase of COVID-19 testing capacity and improvement of technologies across China; (iii) our focus on improving management and operation efficiency and non-COVID-19-related testing's economies of scale and synergy; and (iv) the enlargement of our business operation sites and purchase of new testing equipments and laboratories to expand our laboratory testing capacity after our successful Listing. As a result, our fixed costs increased and partially offset the increase in gross profit from the growth of sales.

Non-IFRS measures: adjusted net income and adjusted net margin

For the year ended December 31, 2021, our adjusted net income amounted to RMB81.1 million, representing a decrease of RMB10.9 million or 11.9% as compared with RMB92.0 million for the year ended December 31, 2020. During the Reporting Period, our adjusted net margin decreased from 10.3% to 8.7%, which was mainly due to (i) our investment in exploration of esoteric testing in potential specialties; (ii) a year-on-year increase of 20.0% in our research and development costs; and (iii) our focus on non-COVID-19-related testing service with high entry barrier in 2021, which lowered the proportion of COVID-19-related testing services in our revenue and profit. Excluding the COVID-19-related testing services, the segment results of non-COVID-19-related services for the Reporting Period increased by 17.5% as compared with the corresponding period of 2020. For details, please refer to the operating segment results in note 4 to the consolidated financial statements in this annual report.

For details and calculation of our adjusted net income, see "Management Discussion and Analysis – Non-IFRS Measures: Adjusted Net Income".

Key Relationships

Relationship with Suppliers

We have maintained stable and long-term relationships with our major suppliers and procure a wide variety of raw materials, mainly consumables and equipment, used for our testing services. We consider several factors in the evaluation and selection of suppliers, including but not limited to the supplier's background, reputation, and industry experience, and most importantly the quality and price of their supplies. All new suppliers must go through our internal supplier admission process before entering into supply agreements with us.

For the year ended December 31, 2021, the total purchases from our five largest suppliers in aggregate accounted for 24%, and our purchases from our largest supplier accounted for 10%, of our total purchases.

None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of the share capital of our Company) had any interest in any of our top five largest suppliers that is required to be disclosed under the Listing Rules for the year ended December 31, 2021.

As of the Latest Practicable Date, we had not received any material complaint from our suppliers.

Relationship with Customers

The vast majority of our revenues are generated by providing clinical testing services to hospitals and their patients.

We benefit from a high level of customer loyalty and have developed solid working relationships with many customers. For the year ended December 31, 2021, our five largest customers together generated RMB60.5 million of revenue, accounting for 6.5% of our total revenue, and our largest customer generated RMB15.2 million of revenue, accounting for 1.2% of our total revenue.

None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of the share capital of our Company) had any interest in any of our top five largest customers that is required to be disclosed under the Listing Rules for the year ended December 31, 2021.

As of the Latest Practicable Date, we had not received any material complaint from our customers.

Relationship with Employees

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. We also granted restricted stock units as share incentives to qualified directors and employees, details of which are set out in the section headed "Post-IPO RSU Scheme" in this directors' report. In order to incentivize Directors, senior management and employees for their contribution to our Company and to attract, motivate and retain skilled and experienced personnel, we have adopted the Post-IPO Option Scheme, details of which are set out in the section headed "Post-IPO Option Scheme" in this directors' report.

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such will be set out in the Environmental, Social and Governance Report to be published no later than three months after the publication of this annual report.

Licences, Regulatory Approvals and Compliance with Laws and Regulations

During the year ended December 31, 2021, there were no material breaches or violations of relevant laws and regulations in China, where the Group has business entities and operations, and the Group obtained all requisite licenses, approvals and permits from relevant authorities that are material to the Group's operations in China. Details of our compliance with relevant laws and regulations will be set out in the Environmental, Social and Governance Report.

Principal Risks and Uncertainties

A number of factors may affect the results and business operation of the Group. The principal risks and uncertainties that the Group faces and key mitigations that the Group adopts are summarized as follows:

Principal Risks and Uncertainties	Description	Key Mitigations
Our revenue generated from COVID-19-related testing service may not be sustainable.	An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand across the PRC and globally. In March 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. The COVID-19 outbreak is expected to have an unprecedented impact on the global economy as it has significantly reduced market liquidity and depressed economic activities. In response to the COVID-19, we began to offer our COVID-19-related testing services in February 2020. With COVID-19 remaining a threat to the world population, we turned our COVID-19-related testing services into a regular line of service and continue to offer testing services for those who are in need. For the 12 months ended December 31, 2021, we generated a revenue of RMB62.1 million from COVID-19 related testing services and RMB11.8 million from sale of reagents relating to COVID-19, representing 6.7% and 1.2% of the total revenue in 2021, respectively. The circumstances that have accelerated the growth of our COVID-19-related testing service stemming from the effects of the COVID-19 pandemic may not continue in the future once the impact of the COVID-19 pandemic tapers. With the introduction of vaccines worldwide, there might be a decline in the growth rate of the revenue of our COVID-19-related testing service in future periods.	In 2020, COVID-19 pandemic in China broke out in Wuhan, Hubei. As a leading esoteric clinical testing service provider our headquarter located in Wuhan, we became one of the first testing agencies designated by Hubei Provincial Government to carry out COVID-19 nucleic acid tests and a contractor to provide testing services for Huoshenshan hospital and Leishenshan hospital, the two major emergency specialty field hospitals in Wuhan built during the outbreak. In 2021, as the COVID-19 pandemic was easing significantly compared to the corresponding period of 2020, especially in the Wuhan region, and the testing capacity and technology had improved significantly across China, there was a decrease in the item price for COVID-19 testing. In the post-pandemic stage, the COVID-19-related testing market has become a "Red Ocean". In order to focus more on the high barrier specialty esoteric testing, we proactively adjusted our business structure to overcome the fluctuation in COVID-19-related testing service line. In 2021, after discounting the fluctuation of COVID-19-related testing business and its impact, the revenue and segment result of our non-COVID-19-related testing showed a stable growth and such positive trend shall continue.

Principal Risks and Uncertainties	Description	Key Mitigations
Failure in service quality control may adversely affect our operating result, reputation and business.	Our service and testing processes are required to meet certain quality standards, including the standards imposed by relevant PRC laws and regulations as well as industry standards, including the *Administrative Measures on Clinical Laboratories of Medical Institutions* (《醫療機構臨床實驗室管理辦法》), the *Interim Administrative Measures on Clinical Laboratories* (《醫學檢驗實驗室管理暫行辦法》), as well as the ISO 15189 Quality Management Standard for three of our laboratories.	We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our services and operation processes. For further details of our quality control and assurance system, see "Business – Quality Control" in the Prospectus. As the market leader, we also adopt the industry leading standard in the performance of our testing services. For example, our laboratories located in Wuhan, Beijing and Shanghai are equipped with up-to-date high-quality testing equipment and devices, and have been accredited with ISO 15189 certification

Principal Risks and Uncertainties	Description	Key Mitigations
	Our success depends on the market confidence that we can provide reliable, high-quality esoteric testing services that will provide patients or physicians with valuable clinical or diagnostic information. However, there is no assurance that our testing services will perform as expected at all times. Our tests may fail to accurately, or even incompletely or incorrectly identify the relevant diseases, or contain other errors or mistakes due to a variety of reasons (such as malfunction of our laboratory equipment and degraded samples provided by our delivery service providers), which may result in negative perception of our tests. In addition, failure to detect quality defects in our services or to prevent such defective services from being delivered to our customers could result in injury or death, license revocation, regulatory fines, professional liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability. For example, we could face medical liability claims if someone allege that our services identified inaccurate or incomplete information regarding their targeted testing item, or otherwise failed to perform as designed. A claimant could allege that our test results caused unnecessary treatment or other costs or resulted in the patient missing the best opportunity or timing for treatment. A patient could also allege other mental or physical injury or that our tests provided inaccurate or misleading information concerning the diagnosis, prognosis or recurrence of, or available therapies for, his or her disease. We may also be subject to medical liability for errors in, a misunderstanding of or inappropriate reliance upon the diagnostic information our tests provided. The tense physician-patient relationship in China could also expose us to an increased risk of potential medical liability claims.	

Subsequent Event

Particulars of important events affecting the Group that have occurred since the year ended December 31, 2021 are stated in note 44 to the consolidated financial statements in this annual report.

Financial Statements

The results of the Group for the year ended December 31, 2021 and the state of the Group's financial position as at that date are set out in the consolidated financial statements from pages 148 to 244 of this annual report.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out on page 9 of this annual report. This summary does not form part of the audited consolidated financial statements.

Final Dividend

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2021.

Distributable Reserves

As of December 31, 2021, the Company did not have any distributable reserves as calculated under the Companies Law.

Reserves

Changes to the reserves of the Group during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity in this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2021 are set out in note 15 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended December 31, 2021 are set out in note 33 to the consolidated financial statements in this annual report.

Bank Borrowings and other Loans

Details of bank borrowings and other loans of the Group as at December 31, 2021 are set out in note 28 to the consolidated financial statements of this annual report.

Charge on Assets

There was no charge on the Group's assets as at December 31, 2021.

Donation

Donations made by the Group during the year ended December 31, 2021 was HK$381,000.

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended December 31, 2021, the Company repurchased a total of 4,008,500 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$19.8 million. The repurchased Shares were subsequently cancelled. The repurchase was effected because the Board considered that a share repurchase in the then conditions demonstrates the Company's confidence in its own business outlook and prospects and would, in the long term, benefit the Company and create value to the Shareholders.

Particulars of the Shares Repurchased in 2021 are as follows:

Month of repurchase	No. of Shares repurchased	Highest price paid per Share *(HK$)*	Lowest price paid per Share *(HK$)*	Aggregate consideration *(HK$'000)*
November	1,679,000	4.91	4.55	8,027
December	2,329,500	5.74	4.47	11,768
Total	**4,008,500**	**–**	**–**	**19,795**

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) for the year ended December 31, 2021.

Pre-IPO Stock Incentive Plans

The Pre-IPO Stock Incentive Plans were adopted pursuant to the Board resolutions passed on March 14, 2013, December 20, 2015 and December 1, 2016. The purposes of the Pre-IPO Stock Incentive Plans are to attract and retain the best available personnel, to provide additional incentives to the Group's employees, the Directors and persons (other than an employee or a Director) who are engaged by the Company or any related party to render consulting or advisory services (the "**Consultants**"), and to promote the success of the Group's business.

The principal terms of the Pre-IPO Stock Incentive Plans are summarized in the section headed "Statutory and General Information – D. Pre-IPO Stock Incentive Plans" in Appendix IV to the Prospectus. The terms of the Pre-IPO Stock Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules as they will not involve the grant of options by the Company to subscribe for Shares after the Listing.

As of December 31, 2021, options to subscribe for 114,985,256 Shares (none of which have been cancelled or lapsed), representing approximately 12.75% of the total issued share capital of the Company as of the same date, were outstanding and held by grantees. Details of such outstanding options are set out below:

Name or category of grantee	Grant date	Vesting and exercise period	Exercise price (US$/Share before the Share Subdivision)	Shares underlying the outstanding option as of December 31, 2021
Directors and senior management				
Mr. Tu Zanbing	March 15, 2013	(Note 1)	0.03	3,207,640
	December 31, 2013	(Note 2)	0.03	2,800,000
	December 31, 2015	(Note 2)	0.06	13,125,224
	December 31, 2016	(Note 2)	0.03-0.09	6,604,856
				25,737,720
Ms. Chai Haijie	December 31, 2014	(Note 2)	0.03	1,200,000
	December 31, 2015	(Note 2)	0.06	4,293,796
	December 31, 2016	(Note 2)	0.09	4,672,660
				10,166,456
Sub-total				**35,904,176**

Name or category of grantee	Grant date	Vesting and exercise period	Exercise price (US$/Share before the Share Subdivision)	Shares underlying the outstanding option as of December 31, 2021
Other employees of the Group (Note 3)				
In aggregate	March 15, 2013	(Note 1)	0.03	5,456,000
	December 31, 2013	(Note 2)	0.03	16,562,648
	December 31, 2014	(Note 2)	0.03	612,000
	December 31, 2015	(Note 2)	0.06	20,448,564
	December 31, 2016	(Note 2)	0.09	18,958,812
	December 31, 2016	(Note 2)	0.06-0.09	4,475,908
	December 31, 2017	(Note 2)	0.03	516,000
Sub-total				**67,029,932**
Consultants				
In aggregate	March 15, 2013	(Note 1)	0.03	1,196,000
	December 31, 2013	(Note 2)	0.03	540,000
	December 31, 2015	(Note 2)	0.06	38,312
	December 31, 2016	(Note 2)	0.09	10,276,836
Sub-total				**12,051,148**
Total				**114,985,256**

Notes:

(1) 25%, 25%, 25% and 25% of the total number of the options granted shall vest and become exercisable on the first, second, third and fourth anniversary of January 1, 2012, which was deemed as vesting commencement date.

(2) 100% of the total number of the options granted shall vest and become exercisable immediately after grant date.

(3) This includes former employee who were our employee on the date of grant, each of which is an independent third party of the Company.

Post-IPO RSU Scheme

The Post-IPO RSU Scheme was adopted pursuant to the shareholders' resolutions passed on June 22, 2021. The purpose of the Post-IPO RSU Scheme is to align the interests of eligible persons thereto with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain such eligible persons to make contributions to the long-term growth and profits of the Group.

The principal terms of the Post-IPO RSU Scheme are summarized in the section headed "Statutory and General Information – E. Post-IPO RSU Scheme" in Appendix IV to the Prospectus. The terms of the Post-IPO RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company.

As of December 31, 2021, no restricted share unit had been granted or agreed to be granted under the Post-IPO RSU Scheme.

Post-IPO Option Scheme

The Post-IPO Option Scheme was adopted pursuant to the shareholders' resolutions passed on June 22, 2021 in compliance with Chapter 17 of the Listing Rules. The purpose of the Post-IPO Option Scheme is to reward employees for their past contribution to the success of the Company, and to provide incentives to them to further contribute to the Company.

Any individual, being an employee, director or officer of any member of our Group ("**Selected Participant**") who the Board may in its absolute discretion select an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price (as defined below).

The maximum number of Shares in respect of which Options may be granted under the Post-IPO Option Scheme when aggregated with the maximum number of Shares in respect of which Options may be granted under any other option scheme over Shares shall not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO Option Scheme (or of the refreshing of the 10% limit) by the shareholders of the Company, being 16,980,353 shares (to be adjusted to 67,921,412 Shares upon the Share Subdivision), which represents approximately 6.84% of the total number of Shares in issue as at the date of this annual report. Options lapsed in accordance with the terms of the Post-IPO Option Scheme shall not be counted for the purpose of calculating the 10% limit. Within the aforesaid 10% limit (or alternatively subject to the approval of shareholders of the Company in general meeting), the maximum number of Shares to be issued upon exercise of all outstanding Options under this Post-IPO Option Scheme may be increased by increments as determined by the Board, provided that the total number of Shares to be issued upon exercise of all outstanding Options under the Post-IPO Option Scheme and all other schemes of the Company granted and yet to be exercised does not exceed 30% of all the Shares in issue from time to time. No Option may be granted under the Post-IPO Option Scheme if this will result in the limit being exceeded.

Except with the approval of shareholders in general meeting with the prospective grantee and his associates abstaining from voting, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options and any other Option over the Shares (including exercised, canceled and outstanding Options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time.

An offer of the grant of an Option made to any grantee must be accepted within 28 days from the date of the offer made (provided such offer shall be open for acceptance after the effective period of the Post-IPO Option Scheme) and further requiring the employee to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Option Scheme.

Subject as provided in the Post-IPO Option Scheme and any conditions specified by the Board, an Option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Subject to such terms and conditions as our Board may determine, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the Option duly signed by the Grantee together with a payment to the Company and/or any of its Subsidiaries of HK$1 (or the equivalent of HK$1 in the local currency of any jurisdiction where the company and/or its Subsidiaries operate, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company within the time period specified in the offer of the grant of the Option. Such remittance shall not be refundable.

The amount payable for each Share to be subscribed for under an option ("**Subscription Price**") in the event of the option being exercised shall be determined by the Board at its absolute discretion, but shall be not less than the greater of: (i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of the offer made; (ii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

The Post-IPO Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Option Scheme becomes unconditional, after which period no further Options will be granted by the provisions of the Post-IPO Option Scheme, but the provisions of this Post-IPO Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Option Scheme. As at December 31, 2021, the remaining life of the Post-IPO Option Scheme is approximately nine years and six months.

Further details of the principal terms of the Post-IPO Option Scheme are summarized in the section headed "Statutory and General Information — E. Post-IPO Option Scheme" in Appendix IV to the Prospectus.

As of December 31, 2021, no option had been granted or agreed to be granted under the Post-IPO Option Scheme.

Directors

The Directors during the year ended December 31, 2021 and up to the date of this annual report were:

Name	Position/Title
Dr. Huang Shiang	Executive Director, chief executive officer, chief medical officer and chairman of the Board
Mr. Tu Zanbing	Executive Director and chief operating officer
Ms. Chai Haijie	Executive Director and chief financial officer
Mr. Huang Zuie-Chin	Non-executive Director
Mr. Peng Wei	Non-executive Director
Ms. Huang Lu	Non-executive Director
Dr. Yao Shanglong	Independent non-executive Director
Dr. Xia Xinping	Independent non-executive Director
Mr. Gu Huaming	Independent non-executive Director

In accordance with the Articles of Association, Dr. Huang Shiang, Ms. Chai Haijie and Mr. Peng Wei will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The biographical details of the Directors and senior management of the Company as at the Latest Practicable Date are set out in the chapter headed "Directors and Senior Management" in this annual report.

Save as disclosed in the chapter headed "Directors and Senior Management" in this annual report, there is no change in the information of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Service Contracts and Letters of Appointment

Each of our executive Directors and non-executive director has entered into a service contract with our Company on June 22, 2021. The initial term of their respective service contract shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice.

Each of the independent non-executive Directors has entered into an appointment letter with our Company effective from June 29, 2021. The initial term for their appointment letters shall commence from the date of their appointment for a period of three years, whichever is earlier (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules. None of our Directors has an unexpired service contract with members of our Group that is not determinable by our Group within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Dr. Yao Shanglong, Dr. Xia Xinping and Mr. Gu Huaming), and the Company considers such Directors to be independent for the year ended December 31, 2021.

Directors' and Controlling Shareholders' Interests in Transactions, Arrangements or Contracts of Significance

Save as the related party transactions as disclosed in note 40 to the consolidated financial statements and the connected transactions as disclosed in the section headed "Connected Transactions" in this directors' report, there was no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of his/her connected entity had a material interest, whether directly or indirectly, and there was no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries, subsisted at the end of, or at any time during the year ended December 31, 2021.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As of December 31, 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) Interests in the Company

Name of Director or chief executive	Capacity/Nature of interest	Number of Shares interested[1]	Approximate % of shareholding
Dr. Huang Shiang[2][3]	Settlor of a trust and interest of spouse	145,363,368 (L)	16.11%
Mr. Tu Zanbing[4]	Interest in controlled corporation	38,624,144 (L)	4.28%
	Beneficial interest	25,737,720 (L)	2.85%
Ms. Chai Haijie[5]	Beneficial interest	10,166,456 (L)	1.13%
Mr. Huang Zuie-Chin[6]	Interest in controlled corporation	72,539,632 (L)	8.04%
	Beneficial interest	440,000 (L)	0.05%

Notes:

(1) The percentage of interest has been computed based on the total number of Shares of the Company in issue as at December 31, 2021 including a total of 580,500 Shares repurchased by the Company as at December 31, 2021 but not yet cancelled (i.e. 902,191,120). The letter "L" denotes the person's long position in such shares or underlying shares.

(2) *Perfect Tactic Group Limited ("Perfect Tactic") is a company incorporated in the BVI held as to 99.8% and 0.2% by Infinite Prosperity Holdings LLC ("Infinite Prosperity") and Kindstar Rui An Medical Technology Company Limited (康聖瑞安醫學技術有限公司) ("Kindstar Rui An"), respectively. Infinite Prosperity is wholly owned by Jackson Hole Trust Company ("Jackson Hole"), the trustee to the Shiang Huang Family Trust which was established by Dr. Huang as settlor. Kindstar Rui An is indirectly wholly owned by Dr. Huang. Accordingly, Dr. Huang is deemed to be interested in the total number of Shares held by Perfect Tactic. Dr. Huang, being the spouse of Ms. Guo Gui-Rong, is deemed to be interested in the total number of Shares Ms. Guo Gui-Rong holds or is interested in.*

(3) *According to the voting proxy arrangements dated April 28, 2021, January 1, 2017 and November 2, 2020, Ms. Guo Gui-Rong has effective control over the voting rights attached the Shares held by each of Perfect Tactic, Mr. Chen Zhong ("Mr. Chen") and Ever Prospect Global Limited ("Ever Prospect"), which is wholly owned by Mr. Tu Zanbing. Accordingly, Ms. Guo Gui-Rong is deemed to be interested in (i) the 48,361,508 Shares held by Perfect Tactic, (ii) 3,468,800 Shares held by Mr. Chen, and (iii) 38,624,144 Shares held by Ever Prospect. Dr. Huang, being the spouse of Ms. Guo Gui-Rong, is deemed to be interested in the total number of Shares Ms. Guo Gui-Rong holds or is interested in.*

(4) *Ever Prospect is wholly owned by Mr. Tu. Accordingly, Mr. Tu is deemed to be interested in the 38,629,144 Shares held by Ever Prospect. Mr. Tu is also interested in 6,434,430 share options granted to him under the Pre-IPO Stock Incentive Plans to receive 25,737,720 Shares. According to the voting proxy arrangement dated November 2, 2020, Ms. Guo Gui-Rong has effective control over the voting rights attached the Shares held by Ever Prospect.*

(5) *Ms. Chai is interested in 2,541,614 share options granted to her to receive 10,166,456 Shares.*

(6) *The general partner of Ningbo Meishan Bonded Port Zone Xinyue Kangsheng Equity Investment Limited Liability Partnership (寧波梅山保稅港區新岳康聖股權投資合夥企業(有限合夥)) ("Ningbo Xinyue") is Ningbo Meishan Bonded Port Zone Ruixi Equity Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區瑞羲股權投資管理合夥企業(有限合夥)) ("Ningbo Ruixi"), while the general partner of Wuhan Ruifu Medical Health Equity Investment Limited Liability Partnership (武漢瑞伏醫療健康股權投資合夥企業(有限合夥)) ("Wuhan Ruifu") is Ningbo Meishan Bonded Port Zone Ruifu Bojian Investment Management Co., Ltd. (寧波梅山保稅港區瑞伏博健投資管理有限公司) ("Ningbo Ruifu"). The general partner of Ningbo Ruixi is Ningbo Ruifu. Accordingly, Ningbo Ruifu is deemed to be interested in the 41,829,140 Shares held by Wuhan Ruifu and the 30,710,492 Shares held by Ningbo Xinyue. Ningbo Ruifu is ultimately controlled by Mr. Huang. Accordingly, Mr. Huang Zuie-Chin is deemed to be interested in (i) the 41,829,140 Shares held by Wuhan Ruifu, and (ii) the 30,710,492 Shares held by Ningbo Xinyue.*

(ii) Interests in associated corporations

Name of Director or chief executive	Name of associate corporation	Amount of registered capital held (RMB)[1]	Approximate % of interest
Dr. Huang Shiang	Wuhan Kindstar	6,644,000	96.29%
	Kindstar Global Wuhan	10,000,000	99.01%
Mr. Tu Zanbing	Wuhan Kindstar	256,000	3.71%
	Kindstar Global Wuhan	100,000	0.99%
	Shanghai Xinuo	475,000	9.50%
	Guangzhou Xinuo	950,000	9.50%
	Kindstar Zhenyuan	1,000,000	10.00%

Save as disclosed above, as of December 31, 2021, none of the Directors nor the chief executives of the Company have any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As of December 31, 2021, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested[(1)]	Approximate % of shareholding
Ms. Guo Gui-Rong	Beneficial interest	3,971,020 (L)	0.44%
	Interest held through voting powers entrusted by other persons[(2)]	90,454,452 (L)	10.03%
	Settlor of a trust[(3)]	50,937,896 (L)	5.65%
Mr. Huang Bo[(3)(4)]	Interest in controlled corporation	99,299,404 (L)	11.00%
Perfect Tactic[(2)(4)]	Beneficial interest	48,361,508 (L)	5.36%
Jackson Hole[(3)(4)]	Beneficial interest	50,937,896 (L)	5.65%
	Interest in controlled corporation	48,361,508 (L)	5.36%
Infinite Prosperity[(4)]	Interest in controlled corporation	48,361,508 (L)	5.36%
Ningbo Ruifu[(5)]	Interest in controlled corporation	72,539,632 (L)	8.04%
Madam Chan Tan Ching Fen[(6)]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	91,068,160 (L)	10.09%
Ghalibo (PTC) Limited ("**Ghalibo**")[(6)]	Trustee	91,068,160 (L)	10.09%
Morningside Holdings (Asia) Limited ("**Morningside Holdings**")[(6)]	Interest in controlled corporation	91,068,160 (L)	10.09%

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested[(1)]	Approximate % of shareholding
Healthcare Asia (Holdings) Inc.("**HCA Holding**")[(6)]	Interest in controlled corporation	91,068,160 (L)	10.09%
Healthcare Asia (China) Inc. ("**HCA China**")[(6)]	Interest in controlled corporation	91,068,160 (L)	10.09%
Healthcare Asia Laboratories Inc. ("**HCA Laboratories**")[(6)]	Interest in controlled corporation	91,068,160 (L)	10.09%
HCA Health Investments Inc. ("**HCA Investments**")[(6)]	Beneficial interest	91,068,160 (L)	10.09%
CPE Holdings International Limited ("**CPE International**")[(7)]	Interest in controlled corporation	80,367,640 (L)	8.91%
CPE Holdings Limited ("**CPE Holdings**")[(7)]	Interest in controlled corporation	80,367,640 (L)	8.91%
CPE Funds III Limited ("**CPE Funds III**")[(7)]	Interest in controlled corporation	80,367,640 (L)	8.91%
CPEChina Fund III, L.P. ("**CPEChina**")[(7)]	Interest in controlled corporation	80,367,640 (L)	8.91%
CK Lab Tech Investment Limited ("**CK Lab Tech**")[(7)]	Beneficial interest	80,367,640 (L)	8.91%

Notes:

(1) The percentage of interest has been computed based on the total number of Shares of the Company in issue as at December 31, 2021 including a total of 580,500 Shares repurchased by the Company as at December 31, 2021 but not yet cancelled (i.e. 902,191,120). The letter "L" denotes the person's long position in such shares or underlying shares.

(2) According to voting proxy arrangements dated April 28, 2021, January 1, 2017 and November 2, 2020, Ms. Guo has effective control over the voting rights attached to the Shares held by each of Perfect Tactic, Mr. Chen and Ever Prospect. Accordingly, Ms. Guo Gui-Rong is deemed to be interested in (i) the 48,361,508 Shares held by Perfect Tactic, (ii) the 3,468,800 Shares held by Mr. Chen and (iii) the 38,624,144 Shares held by Ever Prospect.

(3) Jackson Hole is the trustee of Gui-Rong Guo Trust, a family trust established by Ms. Guo (as the settlor) with her and her family members being the beneficiaries. Under the trust deed of the Gui-Rong Guo Trust, for so long as the Jackson Hole holds or controls any Shares, all voting rights attaching to such Shares shall be in effect exercised by Mr. Huang Bo, Dr. Huang Shiang and Ms. Guo Gui-Rong's son, as investment advisor to the Gui-Rong Guo Trust. Accordingly, each of Ms. Guo Gui-Rong and Mr. Huang Bo is deemed to be interested in the total number of Shares held by Jackson Hole.

(4) Perfect Tactic is a company incorporated in the BVI held as to 99.8% and 0.2% by Infinite Prosperity and Kindstar Rui An, respectively. Infinite Prosperity is wholly owned by Jackson Hole. Jackson Hole is the trustee to the Shiang Huang Family Trust which was established by Dr. Huang as settlor. The Shiang Huang Family Trust is a discretionary trust and the beneficiaries of which includes Dr. Huang and his family members who are this associates, and their lineal descendants. Under the trust deed of the Shiang Huang Family Trust, for so long as the Jackson Hole Trust Company holds or controls any shares in Perfect Tactic, all voting rights with respect to investment decisions attaching thereto will be exercised by Mr. Huang Bo as investment advisor to the Shiang Huang Family Trust. Accordingly, each of Infinite Prosperity, Jackson Hole, Mr. Huang Bo and Dr. Huang is deemed to be interested in the total number of Shares held by Perfect Tactic.

(5) The general partner of Ningbo Xinyue is Ningbo Ruixi, while the general partner of Wuhan Ruifu is Ningbo Ruifu. The general partner of Ningbo Ruixi is Ningbo Ruifu. Accordingly, Ningbo Ruifu is deemed to be interested in the 41,829,140 Shares held by Wuhan Ruifu and the 30,710,492 Shares held by Ningbo Xinyue.

(6) HCA Investments is a limited liability company incorporated in the BVI and wholly owned by HCA Laboratories, which is wholly owned by HCA China. HCA China is wholly owned by HCA Holding, which is wholly owned by Morningside Holdings. Morningside is wholly owned by Ghalibo, the trustee of a family trust established by Madam Chan Tan Ching Fen. Accordingly, each of HCA Investments, HCA Laboratories, HCA China, HCA Holding, Morningside Holdings, Ghalibo and Madam Chan Tan Ching Fen is deemed to be interested in the total number of Shares held by HCA Investments.

(7) CK Lab Tech is a company incorporated in the BVI held as to approximately 85.1% by CPEChina and 14.9% by CPE Global Opportunities Fund, L.P. The general partner of CPEChina is CPE Funds III, which is wholly owned by CPE Holdings. CPE Holdings is wholly owned by CPE International, which is owned by a number of shareholders that are natural persons none of whom controls CPE International. Accordingly, each of CPEChina, CPE Fund III, CPE Holdings and CPE International is deemed to be interested in the total number of Shares held by CK Lab Tech.

Save as disclosed above, as of December 31, 2021, the Directors or chief executive of the Company are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2021.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Emolument Policy

Our Directors believe that the ability to attract, motivate and retain a sufficient number of qualified employees is of significant importance to the long-term successful development of our Group. The remuneration package for our employees generally includes basic wages, variable wages, bonuses and other staff benefits. We made contributions to mandatory employee benefit plans (including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans and housing fund). We also granted restricted stock units as share incentives to qualified directors and employees and adopted the share option scheme, details of both schemes are set out under the sections headed "Post-IPO RSU Scheme" and "Post-IPO Option Scheme" in this directors' report, to motivate our employees. Our Group has established a remuneration committee to review the policy and structure of the remuneration for our Directors and senior management and make recommendations on the remuneration packages of individual executive Directors and senior management. In general, our Group determines the emolument payable to our Directors based on each Director's time commitment and responsibilities, salaries paid by comparable companies as well as the employment conditions elsewhere in our Group.

Employee Benefits

Particulars of the employee benefits of the Group are set out in notes 2.4, 8 and 10 to the consolidated financial statements.

Pursuant to code provision B.1.5 (which has been renumbered as code provision E.1.5 since January 1, 2022) of the CG Code, the annual remuneration of the senior management by band for the year ended December 31, 2021 is set out below:

Remuneration	Number of senior management
Nil to RMB1,000,000	3
RMB1,000,001 to RMB1,500,000	0
RMB1,500,001 to RMB2,000,000	0

Public Float

As at the Latest Practicable Date and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained minimum public float of 25% as required under the Listing Rules.

Rights To Acquire the Company's Securities and Equity-Linked Agreements

Save as disclosed in the sections headed "Pre-IPO Stock Incentive Plans", "Post-IPO RSU Scheme" and "Post-IPO Option Scheme" in this directors' report, at no time during the year ended December 31, 2021 was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

Directors' and Controlling Shareholders' Interests in Competing Business

Save for their respective interests in the Group, none of the Directors and the controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2021. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare industries. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

Permitted Indemnity Provision

Pursuant to the Articles of Association, the Directors, auditors and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. Such provisions were in force throughout the year ended December 31, 2021 and are currently in force.

The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors during the year ended December 31, 2021.

Use of Proceeds from the Global Offering

Our shares were listed on the Main Board of the Stock Exchange on July 16, 2021. A total of 226,405,000 new Shares were issued at HK$9.78 each for a total of approximately HK$2,214.0 million. The net proceeds (after deduction of underwriting commissions and other expenses paid and payable by the Company in connection with the Global Offering) raised during our Global Offering amounted to approximately HK$2,053.6 million. Details of the Group's use of proceeds from the Global Offering as at December 31, 2021 are set out in the section headed "Management Discussion and Analysis – Use of Proceeds from the Global Offering" in this annual report.

Connected Transactions

Partially-Exempt Connected Transactions

Acquisition of 21.77% equity interest and capital increase in Wuhan Haixi

Dr. Huang, an executive Director and a substantial shareholder of our Company, is our connected person. Accordingly, the transactions constituted connected transactions of our Group which are exempt from the independent shareholders' approval requirement, but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. For details, please refer to the section headed "Management Discussion and Analysis – Material Acquisitions and Disposals – Wuhan Haixi" in this annual report.

Acquisition of 43% equity interest in Xinjiang Kindstar

Each of Mr. Zheng Jianhua and Xinjiang Yijiali is a substantial shareholder of Xinjiang Kindstar and hence our connected person at the subsidiary level. Accordingly, the transaction constituted connected transaction of our Group which is exempt from the independent shareholders' approval requirement, but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. For details, please refer to the section headed "Management Discussion and Analysis – Material Acquisitions and Disposals – Xinjiang Kindstar" in this annual report.

Partially-Exempt Continuing Connected Transactions

Wuhan Haixi Bio-technology Co., Ltd. (武漢海希生物科技有限公司) ("**Haixi Biotech**"), being a company wholly-owned by Wuhan Haixi, which is in turn held as to 34% by Dr. Huang, is our connected person upon the Listing. Accordingly, the following transactions, which continue after the Listing, constitute continuing connected transactions of our Group which are exempt from the independent shareholders' approval requirement, but subject to the reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules.

Framework Procurement Agreement with Haixi Biotech

Principal terms

Our Company entered into a framework agreement on the procurement of reagent consumables dated June 8, 2021 (the "**Framework Procurement Agreement with Haixi Biotech**") with Haixi Biotech, pursuant to which our Group agreed to purchase and Haixi Biotech agreed to supply with certain reagent consumables.

The Framework Procurement Agreement with Haixi Biotech is a framework agreement which provides the mechanism for operation of the connected transactions described therein. Subject to the provisions of the Framework Procurement Agreement with Haixi Biotech, our Group will enter into specific agreements or place purchase orders with Haixi Biotech to set out the specific terms and conditions in respect of the procurement of reagent consumables.

The initial term of the Framework Procurement Agreement with Haixi Biotech commenced on the Listing Date and will expire on December 31, 2023, subject to renewal upon the mutual consent of both parties.

The annual caps for the transactions under the Framework Procurement Agreement with Haixi Biotech are RMB7,530,000, RMB11,470,000 and RMB14,210,000 for the years ended/ending December 31, 2021, 2022 and 2023, respectively.

The aggregate transaction amount incurred in accordance with the Framework Procurement Agreement with Haixi Biotech for the year ended December 31, 2021 was RMB7,283,000.

The transactions contemplated under the Framework Procurement Agreement with Haixi Biotech also constitute related party transactions of the Company under IFRS, details of which are set out in note 40 to the consolidated financial statements in this annual report.

Non-Exempt Continuing Connected Transactions

Contractual Arrangements

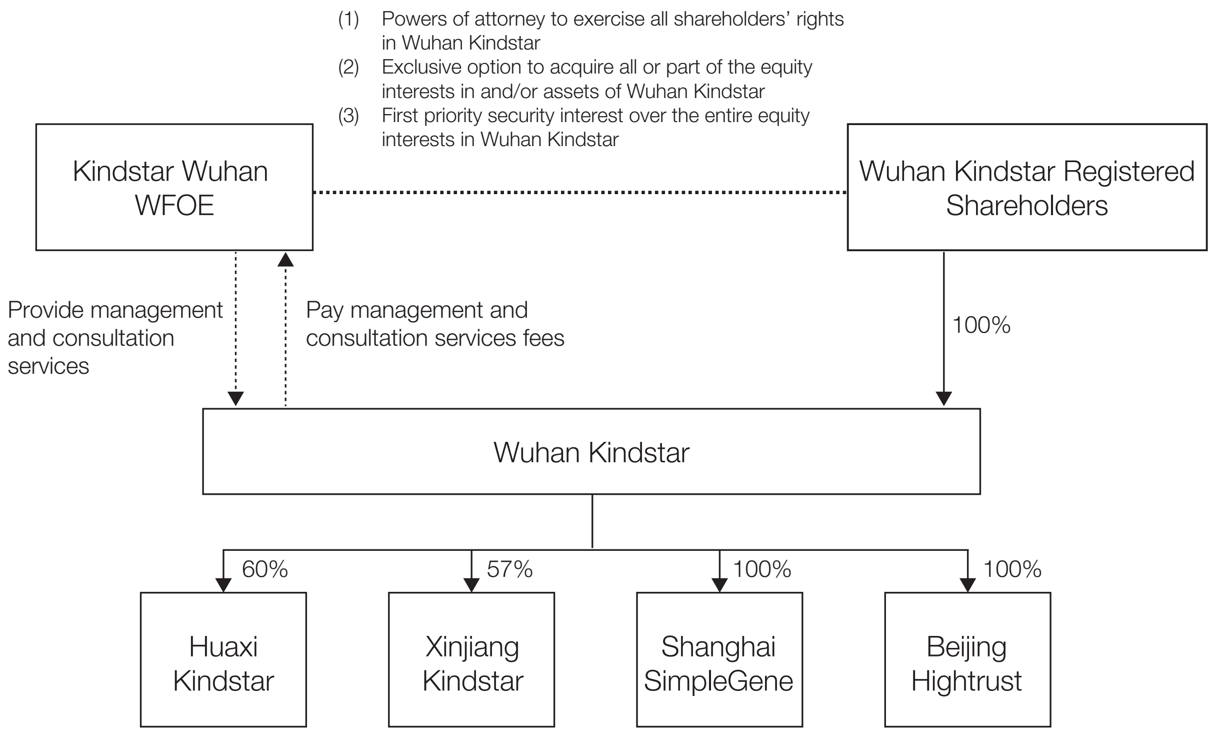
Background for the Contractual Arrangements

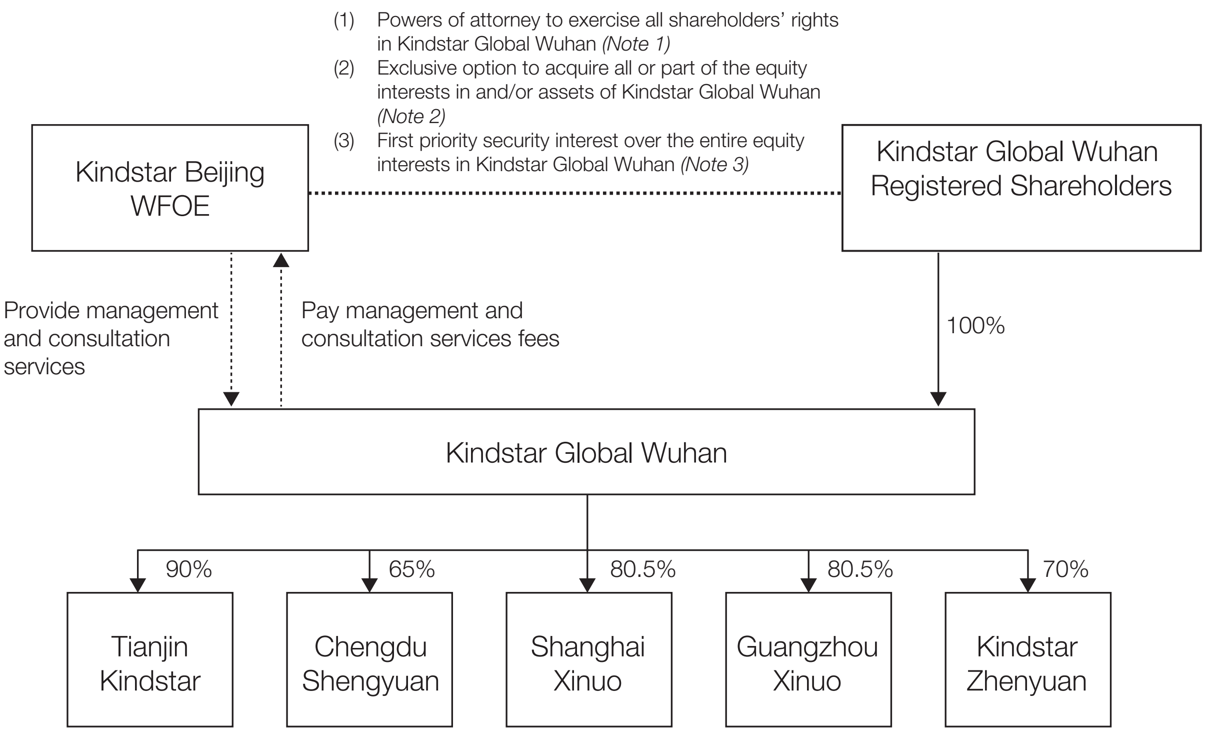
As disclosed in the section headed "Contractual Arrangements" in the Prospectus, due to regulatory restrictions or prohibitions on foreign ownership in the PRC, we are restricted of or prohibited from directly owning equity interest in Wuhan Kindstar and Kindstar Global Wuhan. Therefore, in order for our Group to effectively control and enjoy the entire economic benefit of Wuhan Kindstar and Kindstar Global Wuhan, two sets of Contractual Arrangements have been entered into among (i) Kindstar Wuhan WFOE, Wuhan Kindstar, Dr. Huang and Mr. Tu; and (ii) Kindstar Beijing WFOE, Kindstar Global Wuhan, Dr. Huang and Mr. Tu. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from Wuhan Kindstar and Kindstar Global Wuhan in consideration for the services provided by Kindstar Wuhan WFOE and Kindstar Beijing WFOE to Wuhan Kindstar and Kindstar Global Wuhan, respectively; (ii) exercise effective control over Wuhan Kindstar and Kindstar Global Wuhan; and (iii) hold an exclusive option to purchase all or part of the equity interests in Wuhan Kindstar and Kindstar Global Wuhan with the lowest extent of purchase prices permitted by PRC law.

Principal terms

Each set of the Contractual Arrangements consists of six types of agreements: (i) the Exclusive Business Cooperation Agreement; (ii) the Exclusive Option Agreement; (iii) the Equity Pledge Agreement; (iv) the Powers of Attorney; (v) the Confirmation and Undertakings from the Registered Shareholders; and (vi) the Spouse Undertakings. See the section headed "Contractual Arrangements" in the Prospectus for detailed terms of the Contractual Arrangements.

The following simplified diagrams illustrate the flow of economic benefits from the PRC Consolidated Entities to our Group stipulated under the Contractual Arrangements:





Note: "➔" denotes direct legal and beneficial ownership in the equity interests and "---->" denotes contractual relationship.

As of December 31,2021, the Wuhan Kindstar Registered Shareholders were the following persons who together held 100% of the equity interest of Wuhan Kindstar:

Shareholders	Registered Capital (RMB)	Approximate percentage of shareholding
Dr. Huang Shiang	6,644,000	96.29%
Mr. Tu Zanbing	256,000	3.71%
Total	**6,900,000**	**100%**

As of December 31, 2021, the Kindstar Global Wuhan Registered Shareholders were the following persons who together held 100% of the equity interest of Kindstar Global Wuhan:

Shareholders	Registered Capital (RMB)	Approximate percentage of shareholding
Dr. Huang Shiang	10,000,000	99.01%
Mr. Tu Zanbing	100,000	0.99%
Total	**10,100,000**	**100%**

Save as disclosed above, there are no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the PRC Consolidated Entities during the year ended December 31, 2021. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2021.

For the year ended December 31, 2021, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

As at December 31, 2021, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Consolidated Entities under the Contractual Arrangements.

We have been advised by our PRC Legal Advisors that the Contractual Arrangements do not violate the relevant PRC regulations.

For the year ended December 31, 2021, all of our revenue was derived from the PRC Consolidated Entities. The aggregate asset of the PRC Consolidated Entities amounted to approximately RMB1,709 million for the year ended December 31, 2021 which accounted for approximately 53.9% of the total asset for the year of the Group.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Business Cooperation Agreements with each of Kindstar Wuhan WFOE and Kindstar Beijing WFOE, our PRC Consolidated Entities will enjoy better economic and technological support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 93 to 97 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of contractual arrangements and the relinquishment of our interest in PRC Consolidated Entities.

- Our contractual arrangements may not be as effective in providing operational control as direct ownership. PRC Consolidated Entities or its Registered Shareholders may fail to perform their obligations under our contractual arrangements.

- We may lose the ability to use licenses, approvals and assets held by PRC Consolidated Entities that are material to our business operations if PRC Consolidated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The Registered Shareholders of PRC Consolidated Entities may have conflicts of interest with us, which may materially and adversely affect our business.

- If we exercise the option to acquire equity ownership and assets of PRC Consolidated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations.

- Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Mitigation actions taken by us

Our management works closely with our executive Directors and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Besides, our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

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

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

(c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and

(d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist our Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of the WFOEs and the PRC Consolidated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 327 to 331 of the Prospectus.

Confirmation from the independent non-executive Directors

The independent non-executive Directors have confirmed that the above continuing connected transactions have been entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmations from the auditor

The auditor of the Group was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his letter to the Board containing his findings and conclusions in respect of the continuing connected transactions as set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange which stated that:

a) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions have not been approved by the Board;

b) for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group;

c) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

d) with respect to the aggregate amount of the above continuing connected transactions, nothing has come to the attention of the auditor that causes the auditor to believe that the continuing connected transactions disclosed above have exceeded the annual cap as set by the Company.

e) with respect to the disclosed continuing connected transactions with Kindstar Wuhan WFOE and Kindstar Beijing WFOE under the contractual arrangements, nothing has come to the auditors' attention that causes the auditor to believe that dividends or other distributions have been made by Kindstar Wuhan WFOE and Kindstar Beijing WFOE to the holders of the equity interests of Kindstar Wuhan WFOE and Kindstar Beijing WFOE which are not otherwise subsequently assigned or transferred to the Group.

During the year ended December 31, 2021, save as disclosed above, no related party transactions disclosed in note 40 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

Annual General Meeting

The AGM will be held on Wednesday, June 1, 2022. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Thursday, May 26, 2022 to Wednesday, June 1, 2022, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East. Hong Kong for registration not later than 4:30 p.m. on Wednesday, May 25, 2022.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 46 to 59 of this annual report.

Audit Committee

The audit committee of the Company has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2021.

Auditor

The financial statements for the year ended December 31, 2021 have been audited by Ernst & Young who shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this directors' report.

On behalf of the Board
Huang Shiang
Chairman

March 25, 2022

Independent Auditor's Report

To the shareholders of Kindstar Globalgene Technology, Inc.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Kindstar Globalgene Technology, Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages 148 to 244, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matter
As described in note 21 to the consolidated financial statements, the Group's trade receivables were RMB339,144,000, representing 10.6% of the total assets of the Group, on which, amount of RMB37,734,000 was provided for expected credit losses as at 31 December 2021. Management estimates amount of lifetime expected credit losses ("ECL") of trade receivables based on provision matrix through grouping of various customers into different groupings, after considering ageing, historical denial and past collection experience, as well as forecasts of future economic conditions. In addition, trade receivables with significant outstanding and credit-impaired balances are assessed for ECL individually. As the process involves significant estimates, which may be affected by unexpected future market and economic conditions, we identified provision for ECL on trade receivables as a key audit matter. Details of the provision for ECL on trade receivables are disclosed in note 2.4, 3, 21 and 43 to the consolidated financial statements.	Our procedures in relation to provision for expected credit losses on trade receivables included: • Obtained an understanding of relevant controls relating to provision for expected credit losses; • Tested the information used by management to prepare the provision matrix, including the aging and historical collection records of trade receivables by comparing individual items in the analysis, on sample basis, to supporting billings and collections; • With the assistance of our internal valuation specialists, challenged management's basis and judgement in determining ECL of trade receivables, including their identification and evaluation of individually assessed trade receivables, the reasonableness of the management's grouping of various customers and the estimated loss rates applied in each category in the provision matrix and tested the mathematical accuracy of management's calculation; and • Checked the adequacy of the disclosures made in the financial statements regarding the impairment assessment of trade receivables.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Certified Public Accountants
Hong Kong

25 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**930,673**	891,391
Cost of sales		**(444,903)**	(430,410)
Gross profit		**485,770**	460,981
Other income and gains	6	**62,763**	39,598
Selling and marketing expenses		**(282,240)**	(248,521)
Administrative expenses		**(69,513)**	(52,320)
Research and development costs		**(90,325)**	(75,282)
Other expenses	7	**(23,346)**	(22,382)
Listing expenses		**(30,067)**	(15,504)
Finance costs	9	**(1,808)**	(2,327)
PROFIT BEFORE FAIR VALUE LOSS ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") AND TAX		**51,234**	84,243
Fair value loss on financial liabilities at FVTPL	32,37	**(1,505,222)**	(1,046,595)
LOSS BEFORE TAX	8	**(1,453,988)**	(962,352)
Income tax expense	12	**(246)**	(7,768)
LOSS FOR THE YEAR		**(1,454,234)**	(970,120)
Attributable to:			
Owners of the parent	14	**(1,454,430)**	(974,020)
Non-controlling interests		**196**	3,900
		(1,454,234)	(970,120)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of subsidiaries		**13,726**	19,660
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of the financial statements of the Company		**(39,077)**	82,355
Other comprehensive (expense)/income for the year, net of tax		**(25,351)**	102,015
Total comprehensive expense for the year, net of tax		**(1,479,585)**	(868,105)
Attributable to:			
Owners of the parent		**(1,479,781)**	(872,005)
Non-controlling interests		**196**	3,900
		(1,479,585)	(868,105)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	14	**(2.93)**	(8.69)

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**354,902**	122,200
Right-of-use assets	31	**17,676**	35,420
Prepayments, deposits and other receivables	22	**16,636**	6,711
Other intangible assets	16	**25,602**	10,486
Time deposits	24	**60,000**	–
Investments in associates	17	**5,764**	2,312
Deferred tax assets	30	**48,021**	42,733
Goodwill	18	**2,190**	1,862
Total non-current assets		**530,791**	221,724
CURRENT ASSETS			
Inventories	20	**50,812**	44,977
Trade and bills receivables	21	**339,144**	310,385
Prepayments, deposits and other receivables	22	**34,486**	99,078
Amounts due from related parties	40	**–**	2,162
Financial assets at FVTPL	19	**162,871**	55,000
Pledged deposits	23	**–**	1,808
Profit tax receivables		**–**	598
Time deposits (more than 3 months)	24	**274,155**	–
Cash and cash equivalents	23	**1,796,700**	841,227
Total current assets		**2,658,168**	1,355,235

	Notes	2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	25	**134,820**	131,785
Other payables and accruals	26	**278,966**	257,424
Contract liabilities	27	**6,024**	5,240
Interest-bearing bank borrowings	28	**–**	40,000
Profit tax payable		**2,061**	–
Amounts due to related parties	40	**6,380**	74,575
Lease liabilities	31	**8,360**	21,637
Deferred tax liabilities	30	**547**	–
Contingent Consideration	37	**15,255**	–
Total current liabilities		**452,413**	530,661
NET CURRENT (LIABILITIES)/ASSETS		**2,205,755**	824,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,736,546**	1,046,298
NON-CURRENT LIABILITIES			
Deferred income	29	**1,906**	2,573
Convertible redeemable preferred shares	32	**–**	2,854,390
Lease liabilities	31	**9,832**	23,750
Total non-current liabilities		**11,738**	2,880,713
Net assets/(liabilities)		**2,724,808**	(1,834,415)
EQUITY/(DEFICIENCY) IN EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**1,466**	242
Treasury shares	33	**1**	–
Reserves	34	**2,718,748**	(1,844,044)
		2,720,215	(1,843,802)
Non-controlling interests		**4,593**	9,387
Total equity/(deficit)		**2,724,808**	(1,834,415)

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital *RMB'000* (note 33)	Treasury shares *RMB'000* (note 33)	Capital reserve *RMB'000* (note 34)	Other capital reserve *RMB'000* (note 34)	Share option reserve *RMB'000* (note 34)	Exchange fluctuation reserve *RMB'000* (note 34)	Accumulated losses *RMB'000* (note 34)	Total *RMB'000*	Non-controlling interests *RMB'000*	Total (deficit)/ equity *RMB'000*
At 1 January 2021	**242**	**–**	**53,779**	**(169,180)**	**119,539**	**75,481**	**(1,923,663)**	**(1,843,802)**	**9,387**	**(1,834,415)**
Loss for the year										
Other comprehensive expense for the year:	–	–	–	–	–	–	(1,454,430)	(1,454,430)	196	(1,454,234)
Exchange differences on translation of the financial statements of subsidiaries	–	–	–	–	–	13,726	–	13,726	–	13,726
Exchange differences on translation of the financial statements of the Company	–	–	–	–	–	(39,077)	–	(39,077)	–	(39,077)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(25,351)	(1,454,430)	(1,479,781)	196	(1,479,585)
Automatic conversion of Convertible Redeemable Preferred Shares upon Global Offering	864	–	4,348,173	–	–	–	–	4,349,037	–	4,349,037
Shares issued upon Global Offering	366	–	1,742,648	–	–	–	–	1,743,014	–	1,743,014
Transaction costs attribute to issue of new shares	–	–	(10,629)	–	–	–	–	(10,629)	–	(10,629)
Repurchase of ordinary shares	(6)	1	(16,275)	–	–	–	–	(16,280)	–	(16,280)
Capital injection into a subsidiary by non-controlling shareholders	–	–	–	–	–	–	–	–	1,058	1,058
Acquisition of subsidiary	–	–	–	–	–	–	–	–	18	18
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(409)	(409)
Acquisition of non-controlling interests	–	–	–	(21,344)	–	–	–	(21,344)	(5,657)	(27,001)
At 31 December 2021	**1,466**	**1**	**6,117,696**	**(190,524)**	**119,539**	**50,130**	**(3,378,093)**	**2,720,215**	**4,593**	**2,724,808**

	Attributable to owners of the parent								
	Share capital *RMB'000* (note 33)	Capital reserve *RMB'000* (note 34)	Other capital reserve *RMB'000* (note 34)	Share option reserve *RMB'000* (note 34)	Exchange fluctuation reserve *RMB'000* (note 34)	Accumulated losses *RMB'000* (note 34)	Total *RMB'000*	Non-controlling interests *RMB'000*	Total deficit *RMB'000*
At 1 January 2020	178	8,701	(32,011)	195,184	(26,534)	(949,643)	(804,125)	4,704	(799,421)
Loss for the year	–	–	–	–	–	(974,020)	(974,020)	3,900	(970,120)
Other comprehensive expense for the period:									
Exchange differences on translation of the financial statements of subsidiaries	–	–	–	–	19,660	–	19,660	–	19,660
Exchange differences on translation of the financial statements of the Company	–	–	–	–	82,355	–	82,355	–	82,355
Total comprehensive income/(expense) for the year	–	–	–	–	102,015	(974,020)	(872,005)	3,900	(868,105)
Shares issued upon exercise of share options	64	45,078	–	(40,355)	–	–	4,787	–	4,787
Declaration of special dividends *(Note 40(c)(ii))*	–	–	(128,231)	(35,290)	–	–	(163,521)	–	(163,521)
Acquisition of non-controlling interests	–	–	(8,938)	–	–	–	(8,938)	193	(8,745)
Acquisition of subsidiaries	–	–	–	–	–	–	–	590	590
At 31 December 2020	242	53,779	(169,180)	119,539	75,481	(1,923,663)	(1,843,802)	9,387	(1,834,415)

* *The other capital reserve of the Group represents the difference between the aggregate value of the net assets of the non-controlling interests acquired and the consideration paid by the Group for the acquisition of the non-controlling interests.*

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(1,453,988)**	(962,352)
Adjustments for:			
Bank interest income	6	**(10,871)**	(1,377)
Interest income from wealth management assets	6	**(1,633)**	(278)
Foreign exchange losses, net	7	**38**	125
Finance costs	9	**1,808**	2,327
Share of profits and losses of associates		**(1,104)**	(562)
Fair value (gains)/losses on financial assets at FVTPL	6	**(1,312)**	59
Fair value losses on financial liabilities at FVTPL:			
– Convertible redeemable preferred shares	32	**1,505,222**	891,434
– Convertible bonds		**–**	155,161
Losses on disposal of property, plant and equipment and other intangible assets	7	**511**	231
Gains on disposal of items of Right-of-use assets		**(9,072)**	–
Depreciation of property, plant and equipment	15	**35,647**	34,471
Depreciation of right-of-use assets	31	**19,095**	15,243
Amortisation of other intangible assets	16	**2,691**	1,081
Impairment losses, net of reversal:			
– Inventories	7	**2,153**	1,755
– Financial assets under expected credit losses ("ECL") model	7	**9,825**	6,943
		99,010	144,261
Increase in inventories		**(7,988)**	(4,166)
Increase in trade and bills receivables		**(37,952)**	(79,510)
Increase in prepayments, deposits and other receivables		**(79)**	(9,396)
Increase in trade and bills payables		**2,031**	14,439
Increase in other payables and accruals		**13,741**	23,708
Increase/(decrease) in contract liabilities		**784**	(1,079)
Decrease in deferred income		**(667)**	(202)
Decrease/(increase) in pledged deposits		**1,808**	(1,488)
Cash generated from operations activities		**70,688**	86,567
Income tax paid		**(2,660)**	(13,105)
Net cash flows from operating activities		**68,028**	73,462

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**10,871**	1,342
Interest income from wealth management assets		**1,633**	313
Purchases of property, plant and equipment		**(281,652)**	(23,200)
Purchases of other intangible assets		**(6,603)**	(3,585)
Advances loans to related parties		**(22,000)**	(7,291)
Repayment from related parties		**21,430**	6,861
Purchase of wealth management products		**(593,000)**	(390,500)
Disposal of wealth management products		**635,000**	295,000
Purchase in time deposits with original maturity of more than 3 months		**(334,155)**	–
Proceeds from disposal of intangible assets		**303**	–
Proceeds from disposal of property, plant and equipment		**1,731**	36
Acquisition of subsidiaries	*35,36*	**(8,617)**	814
Investment in an unlisted fund	*19*	**(88,500)**	–
Investment in an associate	*17*	**(2,500)**	(1,750)
Net cash flows used in investing activities		**(666,059)**	(121,960)
Net cash flows used in investing activities			
New bank loans and other borrowings		**–**	70,000
Repayment of bank loans and other borrowings		**(40,000)**	(30,000)
Proceeds from issue of convertible redeemable preferred shares	*32*	**–**	858,909
Acquisition of partial interests of subsidiaries from non-controlling shareholders		**(4,120)**	(8,745)
Proceeds from exercise of share options	*33(i)*	**–**	4,787
Advances from employees		**–**	11,144
Interest paid		**(265)**	(734)
Issue costs paid		**(9,549)**	(713)
Lease payments		**(21,017)**	(18,599)
Proceeds from issue of ordinary shares		**1,743,014**	–
Payment for repurchase of shares		**(16,280)**	–
Dividend paid to non-controlling shareholders		**(409)**	–
Contribution from non-controlling shareholders		**1,058**	–
Payments of special dividends	*40(c)(ii)*	**(65,408)**	(34,124)
Net cash flows from financing activities		**1,587,024**	851,925
NET INCREASE IN CASH AND CASH EQUIVALENTS		**988,993**	803,427
Cash and cash equivalents at beginning of year		**841,227**	59,510
Effect of foreign exchange rate changes, net		**(33,520)**	(21,710)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,796,700**	841,227

Notes to the Financial Statements

31 December 2021

1. Corporate and Group Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 August 2007 and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 July 2021 (the "Global Offering"). The registered address of the office of the Company is P.O. Box 472, 2nd Floor, Harbour Place,103 South, Church Street, George Town, Grand Cayman KY1-1106, Grand Cayman.

The Company is an investment holding company. During the reporting periods, the major subsidiaries of the Company were principally engaged in the provision of clinical testing services in the People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	*Notes*	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company *(Approximate)* Direct	Indirect	Principal activities
Kindstar Globalgene (HK) Limited		Hong Kong 30-Aug-2007	HKD10,000	100%	–	Investment holding
Kindstar Singapore Holdings PTE. Ltd.		Singapore 11-Sep-2019	US$1	100%	–	Investment holding
康聖環球(北京)醫學技術有限公司 Kindstar Global (Beijing) Technology Co., Ltd.* ("Kindstar Beijing WFOE")		PRC/Mainland China 20-Nov-2007	RMB121,000,000	–	100%	Investment holding
武漢康聖達醫學檢驗所有限公司 Wuhan Kindstar Medical Laboratory Co., Ltd. * ("Wuhan Kindstar")		PRC/Mainland China 8-Aug-2003	RMB6,900,000	–	100%	Clinical Testing Service
北京海思特醫學檢驗實驗室有限公司 Beijing Hightrust Medical Laboratory Co., Ltd.* ("Beijing Hightrust")		PRC/Mainland China 26-Aug-2005	RMB20,000,000	–	100%	Clinical Testing Service
上海新培晶醫學檢驗所有限公司 Shanghai SimpleGene Medical Laboratory Co., Ltd.* ("Shanghai SimpleGene")		PRC/Mainland China 28-Sep-2004	RMB20,000,000	–	100%	Clinical Testing Service

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company (*Approximate*) Direct	Indirect	Principal activities
新疆康聖達醫學檢驗所有限公司 Xinjiang Kindstar Medical Laboratory Co., Ltd.* ("Xinjiang Kindstar")	(a)	PRC/Mainland China 6-Apr-2017	RMB16,000,000	–	100%	Clinical Testing Service
四川華西康聖達醫學檢驗有限公司 Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd.* ("Huaxi kindstar")		PRC/Mainland China 29-Dec-2017	RMB10,000,000	–	60%	Clinical Testing Service
成都聖元醫學檢驗實驗室有限公司 Chengdu Shengyuan Medical Laboratory Co., Ltd.* ("Chengdu Shengyuan")		PRC/Mainland China 16-Oct-2018	RMB5,000,000	–	65%	Clinical Testing Service
康聖環球(武漢)醫學特檢技術有限公司 Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd.* ("Kindstar Global Wuhan")		PRC/Mainland China 05-Sep-2017	RMB10,100,000	–	100%	Investment holding
天津康聖達醫學檢驗實驗室有限公司 Tianjin Kindstar Medical Laboratory Co., Ltd.* ("Tianjin Kindstar")		PRC/Mainland China 27-Oct-2017	RMB5,000,000	–	90%	Clinical Testing Service
上海希諾醫學檢驗實驗室有限公司 Shanghai Xinuo Medical Laboratory Co., Ltd.* ("Shanghai Xinuo")		PRC/Mainland China 15-Oct-2019	RMB5,000,000	–	80%	Clinical Testing Service
廣州希諾醫學檢驗實驗室有限公司 Guangzhou Xinuo Medical Laboratory Co., Ltd.* ("Guangzhou Xinuo")		PRC/Mainland China 10-Oct-2019	RMB10,000,000	–	80%	Clinical Testing Service

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	*Notes*	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company (*Approximate*) Direct	Indirect	Principal activities
康聖環球醫學科技(武漢)有限公司 Kindstar Global Medical Technology (Wuhan) Co., Ltd.* ("Kindstar Wuhan WFOE")		PRC/Mainland China 11-Sep-2020	RMB800,000,000	–	100%	Investment holding
武漢康聖真源醫學檢驗所有限公司 Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd* ("Kindstar Zhenyuan")	(b)	PRC/Mainland China 3-Feb-2021	RMB10,000,000	–	70%	Clinical Testing Service
康聖環球(武漢)投資管理有限公司 Kindstar (Wuhan) Investment Management Co., Ltd* ("Kindstar Investment")	(c)	PRC/Mainland China 8-Sep-2021	RMB30,000,000	–	100%	Investment holding
武漢康聖貝泰生物科技有限公司 Wuhan Kindstar Biotechnology Co., Ltd* ("Kindstar Biotech")	(d)	PRC/Mainland China 14-Sep-2021	RMB10,000,000	–	70%	Clinical Testing Service
武漢易檢雲信息技術有限公司 Wuhan Yijianyun Information Technology Co., Ltd.* ("Wuhan Yijianyun")	(e)	PRC/Mainland China 8-Oct-2021	RMB5,000,000	–	90%	E-commerce Service
成都溫江康聖友醫互聯網醫院有限公司 Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd* ("Wenjiang Kangshenyou Medical")	(f)	PRC/Mainland China 22-Oct-2021	RMB50,000,000	–	100%	Clinical Testing Service
上海信諾佰世醫學檢驗有限公司 Shanghai SinoPath Medical Laboratory Co., Ltd.* ("SinoPath")	(g)	PRC/Mainland China 1-Dec-2021	RMB33,000,000	–	80%	Clinical Testing Service

* *The English names of these subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as these subsidiaries do not have official English names. These entities are PRC limited liability companies.*

1. Corporate and Group Information (continued)

Notes:

(a) *During the year ended 31 December 2021, the Group acquired the 43% interest from the non-controlling interest shareholders of Xinjiang Kindstar. Further details of the acquisition are included in note 37 to the Consolidated Financial Statements*

(b) *On 3 February 2021, Kindstar Zhenyuan was established under the laws of the PRC with a registered capital of RMB10 million.*

(c) *On 8 September 2021, Kindstar Investment was established under the laws of the PRC with a registered capital of RMB30 million.*

(d) *On 14 September 2021, Kindstar Biotech was established under the laws of the PRC with a registered capital of RMB10 million.*

(e) *On 8 October 2021, the Group acquired Wuhan Yijianyun. Further details of the acquisition are included in note 35 to the Consolidated Financial Statements*

(f) *On 22 October 2021, Wenjiang Kangshenyou was established under the laws of the PRC with a registered capital of RMB50 million.*

(g) *On 1 December 2021, the Group acquired SinoPath. Further details of the acquisition are included in note 36 to the Consolidated financial statements.*

2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRSs (which include all IFRSs, International Accounting Standards ("IASs") and interpretations) issued by the IASB, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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

The new or amended IFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

2.3 Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Consolidated Financial Statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41[1]

1 *Effective for annual periods beginning on or after 1 January 2022.*

2 *Effective for annual periods beginning on or after 1 January 2023.*

3 *No mandatory effective date yet determined but available for adoption*

4 *On 25 June 2020, the IASB issued the amendments to IFRS 17 which included a deferral of the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted for entities that apply IFRS 9 on or before the date of initial application of IFRS 17. Accordingly, qualifying insurers could apply both standards (IFRS 9 and IFRS 17) for the first time to annual reporting periods beginning on or after 1 January 2023. As a consequence of the amendments to IFRS 17, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will not have a significant effect on the Group's financial performance and financial position.

2.4 Summary of significant accounting policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

If an investment in associates becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is held by, or is held indirectly through, venture capital organisation or similar entities of the Group, the Group may irrevocably elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 and presented as financial assets at FVTPL. Such election is made separately for initial recognition of each associate or joint venture.

When an investment in associates is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each Reporting Period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Reporting Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 Summary of significant accounting policies (continued)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.41%
Laboratory equipment	9.50%-31.68%
Other equipment	9.50%-31.68%
Transportation equipment	19.00%
Leasehold improvements	10.00%-33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible assets may be impaired. The amortisation period and the amortisation method for other intangible assets with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortised. The useful life of other intangible assets with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 Summary of significant accounting policies (continued)

Other intangible assets (other than goodwill) (continued)

Computer software

Acquired and self-developed software is stated at historical cost less amortisation. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful life of 2 to 5 years.

The estimated useful life of other intangible assets is determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 5 years from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

2.4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(a) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	2 to 6 years
Equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss..

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

2.4 Summary of significant accounting policies (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank borrowings, amounts due to related parties, convertible redeemable preferred shares, convertible bonds and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 Summary of significant accounting policies (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as warrants. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

2.4 Summary of significant accounting policies (continued)

Cash and cash equivalents (continued)

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Reporting Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Reporting Period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 Summary of significant accounting policies (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Clinical testing service

The Group earns revenue by providing specialised diagnostic testing to hospitals or individual patient customers based on a written test requisition form. The services period of each specialised diagnostic testing is generally within two to seven business days.

Revenue from specialised diagnostic testing is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the testing report.

Testing services for R&D projects and others

The Group generally enters into contracts with CROs, sponsors of clinical trials, pharmaceutical and medical device companies and research institutes to provide research and clinical trial services ranging in duration from one month to several years.

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Testing services for R&D projects and others (continued)

Revenue from testing services for R&D projects and others is recognised overtime when the Group has an enforceable right to payment for performance completed to date. The progress of research services is measured based on outputs to the satisfaction of related performance obligation of research services (output method). In an output method, revenue is determined by multiplying that percentage of the actual units of output achieved by the total contract value.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other income from the sale of reagents relating to COVID-19 is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the reagents by the customer.

Consulting service income is recognised at the point in time when the service for the transaction is completed under the terms of each contract.

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations.

2.4 Summary of significant accounting policies (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each Reporting Period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

There are no forfeited contributions for the defined contribution plans as the contributions are fully vested to the employees upon payment.

Housing fund – Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 Summary of significant accounting policies (continued)

Foreign currencies

The Consolidated Financial Statements is presented in RMB, which is different from the Company's functional currency, United States dollar ("US$"). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Consolidated Financial Statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each Reporting Period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each Reporting Period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each Reporting Period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year or period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each Reporting Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for expected credit losses of trade and bills receivables

Trade receivables with significant balances are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for trade receivables which are individually insignificant. The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns such as ageing, historical denial and past collection experience.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in notes 21 and 43 to the Consolidated Financial Statements, respectively.

Fair value measurements of contingent consideration

Certain of the Group's financial liabilities are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures are detailed in note 37.

Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair value of these financial assets.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has nine reportable operating segments as follows:

(a) Hematology testing segment includes testing services related to blood diseases.

(b) Genetic diseases and rare diseases segment includes testing services from the rare disease.

(c) Infectious diseases segment includes testing services from the infection department.

(d) Oncology segment includes testing related to oncology diseases.

(e) Neurology segment includes testing services related to neurological diseases undertaken by the Group.

(f) Maternity-related diseases segment includes testing services related to maternity.

(g) COVID-19 related testing segment includes testing services related to COVID-19.

(h) Routine testing segment conducts routine tests for the doctors' daily diagnoses.

(i) The “others” segment provides Testing services for R&D projects and others and miscellaneous service.

4. Operating Segment Information (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, listing expense and fair value loss on financial liabilities at FVTPL are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

For the year ended 31 December 2021

Segments	Hematology Testing *RMB'000*	Genetic diseases and rare diseases *RMB'000*	Infectious diseases *RMB'000*	Oncology *RMB'000*	Neurology *RMB'000*	Maternity-related diseases *RMB'000*	COVID-19 related testing *RMB'000*	Routine testing *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:										
Sales to external customers	535,268	43,495	51,968	8,615	89,848	52,248	62,104	67,672	19,455	930,673
Segment results	152,573	5,428	9,784	832	14,058	3,554	6,347	4,968	5,986	203,530
Reconciliation:										
Other income and gains										62,763
Administrative expenses										(69,513)
Research and development costs										(90,325)
Other expenses										(23,346)
Finance costs										(1,808)
Listing expenses										(30,067)
Fair value loss on financial liabilities at FVTPL										(1,505,222)
Group's loss before tax										(1,453,988)

4. Operating Segment Information (continued)

For the year ended 31 December 2020

Segments	Hematology Testing *RMB'000*	Genetic diseases and rare diseases *RMB'000*	Infectious diseases *RMB'000*	Oncology *RMB'000*	Neurology *RMB'000*	Maternity-related diseases *RMB'000*	COVID-19 related testing *RMB'000*	Routine testing *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:										
Sales to external customers	469,329	36,177	50,441	7,597	76,042	52,119	117,851	67,540	14,295	891,391
Segment results	131,894	2,398	7,343	456	12,597	3,536	44,608	5,196	4,432	212,460
Reconciliation:										
Other income and gains										39,598
Administrative expenses										(52,320)
Research and development costs										(75,282)
Other expenses										(22,382)
Finance costs										(2,327)
Listing expenses										(15,504)
Fair value loss on financial liabilities at FVTPL										(1,046,595)
Group's loss before tax										(962,352)

Geographical information

Since nearly all of the Group's non-current assets were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

No information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the reporting periods.

5. Revenue

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	***RMB'000***
Types of services		
Clinical testing service – at a point in time	**922,716**	882,962
Testing services for R&D projects and others – over time	**7,957**	8,429
Total revenue from contracts with customers	**930,673**	891,391

The following table shows the amounts of revenue recognised during the reporting periods that were included in the contract liabilities at the beginning of each Reporting Period and recognised from performance obligations satisfied in previous periods:

	2021	2020
	RMB'000	***RMB'000***
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Clinical Testing Service	**969**	577
Testing services for R&D projects and others	**973**	3,076
	1,942	3,653

(ii) Performance obligations

Clinical Testing Service

The performance obligation is satisfied upon delivery of the testing report and the payment is generally due within 30 days from the date of billing, except for individual customers, where payment in advance is normally required.

5. Revenue (continued)

Revenue from contracts with customers (continued)

Testing services for R&D projects and others

Under Testing services for R&D projects and others, revenue is recognised at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

6. Other Income and Gains

		2021	2020
		RMB'000	*RMB'000*
Other income and gains			
Bank interest income		**10,871**	1,377
Other interest income from loans to key management and employee	40	**–**	1,826
Government grants related to			
– Assets*		**687**	3,346
– Income**		**17,520**	15,392
Revenue from sale of reagents relating to Covid-19		**11,825**	11,902
Consulting service income		**1,155**	900
Interest income from wealth management assets		**1,633**	278
Fair value gains/(losses) on financial assets at FVTPL		**1,312**	(59)
Share of profits and losses of associates		**1,104**	562
Gains on disposal of items of Right-of-use assets		**9,072**	–
Others		**7,584**	4,074
Total other income and gains		**62,763**	39,598

* *The Group has received certain government grants related to assets to invest in laboratory equipment. The grants related to assets were recognised in profit or loss over the useful lives of the relevant assets.*

** *The government grants and subsidies related to income have been received to compensate for the Group's costs. Certain of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognised in profit or loss on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Other government grants related to income that are received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs recognised in profit or loss in the period in which they become receivable. There are no unfulfilled conditions or contingencies relating to these government grants.*

7. Other Expense

	2021	2020
	RMB'000	*RMB'000*
Other expense		
Impairment losses, net of reversal		
– Inventories	**2,153**	1,755
– Financial assets under ECL model	**9,825**	6,943
Bank charges	**1,661**	1,580
Purchases of reagents relating to Covid-19	**7,233**	7,868
Foreign exchange losses, net	**38**	125
Losses on disposal of property, plant and equipment and other intangible assets	**511**	231
Others	**1,925**	3,880
	23,346	22,382

8. Loss Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**7,233**	7,868
Cost of services provided		**444,903**	430,410
Depreciation of property, plant and equipment	15	**35,647**	34,546
Less: Amount capitalised		**–**	(75)
		35,647	34,471
Depreciation of right-of-use assets	31	**19,095**	15,243
Amortisation of other intangible assets	16	**2,691**	1,081
Research and development costs		**90,532**	75,282
Auditor's remuneration		**3,088**	329
Listing expenses		**30,067**	15,504
Employee benefit expense (including director's benefit)			
Salaries and other benefits		**258,980**	235,870
Less: Amount capitalised		**(196)**	(1,280)
		258,784	234,590
Pension scheme contributions, social welfare and other welfare		**36,802**	28,957
Less: Amount capitalised		**(28)**	(147)
		36,774	28,810
Lease payments not included in the measurement of lease liabilities	31(c)	**6,418**	8,710
Bank interest income	6	**10,871**	1,377
Finance costs	9	**1,808**	2,327
Foreign exchange losses, net	7	**38**	125
Fair value losses on convertible redeemable preferred shares	32	**1,505,222**	891,434
Fair value losses on convertible bonds		**–**	155,161
Interest income from wealth management assets	6	**1,633**	278
Fair value gains/(losses) on financial assets at FVTPL	6	**1,312**	(59)
Gains on disposal of items of Right-of-use assets	6	**9,072**	–
Losses on disposal of items of property, plant and equipment and other intangible assets	7	**511**	231
Impairment losses on financial assets under ECL model	7	**9,825**	6,943
Write-down of inventories to net realisable value	7	**2,153**	1,755

9. Finance Costs

An analysis of finance costs is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Interest expenses on:		
Bank borrowings and other loans	**265**	734
Lease liabilities	**1,543**	1,593
	1,808	2,327

10. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Other emoluments:		
Salaries, allowances and benefits in kind	**2,375**	831
Pension scheme contributions	**78**	3
Performance related bonuses	**101**	107
	2,554	941

10. Directors' and Chief Executive's Remuneration (continued)

Directors' and chief executive's remuneration for the reporting periods is set out below:

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Performance related bonuses *RMB'000*	Total remuneration *RMB'000*
For the year ended 31 December 2021				
Chief Executive Officer and executive director:				
Mr. Huang Shi-ang *(Note (a))*	**733**	**–**	**61**	**794**
Executive directors				
Mr. Tu Zanbing *(Note (b))*	**764**	**36**	**–**	**800**
Ms. Chai Haijie *(Note (c))*	**529**	**42**	**40**	**611**
Non-executive directors				
Mr. Peng Wei *(Note (d))*	**63**	**–**	**–**	**63**
Ms. Huang Lu *(Note (e))*	**63**	**–**	**–**	**63**
Mr. Huang Zuie-Chin *(Note (f))*	**–**	**–**	**–**	**–**
Independent non-executive directors				
Mr. Xia Xinping *(Note (i))*	**81**	**–**	**–**	**81**
Mr. Gu Huaming *(Note (g))*	**76**	**–**	**–**	**76**
Mr. Yao Shanglong *(Note (h))*	**66**	**–**	**–**	**66**
	2,375	**78**	**101**	**2,554**
For the year ended 31 December 2020				
Directors				
Mr. Huang Shi-ang *(Note (a))*	732	–	67	799
Mr. Tu Zanbing *(Note (b))*	59	3	–	62
Ms. Chai Haijie *(Note (c))*	40	–	40	80
Mr. Peng Wei *(Note (d))*	–	–	–	–
Ms. Huang Lu *(Note (e))*	–	–	–	–
Ms. Lu Jiawei *(Note (j))*	–	–	–	–
Mr. Huang Zuie-Chin *(Note (f))*	–	–	–	–
	831	3	107	941

10. Directors' and Chief Executive's Remuneration (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(a) Mr. Huang Shi-ang was appointed as a director of the Company with effect from 22 February 2011. Mr. Huang Shi-ang is also the chief executive officer of the Company and his remuneration disclosed above included the services rendered by him as the chief executive

(b) Mr. Tu Zanbing was appointed as a director and the chief operating officer of the Company with effect from 4 December 2020.

(c) Ms. Chai Haijie as appointed as a director and the chief financial officer of the Company with effect from 4 December 2020.

(d) Mr. Peng Wei was appointed as a director of the Company with effect from 27 October 2020 and was reappointed as a non-executive director of the Company with effect from 8 February 2021.

(e) Ms. Huang Lu was appointed as a director of the Company with effect from 9 September 2020 and was reappointed as a non-executive director of the Company with effect from 8 February 2021.

(f) Mr. Huang Zuie-Chin was appointed as a director of the Company with effect from 30 January 2012 and was reappointed as a non-executive director of the Company with effect from 8 February 2021.

(g) Mr. Gu Huaming was appointed as an independent non-executive director of the Company with effect from 29 June 2021.

(h) Mr. Yao Shanglong was appointed as an independent non-executive director of the Company with effect from 29 June 2021.

(i) Mr. Xia Xinping was appointed as an independent non-executive director of the Company with effect from 29 June 2021.

(j) Ms. Lu Jiawei was appointed as a director of the Company with effect from 9 September 2020 and resigned on 4 December 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the reporting periods.

11. Five Highest Paid Employees

The five highest paid employees of the Group were neither a director nor chief executive of the Company during the reporting periods. Details of the remuneration of the five highest paid employees are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,131**	2,914
Performance related bonuses	**4,386**	2,380
Pension scheme contributions	**403**	195
	5,920	5,489

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

	2021	2020
	RMB'000	*RMB'000*
Nil to HKD1,000,000	**–**	1
HKD1,000,001 to HKD1,500,000	**3**	3
HKD1,500,001 to HKD2,000,000	**2**	1
	5	5

During the reporting periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Income Tax

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

Singapore

No provision for Singapore profits tax has been made as the Group had no operating activity in Singapore during the reporting periods. The subsidiary incorporated in Singapore was subject to income tax at the rate of 17% on the estimated assessable profits arising in Singapore during the reporting periods.

Hong Kong

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the reporting periods. The subsidiary which operates in Hong Kong at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income except those which are subject to tax concession as set out below:

		2021	2020
Entity			
Wuhan Kindstar	1	**15%**	15%
Beijing Hightrust	2	**15%**	15%
Shanghai SimpleGene	3	**15%**	15%
Xinjiang Kindstar	4,5	**15%**	*note*[5]
Huaxi kindstar	4,5	**15%**	*note*[5]
Chengdu Shengyuan	4,5	**15%**	*note*[5]
Shanghai Xinuo		**25%**	25%

(1) In 2016, Wuhan Kindstar was accredited as a "High and New Technology Enterprise"("HNTE") for a period of three years from 2016 to November 2018. Wuhan Kindstar subsequently renewed its HNTE qualification in 2019, and is entitled to a preferential CIT rate of 15% from 2019 to 2022. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

(2) In 2014, Beijing Hightrust was accredited as a HNTE for a period of three years from 2014 to 2016. Beijing Hightrust subsequently renewed its HNTE qualification in 2017 and 2020, and was entitled to a preferential CIT rate of 15% from 2017 to 2019 and 2020 to 2022, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

12. Income Tax (continued)

Mainland China (continued)

(3) Shanghai SimpleGene was accredited as a HNTE in 2019 and therefore Shanghai SimpleGene was entitled to a preferential CIT rate of 15% from Year 2019 to 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

(4) Under the policies for the Grand Western Development Program, the Group's subsidiaries incorporated in Western China (Xinjiang Kindstar, Huaxi Kindstar and Chengdu Shengyuan) were subject to corporate tax at 15% in the year 2021. The rate applied to companies located in Western China which engaged in the encouraged industries listed in the Grand Western Development Program. This policies shall be effective during 2019 to 2031.

(5) Xinjiang Kindstar, Huaxi Kindstar and Chengdu Shengyuan are qualified as small-scaled minimal profit enterprises. Pursuant to Caishui [2019] circular No.13, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential CIT rate of 20%. The assessable profits between RMB1,000,000 and RMB3,000,000 may be calculated as 50% and be taxed at the preferential CIT rate of 20%. The policy shall be effective during 2019 to 2031.

The income tax expense of the Group for the reporting periods is analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Current income tax	**7,959**	10,794
(Overprovision)/underprovision in prior years	**(2,425)**	346
Deferred income tax	**(5,288)**	(3,372)
Total tax charge for the year	**246**	7,768

12. Income Tax (continued)

Mainland China (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for Mainland China in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

	2021	2020
	RMB'000	*RMB'000*
Loss before tax	**(1,453,988)**	(962,352)
Tax at the statutory tax rate (25%)	**(363,497)**	(240,588)
Lower tax rates for specific provinces or enacted by local authority	**(2,541)**	(5,363)
Adjustments in respect of current tax of previous periods	**(2,425)**	346
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	**–**	(1,540)
Income not subject to tax	**(408)**	(394)
Expenses not deductible for tax	**384,892**	268,738
Tax losses not recognised	**146**	–
Additional deductible allowance for qualified research and development costs	**(15,921)**	(13,431)
Tax charge at the Group's effective rate	**246**	7,768

The Group has accumulated tax losses arising in Mainland China of RMB27,627,000 accumulated as at 31 December 2021(2020: RMB13,907,000), respectively, that will expire in one to ten years for offsetting against future taxable profits of the subsidiaries in which the losses arose. The tax losses had been fully recognized in deferred tax assets as at the end of each reporting periods.

13. Dividends

In December 2020, the board of the Company passed a board resolution to distribute special dividends of USD25,000,000 (equivalent to RMB163,521,000) to Ever Prospect Global Limited ("Ever Prospect"), a company incorporated in BVI and ultimately controlled by Mr. Tu Zanbing. After netting off with the loans receivable from key management and employee of USD9,814,706(equivalent to RMB64,149,900), USD5,185,294 (equivalent to RMB34,124,000) and USD10,000,000 (equivalent to RMB65,408,000) were paid to Ever Prospect on 24 November 2020 and 4 January 2021, respectively.

No dividend has been declared by the Company during the year ended 31 December 2021.

14. Loss Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 495,605,781 (2020: 112,030,204) in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year has been retrospectively adjusted for the effect of the Share Subdivision as set out in note 33 to the consolidated financial statements.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021. No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2020 in respect of a dilution as the impact of convertible redeemable preferred shares and convertible bonds had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2021	2020
Loss		
Loss attributable to ordinary equity holders of the parent (RMB'000)	**(1,454,430)**	(974,020)
Ordinary shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**495,605,781**	112,030,204
Loss per share (RMB per share)	**(2.93)**	(8.69)

15. Property, Plant and Equipment

31 December 2021	Buildings RMB'000	Laboratory equipment RMB'000	Transportation equipment RMB'000	Other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021							
Cost	–	183,494	4,165	31,149	91,871	362	311,041
Accumulated depreciation	–	(128,633)	(3,289)	(17,598)	(39,321)	–	(188,841)
Net carrying amount	–	54,861	876	13,551	52,550	362	122,200
At 1 January 2021, net of accumulated depreciation	–	54,861	876	13,551	52,550	362	122,200
Additions	219,996	37,113	1,573	4,752	1,603	5,025	270,062
Transfer	–	(4)	–	4	411	(411)	–
Disposals	–	(1,890)	–	(200)	–	(152)	(2,242)
Acquisition of a subsidiary *(note 35)*	–	–	–	514	15	–	529
Depreciation provided during the year	(827)	(19,831)	(435)	(4,442)	(10,112)	–	(35,647)
At 31 December 2021, net of accumulated depreciation	219,169	70,249	2,014	14,179	44,467	4,824	354,902
At 31 December 2021:							
Cost	219,996	212,922	5,738	32,676	93,901	4,824	570,057
Accumulated depreciation	(827)	(142,673)	(3,724)	(18,497)	(49,434)	–	(215,155)
Net carrying amount	219,169	70,249	2,014	14,179	44,467	4,824	354,902

15. Property, Plant and Equipment (continued)

31 December 2020	Laboratory equipment *RMB'000*	Transportation equipment *RMB'000*	Other equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2020						
Cost	170,506	4,151	30,936	88,670	408	294,671
Accumulated depreciation	(110,397)	(3,078)	(14,621)	(30,277)	–	(158,373)
Net carrying amount	60,109	1,073	16,315	58,393	408	136,298
At 1 January 2020, net of accumulated depreciation	60,109	1,073	16,315	58,393	408	136,298
Additions	14,062	207	2,065	314	862	17,510
Transfer	276	(100)	(136)	1,259	(1,299)	–
Disposals	(168)	(5)	(94)	–	–	(267)
Acquisition of a subsidiary	845	–	373	1,596	391	3,205
Depreciation provided during the year	(20,263)	(299)	(4,972)	(9,012)	–	(34,546)
At 31 December 2020, net of accumulated depreciation	54,861	876	13,551	52,550	362	122,200
At 31 December 2020:						
Cost	183,494	4,165	31,149	91,871	362	311,041
Accumulated depreciation	(128,633)	(3,289)	(17,598)	(39,321)	–	(188,841)
Net carrying amount	54,861	876	13,551	52,550	362	122,200

16. Other Intangible Assets

	License *RMB'000*	Software *RMB'000*	Development costs *RMB'000*	Total *RMB'000*
31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation	**–**	**4,355**	**6,131**	**10,486**
Additions – internal development	**–**	**–**	**–**	**–**
Acquisition of subsidiaries	**8,878**	**2,629**	**–**	**11,507**
Additions – acquired	**–**	**5,174**	**1,429**	**6,603**
Disposal	**–**	**(26)**	**(277)**	**(303)**
Transfer	**–**	**3,016**	**(3,016)**	**–**
Amortisation provided during the year	**(74)**	**(2,617)**	**–**	**(2,691)**
At 31 December 2021	**8,804**	**12,531**	**4,267**	**25,602**
At 31 December 2021:				
Cost	**8,878**	**22,691**	**4,267**	**35,836**
Accumulated amortisation	**(74)**	**(10,160)**	**–**	**(10,234)**
Net carrying amount	**8,804**	**12,531**	**4,267**	**25,602**

	Software *RMB'000*	Development costs *RMB'000*	Total *RMB'000*
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	3,178	4,729	7,907
Additions – internal development	–	1,724	1,724
Additions – acquired	1,007	929	1,936
Transfer	1,251	(1,251)	–
Amortisation provided during the year	(1,081)	–	(1,081)
At 31 December 2020	4,355	6,131	10,486
At 31 December 2020:			
Cost	11,649	6,131	17,780
Accumulated amortisation	(7,294)	–	(7,294)
Net carrying amount	4,355	6,131	10,486

17. Investments In Associates

	2021 *RMB'000*	2020 *RMB'000*
Share of net assets	**5,764**	2,312

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group At 31 December 2021	2020	Principal activity
Wuhan Degu Medical Laboratory Co., Ltd. ("Wuhan Degu")	Ordinary shares	PRC	**25%**	25%	Clinical Testing Service
Wuhan Yijianyun Information Technology Co., Ltd. ("Wuhan Yijianyun")	Ordinary shares	PRC	**–**	25%	E-commerce service
Wuhan Puyun Medical Laboratory Co., Ltd.("Wuhan Puyun")	Ordinary shares	PRC	**25%**	25%	Clinical Testing Service
Wuhan Haixi Life Technology Co., Ltd. ("Haixi Life Technology")	Ordinary shares	PRC	**30%**	30%	Clinical Testing Service

Note:

The Group's investments in Wuhan Degu, Wuhan Puyun and Haixi Life Technology are accounted for under the equity method during the reporting periods.

In November 2021, the Group entered into a share purchase agreement ("Haixi SPA") to further acquire 21.77% equity interest in Haixi Life Technology from Mr. Huang Shi-ang and an individual shareholder at a total consideration of RMB10,657,900. The Group also entered into a capital increase agreement ("Haixi Capital Increase Agreement") with Haixi Life Technology, pursuant to which the Group agreed to make a capital contribution of RMB15,000,000 in cash into Haixi Life Technology. The closing conditions of the aforementioned acquisition and capital injection include achieving certain sales/net profit target for year 2021 by Haixi Life Technology and obtaining approval by the board of the Company etc. Refer to note 44 for more details related to the completion of the acquisition in January 2022.

The Group's investments in Wuhan Yijianyun was accounted for under the equity method of accounting during the year ended 31 December 2020. On 8 October 2021, the Group acquired 65% interest of Wuhan Yijianyun. Further details of the acquisition are included in note 35 to the Consolidated Financial Statements

17. Investments In Associates (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the associates' profit for the year	**2,014**	562
Carrying amount of the Group's investments in the associates	**3,750**	1,750
	5,764	2,312

18. Goodwill

	2021 RMB'000	2020 RMB'000
Cost		
At the beginning of year	**18,086**	16,224
Acquisition of subsidiaries	**328**	1,862
Disposal of subsidiaries	**–**	–
At the end of year	**18,414**	18,086
Impairment		
At the beginning of year	**(16,224)**	(16,224)
Disposal of subsidiaries	**–**	–
At the end of year	**(16,224)**	(16,224)
Carrying value		
At the end of year	**2,190**	1,862

18. Goodwill (continued)

Impairment testing of goodwill

The goodwill comprises the fair value of expected business synergies arising from the acquisitions, which is not separately recognised.

The Group had provided full impairment in related to goodwill resulted from the acquisition of Shanghai SimpleGene in 2012 prior to the reporting periods.

Goodwill of RMB920,000, RMB942,000 and RMB328,000 are resulted from the acquisition of Chengdu Shengyuan in January 2020, Tianjin Kindstar in September 2020 and Wuhan Yijianyun in October 2021 to further expand the Group's market share of clinical testing services.

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Company. Therefore, Goodwill is monitored by the management of the Company at the level of the CGU of Chengdu Shengyuan,Tianjin Kindstar and Wuhan Yijianyun.

The recoverable amounts of each CGU have been determined based on value-in-use calculations using pre-tax cash flow projections, which is based on financial budgets approved by the management of the Company covering a 5-year period.

	Chengdu Shengyuan CGU	Tianjin Kindstar CGU	Wuhan Yijianyun CGU
Revenue (% compound growth rate)	8%-34%	30%-141%	7%-345%
Terminal growth rate	2%	2%	2%
Pre-tax discount rate	20%	20%	20%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for Chengdu Shengyuan CGU, Tianjin Kindstar CGU and Wuhan Yijianyun CGU as at 31 December 2021.

Revenue – The basis used to determine the budgeted revenue is based on the management's expectation of market development.

Terminal Growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

The pre-tax discount rate used is before tax and reflects specific risks relating to the CGUs.

Based on the result of impairment assessment, there was no impairment as at 31 December 2021.

18. Goodwill (continued)

Impairment testing of goodwill (continued)

Sensitivity to changes in key assumptions:

The management of the Company has performed sensitivity test by decreasing 10% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

	Wuhan Yijianyun CGU *RMB'000*
At 31 December 2021	
Headroom	**3,889**
Impact by decreasing expected revenue	**(948)**
Impact by decreasing terminal growth rate	**(374)**
Impact by increasing pre-tax discount rate	**(851)**

Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount.

19. Financial Assets At FVTPL

	2021 *RMB'000*	2020 *RMB'000*
Current		
Investment on unlisted fund*	**88,500**	–
Wealth management products**	**74,371**	55,000
	162,871	55,000

19. Financial Assets At FVTPL (continued)

* *The investments include investments in equity interests of certain unlisted funds and subscription of limited partnership of unlisted fund to allow the Group to further access a wider variety of participants in the clinical industry. The unlisted investments and unlisted funds were measured at fair value through profit or loss.*

** *During the reporting periods, the Group used surplus capital to purchase structured deposits and money market funds mainly from CITIC bank, SPD Bank and China Merchants Bank, which preserved capital and liquidity. The expected rates of return ranged from 2.0% to 3.7% per annum. For wealth management products, the Group purchased RMB263 million (2020: RMB257.5 million) and disposed RMB305 million (2020: RMB214 million), respectively, for the year ended 31 December 2021. The Group recorded an investment income of RMB1.4 million(2020: RMB0.2 million) for the year ended 31 December 2021. The returns on all of these financial products are not guaranteed. Those wealth management products are accounted at fair value through profit or loss.*

The fair values are based on cash flow discounted using the expected return based on management judgment and the fair value of structured deposits and money market funds are level 2 of the fair value hierarchy.

20. Inventories

	2021 ***RMB'000***	2020 *RMB'000*
Raw materials and consumables	**46,732**	41,902
Work in progress	**4,080**	3,075
	50,812	44,977

21. Trade and Bills Receivables

	2021 ***RMB'000***	2020 *RMB'000*
Trade receivables	**376,812**	339,840
Bills receivable	**66**	677
	376,878	340,517
Allowance for expected credit losses	**(37,734)**	(30,132)
	339,144	310,385

21. Trade and Bills Receivables (continued)

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from three months to nine months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each of the reporting periods, based on the billing date and net of allowance for expected credit losses, is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Within 1 year	**224,062**	230,429
1 year to 2 years	**76,378**	67,772
2 years to 3 years	**31,942**	9,459
3 years to 4 years	**5,664**	2,457
4 years to 5 years	**1,067**	169
Over 5 years	**31**	99
	339,144	310,385

The movements in the allowance for expected credit losses of trade receivables are as follows:

	2021 ***RMB'000***	2020 RMB'000
At beginning of year	**30,132**	23,189
Impairment losses, net	**9,825**	6,943
Amount written off as uncollectible	**(2,223)**	–
At end of year	**37,734**	30,132

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns such as ageing, historical denial and past collection experience. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. In addition, trade receivables with significant outstanding and credit-impaired balances are assessed for ECL individually.

21. Trade and Bills Receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix and individually:

2021	Amount *RMB'000*	Expected loss rate *%*	Impairment *RMB'000*
Individually assessed:	**5,659**	**100.00**	**5,659**
Measured by provision matrix:			
Within 1 year	**229,765**	**2.51**	**5,769**
1 year to 2 years	**84,093**	**9.17**	**7,715**
2 years to 3 years	**41,360**	**22.77**	**9,419**
3 years to 4 years	**9,225**	**38.60**	**3,561**
4 years to 5 years	**2,696**	**60.42**	**1,629**
Over 5 years	**4,014**	**99.20**	**3,982**
	376,812		**37,734**

2020	Amount *RMB'000*	Expected loss rate *%*	Impairment *RMB'000*
Individually assessed:	5,641	100.00	5,641
Measured by provision matrix:			
Within 1 year	235,722	2.53	5,971
1 year to 2 years	76,238	11.10	8,466
2 years to 3 years	12,841	26.34	3,382
3 years to 4 years	3,838	35.96	1,380
4 years to 5 years	444	61.94	275
Over 5 years	5,116	98.06	5,017
	339,840		30,132

22. Prepayments, Deposits and Other Receivables

	2021	2020
	RMB'000	*RMB'000*
Deposits and other receivables (current)	**19,542**	21,770
Prepayments		
– current	**8,024**	4,106
– non-current*	**7,080**	6,711
Wealth management products (current)**	**–**	60,059
Value-added tax recoverable		
– current	**2,990**	476
– non-current*	**9,556**	–
Prepaid expenses (current)	**3,930**	6,459
Prepaid listing expenses (current)	**–**	6,208
	51,122	105,789
Analysed into:		
Current portion	**34,486**	99,078
Non-current portion	**16,636**	6,711
	51,122	105,789

The balances are not secured by collateral.

Other receivables had no historical default. The financial assets included in the above balances relate to receivables were categorised in stage 1 at the end of each of the reporting periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the reporting periods, the Group estimated that the expected credit loss rate for other receivables and deposits was minimal.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances.

* *The amount represents prepayments for construction in progress and acquisition of property, plant and equipment.*

** *During the reporting periods, the Group used surplus capital to purchase wealth management products from domestic commercial banks, which preserved capital and liquidity. The returns on all of these financial products are fixed. Those financial assets with cash flows that are SPPI are classified and measured at amortised cost.*

23. Cash and Cash Equivalents and Pledged Deposits

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**1,792,700**	839,035
Time deposits	**4,000**	4,000
	1,796,700	843,035
Less:		
Pledged deposits *(note)*	**–**	(1,808)
Cash and cash equivalents	**1,796,700**	841,227

Note:

It represents pledged deposits in commercial banks to secure bills payable. None of these deposits are either past due or impaired. The pledged bank deposits will be released upon the repayment of relevant bills payable.

The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three years depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

24. Time Deposits

	2021 RMB'000	2020 RMB'000
Time deposits – current (more than 3 months)	**274,155**	–
Time deposits – non-current (more than 1 year)	**60,000**	–
	334,155	–

Non-current time deposits represent deposits over one year. As at 31 December 2021, RMB60,000,000 of non-current time deposits carried fixed interest rates ranging from 3.3% to 3.79% per annum with maturity from March 2022 to January 2024.

Current time deposits represent deposits over 3 months but less than one year. As at 31 December 2021, RMB274,155,000 of non-current time deposits carried fixed interest rates ranging from 0.25% to 0.57% per annum.

25. Trade and Bills Payables

	2021 RMB'000	2020 RMB'000
Bills payable	**128,234**	9,042
Trade payables	**6,586**	122,743
	134,820	131,785

25. Trade and Bills Payables (continued)

An ageing analysis of the trade and bill payables as at the end of each of the reporting periods, based on the invoice date, is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within 1 year	**119,308**	113,497
1 year to 2 years	**7,170**	8,978
Over 2 years	**8,342**	9,310
	134,820	131,785

The trade payables are non-interest-bearing and are normally settled on terms of 90 days.

26. Other Payables and Accruals

	2021 *RMB'000*	2020 *RMB'000*
Other payables*	**48,039**	28,693
Accruals	**126,974**	133,830
Payroll payable	**103,953**	94,901
	278,966	257,424

* *Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.*

27. Contract Liabilities

The Group recognised the following revenue-related contract liabilities:

	2021	2020
	RMB'000	*RMB'000*
Testing services for R&D projects and others	**4,857**	3,742
Clinical Testing Service	**1,167**	1,498
	6,024	5,240

Contract liabilities include advances received to provide Testing services for R&D projects and others and Clinical Testing Service.

28. Interest-Bearing Bank Borrowings

	As at 31 December 2020		
	Effective interest rate per annum %	Maturity	*RMB'000*
Current			
Bank loans - unsecured and guaranteed	2.50-3.05	2021	40,000

Analysed into:

	2021	2020
	RMB'000	*RMB'000*
Repayable:		
Within one year	**–**	40,000

On 1 March 2020 and 28 May 2020, Wuhan Kindstar, a subsidiary of the Company, entered into one-year bank loans agreements of RMB20,000,000 and RMB20,000,000, respectively, with Hankou Bank Co., Ltd., which were unsecured and guaranteed by Shanghai SimpleGene and Mr. Huang Shi-ang, director of the company. On 1 March 2021 and 1 May 2021, Wuhan Kindstar repaid the loans amounted to RMB40,000,000 and Hankou Bank Co., Ltd. has released the responsibility of guarantee.

29. Deferred Income

	2021 *RMB'000*	2020 *RMB'000*
Government grants	**1,906**	2,573

Government grants received to compensate for the Group's cost of sales and operating expense which has not yet been undertaken are included in deferred income and recognised as income on a systematic basis of over the periods that the cost, for which it is intended to compensate, are expensed. Government grants received relates to assets invested in laboratory equipment were credited to deferred income and are recognised as income over the expected useful lives of the relevant assets.

30. Deferred Tax Assets and Liabilities

The movements in deferred tax assets during the reporting periods are as follows:

	Impairment of assets *RMB'000*	Accrued expenses *RMB'000*	Accrued bonus *RMB'000*	Accrued pension *RMB'000*	Tax losses *RMB'000*	Accrued income *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 31 December 2019	3,980	23,540	697	5,664	3,348	1,444	688	39,361
Deferred tax credited/(charged) to profit or loss during the year	1,043	2,924	228	(52)	(1,262)	651	(160)	3,372
At 31 December 2020	5,023	26,464	925	5,612	2,086	2,095	528	42,733
Deferred tax credited/(charged) to profit or loss during the year	1,071	(990)	453	436	2,943	1,652	(277)	5,288
At 31 December 2021	**6,094**	**25,474**	**1,378**	**6,048**	**5,029**	**3,747**	**251**	**48,021**

30. Deferred Tax Assets and Liabilities (continued)

The movements in deferred tax liabilities during the reporting periods are as follows:

	Fair value adjustments arising from Business combinations *RMB'000*
At 1 January 2021	**–**
Business combinations *(note 35)*	**547**
Credited to the consolidated statements of profit or loss and other comprehensive income	**–**
At 31 December 2021	**547**

31. Leases

The Group as a lessee

The Group has lease contracts for various items of properties and equipment used in its operations. Leases of properties generally have lease terms between 2 and 6 years, while equipment generally has lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the reporting periods are as follows:

	Properties *RMB'000*	Equipment *RMB'000*	Total *RMB'000*
31 December 2021			
At 1 January 2021:			
Cost	**89,619**	**1,559**	**91,178**
Accumulated depreciation	**(54,600)**	**(1,158)**	**(55,758)**
Net carrying amount	**35,019**	**401**	**35,420**
At 1 January 2021, net of accumulated depreciation	**35,019**	**401**	**35,420**
Additions	**14,042**	**217**	**14,259**
Disposals	**(12,908)**	**–**	**(12,908)**
Depreciation provided during the year	**(18,637)**	**(458)**	**(19,095)**
At 31 December 2021, net of accumulated depreciation	**17,516**	**160**	**17,676**
At 31 December 2021			
Cost	**90,753**	**1,776**	**92,529**
Accumulated depreciation	**(73,237)**	**(1,616)**	**(74,853)**
Net carrying amount	**17,516**	**160**	**17,676**

31. Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

	Properties *RMB'000*	Equipment *RMB'000*	Total *RMB'000*
31 December 2020			
At 1 January 2020:			
Cost	71,478	1,559	73,037
Accumulated depreciation	(39,646)	(869)	(40,515)
Net carrying amount	31,832	690	32,522
At 1 January 2020, net of accumulated depreciation	31,832	690	32,522
Additions	18,141	–	18,141
Depreciation provided during the year	(14,954)	(289)	(15,243)
At 31 December 2020, net of accumulated depreciation	35,019	401	35,420
At 31 December 2020:			
Cost	89,619	1,559	91,178
Accumulated depreciation	(54,600)	(1,158)	(55,758)
Net carrying amount	35,019	401	35,420

31. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the reporting periods are as follows:

	2021 **RMB'000**	2020 RMB'000
Carrying amount at 1 January	**45,387**	44,252
Additions	**14,259**	18,141
Disposals	**(21,980)**	–
Interest expenses	**1,543**	1,593
Payments	**(21,017)**	(18,599)
Carrying amount at 31 December	**18,192**	45,387
Analysed into:		
Current portion	**8,360**	21,637
Non-current portion	**9,832**	23,750

A maturity analysis of the lease liabilities as at the end of each of the reporting periods is as follows:

	2021 **RMB'000**	2020 RMB'000
Less than 3 months	**3,476**	8,758
3 to less than 12 months	**4,884**	12,879
1 to 3 years	**6,875**	20,575
Over 3 years	**2,957**	3,175
	18,192	45,387

31. Leases (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**1,543**	1,593
Depreciation charge of right-of-use assets	**19,095**	15,243
Expense relating to leases of short-term and low-value assets	**6,418**	8,710
Total amount recognised in profit or loss	**27,056**	25,546

During the reporting periods, the Group entered into certain long-term lease contracts for properties and equipment.

(d) The following future cash outflows of the Group are potentially exposed to short-term leases:

	2021	2020
	RMB'000	RMB'000
Future cash outflows for short-term leases	**1,301**	2,790

32. Convertible Redeemable Preferred Shares

From 2007 to 2012, the Company entered into share purchase agreements with founders of the Company and several independent investors and issued 18,666,667 Series A convertible redeemable preferred shares ("Series A Preferred Shares"), 20,943,230 Series B convertible redeemable preferred shares ("Series B Preferred Shares"), 6,124,021 Series B1 convertible redeemable preferred shares ("Series B1 Preferred Shares") and 24,198,413 Series C convertible redeemable preferred shares ("Series C Preferred Shares").

Pursuant to the Series D Preference Share Purchase Agreement dated 14 July 2020, the Company agreed to issue and allot 19,868,842 Series D convertible redeemable preferred shares ("Series D Preferred Shares") in aggregate to the holders of convertible bonds issued by Wuhan Kindstar during 2016 and 2017. The details of the issue of these convertible bonds are set out in Appendix I in the prospectus published on 29 June 2021.

Pursuant to the Series D+ Preference Share Purchase Agreement dated 8 September 2020, the Company agreed to issue and allot 9,698,920 Series D+ convertible redeemable preferred shares ("Series D+ Preferred Shares") in aggregate to an investor for a total consideration of US$20,000,000 or US$2.0621 per share.

During the period from October 6, 2020 to December 3, 2020, the Company entered into Series E Preference Share Purchase Agreements with the Series E Investors, who subscribed 33,962,595 Series E preferred shares of the Company at a total consideration of approximately US$108.3 million or US$3.19 per share.

Series A, B, B1, C, D, D+ and E convertible redeemable preferred shares are collectively referred to as "Preferred Shares", all of which are unsecured and interest-free.

Details of the key terms of the Preferred Shares, were set out in note 32 of Appendix I in the prospectus published on 29 June 2021.

The Group and the Company have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. The management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

All issued Preferred Shares had been automatically converted into 533,850,752 ordinary shares upon the successful Global Offering of the Company on July 16, 2021 and the then fair value of financial liabilities of RMB4,349,037,000 had been reclassified to equity accordingly.

32. Convertible Redeemable Preferred Shares (continued)

The movements of the Preferred Shares are set out as follows:

	Series A	Series B	Series C	Series D	Series D+	Series E	Total
At 1 January 2020	202,693	309,067	295,768	–	–	–	807,528
Change in fair value	206,980	288,566	243,208	–	87,123	65,557	891,434
Additions	–	–	–	–	136,662	722,247	858,909
Transfer from convertible bonds	–	–	–	420,292	–	–	420,292
Exchange adjustments	(24,730)	(36,190)	(32,786)	–	(11,054)	(19,013)	(123,773)
At 31 December 2020	384,943	561,443	506,190	420,292	212,731	768,791	2,854,390
Change in fair value	224,570	322,424	284,067	228,653	104,178	341,330	1,505,222
Conversion into ordinary shares	(608,275)	(882,018)	(788,534)	(647,450)	(316,051)	(1,106,709)	(4,349,037)
Exchange adjustments	(1,238)	(1,849)	(1,723)	(1,495)	(858)	(3,412)	(10,575)
At 31 December 2021	–	–	–	–	–	–	–

Key valuation assumptions used to determine the fair value of Preferred Shares as at the end of 31 December 2020 are as follows:

	At 31 December 2020 *(Audited)*
Risk-free interest rate	0.1%
Discount for lack of marketability ("DLOM")	14%
Volatility	44%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

33. Share Capital

Issued and fully paid

	2021 *RMB'000*	2020 *(RMB'000)*
Issued and fully paid:		
901,610,620 (2020: 36,340,842) ordinary shares	**1,466**	242

Share Capital	**Number of shares in issue**	**Share capital** ***(RMB'000)***
At 1 January 2021 *(Note i)*	**36,340,842**	**242**
Share split *(Note ii)*	**109,022,526**	**–**
Automatic conversion of Convertible Preferred Shares upon Global Offering *(Note 32)*	**533,850,752**	**864**
Shares issued upon Global Offering *(Note iii)*	**226,405,000**	**366**
Share repurchase *(Note iv)*	**(4,008,500)**	**(6)**
At 31 December 2021	**901,610,620**	**1,466**

Treasury Shares	**Number of shares repurchased**	**Share capital** ***(RMB'000)***
At January 1, 2021	**–**	**–**
Share repurchased but not yet cancelled *(Note iv)*	**580,500**	**1**
At 31 December 2021	**580,500**	**1**

33. Share Capital (continued)

Issued and fully paid (continued)

Note:

i. *The Company was incorporated on 24 August 2008 with authorised share capital of US$50,000 divided into 50,000,000 ordinary shares with a par value of US$0.001 each. On 30 January 2012, the Company increased its authorised share capital to US$200,000 divided into 130,067,668 ordinary shares of a par value of US$0.001 each. In October and November 2020, Tu Zan-Bing, the key management member of the Company, transferred 17,493,027 options of the Company acquired from the Pre-IPO Share Option Scheme to Ever Prospect, which is controlled by Tu Zan-Bing. On 11 November 2020, Ever Prospect exercised 9,656,036 share options.*

ii. *Pursuant to a shareholders' resolution passed on June 22, 2021, the authorized share capital of the Company was subdivided on a 1-to-4 basis upon the initial public offering and as a result, the par value was changed from US$0.001 per each share to US$0.00025 per each share and the authorized share capital of the Company of US$500,000 was subdivided into 2,000,000,000 Shares of US$0.00025 each share (the "Share Subdivision").*

iii. *On 16 July 2021, the Company issued a total of 226,405,000 ordinary shares of US$0.000025 each at the price of HK$9.78 per share by means of Global Offering.*

iv. *Pursuant to the board resolution passed on 5 November 2021, the Company announced to exercise its powers under the repurchase mandate to repurchase shares of the Company. A total of 4,008,500 shares were repurchased by the Company at a total consideration of HK$19,795,000 (equivalent to approximately RMB16,281,000) during the year ended 31 December 2021, among which 3,428,000 shares had been cancelled as at 31 December 2021 and the remaining 580,500 shares had been cancelled in January 2022.*

34. Reserves

Group

The amounts of the Group's reserves and the movement therein are presented in the consolidated statements of change in equity on pages 152 to 153 of the consolidated financial statements.

(i) Capital reserve

The capital reserve represents the difference between the par value of the shares issued and the consideration received.

(ii) Other capital reserve

The other capital reserve of the Group represents the difference between the aggregate of the then net assets of the non-controlling interests acquired and the consideration paid by the Group for the acquisition of non-controlling interests.

(iii) Share option reserve

The share option reverse of the Group represents the fair value of equity-settled share-based payments granted in 2013, 2015 and 2016. During 2020, 9,656,036 share options were exercised, resulting in the issue of 9,656,036 ordinary shares of the Company and new share capital of RMB64,000. None share options were exercised in 2021.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statement of group companies whose functional currencies are different from the Group's presentation currency.

35. Business Combination

The Group held 25% equity interests in Wuhan Yijianyun as at 31 December 2020. On 8 October 2021, the Group further acquired 65% equity interests in Wuhan Yijianyun from third party individuals, at a consideration of RMB724,000, increasing the total equity interests in Wuhan Yijianyun to 90%. The total purchase consideration was paid subsequently on 26 October 2021. Upon completion of the acquisition, Wuhan Yijianyun became a non-wholly owned subsidiary of the Group.

Wuhan Yijianyun is mainly engaged in provision of E-commerce services. The acquisition was made as part of the Group's strategy to expand its market share of online clinical testing services through E-commerce platform.

The fair values of the identifiable assets and liabilities of Wuhan Yijianyun as at the date of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** *RMB'000* **(unaudited)**
Property plant and equipment	15	**149**
Other intangible assets	16	**2,629**
Cash and cash equivalents		**1,034**
Prepayments, deposits and other receivables		**207**
Trade and bills receivables		**633**
Amounts due to related parties		**(1,000)**
Deferred tax liabilities	29	**(547)**
Other payables and accruals		**(2,495)**
Total identifiable net assets at fair value		**610**
Fair value of 25% equity interests which were acquired on 8 September 2020		**(153)**
Non-controlling interests		**(61)**
		396
Goodwill on acquisition		**328**
Satisfied by:		
Cash consideration paid during the year ended 31 December 2021		**724**
Total cash consideration		**724**

35. Business Combination (continued)

An analysis of cash flows in respect of the acquisition of Wuhan Yijianyun is as follows:

	RMB'000 (unaudited)
Cash consideration paid during the year ended 31 December 2021	**(724)**
Cash and cash equivalents acquired	**1,034**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**310**

36. Acquisition of Subsidiaries that are not a Business

On 27 October 2021, the Group entered into a share purchase agreement with 3rd party investors to acquire 100% equity interests in SinoPath. The acquisition of SinoPath was accounted for as asset acquisition because SinoPath failed to constitute a business under IFRS 3. Upon completion of the acquisition in December 2021, the acquired company became a wholly-owned subsidiary of the Group. The acquisitions were accounted for as asset acquisition since the Group determined that those activities and assets of acquired equity interests of SinoPath didn't constitute business on the acquisition date acquired.

Identifiable assets acquired and liabilities assumed after allocation of transaction price of SinoPath as at the dates of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** *RMB'000*
Property plant and equipment	15	**380**
Other intangible assets	16	**8,878**
Cash and cash equivalents		**48**
Profit tax receivables		**215**
Trade and bills payables		**(5)**
Other payables and accruals		**(16)**
Total identifiable net assets at fair value		**9,500**
Satisfied by:		
Cash consideration to be paid		**525**
Cash consideration paid during the year ended 31 December 2021		**8,975**
Total cash consideration		**9,500**

36. Acquisition of Subsidiaries that are not a Business (continued)

An analysis of cash flows in respect of the acquisition of Wuhan Yijianyun is as follows:

	RMB'000 (unaudited)
Cash consideration paid during the year ended 31 December 2021	**(8,975)**
Cash and cash equivalents acquired	**48**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**(8,927)**

37. Transactions with Non-Controlling Interests

On 19 August 2021, Wuhan Kindstar acquired 43% equity interests in Xinjiang Kindstar from non-controlling shareholders. Upon completion of the Acquisition, Xinjiang Kindstar will become a wholly-owned subsidiary of the Group.

The consideration was determined after arm's length negotiations with non-controlling shareholders, taking into account the financial performance of Xinjiang Kindstar and the potential growth of its business. The consideration will be adjusted upon Mr. Zheng Jianhua collecting outstanding receivables of RMB16,411,000 for Xinjiang Kindstar in respect of its nucleic acid testing business. In the event where the amount of outstanding receivables collected by Mr. Zheng Jianhua for Xinjiang Kindstar falls below RMB16,411,000, the total consideration for the Acquisition will be adjusted. The first installment payment of RMB2,375,000 was paid in September 2021.The unpaid contingent consideration was initially measured at fair value of RMB15,255,000 and was remeasured to fair value at subsequent reporting dates, if any, with the corresponding gains or loss being recognised in profit or loss.

The differences between the carrying amount of non-controlling interests and consideration paid by Wuhan Kindstar had been recognised as a debit to other reserve during the year ended 31 December 2021.

The effect of changes in the equity interests of the subsidiary on the total equity attributable to owners of the parent during the period is summarised as follows:

	RMB'000 (unaudited)
Carrying amount of non-controlling interests acquired	**(5,500)**
Cash consideration paid during the year ended 31 December 2021	**2,375**
Consideration payable as at 31 December 2021	**7,625**
Contingent consideration payable as at 31 December 2021	**15,255**
Excess of consideration paid over the carrying amount acquired	**19,755**

38. Notes to the Consolidated Statements of Cash Flows

(a) Major non-cash transactions

During the reporting periods, the fair value loss on convertible redeemable preferred shares were RMB1,505,222 (2020:RMB891,434,000), which were non-cash transactions.

During the reporting periods, the fair value loss on convertible redeemable preferred bonds were Nil (2020:RMB155,161,000), which were non-cash transactions.

During the reporting periods, the Group had non-cash additions to right-of-use assets of RMB14,259,000(2020:RMB18,141,000) and non-cash additions to lease liabilities of RMB14,259,000 (2020:RMB18,141,000), respectively, in respect of lease arrangements for properties and equipment.

(b) Changes in liabilities arising from financing activities

	Issue costs *RMB'000*	Convertible redeemable preferred shares *RMB'000*	New bank loans and other borrowings *RMB'000*	Dividends payable included in Due to related parties *RMB'000*	Advances from employees *RMB'000*	Lease liabilities *RMB'000*
At 31 January 2021	18,860	2,854,390	40,000	65,249	11,144	45,387
Interest expense	–	–	185	–	–	1,543
Listing expenses	30,067	–	–	–	–	–
Prepaid listing expenses	107,042	–	–	–	–	–
Additions	–	–	–	–	–	14,259
Payment	–	–	–	–	–	–
– Financial cashflow	(9,549)	–	(40,000)	(65,408)	–	(21,017)
– Operating cashflow	(33,172)	–	–	–	–	–
Interest paid	–	–	(185)	–	–	–
Disposal	–	–	–	–	–	(21,980)
Conversion into ordinary shares	–	(4,349,037)	–	–	–	–
Change in fair value	–	1,505,222	–	–	–	–
Exchange adjustment	–	(10,575)	–	159	(501)	–
At 31 December 2021	113,248	–	–	–	10,643	18,192

38. Notes to the Consolidated Statements of Cash Flows (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Issue costs *RMB'000*	Convertible redeemable preferred shares *RMB'000*	New bank loans and other borrowings *RMB'000*	Dividends payable included in Due to related parties *RMB'000*	Advances from employees *RMB'000*	Lease liabilities *RMB'000*
At 31 January 2020	–	807,528	–	–	–	44,252
Interest expense	–	–	734	–	–	1,593
Declaration of special dividends	–	–	–	163,521	–	–
Advances from employees	–	–	–	–	15,931	–
Proceed of exercise share option	–	–	–	–	(4,787)	–
Listing expenses	15,504	–	–	–	–	–
Prepaid listing expenses	6,208	–	–	–	–	–
Additions	–	858,909	70,000	–	–	18,141
Payment						
– Financial cashflow	(713)	–	(30,000)	(34,124)	–	(18,599)
– Operating cashflow	(2,139)	–	–	–	–	–
Interest paid	–	–	(734)	–	–	–
Debt restructuring	–	–	–	(64,150)	–	–
Transfer from convertible bonds	–	420,292	–	–	–	–
Change in fair value	–	891,434	–	–	–	–
Exchange adjustment	–	(123,773)	–	2	–	–
At 31 December 2020	18,860	2,854,390	40,000	65,249	11,144	45,387

39. Commitments

The Group had the following capital commitments at the end of each Reporting Period:

	2021 *RMB'000*	2020 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**12,319**	9,190
Equity investments	**66,853**	26,492
	79,172	35,682

40. Related Party Transactions

(a) Name and relationship

Name of related parties	Relationship with the Group
Huang Shi-Ang	Shareholder and executive director
GUO Gui-Rong	Shareholder
CHEN Zhong	Shareholder
TU Zan-Bing	Key management
ZHENG Jianhua *(Note i)*	Minority shareholder
Mayo Foundation for Medical Education and Research (“Mayo Foundation”)	Shareholder
Ever Prospect	Entity controlled by key management
武漢海傑科技有限公司 Wuhan Haijie Technology Co., Ltd. (“Wuhan Haijie”) *(Note ii)*	Entity controlled by Huang Shi-Ang
康聖環球(天津)醫學科技有限公司 Kindstar Global (Tianjin) Technology, Inc. (“Kindstar Global Tianjin”)	Entity controlled by Huang Shi-Ang
武漢康聖冷鏈物流有限公司 Wuhan Kindstar Cold Chain Logistics Co., Ltd. (“Kindstar Logistics”) *(Note iii)*	Entity controlled by Huang Shi-Ang
武漢益特醫療技術諮詢有限公司 Wuhan Yite Medical Technology Consulting Co., Ltd. (“Wuhan Yite”) *(Note iv)*	Entity controlled by Huang Shi-Ang
康聖新海(武漢)醫學技術有限公司 Kindstar Xinhai (Wuhan) Medical Technology Co., Ltd. (“Kindstar Xinhai”)	Entity controlled by Huang Shi-Ang

40. Related Party Transactions (continued)

(a) Name and relationship (continued)

Name of related parties	Relationship with the Group
武漢市康聖優生網絡科技有限公司 Wuhan Kindstar Yousheng Network Technology Co., Ltd. ("Yousheng Network")	Entity controlled by Huang Shi-Ang
Haixi Life Technology	Associate
武漢海希生物科技有限公司 Wuhan Haixi Biological Technology Co., Ltd. ("Haixi Biological Technology")	Entity controlled by an associate
武漢蒲雲醫學檢驗實驗室有限公司 Wuhan Puyun Medical Laboratory Co., Ltd. ("Wuhan Puyun")	Associate
武漢德穀醫學檢驗實驗室有限公司 Wuhan Degu Medical Laboratory Co., Ltd. ("Wuhan Degu")	Associate

Notes:

(i) Since 19 August 2021, ZHENG Jianhua is no longer a related party of the Group.

(ii) Since 8 June 2021, Wuhan Haijie is no longer a related party of the Group.

(iii) Since 8 June 2021, Kindstar Logistics is no longer a related party of the Group.

(iv) Since 8 March 2021, Wuhan Yite is no longer a related party of the Group.

40. Related Party Transactions (continued)

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the Consolidated Financial Statements, the Group had the following material related party transactions during the reporting periods:

	2021 *RMB'000*	2020 *RMB'000*
Purchases of services		
Wuhan Puyun *(Note ii)*	**15,055**	4,314
Wuhan Degu *(Note ii)*	**1,467**	–
Kindstar Logistics *(Note iv)*	**224**	989
Wuhan Yite	**–**	5,405
	16,746	10,708
Royalty fees		
Mayo Foundation *(Note iii)*	**2,270**	2,757
Purchases of reagents		
Haixi Biological Technology *(Note v)*	**7,283**	4,094
Borrowings from		
ZHENG Jianhua *(Note i)*	**–**	430
Repayments of borrowings to		
ZHENG Jianhua *(Note i)*	**430**	–

40. Related Party Transactions (continued)

(b) Significant related party transactions (continued)

	2021 RMB'000	2020 RMB'000
Loans to		
Wuhan Puyun *(Note vi)*	**20,000**	2,750
Wuhan Degu *(Note vi)*	**2,000**	–
Wuhan Haijie *(Note vi)*	**–**	2,260
Kindstar Xinhai *(Note vi)*	**–**	1,000
Kindstar Global Tianjin *(Note vi)*	**–**	851
	22,000	6,861
Repayments of borrowings from		
Wuhan Puyun *(Note vi)*	**20,000**	2,750
Wuhan Degu *(Note vi)*	**1,000**	–
Kindstar Xinhai *(Note vi)*	**–**	1,000
Wuhan Haijie *(Note vi)*	**–**	2,260
Kindstar Global Tianjin *(Note vi)*	**–**	851
	21,000	6,861
Deemed interest income from loans to key management		
Huang Shi-Ang	**–**	1,668
CHEN Zhong	**–**	75
TU Zan-Bing	**–**	45
	–	1,788

40. Related Party Transactions (continued)

(b) Significant related party transactions (continued)

Notes:

(i) In 2020, Xinjiang Kindstar borrow loans from Zheng Jianhua. The loans are unsecured and payable on demand with the interest rate of 6%. During the year, Xinjiang Kindstar repaid the amount.

(ii) During the year, Wuhan Kindstar purchased labor services from Wuhan Degu and Wuhan Puyun.

(iii) The royalty fees were paid for the know-how provided by Mayo Foundation, which is a shareholder of the Company. The fees were charged pursuant to the terms in the agreement and supplemented agreements signed between the Company and Mayo Foundation on 18 June 2011, 28 February 2013 and 1 June 2015.

(iv) During the year, Wuhan Kindstar purchased transportation services from Kindstar Logistics.

(v) During the year, Wuhan Kindstar purchased reagents from Haixi Biological Technology.

(vi) During the year, the Group provided loans to and received payments from certain related parties. The loans are unsecured and payable on demand with interest-free.

The purchase price was made according to published prices and conditions agreed by the Group and the related parties

(c) Other transactions with related parties

(i) The Group has guaranteed certain bank loan granted to Kindstar Xinhai. The guarantee contract was signed on 13 April 2020, for guarantees given to China Merchants Bank ("招商銀行") in connection with bank loan granted to Kindstar Xinhai. The total amount of bank loan was RMB62,000,000, which was also secured by the equity interests held by Kindstar Xinhai in Kindstar Rui An Medical Technology Company Limited ("Kindstar Rui An"), secured by the equity interests in the Company held by Gui Guirong, and guaranteed by Kindstar Rui An. The guarantee made by the Group was released with the repayment of bank loan by Kindstar Xinhai on 5 February 2021.

(ii) In October and November 2020, Tu Zan-Bing, the key management member of the Company, transferred 17,493,027 options of the Company acquired from the Pre-IPO Share Option Scheme to Ever Prospect, which is controlled by Tu Zan-Bing. On 11 November 2020, Ever Prospect exercised 9,656,036 share options.

In November and December 2020, the Company repurchased 7,836,990 options from Ever Prospect at a total consideration of US$25,000,000 (equivalent to RMB163,521,000) and it was considered as a special dividend declared by the Company pursuant to the board resolutions passed in November and December 2020. After netting off with the loans receivable from key management and employee of US$9,814,706 (equivalent to RMB64,149,900), US$5,185,294 (equivalent to RMB34,124,000) and US$10,000,000 (equivalent to RMB65,408,000) were paid to Ever Prospect on 24 November 2020 and 4 January 2021, respectively.

40. Related Party Transactions (continued)

(d) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 31 December 2021.

	2021 *RMB'000*	2020 *RMB'000*
Due from related parties		
Other receivables (non-trade in nature)		
Other loans to shareholders	–	165
Wuhan Yite *(Note i)*	–	1,200
	–	1,365
Other receivables (trade in nature)		
Yousheng Network *(Note i)*	–	595
Haixi Life Technology *(Note i)*	–	100
Wuhan Puyun *(Note i)*	–	94
Tianjin Kindstar *(Note i)*	–	8
	–	797
Total amounts due from related parties	–	2,162
Due to related parties		
Other payables (non-trade in nature)		
Ever Prospect *(Note i)*	–	65,249
Wuhan Haijie *(Note i)*	–	950
ZHENG Jianhua *(Note i)*	–	430
	–	66,629
Other payables (trade in nature)		
Wuhan Puyun *(Note i)*	**3,435**	6,124
Mayo Foundation *(Note i)*	**1,000**	1,435
Haixi Biological Technology *(Note i)*	**1,758**	331
Wuhan Degu	**187**	–
Wuhan Yite *(Note i)*	–	56
	6,380	7,946
Total amounts due to related parties	**6,380**	74,575

40. Related Party Transactions (continued)

(d) Outstanding balances with related parties (continued)

Notes:

(i) The Group's balances due from and due to the related companies are unsecured, interest-free and repayable on demand, except for the loans to key management and employees. All the non-trade balance are expected to be settled prior to the Company's Listing.

(e) Compensation of key management personnel of the Group

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,939**	1,840
Performance related bonuses	**101**	67
Pension scheme contributions	**165**	107
	2,205	2,014

Further details of directors' and chief executive' emoluments are included in note 10 to the Consolidated Financial Statements.

41. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the reporting periods are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Financial assets		
Financial assets at FVTPL:		
Investment on unlisted fund	**88,500**	–
Wealth management products	**74,371**	55,000
	162,871	55,000
Financial assets at amortised cost:		
Trade and bills receivables	**339,144**	310,385
Due from related parties	**–**	2,162
Financial assets included in prepayments, deposits and other receivables	**19,543**	81,829
Time deposits (more than 3 months)	**274,155**	–
Cash and cash equivalents	**1,796,700**	843,035
	2,429,542	1,237,411
Financial liabilities		
Financial liabilities at FVTPL:		
Convertible redeemable preferred shares	**–**	2,854,390
Contingent consideration	**15,255**	–
	15,255	2,854,390
Financial liabilities at amortised cost:		
Trade and bills payables	**134,820**	131,785
Amount due to related parties	**6,380**	74,575
Financial liabilities included in other payables and accruals	**175,013**	151,379
Interest-bearing bank borrowings	**–**	40,000
Lease liabilities	**18,192**	45,387
	334,405	443,126

42. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	As at 31 December 2021		As at 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	*RMB'000*	RMB'000	RMB'000 (Unaudited)
Financial assets				
Investment on unlisted fund	**88,500**	**88,500**	–	–
Wealth management products	**74,371**	**74,371**	55,000	55,000
	162,871	**162,871**	55,000	55,000
Financial liabilities				
Convertible redeemable preferred shares	**–**	**–**	2,854,390	2,854,390
Contingent consideration	**15,255**	**15,255**	–	–
	15,255	**15,255**	2,854,390	2,854,390

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the reporting periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans to key management and employees have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

42. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of lease liabilities have been calculated by discount the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of the convertible redeemable preferred shares measured at FVTPL are determined using the Black-Scholes option pricing model. Further details are set out in note 32 to the Consolidated Financial Statements.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets				
Investment in an unlisted fund	–	–	88,500	88,500
Wealth management products	–	74,371	–	74,371
	–	74,371	88,500	162,871
Financial liabilities				
Contingent consideration	–	–	15,255	15,255

42. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Wealth management products	–	55,000	–	55,000
Financial liabilities				
Convertible redeemable preferred shares	–	–	2,854,390	2,854,390

During the reporting periods, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

42. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

As at 31 December 2020 (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 2020:

	Valuation technique	Significant unobservable inputs	Sensitivity of fair value to the input
Financial assets			
Investment in an unlisted fund	Recent transaction price *(note)*	Recent transaction price *(note)*	5% increase/decrease in underlying investments would result in an increase/decrease in fair value by RMB4,425,000 /RMB4,425,000 as at 31 December 2021.
Financial liabilities			
Contingent consideration	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Probability-account receivables recovery	5% increase/decrease in probability-account receivables recovery would result in an increase/decrease in fair value by RMB137,000 as at 31 December 2021.
		Discount rate	5% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB49,000/RMB49,000 as at 31 December 2021.

Note: The underlying investments were invested by the fund recently. The management of the Group assessed that since there was no significant milestone achieved in each of the underlying investments since their respectively investment, the most recent transaction price is used as the best estimate of their fair value.

43. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank borrowings, financial liabilities at FVTPL, other interest-bearing loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the reporting periods to a reasonably possible change in the RMB and US$ exchange rate, with all other variables held constant, of the Group's loss before tax.

	2021 ***RMB'000***	2020 *RMB'000*
RMB/US$		
Strengthened 5%	**81,328**	4,866
Weakened 5%	**(81,328)**	(4,866)

Credit risk

An impairment analysis was performed at 31 December 2021 using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are gross carrying amounts for financial assets.

43. Financial Risk Management Objectives and Policies (continued)

Maximum exposure and year-end staging (continued)

At 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Financial assets at FVTPL	**162,871**	**–**	**–**	**–**	**162,871**
Trade receivables*	**–**	**–**	**–**	**376,812**	**376,812**
Bills receivables	**66**	**–**	**–**	**–**	**66**
Financial assets included in prepayments, deposits and other receivables					
– Normal**	**19,543**	**–**	**–**	**–**	**19,543**
– Doubtful**	**–**	**–**	**–**	**–**	**–**
Amounts due from related parties	**–**	**–**	**–**	**–**	**–**
Time deposits (more than 3 months)	**274,155**	**–**	**–**	**–**	**274,155**
Cash and cash equivalents	**1,796,700**	**–**	**–**	**–**	**1,796,700**
	2,253,335	**–**	**–**	**376,812**	**2,630,147**

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Financial assets at FVTPL	55,000	–	–	–	55,000
Trade receivables*	–	–	–	339,840	339,840
Bills receivables	677	–	–	–	677
Financial assets included in prepayments, deposits and other receivables					
– Normal**	81,829	–	–	–	81,829
– Doubtful**	–	–	–	–	–
Amounts due from related parties	2,162	–	–	–	2,162
Cash and cash equivalents	843,035	–	–	–	843,035
	982,703	–	–	339,840	1,322,543

* *For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Consolidated Financial Statements.*

** *The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

43. Financial Risk Management Objectives and Policies (continued)

Maximum exposure and year-end staging (continued)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract such as a default or past due event
- it is probable that the debtor will enter bankruptcy or other financial reorganisation

The Group has established a policy to perform an assessment, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group recognised allowance for financial assets other than trade receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data. Trade receivables to which the Group applies the simplified approach for impairment based on lifetime ECLs.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

43. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, was as follows:

2021	On demand *RMB'000*	Less than 1 year *RMB'000*	1 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Contingent Consideration	–	15,255	–	–	15,255
Trade and bills payables	–	134,820	–	–	134,820
Financial liabilities included in other payables and accruals	175,013	–	–	–	175,013
Interest-bearing bank borrowings	–	–	–	–	–
Amounts due to related parties	6,380	–	–	–	6,380
Lease liabilities	–	8,874	7,343	3,086	19,304
	181,393	158,949	7,343	3,086	350,772

2020	On demand *RMB'000*	Less than 1 year *RMB'000*	1 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Convertible redeemable preferred shares	–	–	2,854,390	–	2,854,390
Trade and bills payables	–	131,785	–	–	131,785
Financial liabilities included in other payables and accruals	151,379	–	–	–	151,379
Interest-bearing bank borrowings	40,000	–	–	–	40,000
Amounts due to related parties	74,575	–	–	–	74,575
Lease liabilities	–	18,538	21,934	3,417	43,889
	265,954	150,323	2,876,324	3,417	3,296,018

43. Financial Risk Management Objectives and Policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting periods.

The asset-liability ratios as at the end of each of the reporting periods are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Total assets	**3,188,959**	1,576,959
Total liabilities	**464,151**	3,411,374
Asset-liability ratio *(Note)*	**15%**	216%

Note: Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

44. Events After 31 December 2021

With the sales/net profit targets achieved by Haixi Life Technology, the closing conditions under the Haixi SPA and Haixi Capital Increase Agreement were met. In January 2022, the consideration for the equity transfer of RMB10,657,900 has been paid to Mr. Huang Shi-ang and an individual shareholder and the capital of RMB15,000,000 has been injected into Haixi Life Technology. Upon completion of the equity transfer and capital injection, Haixi Life Science became held as to 51.10% directly by the Group and became a non wholly-owned subsidiary of the Group.

45. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting periods is as follows:

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**456,078**	456,078
Total non-current assets		**456,078**	456,078
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**96**	6,307
Amount due from a subsidiary	40	**1,265,556**	462,864
Amounts due from related parties	40	**–**	165
Cash and cash equivalents	24	**1,510,666**	738,834
Total current assets		**2,776,318**	1,208,170
CURRENT LIABILITIES			
Amount due to a subsidiary	40	**47,829**	49,002
Other payables and accruals		**37,342**	33,941
Amount due to a related party	40	**–**	65,249
Total current liabilities		**85,171**	148,192
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	32	**–**	2,854,390
Total non-current liabilities		**–**	2,854,390
Net liabilities		**3,147,225**	(1,338,334)
DEFICIENCY IN EQUITY			
Share capital	34	**1,466**	242
Treasury shares		**1**	–
Reserves	35	**3,145,758**	(1,338,576)
Total deficit		**3,147,225**	(1,338,334)

45. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's equity is as follows:

	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	178	–	8,701	195,184	(9,592)	(549,509)	(355,038)
Loss for the period	–	–	–	–	–	(906,918)	(906,918)
Exchange differences on translation of financial statements	–	–	–	–	82,358	–	82,358
Shares issued upon exercise of share options	64	–	45,078	(40,357)	–	–	4,785
Declaration of special dividends *(Note 40(c)(iv))*	–	–	(128,229)	(35,290)	(2)	–	(163,521)
At 31 December 2020	242	–	(74,450)	119,537	72,764	(1,456,427)	(1,338,334)
Loss for the period						(1,540,506)	(1,540,506)
Exchange differences on translation of financial statements	–	–		–	(39,077)	–	(39,077)
Automatic conversion of Preferred Shares upon Global Offering	864	–	4,348,173	–	–	–	4,349,037
Shares issued upon Global Offering and over-allotment	366	–	1,742,648	–	–	–	1,743,014
Transaction costs attribute to issue of new shares			(10,629)	–	–	–	(10,629)
Repurchase of ordinary shares	(6)	1	(16,275)	–	–	–	(16,280)
At 31 December 2021	**1,466**	**1**	**5,989,467**	**119,537**	**33,687**	**(2,996,933)**	**3,147,225**