



康圣环球

Kindstar Global

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

**2022**  
Annual Report



# Contents

2	DEFINITIONS
7	CORPORATE INFORMATION
9	FIVE-YEAR FINANCIAL SUMMARY
10	CHAIRMAN'S STATEMENT
12	BUSINESS REVIEW AND OUTLOOK
16	MANAGEMENT DISCUSSION AND ANALYSIS
33	DIRECTORS AND SENIOR MANAGEMENT
40	CORPORATE GOVERNANCE REPORT
61	ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
96	DIRECTORS' REPORT
124	INDEPENDENT AUDITOR'S REPORT
128	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
130	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
132	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
134	CONSOLIDATED STATEMENT OF CASH FLOWS
136	NOTES TO THE FINANCIAL STATEMENTS





# Definitions

“AGM”	the annual general meeting of the Company to be held on Thursday, June 1, 2023
“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 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 (“ <b>IAS</b> ”), International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board (“ <b>IASB</b> ”)
“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 under the laws of 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



## Definitions

“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有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“Latest Practicable Date”	April 19, 2023, 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, 2022
“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 Ounuoaan (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有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“%”	percent

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. Lee Mei Yi

## Authorized Representatives

Ms. Chai Haijie  
Ms. Lee Mei Yi

## Hong Kong Legal Advisors

Han Kun Law Offices LLP  
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





## Corporate Information

### Principal Place of Business in Hong Kong

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

### Company's Website

[www.kindstar.com.cn](http://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  
17/F, Far East Finance Centre  
16 Harcourt Road  
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

# Five-Year Financial Summary

## Condensed Consolidated Statement of Comprehensive Income

	2022	Year ended December 31,			
		2021	2020	2019	2018
<i>RMB'000</i>					
Revenue	<b>1,386,591</b>	930,673	891,391	832,791	706,202
Gross profit	<b>603,055</b>	485,770	460,981	452,214	378,396
Gross profit margin	<b>43.5%</b>	52.2%	51.7%	54.3%	53.6%
Profit/(Loss) before tax	<b>83,316</b>	(1,453,988)	(962,352)	(168,605)	(59,415)
Profit/(Loss) for the year	<b>77,484</b>	(1,454,234)	(970,120)	(169,582)	(54,349)
Non-IFRS measure <sup>(1)</sup> :					
Adjusted net income	<b>77,484</b>	81,055	91,979	53,326	18,853

Note :

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

## Condensed Consolidated Statement of Financial Position

	2022	Year ended December 31,			
		2021	2020	2019	2018
<i>RMB'000</i>					
<b>Assets</b>					
Non-current assets	<b>976,544</b>	530,791	221,724	218,296	262,859
Current assets	<b>2,748,800</b>	2,658,168	1,355,235	446,127	313,678
Total assets	<b>3,725,344</b>	3,188,959	1,576,959	664,423	576,357
<b>Liabilities</b>					
Non-current liabilities	<b>10,062</b>	11,738	2,880,713	28,944	40,600
Current liabilities	<b>861,553</b>	452,413	530,661	1,434,900	1,153,861
Total liabilities	<b>871,615</b>	464,151	3,411,374	1,463,844	1,194,461
Total equity/(deficit)	<b>2,853,729</b>	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, 2022. The year ended December 31, 2022 was a year full of challenges for us. This year, we made some achievements, and our revenue amounted to RMB1,386.6 million, representing a year-on-year increase of 49%. This year, we also experienced the greatest impact since the Listing, and the growth of specialty esoteric testing, our core business, slowed down due to the effect of the COVID-19 pandemic.

In 2022, our laboratories in Shanghai, Beijing, Tianjin, Wuhan and other regions were affected to varying degrees by the impact of pandemic containment measures and their subsequent changes, decline in the hospital outpatient and inpatient volumes and the number of samples for specialty esoteric testing. Meanwhile, regularized COVID-19 testing imposed higher requirements for medical testing institutions. As a leading medical testing institution in Hubei, we were obligated to shoulder our social responsibilities and cooperate with the government to carry out nucleic acid testing business in Wuhan and its surrounding areas. The collection of payment of our nucleic acid business was normal in the regions where our nucleic acid business was conducted, since such regions had generally favorable economic conditions and we cooperate closely with local governments.

In 2022, the Company adhered to the policy of stable operation amid substantial uncertainties of external environment. We strengthened our investment in R&D and products, launched more than 190 new testing items in the six specialty testing services including hematology, and participated in more than 20 leading scientific research projects. In addition, we completed the building of product portfolio in our new specialty businesses, such as ophthalmology, rheumatology and cardiovascularology, and carried out preliminary promotion with satisfactory results. Meanwhile, we actively expanded the business of specialty esoteric testing, established extensive collaboration with leading innovative drug companies, and explored new application of mass spectrometry and third-generation sequencing technology in clinical medical testing. We utilized the proceeds from the Global Offering prudently, and in a responsible manner to our shareholders, sought to identify opportunities for outbound growth at the most expedient timing. In 2022, we built up our internal skills and strengths, and laid the foundations for 2023.

At the end of 2022, there was significant adjustment in COVID-19 prevention policy in China. Therefore, Kindstar Global will stand at a new starting point for growth in 2023. In the past quarter, we observed positive changes in the macro and micro environment. Some unfavorable factors restricting business development during the pandemic are gradually being eliminated, and our core specialty esoteric testing business is expected to restore rapid growth, especially hematology testing and infectious disease testing, which have been greatly impacted during the pandemic. We expect our star products, including the gDNA project for 363 genetic mutation detection in lymphoma, pathogen metagenomic (mNGS) and targeted pathogen Panel (tNGS) detection, and digital PCR detection to achieve high growth. By virtue of more new products, new technologies, and new cooperation, we are confident in achieving substantial growth in the existing specialty testing business.

As the establishment of a new specialty product system has been completed, we expect to achieve breakthroughs in the fields of ophthalmology, cardiovascular and rheumatology for relevant testing in 2023. More good projects with clinical guiding significance such as “33 items of quantitative detection for myositis autoantibody spectrum” and “BCD-related gene detection for hereditary eye diseases” will be promoted in the market, and we expect to witness increasing hospitals in cooperation with Kindstar Global in the new specialty sector. Due to the small volume of these new specialty businesses, we expect to achieve more rapid growth.

2023 is the first year of holistic recovery after the stringent COVID-19 bans were lifted. Although China's specialty esoteric testing industry and economy may encounter some volatilities in the future, we have the confidence to face them as before for we believe that the worst time has passed. Looking ahead to the coming three years, we expect that the Company will achieve quicker growth in the next two years. We have full faith in our future and remain optimistic about all areas of the specialty esoteric testing.

However long the night, the dawn will break. In the new year of 2023, all Kindstar Global personnel will stay industrious to deliver “giving priority to patients' interests and doctors' needs” with actions, propel the development of China's precision diagnostics, and reward Shareholders with excellent performance.

*Chairman*

**Huang Shiang**

Hong Kong

March 27, 2023



# Business Review and Outlook

## Research and Development (“R&D”)

As of December 31, 2022, the Group has developed 190 new testing projects in total, including 106 projects related to molecular biology testing technology, 18 projects related to flow cytometry testing technology, 26 projects related to cytogenetics testing technology, 13 projects related to pathology testing technology, 5 projects related to mass spectrometry testing technology, 22 projects related to enzyme-linked immunosorbent assay and other general testing technologies. We have introduced 33 new digital polymerase chain reaction (“PCR”) projects in relation to molecular biology testing. We have established new categories and database of reference values for certain specific cells in relation to flow cytometry testing. We have taken the fast fluorescence in situ hybridization (FISH) project as the key R&D project in relation to cytogenetics testing. Staying abreast of the most cutting-edge medical testing topics, our R&D team published over 20 research papers in renowned domestic and overseas research journals in 2022. In addition, we have taken an active approach to develop and promote research projects based on new technologies and equipment so as to promptly provide services with such new technologies and equipment, such as NovaSeq6000.

## Specialty esoteric testing business

Our 9 testing laboratories are located in Wuhan, Chengdu, Shanghai, Beijing, Tianjin and Xinjiang. In 2022, the operation of our laboratories, in particular, those located in Shanghai, Beijing and Wuhan, were adversely affected to varying degrees by the regional resurgence of COVID-19 and pandemic control measures taken by local governments. Nonetheless, we focused on improving our products and expanding our markets in order to overcome the impact caused by unfavorable environmental factors. Looking forward to 2023, with the recovery of hospital outpatient and inpatient volume and the normalization of laboratory production orders, our esoteric testing business is expected to regain growth momentum.

- **Hematology-related testing**

In 2022, in terms of hematology testing products, we launched approximately 100 new products and product portfolios, which included certain high-value projects that achieved revenue of over RMB10 million with rapid growth. Among which, the testing volume of 363-type genetic mutation genomic deoxyribonucleic acid (gDNA) projects in lymphoma recorded a year-on-year increase of 142.6%; the testing volume of 248-type genetic mutation projects in the myeloid blood disease achieved a three-fold growth monthly on average; and the new CAR-T accompanying diagnostic product portfolio has been well recognized by clinical experts. In terms of market, we entered into contracts with 25 new partner hospitals, and cooperated with 9 large and medium-sized teaching hospitals in China for co-construction and project conversion. Meanwhile, leveraging our research ability in hematology testing field, we provided scientific research services to over 200 hospitals, achieving revenue growth of over RMB10 million. Looking forward to 2023, we plan to introduce over 80 new testing projects, upgrade over 100 products, and secure more than 100 new cooperation agreements with hospitals and co-established hospitals.



- **Neurology-related testing**

In 2022, for adult neurology testing, the Group introduced, among others, autoimmune encephalitis big package (TBA), syndromes item, myasthenia gravis item, targeted metagenomics item, and cognitive impairment AD5 item, covering aspects of neurology immunity, neurology infections, drug concentration, pharmacogenetics and cognitive impairment. For pediatric neurology testing, we focused on overcoming the pediatric neurogenetics item on the basis of improving pediatric neuroimmunology item and pediatric neurological infections item, and newly-added RNA-seq and human whole genome testing item. In terms of clients, we have actively expanded our services and added over 30 new partner hospitals. In 2023, we will focus on expanding key projects such as co-establishment of hospitals to achieve over 100 newly added partner hospitals, and strive to achieve a market share of more than 85% in pediatric neurology.

- **Maternity-related testing**

In recent years, some maternity-related items faced certain degree of price pressure. We paid more attention to the R&D of new projects, and strived to realize the downstream promotion of some star projects. In 2023, we will continue to strengthen the penetration and promotion of obstetrics and gynecology-related star products and newly-added projects, and especially focus on promoting the star testing projects such as precocious puberty in children, congenital adrenal hyperplasia, runt disease and other diseases, the children's health care projects and other projects to county-level hospitals and community hospitals across the country, striving to achieve the growth of maternity-related testing hospitals.

- **Genetic disease and rare disease-related testing**

About 7,000 rare diseases have been identified worldwide, accounting for 10% of human diseases, among which 80% are genetic diseases. Studies suggest that most rare diseases are caused by genetic defects, therefore, genetic testing plays an important role in the diagnosis of rare diseases. With the in-depth development of precision testing, metabolites and related antibodies testing also have an essential value for screening, supplementary diagnosis and treatment monitoring of rare diseases. In 2023, we will further enhance our R&D in genetic testing, mass spectrometry detection for metabolites and neuroimmune antibodies to benefit more citizens.

- **Infectious disease-related testing**

Affected by the epidemic-related policies, the demand for infectious disease-related testing had been squeezed. In 2022, the Group further optimized the product structure of infectious disease-related testing, with a year-on-year growth of over 100% for pathogen metagenomic (mNGS) and targeted pathogen panel (tNGS) testing and over 20% for rare pathogen testing. In 2023, with the adjustment of the epidemic control policy, hospital cooperation and demand for infection-related specialties will be further released, and the infectious disease-related testing is expected to restore growth.



## Business Review and Outlook

- **Oncology-related testing**

In 2022, the Group added a number of large-scale Class IIIA hospital customers in the field of oncology testing, and the WES-based customized MRD product we launched became our star product in the field of solid tumor testing. The project mainly focuses on post-operative recurrence monitoring for early-stage tumor patients to achieve accurate monitoring for post-operative patients, and has already achieved clinical cooperation with many top hospitals in China. In 2023, we will continue to reinforce the promotion of our star products related to solid tumors, while continuing to cultivate our development in the field of small-scale cancers, such as oral cancer and nasopharyngeal cancer.

- **Ophthalmology-related testing**

In 2022, we had more than 560 ophthalmic testing items with the most comprehensive system of ophthalmic testing items in China, covering the fields of ophthalmic immunity, ophthalmic infection, ophthalmic tumor and ophthalmic genetics. In terms of customers, we have newly cooperated with approximately 90 Class IIIA hospitals, with the highest monthly revenue generated from testing exceeding RMB300,000. We had also formed strategic cooperation with, among others, the Eye Hospital of Wenzhou Medical University, Eye and ENT Hospital of Fudan University, Tongji Hospital affiliated to Tongji Medical College of Huazhong University of Science and Technology, Union Hospital affiliated to Tongji Medical College of Huazhong University of Science and Technology and Wuhan University. For the reagent testing kits for detection of BCD-related gene CYP4V2 and XLRP-related gene RPGR of ophthalmic genetic diseases, a topic of key scientific research undertaken by us, we had completed the design and screening, the optimization of procedures and the establishment of methodologies of primers for two genes, RPGR and CYP4V2, as well as the performance validation of detection methodology and the application of related patents during the Reporting Period. In 2023, we expect to add 130 new projects, among which the testing scheme of intraocular fluid protein chip will be the first in China filling the domestic technical gap. We will also build a complete marketing system to cover more than 80% of the ophthalmology specialties nationwide. We expect to cooperate with more than 1,000 new hospitals.

- **Rheumatology-related testing**

In 2022, we launched more than 270 tests for rheumatology diseases, covering most of the sub-diseases, among which the core product “33 items of quantitative detection of myositis autoantibody spectrum (肌炎自身抗體譜定量檢測33項)” had been highly evaluated by the members of the Chinese Rheumatology Association (中華醫學會風濕免疫分會) for its positive detection rate, stability, reproducibility and clinical consistency. In 2022, we had cooperated with more than 60 Class IIIA hospitals, covering 10 provinces and/or municipalities in China, with testing samples exceeding 570 cases per month. In 2023, we expect to add more than 100 new R&D projects, establish a comprehensive system of accurate diagnostic projects for autoimmune diseases, and cover 80% rheumatology departments in Class IIIA hospitals nationwide.

- **Cardiovascular-related testing**

We had launched a series of cardiovascular-related testing items based on multi-technology platforms such as inductively coupled plasma mass spectrometry, nucleic acid mass spectrometry, microbial mass spectrometry and gas chromatography tandem mass spectrometry. In 2022, we had more than 100 cardiovascular and mass spectrometry testing items with numerous technical patents, providing all rounded technical support throughout the testing process. In 2023, we will advance the patent application for some of the Class II products, launch promotions, and provide customized cardiovascular and mass spectrometry testing solutions to some of the hospitals.

### Esoteric testing reagents

Wuhan Haixi Biotech undertakes the R&D and promotion of the Group's esoteric testing reagents business. After more than a year of product development, our product categories have been gradually expanded, with more than 120 self-developed products, covering four major categories of next-generation sequencing (“**NGS**”), single gene mutation, fusion gene and transplantation. Among these major categories, the core NGS products have been upgraded iteratively in 2022, and the core fusion gene products have achieved coverage of more than 95% of fusion gene indicators. In 2022, the sales channels of esoteric testing reagents had been gradually broadened, and achieving more than 1,000 cases of sales of reagents to customers outside the Group, covering hospitals, scientific research institutes and medical service enterprises. In 2023, we will further expand the production capacity of esoteric testing reagents, promote their sales nationwide, and further increase the sales proportion of customers outside the Group.

### Contract research organizations (“CRO(s)”) and scientific research services

As of December 31, 2022, the Group added 17 new CRO and scientific research service contracts, including Jiangsu Hansoh, Fosun Pharma and HEC Pharm, involving lymphoma, multiple myeloma, CAR-T therapy, hemophagocytic syndrome and other therapeutic areas; and the Group also had 6 new customers with the amount of new contracts exceeding RMB14 million, and the amount of existing contracts exceeding RMB40 million. In 2023, we will actively expand the market and strive to achieve sustainable growth of such business.

### Immune repertoire

As a subsidiary of the Group focusing on immune repertoire technology, as of December 31, 2022, Kindstar Biotech has provided services to more than 50 hospitals in 20 provinces and has sold thousands of its core product, Lymscan. In terms of technology platform level, Kindstar Biotech began to deploy Dip Clean SEQ immune repertoire testing technology, Link SEQ immune repertoire testing technology and AAIRS automatic data analysis platform based on the full process of immune repertoire testing, and conducted extensive scientific research based on immune repertoire technology with the top clinical experts in the PRC, attempting to apply the technology in exact monitoring of various diseases and target discovery of medicine. In 2023, the KB-SEQ series products will be formally put into application, and we will also launch a new product targeting the field of solid tumors.



# Management Discussion and Analysis

## R&D Investment

During the Reporting Period, the Company further reinforced its system of R&D. Our strong R&D team enables us to continuously innovate and optimize our products based on the goal of meeting our customers' needs and the direction of providing customized and high-quality esoteric testing services. Our R&D expense ratio has been kept at around 8%-10% for the past three years, and continuous large investment in R&D provides sufficient power to the Company's business development. During the Reporting Period, the Company's R&D investment reached RMB101.2 million, representing a year-on-year increase of 12.1%. For the year ended December 31, 2022, we had 190 new R&D projects, and 20 scientific research articles in aggregate being published throughout the year.

## Specialty Esoteric Testing Business

Our 9 testing laboratories are located in Wuhan, Chengdu, Shanghai, Beijing, Tianjin and Xinjiang. In 2022, the operation of our laboratories in these places, in particular, those located in Shanghai, Beijing, Xinjiang and Wuhan, were adversely affected to varying degrees by the COVID-19 pandemic and pandemic control measures, among which, laboratories in Shanghai, Beijing and Wuhan were most severely impacted. Nonetheless, we focused on improving our products and expanding our markets, in order to minimize the impact caused by unfavorable environmental factors. Looking forward to 2023, with the recovery of hospital outpatient and inpatient volume and the normalization of laboratory production orders, our esoteric testing business is expected to regain growth momentum.

# Management Discussion and Analysis

## 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, 2021 to the corresponding period of 2022:

	For the year ended		Year-on-year change %
	December 31, 2022 RMB'000	2021 RMB'000	
Revenue	<b>1,386,591</b>	930,673	49.0
Cost of sales	<b>(783,536)</b>	(444,903)	76.1
Gross profit	<b>603,055</b>	485,770	24.1
Other income and gains	<b>68,870</b>	62,763	9.7
Selling and marketing expenses	<b>(360,562)</b>	(282,240)	27.8
Administrative expenses	<b>(80,406)</b>	(69,513)	15.7
Research and development costs	<b>(101,226)</b>	(90,325)	12.1
Other expenses	<b>(43,898)</b>	(23,346)	88.0
Listing expenses	<b>–</b>	(30,067)	–
Finance costs	<b>(2,517)</b>	(1,808)	39.2
Profit before fair value loss on convertible redeemable preferred shares and tax	<b>83,316</b>	51,234	62.6
Fair value loss on convertible redeemable preferred shares	<b>–</b>	(1,505,222)	–
Profit/(Loss)before tax	<b>83,316</b>	(1,453,988)	(105.7)
Income tax expense	<b>(5,832)</b>	(246)	2,270.7
<b>Profit/(Loss)for the year</b>	<b>77,484</b>	(1,454,234)	(105.3)
Attributable to:			
Owners of the parent	<b>75,457</b>	(1,454,430)	(105.2)
Non-controlling interests	<b>2,027</b>	196	934.2
<b>Non-IFRS Measure:</b>			
Adjusted net income	<b>77,484</b>	81,055	(4.4)





## Management Discussion and Analysis

### 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 and segment revenue proportion by operating segment for the periods presented.

	For the year ended December 31,				Year-on-year change %
	2022 RMB'000	%	2021 RMB'000	%	
Hematology testing	525,800	38.0	535,268	57.5	(1.8)
Neurology testing	95,350	6.9	89,848	9.7	6.1
Maternity-related testing	49,961	3.6	52,248	5.6	(4.4)
Genetic disease and rare disease testing	42,778	3.1	43,495	4.7	(1.6)
Infectious disease testing	47,693	3.4	51,968	5.6	(8.2)
Oncology testing	17,872	1.3	8,615	0.9	107.5
COVID-19-related testing	536,625	38.7	62,104	6.7	764.1
Routine testing	57,439	4.1	67,672	7.3	(15.1)
Others	13,073	0.9	19,455	2.0	(32.8)
<b>Total</b>	<b>1,386,591</b>	<b>100.0</b>	930,673	100.0	49.0

## Management Discussion and Analysis

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,			
	2022		2021	
	Average price	Testing volume	Average price	Testing volume
	(in RMB)	(in thousands)	(in RMB)	(in thousands)
Hematology testing	684	768	641	835
Neurology testing	1,261	76	985	91
Maternity-related testing	111	449	166	314
Genetic disease and rare disease testing	231	184	260	167
Infectious disease testing	225	211	203	257
Oncology testing	1,102	16	476	18
Routine testing	75	760	59	1,148
<b>Total</b>	<b>339</b>	<b>2,464</b>	<b>307</b>	<b>2,830</b>
COVID-19-related testing <sup>(1)</sup>	3.62	148,394	13.2	4,696

Note:

(1) Number of people testing

Our total revenue increased by 49.0% from RMB930.7 million for the year ended December 31, 2021 to RMB1,386.6 million for the Reporting Period, and the revenue structure also changed significantly. The change was primarily due to (i) the increasing income from the demand for nationwide screening due to COVID-19 prevention and control policy; (ii) the Company's revenue from specialty testing in hematology and neurology remained stable by means of the iteration of testing products and the expansion of the customer base in the face of the continued negative impact from COVID-19 epidemic; and (iii) the growth of esoteric testing business of the Company was greatly affected as a variety of negative factors brought by COVID-19 epidemic were still very significant.



## Management Discussion and Analysis

### Hematology testing

- Our revenue from hematology testing services for the year ended December 31, 2022 amounted to RMB525.8 million, remaining stable as compared to 2021. In terms of regional revenue, in 2022, places such as Shanghai, Beijing, Northeast China and Xinjiang were greatly affected by the pandemic, while Southwest China, especially Sichuan, was relatively less affected by the pandemic. In 2022, we added approximately 100 new products and product portfolios. Among which, the testing volume of 363-type genetic mutation gDNA projects in lymphoma recorded a year-on-year increase of 142.6%, and the testing volume of 248-type genetic mutation test projects in myeloid blood diseases achieved a triple increase monthly on average, and the newly launched CAR-T companion diagnostic product portfolio has also been highly recognized by clinical experts. We entered into contracts with 25 new cooperative hospitals, and cooperated with 9 large and medium-sized teaching hospitals in China for co-construction and project conversion during the Reporting Period.

### Neurology testing

- Our revenue from neurology testing services for the year ended December 31, 2022 amounted to RMB95.4 million, representing a year-on-year increase of 6.1%. Our neurology testing product lines are in a rapid growth stage currently. For adult neurology testing, we introduced, among others, autoimmune encephalitis big package (TBA), syndromes item, myasthenia gravis item, targeted metagenomics item and cognitive impairment AD5 item, covering aspects of neurology immunity, neurology infections, drug concentration, pharmacogenetic and cognitive impairment. For pediatric neurology testing, we focused on overcoming the pediatric neurogenetics item on the basis of improving pediatric neuroimmunology item and pediatric neurological infections item, and newly-added RNA-seq and human whole genome testing item. In terms of clients, we have actively expanded our services and added over 30 new partner hospitals during the Reporting Period.

### Maternity-related testing

- Our revenue from maternity-related testing services for the year ended December 31, 2022 amounted to RMB50.0 million, representing a year-on-year decrease of 4.4%. In recent years, some gynecological testing items are facing certain price pressures. We will pay more attention to the R&D of new items and strive to realize the penetration of our star items.

### Genetic disease and rare disease testing

- Our revenue from genetic disease and rare disease testing services for the year ended December 31, 2022 amounted to RMB42.8 million, which remained stable as compared to 2021.

### Infectious disease testing

- Our revenue from infectious disease testing services for the year ended December 31, 2022 amounted to RMB47.7 million, representing a year-on-year decrease of 8.2%. During the three years of the pandemic, the infectious disease testing business was significantly affected. In 2022, we further optimized the product structure of infectious disease-related testing. The pathogen metagenomic (mNGS) and targeted pathogen panel (tNGS) testing reached a year-on-year increase of over 100%, and the rare pathogen testing increased by over 20% in 2022.

# Management Discussion and Analysis

## Oncology testing

- Our revenue from oncology testing services for the year ended December 31, 2022 amounted to RMB17.9 million, representing a year-on-year increase of 107.5%. During the Reporting Period, we added a number of large-scale Class IIIA hospital customers in the field of oncology testing, and the WES-based customized MRD product we launched became our star product in the field of solid tumor testing. The project mainly focuses on post-operative recurrence monitoring for early-stage tumor patients to achieve accurate monitoring for post-operative patients, and has already achieved clinical cooperation with many top hospitals in China.

## COVID-19-related testing

- Our revenue from COVID-19-related testing services for the year ended December 31, 2022 amounted to RMB536.6 million, representing a year-on-year increase of 764.1%, due to the impact arising from the COVID-19 mass screening. In 2022, the majority of revenue from COVID-19 related testing was originated in Wuhan and its surrounding areas.

## Others

- Our other segment revenue includes research services, CROs and new testing services. During the Reporting Period, we added 17 new CRO and scientific research service contracts, including Jiangsu Hansoh, Fosun Pharma and HEC Pharm, involving lymphoma, multiple myeloma, CAR-T therapy, hemophagocytic syndrome and other therapeutic areas; and we also had 6 new customers with the amount of new contracts exceeding RMB14 million, and the amount of existing contracts exceeding RMB40 million. In 2022, our revenue from other items amounted to RMB13.1 million, representing a year-on-year decrease of 32.8% as compared to 2021 due to the delay in the execution of some research services and CROs orders as a result of the impact of the epidemic.

## Cost of Sales

Our cost of sales consists of staff costs related to the personnel who performed our testing services, costs incurred by 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,				Year-on-year change %
	2022		2021		
	RMB'000	%	RMB'000	%	
Staff costs	134,335	17.1	115,840	26.1	16.0
Outsourcing costs	333,538	42.6	112,173	25.2	197.3
Raw materials	210,673	26.9	130,923	29.4	60.9
Others	104,990	13.4	85,967	19.3	22.1
<b>Total</b>	<b>783,536</b>	<b>100.0</b>	<b>444,903</b>	<b>100.0</b>	<b>76.1</b>



## Management Discussion and Analysis

Our cost of sales increased by 76.1% from RMB444.9 million for the year ended December 31, 2021 to RMB783.5 million for the corresponding period in 2022. The increase in cost of sales was primarily due to the significant increase in the revenue from COVID-19-related business, which resulted in a noticeable increase in our outsourcing service costs and material costs. In addition, our expansion of laboratory testing capacity and building of a new self-owned and co-owned platform resulted in an increase in staff costs and other fixed costs.

### Gross Profit, Gross Profit Margin and Segment Results

For the year ended December 31, 2022, we recorded a consolidated gross profit of RMB603.1 million, representing a year-on-year increase of 24.1%, with a consolidated gross profit margin of 43.5% representing a decrease of 8.7 percentage points compared with that of 52.2% in 2021 primarily due to the impact of the change in product structure.

For the year ended December 31, 2022, the above changes in our gross profit and gross profit margin compared with the corresponding period were primarily due to the combined effect of (i) a sharp increase in demand for nucleic acid testing and a significant increase of 764.1% in our revenue from COVID-19-related testing services due to the implementation of large-scale nationwide nucleic acid testing in several cities in China in 2022; (ii) a much lower gross profit margin of COVID-19-related testing than non-COVID-19-related testing due to the decrease in the item price for COVID-19-related testing as a result of government pricing policy adjustments; (iii) our active effort on expanding our laboratory testing capacity, enlargement of our business operation sites and purchase of testing equipment, as well as the joint construction of a testing platform to meet customers' demand, due to our confidence in the development of the specialty esoteric testing industry in China, especially after the epidemic was over, all of which resulted in an increase in our fixed costs for the Reporting Period; and (iv) a significant decrease in the costs of certain specialty esoteric testing due to our continuous efforts on improving operation efficiency and cost optimization, as well as the self-testing capabilities through research and development and enhanced efficiency, despite the overall decline in consolidated gross profit margin.

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 excluding other income and gains, administrative expenses, research and development expenses, other expenses, finance costs, listing expenses and fair value loss on financial liabilities at FVTPL. 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.



## Management Discussion and Analysis

	For the year ended December 31, 2022		2021		Year-on-year change %
	Segment result (RMB'000)	% of segment revenue	Segment result (RMB'000)	% of segment revenue	
Hematology testing	157,282	29.9	152,573	28.5	3.1
Neurology testing	17,064	17.9	14,058	15.6	21.4
Maternity-related testing	3,106	6.2	3,554	6.8	(12.6)
Genetic disease and rare disease testing	6,229	14.6	5,428	12.5	14.8
Infectious disease testing	9,720	20.4	9,784	18.8	(0.7)
Oncology testing	1,406	7.9	832	9.7	69.0
COVID-19-related testing	44,767	8.3	6,347	10.2	605.3
Routine testing	2,644	4.6	4,968	7.3	(46.8)
Others	275	2.1	5,986	30.8	(95.4)
<b>Total</b>	<b>242,493</b>	<b>17.5</b>	203,530	21.9	19.1

For the year ended December 31, 2022, the Company's overall operating result was RMB242.5 million, representing an increase of 19.1% as compared with RMB203.5 million for the corresponding period in 2021. Among which, the operating results of COVID-19-related testing were RMB44.8 million, representing an increase of RMB38.4 million compared to last year, representing an increase of 605.3%. Due to the continued adverse impact of the COVID-19 pandemic in China, the operating results of non-COVID-19-related testing were RMB197.7 million, representing a slight increase of 0.3% compared with the corresponding period over last year. The segment results of our non-COVID-19-related testing business remained stable for the year ended December 31, 2022, with the following changes in segment results:

- Segment result of our hematology testing was RMB157.3 million for the year ended December 31, 2022, representing an increase of 3.1% as compared with RMB152.6 million for the corresponding period in 2021, which was primarily due to the combined effect of (i) limited marketing activities due to the impact of COVID-19 pandemic, and (ii) cost and fee optimisation owing to the restructuring of hematology testing products. The increase in profit margin for the segment results from 28.5% in 2021 to 29.9% in 2022. Our operation efficiency and profit margin in hematology testing business line met the required level of a matured specialty esoteric testing business line.



## Management Discussion and Analysis

- Segment results of our neurology testing service increased by 21.4% from RMB14.1 million for the year ended December 31, 2021 to RMB17.1 million for the Reporting Period, mainly benefited from the substantial revenue growth during the Reporting Period. In addition, other factors affecting the segment results during the Reporting Period included: (i) the structure of neurology testing products was optimized, testing capabilities continued to improve, and the delivery costs were significantly decreased; and (ii) in order to expand neurology testing to improve testing efficiency, we adopted the model of “joint construction for multi-center cooperation platform + translational medicine cooperation platform” and several cooperation platforms for joint cooperation and translational medicine were newly-added by the end of 2022.
- Segment results of our maternity-related testing service were RMB3.1 million for the year ended December 31, 2022, representing a decrease of 12.6% as compared to RMB3.6 million for the corresponding period in 2021, which was primarily due to the decline in revenue from maternity-related testing and the average unit price of services.
- Segment results of our genetic disease and rare disease testing service were RMB6.2 million for the year ended December 31, 2022, representing an increase of 14.8% as compared to RMB5.4 million for the corresponding period in 2021. The growth in segment results in this specialty was primarily benefited from the gradual enrichment of the testing product items, increasing market recognition.
- Segment results of our infectious disease testing service were RMB9.7 million for the year ended December 31, 2022, which was relatively stable as compared with 2021 representing a year-on-year slight decrease of 0.7% as compared with 2021. The percentage of segment revenue increased from 18.8% in 2021 to 20.4 % in 2022. The increase was primarily due to the decrease in selling expenses for the segment.
- Segment results of our oncology testing service were RMB1.4 million for the year ended December 31, 2022, representing an increase of 69.0% as compared to RMB0.8 million for the corresponding period in 2021, primarily due to the rapid growth of our segment revenue and the significant improvement of segment performance.
- Segment results of our COVID-19-related testing service significantly increased from RMB6.3 million for the year ended December 31, 2021 to RMB44.8 million for the Reporting Period, representing a year-on-year increase of 605.3%, primarily due to the substantial increase in segment revenue.

### Other Income and Gains

Our other income and gains increased by 9.7% from RMB62.8 million for the year ended December 31, 2021 to RMB68.9 million for the year ended December 31, 2022, which was primarily due to the result of the increase in interest income offset by the losses in fair value fluctuations related to fund equity.

### Selling and Marketing Expenses

Our selling and marketing expenses increased by 27.8% from RMB282.2 million for the year ended December 31, 2021 to RMB360.6 million for the year ended December 31, 2022. The increase was primarily due to an increase in selling and marketing expenses as a result of the expansion of new specialties, new testing projects and new customer bases during the Reporting Period.

### Administrative Expenses

Our administrative expenses increased by 15.7% from RMB69.5 million for the year ended December 31, 2021 to RMB80.4 million for the year ended December 31, 2022. The Company's increased expenses were primarily related to the labor expenses and newly-added office.

### Research and Development Costs

Our research and development costs increased by 12.1% from RMB90.3 million for the year ended December 31, 2021 to RMB101.2 million for the year ended December 31, 2022. The increase in the research and development costs was primarily due to the Company's continuous investment in various disease areas such as hematology, oncology, genetic diseases, infectious diseases and autoimmune disease, Ophthalmology, Cardiovascular and Rheumatology tests. During the Reporting Period, we had 190 new R&D projects, 20 patents in total pending or granted, 8 patents being applied, 40 new copyrights, and over 20 scientific articles in aggregate published in the year.

### Other Expenses

For the year ended December 31, 2022, our other expenses were RMB43.9 million, representing an increase of 88.0% as compared to RMB23.3 million for the corresponding period in 2021, primarily due to the impairment of assets related to COVID-19 and the provision for estimated credit losses.

### Finance Costs

Our finance costs increased by 39.2% from RMB1.8 million for the year ended December 31, 2021 to RMB2.5 million for the year ended December 31, 2022. The increase in finance costs was due to interest expenses incurred on bank borrowings.

### Income Tax Expense

Our income tax expense increased from RMB0.2 million for the year ended December 31, 2021 to RMB5.8 million for the corresponding period in 2022.

### Profit/(Loss) for the Year

The Company's profit for the year was reversed from losses of RMB1,454.2 million for the year ended December 31, 2021 to profits of RMB77.5 million for the year ended December 31, 2022. This is primarily attributable to the fact that the Company no longer has IPO expenses and changes on FVTPL from the convertible bonds and preferred shares in 2022.



## Management Discussion and Analysis

### 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 an additional financial measure, which is not required by or presented in accordance with IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact 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 upon listing 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 table sets forth the reconciliations of our non-IFRS financial measure for the year ended December 31, 2021 and 2022 to the nearest measure prepared in accordance with IFRS:

	For the year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit/(Loss) for the year	77,484	(1,454,234)
Add:		
Fair value loss on convertible redeemable preferred shares	–	1,505,222
Listing expenses	–	30,067
<b>Adjusted net income</b>	<b>77,484</b>	<b>81,055</b>

## 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 and the Listing of the Shares on the Main Board of the Stock Exchange. 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, 2022, 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,	
	2022 RMB'000	2021 RMB'000
Net cash flows generated from operating activities	21,407	68,028
Net cash flows used in investing activities	(1,345,153)	(666,059)
Net cash flows generated from financing activities	97,644	1,587,024
Net (decrease)/increase in cash and cash equivalents	(1,226,102)	988,993
Cash and cash equivalents at the beginning of the year	1,796,700	841,227
Effect of foreign exchange rate changes, net	109,761	(33,520)
Cash and cash equivalents at the end of the year	680,359	1,796,700

### Cash and cash equivalents

For the year ended December 31, 2022, our net cash generated from operating activities was RMB21.4 million. Net cash generated from operating activities improved due to the gradual payback of COVID-19 related testing.

For the year ended December 31, 2022, our net cash used in investing activities was RMB1,345.2 million, mainly for the purchase of time deposits, property equipment, capital contributions and subscription of fund interests for the formation of partnerships.

For the year ended December 31, 2022, our net cash flows generated from financing activities was RMB97.6 million, primarily attributable to bank loan financing, Share repurchases and RSU purchases, etc.

As a result of the foregoing, our cash and cash equivalents, which were primarily held in Renminbi and United States dollars, decreased by 62.1% from RMB1,796.7 million as of December 31, 2021 to RMB680.4 million as of December 31, 2022.



## Management Discussion and Analysis

During the Reporting Period, we conducted business in China, and most of our transactions were settled in Renminbi. Our presentation and functional currency are Renminbi. We were not exposed to significant foreign exchange risk since we did not have any significant financial assets or liabilities denominated in currencies other than Renminbi, except that cash at banks deposited in the United States dollars or Hong Kong dollars primarily from investors as capital contributions. The foreign exchange risk exposure of the Group mainly comes from the risk of exchange of United States dollars to Renminbi and Hong Kong dollars. We managed our foreign exchange risk by regularly reviewing net foreign exchange exposures, and conducted risk management. The hedging activities period of the Group shall not exceed twelve months. The management of the Group continued to pay attention to the market environment and the Group's own foreign exchange risk profile, and considered to taking appropriate hedging measures when necessary.

### Indebtedness

For the year ended December 31, 2022, as we had utilized a credit limit of RMB187.9 million for issuance of acceptance bills and bank borrowings, our unutilized banking facilities were RMB212.1 million as at December 31, 2022.

### Gearing ratio

The Group monitored capital on the basis of the gearing ratio. That ratio is calculated by dividing the total borrowings as shown in the consolidated balance sheet by the share capital and reserves attributable to the equity holder of the Company. As of December 31, 2022, the total borrowing is RMB180 million, total share capital and reserves attributable to the equity holder of the Company is RMB2,826.5 million, the gearing ratio is 6.4%.

### 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,	
	2022	2021
	RMB'000	RMB'000
Purchases of property, plant and equipment	119,666	281,652
Purchases of other intangible assets	4,643	6,603
<b>Total</b>	<b>124,309</b>	288,255

### Contingent Liabilities

As of December 31, 2022, we did not have any material contingent liabilities.

### Significant Investments and Future Plans for Material Investments or Capital Assets

As of December 31, 2022, 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

As disclosed in the announcement of the Company dated December 1, 2021, on November 30, 2021, the Group entered into an equity transfer agreement (the “**Equity Transfer Agreement dated November 30, 2021**”) and 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 respect to the acquisition of equity interest and capital increase in Wuhan Haixi. For details, see note 35 to the consolidated financial statements and the announcement of the Company dated December 1, 2021.

With the sales/net profit targets achieved by Wuhan Haixi, the closing conditions under the Agreements dated November 30, 2021 were met. In January 2022, the consideration for the equity transfer of RMB10,657,900 has been paid to Mr. Huang Shiang and Dr. Li Xiaoqing and the capital of RMB15,000,000 has been injected into Wuhan Haixi. Upon completion of the equity transfer and capital injection, Wuhan Haixi became held as to 51.10% directly by the Group and became a non-wholly owned subsidiary of the Group.

Save as disclosed above, during the Reporting Period, we did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

### Charges on Group Assets

As of December 31, 2022, 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, 2022.

### Employees

As of December 31, 2022, we had 3,367 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.





## Management Discussion and Analysis

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, 2022, options to subscribe for 14,987,592 Shares, representing approximately 1.52% 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, 2022, 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

As disclosed in note 42 to the consolidated financial statements, there are no material events subsequent to December 31, 2022 which could have a material impact on our operating and financial performance as of the date of this report.

### 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<sup>(1)</sup>:

## Management Discussion and Analysis

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the initial public offering (In HKD millions)	Unutilized net proceeds as of December 31, 2021 (In HKD millions)	Actual use of proceeds during 2022 (In HKD millions)	Unutilized net proceeds as of December 31, 2022 (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	253.7	29.5	224.2	By June 30, 2025
Sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business	10	205.4	178.6	11.2	167.4	By June 30, 2025
Sales, marketing and expansion of oncology, infectious disease and neurology testing businesses	10	205.4	173.7	26.0	147.7	By June 30, 2025

### Research and development of our existing esoteric testing service lines

Research and development of hematology testing	6.7	136.9	95.3	35.3	60.0	By June 30, 2025
Research and development of genetic diseases and rare diseases and maternity-related testing	6.7	136.9	132.0	2.7	129.3	By June 30, 2025
Research and development of neurology, infectious disease, oncology and routine testing	6.7	136.9	128.5	4.0	124.5	By June 30, 2025

### Development and commercialization of new lines of esoteric testing services

	15	308.0	285.4	6.7	278.7	By June 30, 2025
--	----	-------	-------	-----	-------	------------------



## Management Discussion and Analysis

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the initial public offering (In HKD millions)	Unutilized net proceeds as of December 31, 2021 (In HKD millions)	Actual use of proceeds during 2022 (In HKD millions)	Unutilized net proceeds as of December 31, 2022 (In HKD millions)	Timeframe for the unused balance
<b>Expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses</b>	5	102.7	97.9	21.9	76.0	By June 30, 2025
<b>Increasing our testing capacity</b>	10	205.4	159.0	47.2	111.8	By June 30, 2025
<b>Overseas expansion into markets outside of China</b>	5	102.7	102.7	–	102.7	By June 30, 2025
<b>Working capital and other general corporate purposes</b>	10	205.4	181.0	19.7	161.3	–
<b>Total</b>	<b>100.0</b>	<b>2,053.6</b>	<b>1787.8</b>	<b>204.2</b>	<b>1,583.4</b>	By June 30, 2025

Note:

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

As of the date of this report, the Board is aware that there has been a delay in the use of proceeds from the Listing when compared to the implementation plan as disclosed in the annual report of the Company for the year ended December 31, 2021 published on April 25, 2022, which is primarily because of the outbreak of COVID-19. We currently have no intention to change the use of the unutilized net proceeds and have been actively monitoring the market environment for appropriate timing to implement our plans, especially in light of the recent relaxation of the zero-COVID policy by the PRC government. It is currently expected that the unutilized net proceeds will be fully utilized by June 30, 2025, subject to changes in market conditions and policies and the timing when appropriate opportunities arise in the industry. 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 proposed 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 64, 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 35 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 Kangshengyou 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 14.73% and 10.07% of the issued share capital of the Company respectively as of December 31, 2022. Dr. Huang is also the founder of Shiang Huang Family Trust which owned 5.16% of the issued share capital of the Company as of December 31, 2022.

**Mr. Tu Zanbing (涂贊兵)**, aged 50, 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.



## Directors and Senior Management

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, Shanghai SinoPath Medical Laboratory Co., Ltd. (上海信諾佰世醫學檢驗有限公司), Wuhan HumanCell Biotechnology Co., Ltd (武漢鴻蒙賽爾生物科技有限公司) and Wuhan Kindstar Kindan Medical Laboratory Co., Ltd (武漢康聖金岸醫學檢驗有限公司), 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, 2022. 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 44, 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 18 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, Kindstar Investment and Wuhan Haixi.

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.

### Non-executive Director

**Mr. Huang Zuie-Chin (黃瑞璿)**, aged 57, 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 35 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 is also the founding managing partner of Panacea Venture Healthcare Fund I, L.P., Panacea Venture Healthcare Fund II, L.P. and Panacea Venture Opportunity Fund I, 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), from April 2013 to March 2023;
- 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 Alaunos Therapeutics, a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: TCRT) 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 36, 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.



## Directors and Senior Management

Mr. Peng received his Bachelor's degree in Information Engineering from Shanghai Jiao Tong 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.

**Ms. Huang Lu (黃璐)**, aged 49, 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 Jiao Tong 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 has been a non-executive director of LumiraDx Limited, a company listed on the NASDAQ (stock symbol: LMDX), since October 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 Jiao Tong 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 67, was appointed as our independent non-executive Director on June 29, 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 57, was appointed as our independent non-executive Director on June 29, 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.



## Directors and Senior Management

**Mr. Gu Huaming (顧華明)**, aged 59, 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 March 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 August 30, 2019 by way of voluntary dissolution.
- On March 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 June 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. LEE Mei Yi (李美儀)**, was appointed as our independent joint company secretary on August 15, 2022.

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

Ms. Lee has over 25 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. Lee is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.



# 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, 2022 (the “**Reporting Period**”).

## Corporate Governance Culture

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

The Board has set out the following values to provide guidance on employees’ conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company’s vision, mission, policies and business strategies:

- (a) Integrity – we strive to do what is right;
- (b) Excellence – we aim to deliver excellence;
- (c) Collaboration – we are always better together;
- (d) Accountability – we are accountable for delivering on our commitments;
- (e) Empathy – we care about our stakeholders – employees, customers, supply chain and the community; and
- (f) Sustainability – we are committed to a sustainable future

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

## Corporate Governance Practices

The Board 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 CG Code as the basis of the Company's corporate governance practices.

The Board is of the view that during the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision C.2.1 described in the paragraph headed "Chairman and Chief Executive Officer" in this report.

## Model Code for Securities Transactions

The Company has adopted 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 Reporting Period.

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, assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors takes decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and 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 that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The Board has delegated the day-to-day operation of the Company to the management while matters affecting the Company's overall strategies, policies and financial matters are reserved to the Board.



## Corporate Governance Report

### 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 (*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

The biographical information of the Directors and relationships between the Directors and substantial shareholders are set out in the section headed "Directors and Senior Management" on pages 33 to 39 of this report.

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

### Chairman and Chief Executive Officer

Code provision C.2.1 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 C.2.1 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 Reporting Period, 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.

### **Board Independence Evaluation**

The Company has established a Board Independence Evaluation Mechanism during the Reporting Period which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.





## Corporate Governance Report

During the year ended December 31, 2022, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended December 31, 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

### **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 or 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**

According to code provision C.1.4 of the CG Code, 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, each of the Directors has complied with the code provision C.1.4 of the CG Code. 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.



## Corporate Governance Report

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
<b><i>Executive Directors</i></b>	
Dr. Huang Shiang	Training on anti-corruption and CG Code updates provided by external professionals
Mr. Tu Zanbing	Training on anti-corruption and CG Code updates provided by external professionals
Ms. Chai Haijie	Training on anti-corruption and CG Code updates provided by external professionals
<b><i>Non-Executive Directors</i></b>	
Mr. Huang Zuie-Chin	Training on anti-corruption and CG Code updates provided by external professionals
Mr. Peng Wei	Training on anti-corruption and CG Code updates provided by external professionals
Ms. Huang Lu	Training on anti-corruption and CG Code updates provided by external professionals
<b><i>Independent Non-Executive Directors</i></b>	
Dr. Yao Shanglong	Training on anti-corruption and CG Code updates provided by external professionals
Dr. Xia Xinping	Training on anti-corruption and CG Code updates provided by external professionals
Mr. Gu Huaming	Training on anti-corruption and CG Code updates provided by external professionals

## 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 Xiping, Mr. Gu Huaming and one Non-executive Director, namely Mr. Huang Zuie-Chin. Dr. Xia Xiping 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 annual and 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.

## Remuneration Committee

Rule 3.25 of the Listing Rules requires an issuer to establish a Remuneration Committee chaired by Independent Non-executive 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 Xiping, 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; 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 and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

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



## Corporate Governance Report

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of Executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Executive Director. The remuneration for the Executive Directors comprises basic salary, pensions, performance bonus, benefits and discretionary bonus. The remuneration policy for Non-Executive Directors and Independent Non-executive Directors is to ensure that Non-Executive Directors and Independent Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the Non-Executive Directors and Independent Non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. All Directors and senior management have not been involved in deciding their own remuneration.

### **Nomination Committee**

The Nomination Committee consists of three members, namely Dr. Huang Shiang, Chairman and 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 (as disclosed in the section headed "Board Diversity Policy" below). 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 (as set out in section headed "Director Nomination Policy" in this corporate governance report) 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. 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, 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. We target to promote gender diversity when recruiting staff at the mid to senior level to develop a pipeline of female senior management and potential successors to the Board.

An analysis of the Board's current composition based on the measurable objectives is set out below:

### **Gender**

Male: 7 Directors  
Female: 2 Directors

### **Age Group**

31-40: 1 Director  
41-50: 2 Directors  
51-60: 4 Directors  
61-70: 2 Directors

### **Designation**

Executive Directors: 3 Directors  
Non-executive Directors: 3 Directors  
Independent Non-executive Directors: 3 Directors

### **Nationality**

Chinese: 8 Directors  
American: 1 Directors

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.



## Corporate Governance Report

### Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	22.2% (2)	77.8% (7)
Senior Management (Dr. Huang Shiang, Mr. Tu Zanbing and Ms. Chai Haijie, executive Directors of our Company)	33.3% (1)	66.7% (2)
Other employees	66.8% (2,248)	33.2% (1,116)
Overall workforce	66.8% (2,249)	33.2% (1,118)

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 94 to 95 of this report.

### Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination 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.

The nomination process set out in the Director Nomination Policy is as follows:



### Appointment of New Director

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

### Re-election of Director at General Meeting

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.



## Corporate Governance Report

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the criteria 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.

During the Reporting Period, there was no change in the composition of the Board.

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

### Functions

The Board (comprising all Directors, namely Dr. Huang Shiang, Chairman and an Executive Director, Mr. Tu Zanbing and Ms. Chai Haijie, each being an Executive Director, Mr. Huang Zuie-Chin, Mr. Peng Wei and Ms. Huang Lu, each being an Non-executive Directors, Dr. Yao Shanglong, Dr. Xia Xinping, and Mr. Gu Huaming, each being an Independent Non-executive Director) is responsible for performing the functions set out in the CG Code.

During the Reporting Period, the Board had from time to time discussed at the Board meetings and reviewed the Company's corporate governance policies and practices, duties performed by the board and the board committees, 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 Reporting Period is set out in the table below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
<b>Executive Directors</b>					
Dr. Huang Shiang	6/6	N/A	N/A	1/1	1/1
Mr. Tu Zanbing	6/6	N/A	1/1	N/A	1/1
Ms. Chai Haijie	6/6	N/A	N/A	N/A	1/1
<b>Non-executive Directors</b>					
Mr. Huang Zuie-Chin	6/6	2/2	N/A	N/A	1/1
Mr. Peng Wei	6/6	N/A	N/A	N/A	1/1
Ms. Huang Lu	6/6	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Dr. Yao Shanglong	6/6	N/A	N/A	1/1	1/1
Dr. Xia Xinping	6/6	2/2	1/1	1/1	1/1
Mr. Gu Huaming	6/6	2/2	1/1	N/A	1/1

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.



## Corporate Governance Report

### 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.

As at March 27, 2023, the management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.



## Corporate Governance Report

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, conducted annual review on the risk management and internal control systems for the year ended December 31, 2022, including the financial, operational and compliance controls, at the Board meetings held on March 27, 2023, 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 Reporting Period.

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 Auditor's Report on pages 126 to 127 of this report.

## Auditors' Remuneration

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2022 is set out below:

Service Category	Fees Paid/ Payable RMB
Audit Services	3,250,000
Non-audit Services	0
<b>Total</b>	<b>3,250,000</b>

## Joint Company Secretaries

Ms. Chan Wai Ling resigned and had ceased to act as a joint company secretary of the Company with effect from August 15, 2022. Ms. Lee Mei Yi has been appointed in place of Ms. Chan Wai Ling as one of the joint company secretaries with effect from August 15, 2022. Ms. Chai Haijie serves as the other joint company secretary of the Company. Ms. Lee Mei Yi is an executive director of corporate services 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 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. Lee Mei Yi on the Company's corporate governance and secretarial and administrative matters.

For the year ended December 31, 2022, Ms. Chai Haijie and Ms. Lee Mei Yi have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.



## Corporate Governance Report

### 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.

### Convening General Meeting

Pursuant to the Article 12.3 of the Articles of Association of the Company, the Board may, whenever it think fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition 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. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition 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. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

### Putting Forward Proposals at General Meeting

There are no provisions under the Company's Memorandum and Articles of Association and the Cayman Islands Companies Act regarding procedures for Shareholders to put forward proposals at a general meeting. Shareholders who wish to submit a proposal may request the Company to convene a general meeting in accordance with the procedure set out in the preceding paragraph, to consider the matters specified in the request.

### 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: 5/F, Manulife Place 348 Kwun Tong Road, Kowloon, 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, 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 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. The Company has reviewed the implementation and effectiveness of the shareholders' communication during the Reporting Period and considers it effective.

During the Reporting Period, 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.

### (a) Corporate Communications

Corporate Communications have the meaning ascribed thereto in the Listing Rules, which include but are not limited to (i) the directors' report, the annual accounts together with a copy of the auditor's report, (ii) the interim report, (iii) a notice of meeting, (iv) a listing document, (v) a circular, and (vi) a form of proxy. Corporate Communications should be made available to the Shareholders in a timely manner. They should be in plain language and in both English and Chinese versions to facilitate the Shareholders' understanding. Shareholders may elect to receive the Corporate Communications in the printed form or through electronic means and in the language selected (either English or Chinese). They may change their election at any time by notifying the Company by post or by email. Shareholders who have elected to receive the Corporate Communications by electronic means have the right to obtain printed copies of the Corporate Communications free of charge. Shareholders are encouraged to provide, amongst other things, their contact details, in particular, their email address to the Hong Kong share registrar of the Company in order to facilitate timely and effective communications.



## Corporate Governance Report

### **(b) Corporate Website**

The Company's website provides the Shareholders with the corporate information, such as principal business activities and latest development of the Group. Also, it provides information on corporate governance of the Group as well as the compositions and functions of the Board and the Board committees. The Company publishes its results announcement on the Stock Exchange's and the Company's websites after the results have been approved by the Board. The results announcement contains the performance and results of the Group, details on the recommended dividend payment (if any) and closure of the register of members and any other information required to be disclosed under the Listing Rules from time to time. Information released by the Company for publication on the website of the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes but is not limited to interim reports, annual reports and where applicable, quarterly reports, announcements, circulars, notices of general meetings and associated explanatory documents (if any) and any other information required to be published under the Listing Rules from time to time. Press releases and publications issued by the Company from time to time are also available on the Company's website. Information on the Company's website is updated on a regular basis.

### **(c) Shareholder's Meeting**

General meetings provide an opportunity for constructive communication between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the general meetings shall be in place to encourage Shareholders' participation. An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting shall be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the articles of association of the Company and the rules of the Stock Exchange, a general meeting may be called by shorter notice, subject to the law and if it is so agreed. The notice shall specify the time and place of the meeting and particulars of resolutions to be considered at the meeting. The forms of proxy will also be provided to the Shareholders for appointing proxies to attend and vote at the general meeting on their behalf. Board members, in particular, the chairman of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions. Proceedings of the Company's general meetings will be reviewed from time to time to ensure that they are in compliance with the requirements under the Articles of Association of the Company, the Listing Rules and the applicable laws of the Cayman Islands, and that they follow good corporate governance practices. Separate resolution on each substantially separate issue will be proposed for voting at the general meeting. The chairman of the general meeting will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the articles of association of the Company. Scrutineer will be appointed for the vote-taking at the general meeting. The voting results will be published on the websites of the Company and of the Stock Exchange subsequent to the close of the general meeting.

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

## 1. ABOUT THIS REPORT

### 1.1. Introduction of the Report

This report is the second Environmental, Social and Governance (“ESG”) Report (“this Report”) published by Kindstar Globalgene Technology, Inc. and its subsidiaries (“Kindstar Global”, “the Group” or “we”). This Report allows stakeholders to have a better understanding of the Group’s work on ESG by summarizing the Group’s principle, concept and key performance indicators (“KPI”) on environmental and social aspects.

### 1.2. Reporting Period and Scope

This Report covers the overall sustainable development practiced by Kindstar Global from January 1, 2022 to December 31, 2022 (the “Reporting Period”). The scope of this Report covers the main business of the Group, with social aspects consistent with the Group’s annual report and environmental aspect covering the Group’s Wuhan headquarter and major subsidiaries in Shanghai, Beijing, Tianjin, Chengdu, Xinjiang and Wuhan with business operations, all operating subsidiaries with business operation companies in the PRC within the scope of the Group’s audited consolidated statements, including:

- Wuhan Kindstar Medical Laboratory Co., Ltd,
- Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd,
- Wuhan Kindstar Biotechnology Co., Ltd,
- Wuhan HumanCell Biotechnology Co., Ltd,
- Wuhan Xinuo Medical Laboratory Co., Ltd,
- Wuhan Yijianyun Information Technology Co., Ltd,
- Wuhan Haixi Life Science Technology Co., Ltd,
- Wuhan Haixi Biological Technology Co., Ltd,
- Beijing Hightrust Medical Laboratory Co., Ltd,
- Sichuan Huaxi Kindstar Medical Co., Ltd,
- Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd,
- Chengdu Shengyuan Medical Laboratory Co., Ltd,
- Shanghai SimpleGene Medical Laboratory Co., Ltd,
- Shanghai Xinuo Medical Laboratory Co., Ltd,
- Shanghai SinoPath Medical Laboratory Co., Ltd,
- Tianjin Kindstar Medical Laboratory Co., Ltd, and
- Xinjiang Kindstar Medical Laboratory Co., Ltd



# Environmental, Social and Governance Report

## 1.3. Reporting Standards

This Report is prepared in accordance with the mandatory disclosure requirements and “comply or explain” provisions of the 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. This Report is prepared based on the following four reporting principles:

**Materiality:** This Report has identified material ESG topics and disclosed the process to identify and the criteria for the selection of material ESG topics and the process and results of stakeholder engagement.

**Consistency:** The statistical methodologies used for information disclosure in this Report are consistent with last year’s ESG report. Any changes will be clearly stated in this Report.

**Quantitative:** The statistical standards, methodologies, assumptions, calculation tools and source of conversion factors used, for the reporting of KPI and related data, are stated in this Report.

**Balance:** This Report provides an unbiased picture of the Group’s performance and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

## 1.4. Reporting Language

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

## 1.5. Approval and Publication of the Report

Upon confirmation of our management, this Report is approved by the board of directors (hereinafter referred to as “the Board”) of the Group on 27 March 2023.

## 2. About Kindstar Global

Kindstar Global is a large-scale group providing high-end medical specialty esoteric testing services in China, providing systematic, comprehensive and advanced specialty testing services, our service network has covered 31 provinces/municipalities directly under the central government and more than 600 cities in China. We have cooperated with more than 3,000 hospitals, including more than thousands tertiary hospitals providing more than 3,600 advanced and accurate diagnostic tests in such field as blood, tumor, genetics, cardiovascular and cerebrovascular diseases, infectious diseases, and autoimmune diseases, as well as in internal medicine, surgery, gynecology, pediatrics and other specialties.

The Group's purpose is to "Patients' interest is our priority and doctors' need come first" (病人利益至上、醫生需求第一). The Group is committed to advancing the specialty esoteric technologies and services in China and promoting the development and improvement of specialty diagnosis and treatment and personalized medicine in China. We have introduced and developed the world's advanced technologies and specialty testing methods, as well as strictly complying with international norms, standards and industry guidelines.

Kindstar Global has built internationally-advanced laboratory facilities of 50,000 square meters for clinical testing, scientific research cooperation and applied R&D in Beijing, Shanghai, Wuhan, Xinjiang, Chengdu and Tianjin. We boast a dozen of specialized laboratories, including a high-resolution flow cytometry (FCM) testing platform, a PCR (real-time Polymerase chain reaction) platform, a gene chip platform (Affymetrix), a liquid chip platform (Luminex), a mass spectrometry platform (Sequenom), a digital gene platform (NanoString), a sequencing platform, a cytogenetic platform (chromosome karyotype analysis, FISH, etc.), a mass spectrometry platform, a clinical pathology platform, a clinical immune platform, and a clinical chemistry platform. Through cooperating with the world's top medical technology institutions and large pharmaceutical companies, we provide medical research, drug testing and translational medicine research services for clinicians all over China.



# Environmental, Social and Governance Report

## 2.1. Honours of the Group

Date	Award Name	Award Winning Unit	Awarding Unit
2013-2022	Hubei Provincial Annual Excellent High-Technology Enterprise	Wuhan Kindstar Medical Laboratory Co., Ltd	Wuhan Hi-tech Industrial Association
January 2022	2021 Annual Statistics Quality Red List of Enterprises	Beijing Hightrust Medical Laboratory	Beijing Economic-Technological Development Area Economic Development Bureau
February 2022	Annual Excellent Hightech Enterprise	Wuhan Kindstar Medical Laboratory Co., Ltd	Wuhan Hi-tech Industrial Association
March 2022	Certification of Appreciation	Wuhan Kindstar Medical Laboratory Co., Ltd	Wuhan Blood Donation Office Wuhan Blood Center
April 2022	Professional Employer Top 50	Wuhan Kindstar Medical Laboratory Co., Ltd	51shebao.com
May 2022	Red Worry-Free Post Office Charitable Activities Award	Wuhan Kindstar Medical Laboratory Co., Ltd	General Committee of Construction and Management Office of Wuhan National Bio-Industry Base
June 2022	Advanced grass-root party organization award	Wuhan Kindstar Medical Laboratory Co., Ltd	General Committee of Construction and Management Office of Wuhan National Bio-Industry Base
December 2022	Best IR Team Award	Kindstar Globalgene Technology, Inc.	Zhitong Caijing



# Environmental, Social and Governance Report



Red Worry-Free Post Office Charitable Activities Award



Advanced Grass-root Party Organization Award



Hubei Provincial Annual Excellent High-Tech Enterprise



Certification of Appreciation



Professional Employer Top 50



Best IR Team Award



# Environmental, Social and Governance Report

## 2.2. ESG Strategies and Management

Kindstar Global has been continuously working on sustainable development. In 2021, the Group established the Environmental, Social and Governance Committee (“ESG Committee”) and Environmental, Social and Governance Working Group (“ESG Working Group”) and have clearly listed the responsibilities of the Board and different units.

### The Board

- The Board is the highest authority in the decision-making of the Group’s ESG governance. The Board mastering the Group’s ESG information through the ESG Committee and the ESG Working Group, the Board is responsible for developing management approach and strategies for ESG issues, including materiality assessment, prioritizing and managing important ESG issues and reviewing the progress of ESG-related targets, etc.

### ESG Committee

- Under the leadership of the Group’s Chief Financial Officer, the ESG Committee comprises the heads of the Administration Department, Finance Department, Legal Department, Human Resources Department and Investor Relations Department. The ESG Committee is responsible for formulating and reviewing ESG strategies and management methods, monitoring ESG issues and risks; communicating with other committees and the ESG Working Groups, coordinating the development of ESG work and regularly approving and reviewing the objectives and key measures.

### ESG Working Group

- The ESG Working Group is composed of all subsidiaries and divisions of the Group. The ESG Working Group is responsible for formulating and implementing ESG-related policies and procedures, monitoring and tracking the progress of ESG objectives and providing feedback to the ESG Committee.

## 2.3. Statement of the Board

To promote corporate social responsibility, Kindstar Global has established the ESG governance structure of the Group. The Board has authorized the establishment of the ESG Committee, which is responsible for formulating and reviewing ESG-related strategies and monitoring ESG-related risks. We have also established the ESG Working Group to implement and monitor ESG-related work. The Board keeps track of the results of the Group’s ESG work through the ESG Committee and the Working Group. The Board also participates in the discussions of the ESG Committee and perform oversight of ESG issues, including the prioritization of materiality issues. We have set out directional environmental objectives and will continue to monitor and track the progress of these objectives. The targets set reflect the effectiveness of the Group’s business, and in the future we will review the effectiveness of the targets and improve the Group’s ESG governance and disclosure in light of progress.



# Environmental, Social and Governance Report

## 2.4. Stakeholder Engagement

The Group attaches high importance to communication and exchange with stakeholders. To facilitate effective and long-term communication with stakeholders, we identify stakeholders and establish different communication channels to fully understand their expectations and requirements. The Group will actively respond to the views of stakeholders to push forward sustainable development in the Group.

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 the management teams; Corporate communications, such as shareholder letters/circulars and meeting notices; Annual general meeting and general meetings of the shareholders
Regulatory Authorities	Operational compliance Ensure product quality and safety Promote economic development Promote healthcare development	Daily management; Work meetings; Compliance reports; Regular monitoring and checking
Customers	Ensure product quality and safety Ensure high quality and efficient services Protection of customers' privacy Provision of professional esoteric testing services	Customer satisfaction surveys and opinion forms; Comprehensive customer complaint handling mechanism; Online service platform; Hotlines; Website and emails of the Group; Customer service centers



## Environmental, Social and Governance Report

Major Stakeholders	Expectations and Requirements	Main Communication Channels
Employees	Remuneration and benefits Career development Safe working environment Vocational training Humanistic care	Employee opinion survey; Internal communication channels; Job performance and assessment; Conference interviews; Trainings; Employee activities; Seminars/Workshops/Talks
Business Partners/Suppliers	Integrity and mutual benefit Supply chain management	Meetings; Supplier evaluation systems; On-site inspections; Meetings; Strategic partnership programme
Higher Education Institutions and Research Institutions	Innovative scientific research Promote healthcare development through cooperation Nurturing industry talents	Scientific research base meetings; Exchange activities; Participation in summits; Industry seminars
Community/Environment/ Non-governmental Organizations	Employment opportunities Effective use of resources Support community development Reduce pollutant emissions	Conducting charity activities; Donations; Volunteer activities/Environmental activities; Seminars/Workshops/Talks
Media	Accurate, transparent and efficient	Press conferences; Visits of senior management; Performance Reports

## 2.5. Materiality Assessment

The Group discloses the process and guidelines for identifying material ESG issues of Kindstar Global in accordance with the materiality reporting principles. During the Reporting Period, there were no significant changes in the business operations of Kindstar Global, and the impact of the Group on stakeholders and vice versa. Therefore, in the Reporting Period, based on the results of the materiality assessment in 2021, the management team reviewed and summarized the results of the materiality assessment for the Reporting Period, the results were confirmed by the Board. The results of the materiality assessment of the Reporting Period are as follows:

Highly Important Issue	Important Issue	Second Important Issue
<ul style="list-style-type: none"> <li>- Product quality and safety</li> <li>- Safe disposal of medical waste</li> </ul>	<ul style="list-style-type: none"> <li>- Compliance operation</li> <li>- Water resources use</li> <li>- Employee welfare and rights</li> <li>- High quality development</li> <li>- Customer service and privacy protection</li> <li>- Anti-money laundering and anti-corruption</li> <li>- Complaint handling</li> </ul>	<ul style="list-style-type: none"> <li>- Employee career development</li> <li>- Workplace safety and health</li> <li>- Corporate culture</li> <li>- Intellectual property right</li> <li>- Greenhouse gas emission</li> <li>- Energy use</li> <li>- Responsible supply chain</li> <li>- Community participation</li> <li>- Public benefit activities</li> </ul>

## 3. Promoting Scientific Research Development

In the Reporting Period, the Group’s fruitful scientific research achievements are attributed to years of innovation and R&D, cooperation and promotion. “Technology is the core competitiveness of an enterprise, and technological progress leads to technological development which drives an enterprise forward” (技術是企業的核心競爭力, 科技進步引領技術發展, 技術發展帶動企業前進) is the corporate culture of Kindstar Global, and it is also our original intention to promote scientific research and development all the way through. In the Reporting Period, we have obtained success in several areas of testing technology, and have taken a step forward to promote systematic, comprehensive and advanced testing technology.

During the Reporting Period, the Group’s testing products, including the innovative MicroLym lymphoma product series, apoblema gene microarray testing, CNV-SEQ prenatal diagnostic testing and pre-implantation genetic testing (PGT) testing, have seen increasing demand in the market. In addition, we have launched a number of new test items including 248 genetic mutation tests in myeloid blood disorders, allergic disease screening series, rheumatoid immunity series, gut flora sequencing analysis, xerophthalmia, autoimmune retinopathy, glaucoma, high myopia, etc. A total of 190 new projects have been added, covering molecular biology testing technology, flow cytometry testing technology, molecular cytogenetics testing technology, pathology testing technology, mass spectrometry testing technology, enzyme-linked Immunosorbent assay, etc. In addition, we have further improved our testing products for various cancer types, including solid tumor panel testing, nasopharyngeal cancer testing, and individualized brain tumor testing, etc.



## Environmental, Social and Governance Report

Looking forward, we will continue to explore and develop more in areas such as the development of single gene testing for rare diseases and to clarify causative factors, accelerating the development and translation of specialty tests such as exosomal PD-L1, optimizing the product mix of maternity-related testing services, expanding mass spectrometry testing items, and the development of immune repertoire testing products, etc.

In the Reporting Period, we continued to enhance our collaboration with hospitals in the areas of hematology, neurology, maternity, oncology and other areas. Apart from hospitals, we are also committed to outward expansion for looking for more collaboration opportunities. We have formed a partnership with several well-known innovative pharmaceutical companies such as Ascentage Pharma Group International and CStone Pharmaceuticals to further explore the possibilities of more testing to push pharmaceutical development.

During the Reporting Period, the Group has promoted research and product development in various aspects and has collaborated with various organizations to add value to our products and services.

### **Joint Partners in Promoting Laboratory Intelligence Upgrade**

During the Reporting Period, we signed a cooperation agreement with Qingdao Haier Biomedical Co., Ltd under Haier Group to strengthen our cooperation in 5G communications, artificial intelligence, automation control, wireless sensing and other technologies. The collaboration between two parties will strengthen the establishment of the intelligent laboratory, which can improve the transmission of various kinds of testing data information and provide more efficient testing services.

### **Kindstar Institute and Chongqing Xinqiao Hospital Team Collaborative Blood Study presented at an International Academic Conference**

A study on immunotherapy of leukemia collaborated by Kindstar Global Institute of Precision Medicine (Kindstar Institute) and Chongqing Xinqiao Hospital was presented at the 27th European Hematology Association. This study, using bio-nanomedicines for the targeted treatment of acute myeloid leukemia and targets nanotechnology for the treatment of hematologic tumors, was presented in the poster session at the conference, and is the first time our Institute has presented on the international stage.

### **Kindstar Research Institute and Joint Academic Groups Release Genomic Profile of Lymphoma in Patients with Congenital Immunodeficiency**

Kindstar Institute has collaborated with several international institutions, including Boston University School of Medicine (USA), Freiburg University Faculty of Medicine (German), Beijing Genomics Institute (BGI) Research Institute (Shenzhen), and Karolinska Institutet (Sweden) to study the genomic characterization of lymphoma in patients with congenital immunodeficiency. This study has been conducting genomic, transcriptomic and immune microenvironment studies on lymphoma for many years and the results have been published in several international papers in different academic journals, contributing to the future development of targeted therapy.

## Internet Medical Platform

Since the introduction of *Opinions on Promoting the Development of Internet Plus Health Care* (《關於促進「互聯網+醫療健康」發展的意見》) in 2018, it put forward the development direction of “Internet plus Medical Health”. Since 2018, Kindstar Global has been exploring the formation of Internet hospitals and launched the software platform of “Medical Examination Assistant” (醫檢助手) in the same year. In 2021, Kindstar Global entered into digital medical cooperation with Chengdu Wenjiang Administrative Committee and established Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd (Kangshengyou Medical), and obtained the *Practice License for Medical Institution* (《醫療機構執業許可證》) on 27th May, 2021. Kangshengyou Medical can be integrated into the national specialist physician resources, establish an online medical system, create multi-parties cooperation for malignant chronic patients long-term course management system, and increase the efficiency of medical resources use.

## Kindstar You Yi Internet Hospital App

In the Reporting Period, we launched the “Kangshengyou Medical” App for our Internet hospital, which was divided into two categories: doctor side and patient side, which provides online medical services for doctors and patients, and reduces contact risks for doctors and patients, as well as improving the efficiency of diagnosis and relieving pressure on medical facilities. The app can provide up to 3,500 medical diagnostic options for doctors to choose from, including but not limited to receiving, reviewing, sending tests and checking reports. Intelligent management can effectively regulate patients’ management, simplify the procedures of medical staff, improve the quality of healthcare and increase the cure rate.

## Patent Management System

The Group strictly abides by the requirements of the *Patent Law of the People’s Republic of China* (《中華人民共和國專利法》), the *Implementation Regulations for the Patent Law of the People’s Republic of China* (《中華人民共和國專利法實施細則》), the *Trademark Law of the People’s Republic of China* (《中華人民共和國商標法》) etc., and have established the *Intellectual Property Application Procedures* (《知識產權申請流程》) and the *Incentives for Researchers’ R&D Achievements, Patent Applications and Publication of Professional Literature* (《研究人員研發成果、專利申請及專業文獻發表的獎勵辦法》). To protect the rights and interests of the Group, we register intellectual property rights for all patents and trademarks and provide three methods to facilitate employees to apply for them, including online application, self-application and entrusted application. We have also arranged specific people to be responsible for assisting employees of different departments in applying for intellectual property rights. To encourage and stimulate the creativity of our staff, R&D staff are entitled to a bonus payment, job promotion or salary adjustment.

During the Reporting Period, the Group published 20 scientific articles.



## Environmental, Social and Governance Report

### 4. Quality of Service and Testing

Kindstar Global upholds the principle of “Quality is Life” (質量是生命), which is the way we take care of the needs of our clients, patients and hospitals to provide the highest quality testing and specialty esoteric testing services. Our dedication and pursuit of quality are what drive us forward. We carry out quality management throughout our business, from procurement of materials to testing services, from customer medical consultation to the issuance of test reports, and we provide high-quality services to our customers in a professional and compliant manner at every step.

#### 4.1. Strict Control on the Quality of Test

Kindstar Global is committed to providing the best testing quality and focusing on the development of testing quality. Over the years, we have obtained several testing certificates for our testing work, such as the ISO 15189:2012 Medical Laboratories – Requirements for Quality and Competence, Certificate of Technical Acceptance of Clinical Gene Amplification Test Laboratory, and Medical Device Business License. We have developed various sample management, testing management and review documents, such as the *Quality Manual* (《質量手冊》), *Pre-examination Procedure* (《檢驗前程序》), *Logistics Manual* (《物流手冊》), *Specimen Management Procedure* (《標本管理程序》), *Results Reporting Management Procedure* (《結果報告程序》), *Test Quality Assurance Procedures* (《檢驗工作質量保證程序》), *Procedure for the Evaluation of Test Procedure* (《檢驗程序的評審程序》), *Comparison Management Procedure* (《比對管理程序》), *Internal Audit Procedure* (《內部審核程序》), *Management Review Management Procedure* (《管理評審管理程序》), *Preventive Action Control Procedure* (《預防措施控制程序》), *Corrective Action Control Procedure* (《糾正措施控制程序》) and *Equipment Management Procedure* (《設施管理程序》) etc. The Group strictly complies with the *Law of the People’s Republic of China on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》) and the *Law of the People’s Republic of China on the Quality of Products* (《中華人民共和國產品質量法》). Our quality management covered every area of our business, from material procurement, customer testing requirements, equipment management, and pre-examination preparation, etc. We carry out every step of quality work precisely to provide the best quality service. The main business of the Group does not involve product or service recall.

In terms of procurement, any new purchasing of laboratory supplies, a preliminary review of the goods is a compulsory step to be carried out by the warehouse manager, inspection of the quality of goods will then be conducted by the use of the unit. If the goods do not meet the quality requirements, we will notify the purchasing specialist to apply for the return, exchange or claim of the goods.

## Environmental, Social and Governance Report

To provide appropriate and accurate testing services, we provide our clients with pre-examination medical consultation. The consultation will be provided by clinicians to advise clients on the appropriate medical tests. We will prepare the *Guide to General Practice Test Items* 《全科檢驗項目指南》 to our clients, to let them thoroughly understand about the preparation, procedures and storage requirements for samples before and after sampling.

To ensure the quality of service for customers and to reduce errors, we have established a series of sampling and management procedures. We sort and label sample tubes according to the requirements for each test and verify client and test information. After sampling, the tubes are stored and registered. Each sample tube is accompanied by a unique barcode label to distinguish the sample data. The sample tubes are properly stored in appropriate bags and boxes and refrigerated as required and shipped to the receiving units.

Quality control of test work is one of our top priorities. We carefully monitor the quality of every test and review the suitability of the testing items, and determine whether adjustments to the content have to be made. Staff with the authorization to use the testing machinery have received appropriate training, we will also carry out regular maintenance and repair of equipment to ensure testing machines are in the best condition for operation. To enhance the credibility of test results, we have established inter-laboratory comparison activities, where two or more laboratories perform the same test on sample and the results are reviewed to conduct comparability studies.

As test methods are ever-changing, we regularly review our testing methods to ensure that they meet the quality requirements and prevent any occurrence of non-compliance. Moreover, other than taking into account the recommendations of our clients, healthcare providers and the latest academic advances, we also review the equipment and reagents used for sampling, sample storage, transportation and testing, etc. We analyze and correct any non-compliant issues, as well as review if there is a need for updates and changes.



# Environmental, Social and Governance Report

We will report the test results to our clients in written or electronic reports or via phone calls, the contents will be verified, approved and released by an auditor with appropriate professional qualifications. The content of the report will contain the test label, the company logo and sampling information, etc.

	<p><b>Quality Management Documents:</b>  <i>Quality Manual;</i>  <i>Pre-examination Procedure;</i>  <i>Logistics Manual;</i>  <i>Specimen Management Procedure</i></p>		<p><b>Quality management documents:</b>  <i>Quality Manual;</i>  <i>Test Quality Assurance Procedure;</i>  <i>Procedure for the Evaluation of Test Procedure;</i>  <i>Preventive Action Control Procedure;</i>  <i>Corrective Action Control Procedure;</i>  <i>Equipment Management Procedure</i></p>		<p><b>Quality Management Documents:</b>  <i>Quality Manual;</i>  <i>Results Reporting Management Procedure;</i>  <i>Comparison Management Procedure;</i>  <i>Internal Audit Procedure;</i>  <i>Management Review Management Procedure</i></p>
<p>Pre-Testing:</p>	<p><b>Quality Management Measures:</b></p> <ul style="list-style-type: none"> <li>- Quality management of purchasing materials</li> <li>- Preparation of "Guide to General Practice Test Items"</li> <li>- Sample management</li> </ul>	<p>Test:</p>	<p><b>Quality Management Measures:</b></p> <ul style="list-style-type: none"> <li>- Equipment management and maintenance</li> <li>- Laboratory comparison testing</li> <li>- Review of the suitability of the test content</li> <li>- Adjustment of the test content when needed</li> </ul>	<p>Post-test:</p>	<p><b>Quality management measures:</b></p> <ul style="list-style-type: none"> <li>- Regular review of testing procedure</li> <li>- Submission of reports to customers through various channels</li> <li>- Specification of report content style</li> </ul>

During the Reporting Period, the Group accredited several testing quality certifications and was recognized by various authorities.

- Wuhan Kindstar Medical Laboratory Co., Ltd passed the evaluation of "Report on the Results of the Preliminary Research Activities for High-throughput Sequencing of National Lower Respiratory Tract Infection Metagenome (DNA and RNA)" and "GB/T 9001-2016/ISO9001:2015 Quality Management System Certification";
- Shanghai SimpleGene Medical Laboratory Co., Ltd, Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd and Beijing Hightrust Medical Laboratory Co., Ltd passed the ISO15189 Medical Laboratory Quality and Competence Accreditation Guidelines;



# Environmental, Social and Governance Report

- The monkeypox virus nucleic acid test kit and nine hematological tumor diagnostic kits developed by Wuhan Haixi Biological Technology Co., Ltd include: lymphoma gene mutation test, myeloid hematological disease gene mutation test, human whole exon test, immune repertoire TCR gene rearrangement test, immune repertoire IG gene rearrangement test, BCR-ABL1 fusion gene qualitative test, PML-RARA fusion gene qualitative test, and RUNX1-RUNX1TA fusion gene qualitative assay and human JAK2 gene V617F mutation assay obtained EU CE certification.



Wuhan Kindstar Medical Laboratory Co., Ltd obtained «GB/T 19001-2016/ISO 9001:2015 Quality Management System Certificate»



ISO15189:2012 Medical Laboratories – Requirements for Quality and Competence (CNAS-CL02 “Accreditation Criteria for the Quality and Competence of Medical Laboratories” requirements)

## 4.2. High Quality Customer Service

Kindstar Global understands that customer feedback can further push our business and quality development, therefore we have established several procedures and channels to receive feedbacks. *Complaint Handling Management Procedure* 《投诉处理程序》, *Procedure for Satisfaction Monitoring and Abnormal Feedback Handling* 《客户满意度监测处理程序》, *Medical Consulting Control Procedure* 《医疗咨询控制程序》, and *Management Procedure for Revocation, Addition, Trial and Change Test Programs* 《撤销、增加、试做、更改检验项目管理程序》 have been established to better regulate our customer services and handle feedbacks.

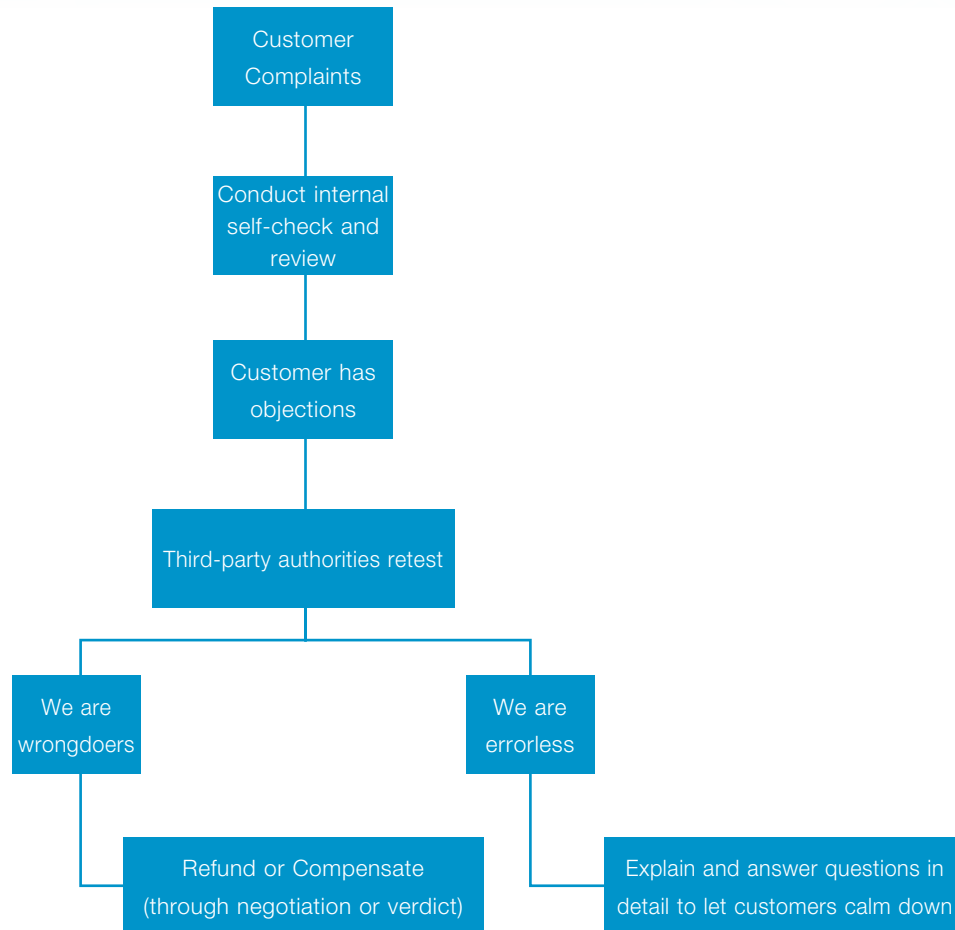


## Environmental, Social and Governance Report

To provide the most suitable medical consulting services to our clients, and to provide the most appropriate selection of tests, interpretation results and consulting services for further testing, we have formed a medical consulting team to understand the needs of our clients and provide the most appropriate services. Clients also have the right to revoke, add, try, change and pend for their tests. The consulting team is responsible to explain the content of the results to clients and to follow up with further issues.

Every year, we develop the *Annual Customer Satisfaction Survey* (《年度客戶滿意度調查計劃》) to collect customers' opinions. The survey is composed of sample collection, consultation and reporting, etc. After we summarize all the data, we will produce the *Customer Complaint Analysis Report* (《客戶投訴分析報告》) to analyze and summarize the customer complaints of the Reporting Period, compare with the complaint figures of previous years and propose improvements. We established multiple customer communication channels, including an online customer service hotline, official WeChat, Weibo, etc.

We have established a customer complaint procedure to ensure customer complaints can be properly resolved. If we receive a complaint from any customers, the Quality Department will review the complaint information for preliminary investigation and take corresponding response measures to the complaint content. The Quality Department will communicate with relevant departments to find out the cause of the problem and reply to the customer according to the company's procedure document. In General, after the relevant departments receive an inquiry from the Quality Department, they have to verbally reply to the Quality Department within 3 hours, followed by sending the investigation result to the Quality Department within 2 working days, and finally, the Quality Department will reply to the customer. After the complaint is handled, the Quality Department will also contact the complainant to collect the complainant's opinion and prepare an *Abnormal Feedback Processing Record Form* (《異常反饋處理記錄表》) to record the investigation results and corrective measures. The Group also conducts regular online meetings and provides professional training to relevant personnel to reflect on and improve problem-handling methods. During the Reporting Period, we received a total of 7 complaints and all of them have been handled properly.



## Customer complaint handling process

The Quality Department will perform professionally in handling and improving complaints, communicating with customers, building trust, trying to avoid misunderstandings with customers, and reducing the number of complaints. We will also analyze the core problems according to the content of the complaint information and regularly review and improve the procedures. Throughout the communication process with customers, we maintain honesty and will not perform any act of deception and defraud.



## Environmental, Social and Governance Report

### 4.3. Safeguarding Information Security

The Group strictly complies with *the Law of the People's Republic of China on Guarding State Secrets* (《中華人民共和國保密法》), *Implement Measures for Law of the People's Republic of China Law on Guarding Secrets* (《中華人民共和國保密法實施辦法》) and other regulations. We have formulated an *Information Management System and Specification* (《信息管理制度與規範》) to manage matters related to network, terminal, user and device and information security.

We regularly perform security level protection and risk assessment work for our information security, install anti-virus programs, patch upgrade and other systems to calculators, networks and terminals and other devices and update them regularly. To protect our data and systems, we will develop data backup plans and adopt appropriate methods to restore different types of data.

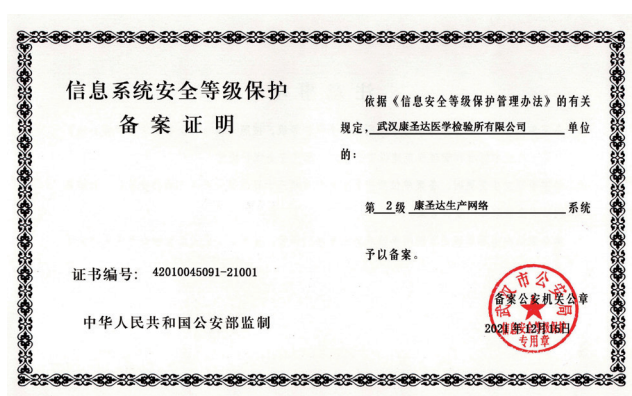
To ensure that the information released by the Group is authoritative, timely and accurate, we require all information to be reviewed in advance before being released to the public. The review process is first conducted internally and then followed by the review of the management team. Any information publisher is required to fill in the *Information Release Approval Form* (《信息發布審批表》) and *Information Release Confidentiality Review Registration Form* (《信息發布保密審查登記表》) to record information-related data. We will also arrange for professionals to regularly review the information system and correct any problematic information.

The Group has established policies to protect personal data. Employees are required to comply with the *Kindstar Global's Customer Information Management Policies* (《康聖環球客戶信息管理制度》) in handling customers' data, and strictly manage the processing of each personal data. Personal information should be process at specific modules, and the processing unit and information department should verify the security of the data processing process. Sales have to regularly revise the information of the customers, if the customer has ended cooperation with the Group, the customer's information will be deleted. During the Reporting Period, Kindstar Global did not violate any laws and regulations on consumer protection and privacy, nor violate any laws and regulations related to advertising and labelling.

During the Reporting Period, the information security management activities of medical testing services, diagnostic pathology services and clinical trial services testing of Wuhan Kindstar Medical Laboratory Co., Ltd has obtained the 《GB/T22080-2016/ISO/IEC 27001:2013 Information Security Management System Certification》. In addition, its production network has also obtained the 《National Information System Security Level Protection Level 2 Record》 issued by the Ministry of Public Security of the People’s Republic of China, affirming the reliability and security of our system in terms of physical security, network security, data security, management system, personnel management, and system operation and maintenance management.



Wuhan Kindstar Medical Laboratory Co., Ltd obtained 《GB/T 22080-2016/ISO/IEC 27001:2013 Information Security Management Systems Certification》



Wuhan Kindstar Medical Laboratory Co., Ltd obtained the 《National Information System Security Level Protection Filing Level 2 Record》 Certificate

#### 4.4. Standardize Procurement Management

The Group pays attention to the sustainable development of the supply chain. To manage the development of the supply chain more effectively, Kindstar Global has formulated the *Procurement Management System* 《採購管理制度》. The Purchasing Department of the Group is responsible for purchasing. Each department is required to submit a purchasing list at the beginning of each month for review by the department head and then submit it to the Purchasing Department. Based on the price ranges of the purchasing items, the approval of the purchasing request will be approved by different levels of authority to ensure the right choice can be made. Suppliers are selected from the *Qualified Suppliers List* 《合格供應商名錄》 and at least three suppliers are selected for price comparison. The Purchasing Department will regularly identify new suppliers and conduct basic background checking, collect information such as business licenses, tax certificates, reagents or medical device registration certificates, or requesting samples for trial testing or on-site examination, and then compiling them into the *Qualified Supplier List* 《合格供應商名錄》.

The Group evaluates our suppliers at least once a year, we perform evaluations according to the type of supplier and on different items such as qualification, quality assurance capability, service and reputation, and



## Environmental, Social and Governance Report

technical support capability. We will also consider whether the supplier has relevant quality qualifications, i.e. ISO9000 quality or CNAS laboratory accreditation, and will also evaluate the supplier's ability to meet our requirements.

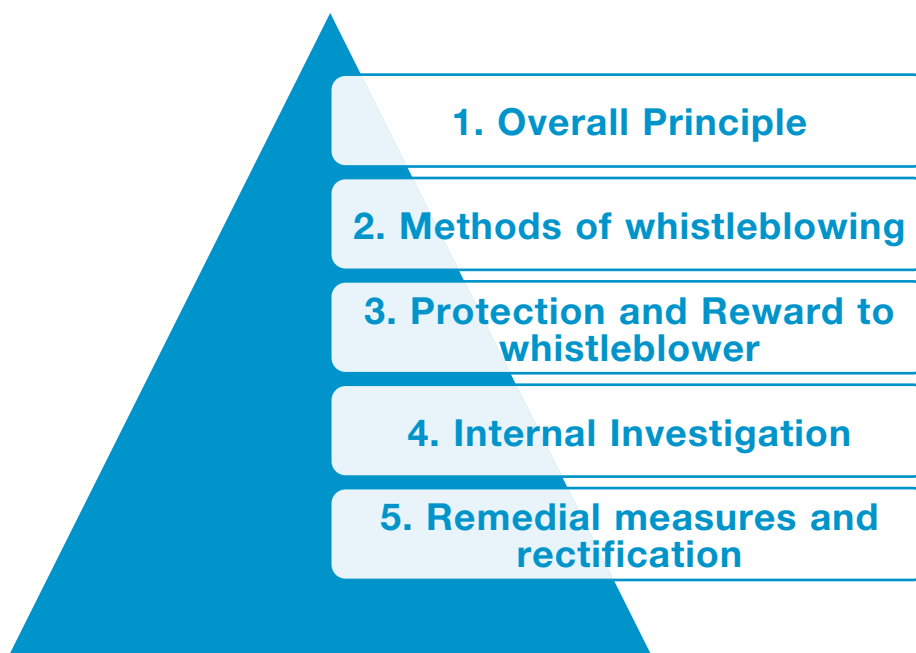
The Group supports sustainable supply chain development and we will give priority to environmental friendly products. Kindstar Global highly values both integrity and honesty, we monitor every detail of the supply chain. We request our suppliers to sign the *Letter of Honesty and Integrity Commitment by Suppliers* 《供應服務商廉潔誠信承諾書》 to ensure that the entire procurement process is clean and lawful. Suppliers are expected to comply with environment, labour, health and safety-related regulatory requirements. If the behaviour of the supplier violates Group's policy, we will terminate the cooperation with the supplier until the situation has improved.

During the Reporting Period, we had 173 suppliers providing reagents, consumables, equipment, calibration and maintenance services, including 59 from the Eastern China region, 16 from the Southern China region, 11 from the Northern China region, 85 from the Central China region and 2 from the Southwest and Northwest China region. In this Reporting Period, we also adopted a supplier assessment system and assessed 94 suppliers.

### 5. Anti-Corruption and Building Integrity

Kindstar Global has strictly complied with the *Anti-Money Laundering Law of the People's Republic of China* 《中華人民共和國反洗錢法》, the *Company Law of the People's Republic of China* 《中華人民共和國公司法》 and other relevant regulations, and has formulated the *Anti-Bribery Compliance Manual* 《反賄賂合規手冊》. Our employees are not allowed to engage in any bribery activities in business activities. We require our employees to sign the *Certificate of Compliance with Anti-Bribery Policy* 《反賄賂政策合規證明》 to ensure that they thoroughly understand the Group's requirements for anti-bribery compliance operations. The Group's compliance officer strictly approves and monitors the reasonableness and compliance of all employees and collaborators in their operations. We believe that quality is the foundation of our business and the rationale why companies want to work with us. We strive for cooperation opportunities with quality and will never use illegal methods to obtain cooperation with other units. All of our agents, distributors and sales representatives have signed cooperation contracts and are required to operate according to the contracts. We strictly prohibit any non-compliant commission payment activities. To ensure that the Group complies with the regulations, we invited independent auditors to conduct independent audits. We also conduct regular internal audits to ensure that all ledgers and financial records are complete and correct, to investigate the movement of large sums of money, and to ensure that the operations with agents, distributors and sales representatives comply with the contractual requirements, and to ensure that the original contracts have not been amended unlawfully.

We have established a whistleblower system to encourage employees to report any violation of the *Anti-Bribery Compliance Manual* (《反賄賂合規手冊》). We provide hotline and email address in our *Anti-Bribery Compliance Manual* (《反賄賂合規手冊》) and *Employee Handbook* (《員工手冊》), and employees could also report to their supervisors, directors or compliance officers. We ensure no employee suffers negative consequences as a result of a whistleblowing action. Once an incident is confirmed, we will take serious action if any violation occurs, disciplinary action will be taken according to the seriousness of the incident. If the incident is serious enough to violate criminal or civil laws, we will not tolerate and will report it to law enforcement agencies.



**Procedures of Reporting and Internal Investigation**



## Environmental, Social and Governance Report

During the Reporting Period, we provided “Anti-Corruption, Anti-Bribery, Anti-Corruption and Environmental Violations Training” to the Board and staff. The training is composed of four main parts, including anti-corruption, anti-bribery, anti-corruption fraud and anti-environmental violations. Throughout the training, we explained the key points of the anti-corruption laws in Mainland China and Hong Kong, and also provided information on the preventive measures against corruption and fraud in procurement, personnel and administration, and accounting, such as spot-checking suppliers’ quotations, checking payment applications for unusual amounts, etc. We also explained the internal control principles of the Group’s anti-corruption efforts in the training, including the establishment of unambiguous corporate policies, work procedures, terms of reference, and review of the monitoring system and regular independent audits. In our training on corporate environmental crimes, we pointed out that environmental crimes are mostly classified into destruction of resources, environmental pollution and illegal import and export of pollutants. We also pointed out some common management loopholes in companies, such as failure to comply with monitoring when cooperating with third parties, and failure to integrate compliance governance mechanism in internal management. During the Reporting Period, there is no corruption case filed against us or our employees.

### Establishing disciplinary codes

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.

### Strengthening regulatory 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.

---

Anti-corruption Management Steps



## 6. Human Resources Management

Employees are one of the key factors leading to the success of Kindstar Global. We focus on the Group's human resources and put forward the idea of being "People-Oriented" in our corporate development, providing our employees with compensation, vacation benefits, career development, employee activities, etc. to increase their sense of belonging to the Group and to retain important talents. As of December 31, 2022, the total number of employees in the Group was 3,367.

### 6.1. Employee Recruitment System

The Group strictly abides by the requirements of the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Labour Contract Law* (《勞動合同法》), the *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》), the *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》), and the *Prohibition of Child Labour* (《禁止使用童工》) and other regulations. We have formulated the *Employee Handbook* (《員工手冊》) and the *Kindstar Global Human Resources Management System* (《康聖環球人才資源管理制度》), which include recruitment and hiring, labour services, attendance management, personnel changes, training and development, compensation and benefits, and performance appraisal. The Group prohibits any kind of discrimination and establishes an equal and harmonious working environment for our employees.

We publish recruitment postings on different platforms according to job requirements. After screening of the candidates' resumes, we conduct assessments, written tests and interviews for the right candidates. When recruiting, we will ask candidates to provide personal information such as age, education and professional qualifications for reviewing and verifying. The Group strictly prohibits any cases of child labour. We will carefully check the personal information of the person to ensure that he/she has reached legal working age before hiring. If child labour has been found to have occurred, we will terminate the employment contract with the person immediately. When signing an employment contract with a new employee, we will specify the contract period, probationary period and other relevant information. Employees have the right to resign and we have defined the procedures for employees to leave the company. Employees are required to notify the Human Resources Department in advance before they leave the Group. Within the specified notice period, employees hand over the work and we settle the wages of the departing employees and issue the salary of the month of separation. The company's *Employee Handbook* (《員工手冊》) specified the working hours of employees, they are required to attend work according to the regulations to prevent any forced labour. The Group does not encourage the occurrence of overtime work. For overtime work, employees have to apply and seek approval from the Human Resources Department in advance, and the amount of overtime work is limited and must not be excessive. We prohibit any kinds of forced labor, in the event of any non-compliance, we will take appropriate actions to rectify it.



## Environmental, Social and Governance Report

During the Reporting Period, the Group did not violate any regulation on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, as well as child labor or forced labor.

### **6.2. Protection of Employee Benefits**

To cater to the needs of our employees, we do not only provide the mandatory “five social insurances and one housing fund (i.e. pension insurance, work injury insurance, medical insurance, unemployment insurance, maternity insurance and housing fund)” to our employees, but also provide various leave benefits and allowances for our employees. The Group actively listens to the views and opinions of our employees and holds staff communication activities from time to time through different internal communication channels, such as corporate WeChat, company emails, staff services, opinion surveys, meetings, etc., to encourage staff to share their views and enhance communication among them.

We have established a compensation and benefits system for our employees. Employees are entitled to a legal basic salary and other allowances such as assessment salary, overtime salary, business commission, bonus, etc. We review our compensation system every year to provide our employees with a competitive compensation package. In terms of the welfare system, we provide subsidies such as transportation allowance, training fee reimbursement, annual employee bonus, etc. In terms of the vacation leave system, apart from the statutory leave entitlement, we also provide various leave benefits to our employees, such as wedding leave, maternity leave, personal leave, annual leave, etc. To strengthen the motivation of our employees for business, we have established a business commission and bonus system for our employees to drive business development of the Group.

## Environmental, Social and Governance Report

In order to let our employees feel the corporate culture of Kindstar Global, we held many activities for employees to enhance the cohesion and unity of the Group. We celebrate specific holidays such as the Dragon Boat Festival, Christmas, Mid-Autumn Festival and employees' birthdays, etc. We prepared corresponding holiday gifts for employees and send them blessings.



Chengdu Shengyuan Medical Laboratory Co., Ltd, Employee birthday party celebration event



Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd, Christmas Eve celebration event



## Environmental, Social and Governance Report

### 6.3. Career Skills Development

The Group focuses on the career development of the employees. We provide development opportunities for our employees by providing them with various training, including skills and industry-related training and to enhance the competitiveness of Kindstar Global in the market. In the Reporting Period, we have developed the *Staff Position/Rank Promotion Management System* 《員工崗位／職級晉級管理制度》, which clearly lists the promotion requirements for employees. Employees are required to reach the qualified promotion score in the previous year's performance appraisal and fulfill the points target set by the department before participating in employee promotion appraisal. According to the grade requirements, the supervisor, department head or career development committee will conduct the evaluation, and the qualified candidates for promotion will be subject to a probationary period, employee can become a full member after passing the assessment during the probationary period.

We provide on job training for our employees every year to drive their career development and keep them abreast of the latest technological developments. We have established learning courses such as "Kindstar Lexiang", "Kindstar College (Classroom)", "Kindstar Library (Knowledge Base)" and "Kindstar Zhihu (Question-and-Answer)". The training courses provide different training contents for specified employees, such as new employees training about the company's corporate culture and business processes, giving employees to understand and integrate into their work. We also develop a series of online and offline training courses for the development of employees' generic skills and management's leadership. These courses make it simpler for employees to master various professional competencies and help to raise their awareness in transforming their roles so that they can be more competent for their positions. Training participation is an important basis for the evaluation of salary adjustment, career promotion and year-end merit. The Group actively promotes experienced and talented employees to become instructors in our training programs, providing a stage for the development of the employees.

We also encourage our employees to participate in external-training activities and programs. Employees can be reimbursed for related training expenses.

## 6.4. Occupational Health and Safety

Kindstar Global complies with 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》), and the *Regulations on Supervision and Administration of Workplace Occupational Health* (《工作場所職業衛生監督管規定》). We have developed a *Safety Manual* (《安全手冊》) to provide norms and guidelines for occupational safety management, detail safety-related management policies and procedures for handling emergency and hazardous situations have been listed in the Safety Manual.

For laboratory safety management, we have established a safety management team for the assessment and management of the environmental and testing safety of the laboratory. Laboratory staff is required to properly store hazardous chemicals and medical waste as required. Other staff are required to ensure that the working environment of the laboratory is clean and disinfected regularly. To ensure the biosafety management of the laboratory, we have established the biosafety management regulation, listing the details in the transportation, storage, and safekeeping of biological samples such as microorganisms and making records. These records must be kept by professional staff to prevent leakage. Daily management of the laboratory must be carried out according to the safety system established, and regular inspection, maintenance and updating of laboratory equipment, facilities and materials must be carried out to comply with national standards to ensure the health and safety of laboratory use.

Apart from the working environment, Kindstar Global is also concerned with the health condition of our employees, hoping that they will pay higher attention to their health condition. In the Reporting Period, we organized regular health checks or immunity screening tests for our employees. During the pandemic, we adjusted the commuting arrangements of our employees according to the epidemic prevention requirements of the locations and the situation of the Group. To ensure the safety of our employees, we have formulated a series of epidemic prevention policies, including the provision of masks to our employees, requirement of our employees to undergo regular nucleic acid or antigen testing, and conducting regular disinfection of workplaces. Including the Reporting Period and the past three years, the Group did not have any work-related fatalities records and the number of working days lost due to work-related injuries was 152.5. During the Reporting Period, the Group did not violate any laws and regulations relating to occupational health and safety.

In the Reporting Period, Wuhan Kindstar Medical Laboratory Co., Ltd successfully obtained 《GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certification》, which is a recognition of our occupational safety management.



# Environmental, Social and Governance Report

## 7. Promoting Environmental Protection

Kindstar Global is highly concerned about its environmental impacts and strives to reduce the impact on the environment while driving our business development. We strictly comply with environmental laws and regulations, including the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* 《中華人民共和國固體廢物污染環境防治法》, the *Biosecurity Law of the People's Republic of China* 《中華人民共和國生物安全法》, the *Measures for Medical Wastes Management of Medical and Health Institutions* 《醫療衛生機構廢物管理辦法》, the *Regulations on the Administration of Medical Wastes* 《醫療廢物管理條例》, and the *Regulation on the Bio-safety Management of Pathogenic Microbe Labs* 《病原微生物實驗室生物安全管理條例》.

In the Reporting Period, the Group has set out directional environmental targets to progressively reduce or maintain greenhouse gas emissions and waste generation intensity and reduce energy consumption and water consumption intensity while maintaining operational levels. We will also set quantitative environmental targets and set environmental base years when appropriate.

During the Reporting Period, one of our testing laboratory, Wuhan Kindstar Medical Laboratory Co., Ltd successfully obtained the 《GB/T 24001-2016/ISO 14001:2015 Environmental Management System Certification》, which affirms our work on environmental management.



Wuhan Kindstar Medical Laboratory Co., Ltd obtained the 《GB/T 24001-2016/ISO 14001:2015 Environmental Management System Certification》



## 7.1. Combating Climate Change

Climate change is closely related to sustainable corporate development and the Group is concerned about the national “3060” goal of reaching the carbon peak and achieving carbon neutral targets. We have identified climate-related risks that may affect the Group, including physical and transition risks, analyzed the potential impacts of such risks on the Group and formulated corresponding mitigation measures. We will continue to optimize our climate risk management assessment and measures to reduce the impact on our business.

### Physical Risk

Climate Risk Example	Potential Risk	Mitigation Measures
<p><b>Acute Risk:</b> Extreme temperature</p>	<ul style="list-style-type: none"> <li>High temperature affects sample storage, transportation and other aspects of operations.</li> </ul>	<ul style="list-style-type: none"> <li>Based on weather reports, we inform employees of the latest information and allow them to respond.</li> </ul>
<p><b>Chronic Risk:</b> Sea-level rise</p>	<ul style="list-style-type: none"> <li>The commute of employee will be affected;</li> <li>Electricity supply may be impacted by extreme weather hazards, which could affect providing service;</li> <li>Increased costs on repairing facilities affected or damaged by extreme climate.</li> </ul>	

### Transitional Risk

Climate Risk Examples	Potential Risk	Mitigation Measures
<p><b>Reputational Risk</b> Stakeholders putting more focus on climate change response actions</p>	<ul style="list-style-type: none"> <li>Increased competition among the industry;</li> <li>Difficult to get support from stakeholders and partners.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with climate-related regulations;</li> <li>Increase the disclosure of ESG report content regarding environmental measures.</li> </ul>



# Environmental, Social and Governance Report

## 7.2. Green Operation Management

### 7.2.1. Waste Management

As a clinical testing service provider company, the treatment of medical waste is a vital part of the Group's environmental management system. Kindstar Global fulfills the compliance requirements for the disposal of medical waste and strictly controls the amount of waste generated. We have established the *Medical Waste Temporary Storage Room Management System* (《醫療廢物暫存間管理制》), which classifies medical waste into infectious, sharps, pathological, pharmaceutical and chemical waste. Each type of waste must be properly sealed, sorted, labeled and registered, and stored in an appropriate place before being collected and disposed of by third parties. Each waste disposal is required to be registered and recorded and kept for at least three years, registration information includes the type of waste, quantity, weight, date of handover, and the person in charge. If there is a large amount of expired pharmaceutical waste, we will return it to the manufacturer for disposal. Staff handling medical waste are required to take proper personal protection measures and disinfect the storage site after each disposal of medical waste to avoid waste residue causing secondary infection or contamination. We provide relevant safety and handling training for staff handling medical waste and monitor the entire medical waste handling process to comply with the Group's requirements.

In the Reporting Period, the packaging materials used by the Group were 180.00 kg of paper. The use of packaging materials is not the main business of the Group, we will check the packaging materials usage and reduce the waste of product packaging materials. For general non-hazardous waste, we sort out the waste and recycle various recyclable items. We also promote and encourage reusing resources and reduce using disposable products to avoid unnecessary waste. During the Reporting Period, the Group produced 760.05 tonnes of medical waste and 110.85 tonnes of non-hazardous waste, and the average amount of medical and non-hazardous waste generated per employee was 0.23 and 0.03 tonnes respectively.

### 7.2.2. Water Resources Management

We cherish water resources and always remind our staff to use water efficiently to avoid wastage. The Group uses water supplied by the municipal government and has no problem in water sourcing. We post water-saving labels next to each water-using equipment, use highly water-efficient equipment, and conduct inspections regularly on water-using equipment and water pipes to see if there are any leakages. In the Reporting Period, the Group used 31,350.68 tonnes of water, and the average water consumption per employee was 9.31 tonnes.

The Group strictly controls the wastewater discharge. Our laboratories have obtained sewage discharge permit. All sewage discharged must first be treated by the Group's wastewater treatment facilities and have to comply with the discharge standard of *Discharge Standard of Water Pollutants For Medical Organization* (《醫療機構水污染物排放標準》) before discharging. We hire third-party environmental testing laboratories to test our effluent discharge every year to ensure that the concentration of pollutants complies with the standard. In the Reporting Period, the Group's wastewater discharge did not fail to meet the standard. In addition, office and daily sewage will be discharged to the municipal sewerage network after pre-treatment, and the treated effluent after pre-treatment meet the tertiary discharge standard of the *Integrated Sewage Discharge Standard* (《污水綜合排放標準》) and be treated by the local sewage treatment facilities centrally.



### **7.2.3. Energy Use Management**

We adhere to the code of energy saving to avoid unnecessary energy waste. For lighting and air conditioning systems, we use energy-efficient lighting fixtures and regularly clean the air conditioning filters to ensure that the systems are operating at their best condition. We have separated the operating area into different zones, each zone contains independent switch control; the air conditioning is managed by a central system to control the time and temperature of each zone to reduce energy waste. We will give higher preference to electric vehicles or hybrid vehicles and regularly conduct maintenance of the vehicles. We conduct monthly statistics on the Group's electricity consumption and look for high consumption or any abnormalities in electricity consumption, improvements will be made if required. In the Reporting Period, the electricity consumption of the Group is 5,985.66 MWh, and the average electricity consumption per employee is 1.78 MWh.

### **7.2.4. Greenhouse Gas Emissions management**

During the Reporting Period, the amount of the Group's greenhouse gas emissions was 3,581.09 tonnes of carbon dioxide equivalent, and the average greenhouse gas emissions per employee was 1.06 tonnes of carbon dioxide equivalent. Low carbon living has become a global trend, Kindstar Global has been encouraging employees to actively participate in low carbon-related activities e.g. adopting video business conferencing instead of business travel, using public transportation more often. We have promoted and educated our employees about environmental protection measures through various platforms, and encourage them to integrate environmental protection concepts into daily lives.

### **7.2.5. Pollutants Emission Management**

During the Reporting Period, the Group's emissions of NO<sub>x</sub>, SO<sub>x</sub> and particulate matter from the Company's vehicles were 423.68 kg, 0.56 kg and 36.01 kg respectively. To reduce emissions of NO<sub>x</sub>, SO<sub>x</sub> and particulate matter, we have adopted electric or hybrid vehicles, which are regularly maintained to ensure that they can operate with high efficiency and low emissions. The Group regularly monitors the air quality of the laboratories and has commissioned a third-party laboratories to test the VOCs emissions of the laboratories to comply with the regulatory emission standards. During the Reporting Period, the Group's laboratory air quality has complied with the standards.



## 8. Public Welfare and Harmonious Community

Kindstar Global has always been caring for the community and lends a helping hand to the public when needed. To solve the low blood stock situation in the community, Wuhan Kindstar Medical Laboratory Co., Ltd responded to our call by organizing a group with more than 30 employees to participate in blood donation activity during the Spring Festival on February 16, 2022.



## Appendix 1 : Sustainable development information summary

Environmental Category	Unit	2022
<b>Air pollutant emissions<sup>1</sup></b>		
Nitric Oxides (NOx)	Kg	423.68
Sulfur Oxides (SOx)	Kg	0.56
Particulate Matter (PM)	Kg	36.01
<b>Greenhouse gas emissions<sup>2</sup></b>		
Direct GHG emissions(Scope 1) <sup>3</sup>	carbon dioxide equivalent (tonnes)	103.42
Indirect GHG emissions(Scope 2) <sup>4</sup>	carbon dioxide equivalent (tonnes)	3,477.67
Total GHG emissions(Scope 1 & 2)	carbon dioxide equivalent (tonnes)	3,581.09
Intensity of GHG emissions (per square meter)(Scope 1 & 2)	carbon dioxide equivalent (tonnes)/m <sup>2</sup>	0.07
GHG emissions (per employee)(Scope 1 & 2)	carbon dioxide equivalent (tonnes)/employee	1.06
<b>Energy consumption</b>		
Total electricity consumption	MWh	5,985.66
Intensity of electricity consumption (per square meter)	MWh/m <sup>2</sup>	0.11
Intensity of electricity consumption (per employee)	MWh/employee	1.78
Gasoline consumption	liter	35,351.03
Diesel consumption	liter	2,785.72
<b>Water consumption</b>		
Total water consumption	cubic meter	31,340.68
Water consumption intensity(per square meter)	cubic meter/m <sup>2</sup>	0.59
Water consumption (per employee)	cubic meter/employee	9.31
<b>Paper consumption</b>		
Total paper consumption	Kg	12,165.00
Paper consumption (per employee)	Kg/employee	3.61
<b>Waste production</b>		
Medical waste produced	tonnes	760.05
Medical waste produced (per employee)	tonnes/employee	0.23
Non-hazardous waste produced	tonnes	110.85
Non-hazardous waste produced (per employee)	tonnes/employee	0.03

<sup>1</sup> We calculate the Group's air pollutant emissions with reference to the Stock Exchange's "How to Prepare an Environmental, Social and Governance Report – Appendix II: Reporting Guidance on Environmental KPIs".

<sup>2</sup> We calculated the Group's GHG emissions with reference to "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

<sup>3</sup> Scope 1: Direct GHG emissions from sources owned and controlled by the Group.

<sup>4</sup> Scope 2: GHG emissions indirectly caused by power generation purchased by the Group.



## Environmental, Social and Governance Report

Social Category	Unit	2022
<b>Total employees</b>		
Total employees	people	3,367
Female employees	people	2,249
Male employees	people	1,118
Non-management employees	people	2,021
Intermediate management employees	people	382
Senior management employees	people	46
Short-term/part-time employees	people	918
Employees aged below 30	people	1,261
Employees aged 30-50	people	1,854
Employees aged 50 or above	people	252
Employees from China	people	3,363
Employees from foreign	people	4
<b>Employees turnover rate<sup>5</sup></b>		
Total Employee turnover rate	%	30.62
Female employee	%	29.30
Male employee	%	33.27
Employees aged below 30	%	50.18
Employees aged 30-50	%	21.10
Employees aged 50 or above	%	18.09
Employees from China	%	30.66
Employees from overseas	%	0.00

<sup>5</sup> Calculation method for different categories of employee turnover: Number of employees in that category ÷ Total number of employees in that category at the end of the Reporting Period × 100%

## Environmental, Social and Governance Report

Social Category	Unit	2022
<b>Occupational health and safety</b>		
Work-related fatalities for the last three years (including the reporting year)	people	0
Rate of work-related fatalities for the last three years (including the reporting year)	%	0.00
Lost days due to work injury	days	152.50
<b>Employee training</b>		
<b>Percentage of employees trained by gender<sup>6</sup></b>		
Female employees	%	64.53
Male employees	%	35.47
<b>Percentage of employees trained by employee category<sup>6</sup></b>		
Non-management employees	%	15.54
Intermediate management employees	%	70.49
Senior management employees	%	12.36
Short-term/part-time employees	%	1.61
<b>Average training hours completed per employee by gender<sup>7</sup></b>		
Female employees	hours	14.06
Male employees	hours	22.07
<b>Average training hours completed per employee by employee category<sup>7</sup></b>		
Non-management employees	hours	2.59
Intermediate management employees	hours	19.65
Senior management employees	hours	31.78
Short-term/part-time employees	hours	44.54

<sup>6</sup> Calculation method for the percentage of employees trained by different categories: Number of employees trained in that category ÷ Total number of trained employees x 100%

<sup>7</sup> Calculation of average training hours for different categories of employees: Number of training hours for employees in that category ÷ Total number of employees in that category at the end of the Reporting Period



# 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, 2022.

## 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, 2022 as required by Schedule 5 to the Companies Ordinance is set out in the chapter headed "Business Review and Outlook" from pages 12 to 15 and "Management Discussion and Analysis" from pages 16 to 32 of this annual report which constitute part of this directors' report.

## Key Relationships

### Relationship with Suppliers

We have maintained stable and long-term relationships with our major suppliers and procured a wide variety of raw materials, mainly consumables and equipment, used for our testing services. We considered 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, 2022, the total purchases from our five largest suppliers in aggregate accounted for 18.95%, and our purchases from our largest supplier accounted for 5.11%, 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, 2022.

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, 2022, our five largest customers together generated RMB380.8 million of revenue, accounting for 27.41% of our total revenue, and our largest customer generated RMB96.4 million of revenue, accounting for 6.94% 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, 2022.

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 determined employee remuneration based on factors such as qualifications and years of experience. Employees also received welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We made 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 are set out in the Environmental, Social and Governance Report in this annual report.

### Licenses, Regulatory Approvals and Compliance with Laws and Regulations

During the year ended December 31, 2022, 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 in this report.



## Directors' 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
<p>Our revenue generated from COVID-19-related testing services may not be sustainable.</p>	<p>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.</p>	<p>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.</p>
<p></p>	<p>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. Although the relevant restrictive measures against COVID-19 have been gradually lifted around the world, COVID-19 epidemic or any other adverse developments for public health may continue to negatively affect the business of the Group, which would have a material adverse effect on our business, financial conditions, results of operations and cash flow.</p>	<p>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. The outbreak of COVID-19 caused to implement travel restrictions, facilities lockdowns, etc., which posed challenges to our operations in 2022. We have taken relevant measures to minimize the impact of these restrictive measures, and we will continue to monitor these developments.</p>



Principal Risks and Uncertainties	Description	Key Mitigations
-----------------------------------	-------------	-----------------

Failure in service quality control may adversely affect our operating results, 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



## Directors' Report

Principal Risks and Uncertainties	Description	Key Mitigations
-----------------------------------	-------------	-----------------

Our success depends on the market's confidence in us 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 alleges 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, 2022 are stated in note 42 to the consolidated financial statements in this annual report.

### Financial Statements

The results of the Group for the year ended December 31, 2022 and the state of the Group's financial position as at that date are set out in the consolidated financial statements from pages 124 of this annual report.

### Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five 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, 2022.

### Distributable Reserves

As of December 31, 2022, 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, 2022 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, 2022 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, 2022 are set out in note 32 to the consolidated financial statements in this annual report.

### Bank Borrowings and other Loans

Details of bank borrowings and other loans of the Company as at December 31, 2022 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, 2022.

### Donation

Donations made by the Company during the year ended December 31, 2022 was HK\$1.75 million.



## Directors' Report

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

For the year ended December 31, 2022, the Company repurchased a total of 15,381,000 Shares (the "Shares Repurchased") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK\$35.5 million. 14,974,000 of the Shares Repurchased were subsequently cancelled and the remaining 407,000 of the Shares Repurchased have not yet been 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 2022 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)
January	1,100,500	6.35	5.71	6,800
April	2,773,500	2.81	2.03	6,939
May	524,500	2.21	2.01	1,091
August	157,500	2.13	2.05	330
September	1,554,500	2.20	1.74	3,134
October	2,231,000	1.80	1.53	3,757
November	5,565,000	1.98	1.68	10,233
December	1,474,500	2.88	1.79	3,232
<b>Total</b>	<b>15,381,000</b>	<b>6.35</b>	<b>1.53</b>	<b>35,517</b>

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, 2022.

### 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, and to promote the success of the Group's business.

The administrator is authorized under the Pre-IPO Stock Incentive Plans to award any type of arrangement to an employee, Director or Consultant that is not inconsistent with the provisions of the Pre-IPO Stock Incentive Plans and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an option or similar right with a fixed or variable price related to the fair market value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions (the "Award(s)").

Any Award granted under the Pre-IPO Stock Incentive Plans shall be exercisable at such times and under such conditions as determined by the administrator under the terms of the Pre-IPO Stock Incentive Plans and specified in the award agreement. An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the award by the person entitled to exercise the award and full payment for the Shares with respect to which the Award is exercised.

As disclosed in the Prospectus, the Company did not and will not grant further options under the Pre-IPO Stock Incentive Plans after the Global Offering.

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.

As of the date of this report, options to subscribe for 14,987,592 Shares (none of which have been cancelled or lapsed), representing approximately 1.52% 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 option as of January 1, 2022	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options cancelled during the Reporting Period	Number of Shares underlying the option as of December 31, 2022	Closing price of the Shares before the date on which the options were exercised (Note 4)
<b>Directors and senior management</b>										
Mr. Tu Zanbing	March 15, 2013	(Note 1)	0.03	3,207,640	-	3,207,640	-	-	-	5.35
	December 31, 2013	(Note 2)	0.03	2,800,000	-	2,800,000	-	-	-	5.35
	December 31, 2015	(Note 2)	0.06	13,125,224	-	13,125,224	-	-	-	5.35
	December 31, 2016	(Note 2)	0.03-0.09	6,604,856	-	6,604,856	-	-	-	5.35
				25,737,720	-	25,737,720	-	-	-	
Ms. Chai Haijie	December 31, 2014	(Note 2)	0.03	1,200,000	-	1,200,000	-	-	-	5.35
	December 31, 2015	(Note 2)	0.06	4,293,796	-	4,293,796	-	-	-	5.35
	December 31, 2016	(Note 2)	0.09	4,672,660	-	4,672,660	-	-	-	5.35
				10,166,456	-	10,166,456	-	-	-	
<b>Sub-total</b>				<b>35,904,176</b>	<b>-</b>	<b>35,904,176</b>	<b>-</b>	<b>-</b>	<b>-</b>	

(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 employees who were our employee on the date of grant, each of which is an independent third party of the Company.

(4) Refers to the closing price of the Shares immediately before the dates on which the relevant options were exercised in 2022.



## Directors' Report

Name or category of grantee	Grant date	Vesting and exercise period	Exercise price (US\$/Share before the Share Subdivision)	Shares underlying the option as of January 1, 2022	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options cancelled during the Reporting Period	Number of Shares underlying the option as of December 31, 2022	Closing price of the Shares before the date on which the options were exercised
<b>Other employees of the Group (Note 3)</b>										
In aggregate	March 15, 2013	(Note 1)	0.03	5,456,000	-	4,420,500	-	-	1,035,500	See note 4
	December 31, 2013	(Note 2)	0.03	16,562,648	-	15,007,148	-	-	1,555,500	See note 4
	December 31, 2014	(Note 2)	0.03	612,000	-	600,000	-	-	12,000	See note 4
	December 31, 2015	(Note 2)	0.06	20,448,564	-	16,700,132	-	-	3,748,432	See note 4
	December 31, 2016	(Note 2)	0.09	18,958,812	-	10,608,228	-	-	8,350,584	See note 4
	December 31, 2016	(Note 2)	0.06-0.09	4,475,908	-	4,466,332	-	-	9,576	See note 4
	December 31, 2017	(Note 2)	0.03	516,000	-	516,000	-	-	-	See note 4
<b>Sub-total</b>				<b>67,029,932</b>	<b>-</b>	<b>52,318,340</b>	<b>-</b>	<b>-</b>	<b>14,711,592</b>	
<b>Consultants</b>										
In aggregate	March 15, 2013	(Note 1)	0.03	1,196,000	-	1,160,000	-	-	36,000	See note 5
	December 31, 2013	(Note 2)	0.03	540,000	-	380,000	-	-	160,000	See note 5
	December 31, 2015	(Note 2)	0.06	38,312	-	-	-	-	38,312	See note 5
	December 31, 2016	(Note 2)	0.09	10,276,836	-	10,235,148	-	-	41,688	See note 5
<b>Sub-total</b>				<b>12,051,148</b>	<b>-</b>	<b>11,775,148</b>	<b>-</b>	<b>-</b>	<b>276,000</b>	
<b>Total</b>				<b>114,985,256</b>	<b>-</b>	<b>99,997,664</b>	<b>-</b>	<b>-</b>	<b>14,987,592</b>	

### 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.
- (4) In 2022, a total of 52,318,340 options were exercised by the other employees of the Group. The weighted average closing price of these Shares before the relevant dates on which the options were exercised in 2022 is HK\$4.87.
- (5) In 2022, a total of 11,775,148 options were exercised by the Consultants. The weighted average closing price of these Shares before the relevant dates on which the options were exercised in 2022 is HK\$5.35.

## Post-IPO RSU Scheme

The Post-IPO RSU Scheme was adopted pursuant to the shareholders' resolutions passed on June 22, 2021. The Company may appoint a trustee (the "**RSU Trustee**") to administer the Post-IPO RSU Scheme with respect to the grant of any Award (as defined below), by way of restricted share unit(s) ("**RSU(s)**"), which may vest in the form of Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme. The purpose of the Post-IPO RSU Scheme is to align the interests of Eligible Persons (as defined below) 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.

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors) or officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award granted by the Board (an "**Award**"), by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the Post-IPO RSU Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.

An Award gives a selected participant a conditional right, when the RSU vests, to obtain the Award Share or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the "**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Award which have been forfeited in accordance with the Post-IPO RSU Scheme) will not exceed 8% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme, being 54,337,129 Shares, without Shareholders' approval (the "**Post-IPO RSU Scheme Limit**"), representing approximately 5.49% of the total issued share capital of the Company as of the date of this report.

Save as restricted by the Post-IPO RSU Scheme Limit or as otherwise restricted by the Listing Rules, for any 12-month period, the aggregate number of Shares granted to any participant shall not exceed 1% of the total number of the issued Shares at the relevant time, without Shareholders' approval.

The Board or the committee of the Board or person(s) to which the Board delegated its authority may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested hereunder.



## Directors' Report

Where the Trustee has received instructions from the Company to acquire shares through on-market transactions, the Trustee shall acquire such number of Shares as instructed by the Company on-market at the prevailing market price as soon as reasonably practicable after receiving the necessary funds from the Company.

As at December 31, 2022, the remaining life of the Post-IPO RSU Scheme is approximately eight years and seven months.

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.

As of December 31, 2022, 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 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 6.88% 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 a 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 a 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, 2022, the remaining life of the Post-IPO Option Scheme is approximately eight 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 – F. Post-IPO Option Scheme" in Appendix IV to the Prospectus.

As of December 31, 2022, no option had been granted or agreed to be granted under the Post-IPO Option Scheme.

The total number of Shares that may be issued in respect of options and awards under all schemes of the Company during the year ended December 31, 2022 divided by the weighted average number of Shares in issue for the year ended December 31, 2022 was 14.5%.



## Directors' Report

### Directors

The Directors during the year ended December 31, 2022 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, Mr. Tu Zanbing, Mr. Huang Zuie-Chin and Ms. Huang Lu will retire by rotation 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 is 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 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, 2022.

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

Save as the related party transactions as disclosed in note 38 to the consolidated financial statements and the connected transactions as disclosed in the section headed "Connected Transactions" in this directors' report, there were 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, 2022.

### 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, 2022, 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 which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### (i) Interests in the Company

Name of Director or chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Dr. Huang Shiang <sup>(1)(2)</sup>	Settlor of a trust and interest of spouse	145,363,368	14.73
("Dr. Huang")	Beneficial interest	1,062,500	0.11
Mr. Tu Zanbing <sup>(3)</sup>	Interest in controlled corporation	38,624,144	3.91
("Mr. Tu")	Beneficial interest	25,737,720	2.61
Ms. Chai Haijie ("Ms. Chai")	Beneficial interest	10,166,456	1.03
Mr. Huang Zuie-Chin <sup>(4)</sup>	Interest in controlled corporation	72,539,632	7.35
("Mr. Huang")	Beneficial interest	580,000	0.06



## Directors' Report

### Note:

- (1) 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.
- (2) 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.
- (3) Ever Prospect is wholly owned by Mr. Tu. Accordingly, Mr. Tu is deemed to be interested in the 38,624,144 Shares held by Ever Prospect. 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.
- (4) 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義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 Zuie-Chin. 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) <sup>(1)</sup>	Approximate % of interest
Dr. Huang Shiang	Wuhan Kindstar	6,644,000	96.29
	Kindstar Global Wuhan	10,000,000	99.01
	Wuhan Haixi	99,000	9.90
Mr. Tu Zanbing	Wuhan Kindstar	256,000	3.71
	Kindstar Global Wuhan	100,000	0.99
	Shanghai Xinuo	475,000	9.50
	Kindstar Zhenyuan	1,000,000	10.00

Save as disclosed above, as of December 31, 2022, no Directors or chief executives of the Company had or was deemed to have an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be 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, 2022, to the best knowledge of the Directors, the following persons, other than Directors and chief executives of the Company, had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Ms. Guo Gui-Rong ("Ms. Guo")	Beneficial interest	3,971,020(L)	0.40
	Interest held through voting powers entrusted by other persons <sup>(2)</sup>	90,454,452(L)	9.17
	Settlor of a trust <sup>(3)</sup> and interest of spouse	52,000,396(L)	5.27
Mr. Huang Bo <sup>(3)(4)</sup>	Interest in controlled corporation	99,299,404(L)	10.06
Perfect Tactic <sup>(2)(4)</sup>	Beneficial interest	48,361,508(L)	4.90
Jackson Hole <sup>(3)(4)</sup>	Beneficial interest	50,937,896(L)	5.16
	Interest in controlled corporation	48,361,508(L)	4.90
Infinite Prosperity <sup>(4)</sup>	Interest in controlled corporation	48,361,508(L)	4.90
Ningbo Ruifu <sup>(5)</sup>	Interest in controlled corporation	72,539,632(L)	7.35
Madam Chan Tan Ching Fen <sup>(6)</sup>	Founder of a discretionary trust who influence how the trustee exercises his discretion	91,068,160(L)	9.23



## Directors' Report

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Ghalibo (PTC) Limited ("Ghalibo") <sup>(6)</sup>	Trustee	91,068,160(L)	9.23
Morningside Holdings (Asia) Limited ("Morningside Holdings") <sup>(6)</sup>	Interest in controlled corporation	91,068,160(L)	9.23
Healthcare Asia (Holdings) Inc. ("HCA Holdings") <sup>(6)</sup>	Interest in controlled corporation	91,068,160(L)	9.23
Healthcare Asia (China) Inc. ("HCA China") <sup>(6)</sup>	Interest in controlled corporation	91,068,160(L)	9.23
Healthcare Asia Laboratories Inc. ("HCA Laboratories") <sup>(6)</sup>	Interest in controlled corporation	91,068,160(L)	9.23
HCA Health Investments Inc. ("HCA Investments") <sup>(6)</sup>	Beneficial interest	91,068,160(L)	9.23
CPE Holdings International Limited ("CPE International") <sup>(7)</sup>	Interest in controlled corporation	80,367,640(L)	8.15
CPE Holdings Limited ("CPE Holdings") <sup>(7)</sup>	Interest in controlled corporation	80,367,640(L)	8.15
CPE Funds III Limited ("CPE Funds III") <sup>(7)</sup>	Interest in controlled corporation	80,367,640(L)	8.15
CPEChina Fund III, L.P. ("CPEChina") <sup>(7)</sup>	Interest in controlled corporation	80,367,640(L)	8.15
CK Lab Tech Investment Limited ("CK Lab Tech") <sup>(7)</sup>	Beneficial interest	80,367,640(L)	8.15
Kastle Limited <sup>(8)</sup>	Trustee	49,769,504(L)	5.04
Kernelstar Limited <sup>(8)</sup>	Trustee	49,769,504(L)	5.04

## 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, 2022. 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. 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.*
- (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 Holdings, 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 Holdings, 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.*
- (8) *Kernelstar Limited is a limited company incorporated in the BVI and wholly owned by Kastle Limited. Kastle limited is an independent and professional trustee appointed by the Company to act as the trustee of the Post-IPO RSU Scheme through Kernelstar Limited.*

Save as disclosed above, as of December 31, 2022, to the best knowledge of the Directors, no other persons (not being Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.



## Directors' Report

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended December 31, 2022.

### 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 E.1.5 of the CG Code, the annual remuneration of the senior management by band for the year ended December 31, 2022 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, 2022 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, 2022. 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, 2022 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, 2022.

## 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, 2022 are set out in the section headed "Management Discussion and Analysis – Use of Proceeds from the Global Offering" in this annual report.



## Directors' 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 was in turn held as to 34% by Dr. Huang, was our connected person upon the Listing until January 21, 2022. Accordingly, the following transactions, which continued after the Listing, constituted continuing connected transactions of our Group which were exempt from the independent shareholders' approval requirement, but subject to the reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules. From January 22, 2022, Wuhan Haixi is held as to 9.9% by Dr. Huang and is no longer an associate of Dr. Huang. Haixi Biotech is no longer our connected person from February 1, 2022 onwards.

### 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, 2022 was RMB1,073,000.

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 38 to the consolidated financial statements in this annual report.

## Non-Exempt Continuing Connected Transactions

### Contractual Arrangements

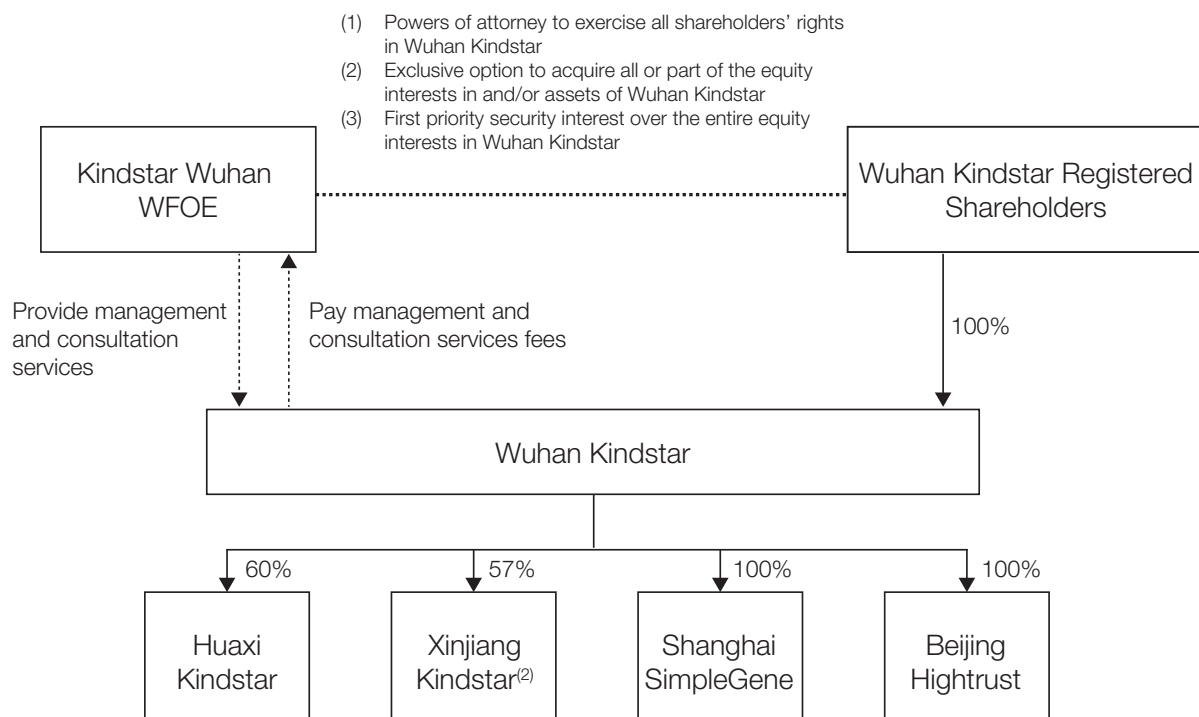
#### Background for the Contractual Arrangements

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.

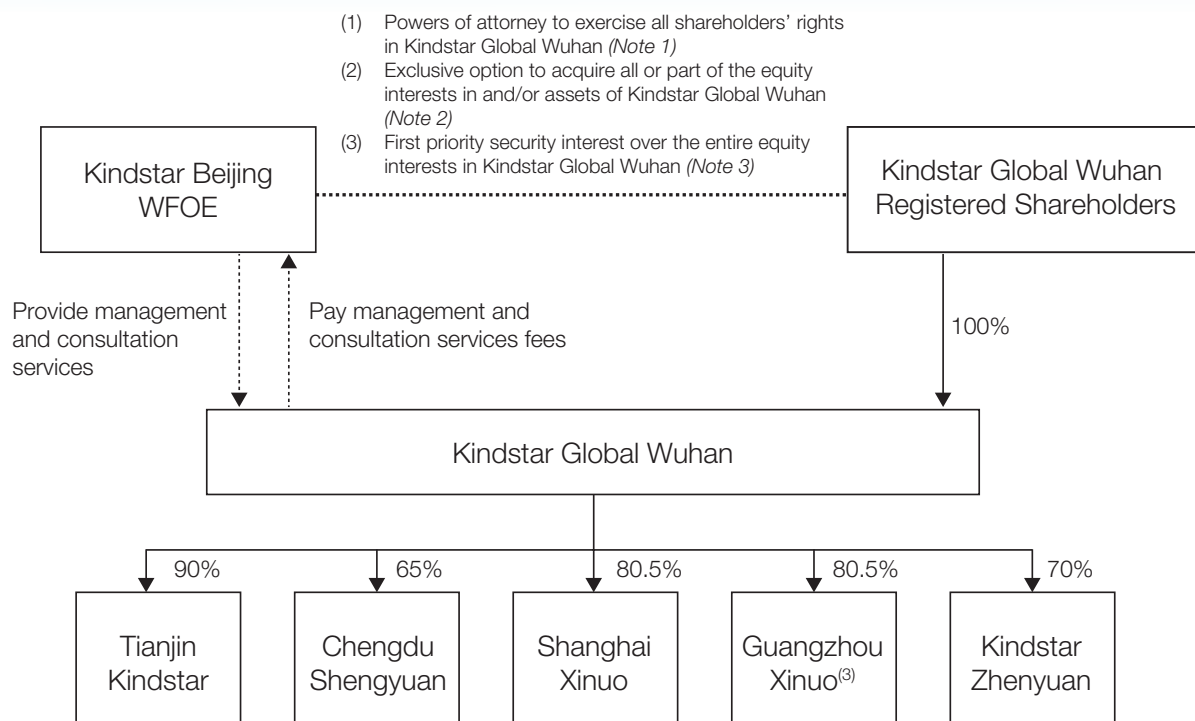
#### Principal terms

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 as disclosed in the Prospectus:



## Directors' Report



Notes: (1) "→" denotes direct legal and beneficial ownership in the equity interests and "---->" denotes contractual relationship.

(2) Xinjiang Kindstar was held as to 100% directly by Wuhan Kindstar since September 30, 2021.

(3) Guangzhou Xinuo was deregistered on January 10, 2022.

As of December 31, 2022, 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%
<b>Total</b>	<b>6,900,000</b>	<b>100%</b>

As of December 31, 2022, 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%
<b>Total</b>	<b>10,100,000</b>	<b>100%</b>

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, 2022. Save as disclosed above, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2022.

For the year ended December 31, 2022, 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, 2022, 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, 2022, all of our revenue was derived from the PRC Consolidated Entities. The aggregate asset of the PRC Consolidated Entities amounted to approximately RMB2,795 million for the year ended December 31, 2022 which accounted for approximately 75.49% 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.



## Directors' Report

### ***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.



## Directors' Report

### 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, 2022, save as disclosed above, no related party transactions disclosed in note 38 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 Thursday, June 1, 2023. 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 25, 2023 to Thursday, June 1, 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, May 24, 2023.

### Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 40 to 60 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, 2022.

### Auditor

The financial statements for the year ended December 31, 2022 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 reappoint 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 27, 2023



# Independent Auditor's Report

31 December 2022



## 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 128 to 226, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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
<p>As described in note 21 to the consolidated financial statements, the Group's trade receivables were RMB633,853,000 representing 17.02% of the total assets of the Group, on which, amount of RMB63,390,000 was provided for expected credit losses ("ECL") as at 31 December 2022.</p> <p>Management estimates amount of lifetime 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.</p> <p>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.</p> <p>Details of the provision for ECL on trade receivables are disclosed in note 2.4, 3, 21 and 41 to the consolidated financial statements.</p>	<p>Our procedures in relation to provision for expected credit losses on trade receivables included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of relevant controls relating to provision for expected credit losses;</li> <li>• 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;</li> <li>• 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</li> <li>• Checked the adequacy of the disclosures made in the financial statements regarding the impairment assessment of trade receivables.</li> </ul>

## 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.



## Independent Auditor's Report

31 December 2022

### 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 HKSAAs 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 HKSAAs, 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

27 March 2023



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	5	<b>1,386,591</b>	930,673
Cost of sales		<b>(783,536)</b>	(444,903)
<b>Gross profit</b>		<b>603,055</b>	485,770
Other income and gains	6	<b>68,870</b>	62,763
Selling and marketing expenses		<b>(360,562)</b>	(282,240)
Administrative expenses		<b>(80,406)</b>	(69,513)
Research and development costs		<b>(101,226)</b>	(90,325)
Other expenses	7	<b>(43,898)</b>	(23,346)
Listing expenses		<b>-</b>	(30,067)
Finance costs	9	<b>(2,517)</b>	(1,808)
<b>PROFIT BEFORE FAIR VALUE LOSS ON CONVERTIBLE REDEEMABLE PREFERRED SHARES AND TAX</b>		<b>83,316</b>	51,234
Fair value loss on convertible redeemable preferred shares		<b>-</b>	(1,505,222)
<b>PROFIT/(LOSS) BEFORE TAX</b>	8	<b>83,316</b>	(1,453,988)
Income tax expense	12	<b>(5,832)</b>	(246)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>77,484</b>	(1,454,234)
Attributable to:			
Owners of the parent	14	<b>75,457</b>	(1,454,430)
Non-controlling interests		<b>2,027</b>	196
		<b>77,484</b>	(1,454,234)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>OTHER COMPREHENSIVE INCOME</b>			
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
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		<b>108,147</b>	(39,077)
Other comprehensive expense for the year, net of tax		<b>108,147</b>	(25,351)
Total comprehensive income/(expense) for the year, net of tax		<b>185,631</b>	(1,479,585)
Attributable to:			
Owners of the parent		<b>183,604</b>	(1,479,781)
Non-controlling interests		<b>2,027</b>	196
		<b>185,631</b>	(1,479,585)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (RMB)			
For profit/(loss) for the year	<i>14</i>	<b>9.49 cents</b>	(293 cents)
Diluted (RMB)			
For profit/(loss) for the year	<i>14</i>	<b>9.22 cents</b>	(293 cents)



# Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	378,718	354,902
Right-of-use assets	31	20,598	17,676
Prepayments, deposits and other receivables	22	33,757	16,636
Other intangible assets	16	32,741	25,602
Time deposits	24	225,000	60,000
Investments in associates	17	6,520	5,764
Deferred tax assets	30	52,007	48,021
Goodwill	18	10,439	2,190
Financial assets at FVTPL	19	216,764	88,500
<b>Total non-current assets</b>		<b>976,544</b>	619,291
<b>CURRENT ASSETS</b>			
Inventories	20	58,685	50,812
Trade and bills receivables	21	633,853	339,144
Prepayments, deposits and other receivables	22	48,134	34,486
Amounts due from related parties	38	1,143	–
Financial assets at FVTPL	19	49,197	74,371
Time deposits (more than 3 months)	24	1,271,836	274,155
Pledged deposits	23	5,593	–
Cash and cash equivalents	23	680,359	1,796,700
<b>Total current assets</b>		<b>2,748,800</b>	2,569,668



# Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	25	299,513	134,820
Other payables and accruals	26	320,355	278,966
Contract liabilities	27	11,793	6,024
Interest-bearing bank borrowings	28	180,000	–
Profit tax payable		1,579	2,061
Amounts due to related parties	38	25,546	6,380
Lease liabilities	31	10,998	8,360
Deferred tax liabilities	30	5,350	547
Contingent Consideration	39	6,419	15,255
<b>Total current liabilities</b>		<b>861,553</b>	452,413
<b>NET CURRENT ASSETS</b>		<b>1,887,247</b>	2,117,255
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,863,791</b>	2,736,546
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	29	1,199	1,906
Lease liabilities	31	8,863	9,832
<b>Total non-current liabilities</b>		<b>10,062</b>	11,738
<b>Net Assets</b>		<b>2,853,729</b>	2,724,808
<b>EQUITY IN EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	32	1,556	1,466
Treasury shares	32	43	1
Reserves	33	2,824,919	2,718,748
		<b>2,826,518</b>	2,720,215
Non-controlling interests		<b>27,211</b>	4,593
<b>Total equity</b>		<b>2,853,729</b>	2,724,808



# Consolidated Statement of Changes in Equity

31 December 2022

	Attributable to owners of the parent									
	Share capital	Treasury shares	Capital reserve	Other capital reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total (deficit)/ equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 32)	(note 32)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)		
<b>At 1 January 2022</b>	<b>1,466</b>	<b>1</b>	<b>6,117,696</b>	<b>(190,524)</b>	<b>119,539</b>	<b>50,130</b>	<b>(3,378,093)</b>	<b>2,720,215</b>	<b>4,593</b>	<b>2,724,808</b>
Profit for the year	-	-	-	-	-	-	75,457	75,457	2,027	77,484
Other comprehensive expense for the year:										
Exchange differences on translation of the financial statements of the Company	-	-	-	-	-	108,147	-	108,147	-	108,147
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,147</b>	<b>75,457</b>	<b>183,604</b>	<b>2,027</b>	<b>185,631</b>
Shares issued upon exercise of share options	159	-	9,717	-	(9,876)	-	-	-	-	-
Repurchase of ordinary shares	(69)	42	(77,019)	-	-	-	-	(77,046)	-	(77,046)
Acquisition of non-controlling interests	-	-	-	(255)	-	-	-	(255)	255	-
Capital injection into a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	15,000	15,000
Acquisition of subsidiary (note 35)	-	-	-	-	-	-	-	-	5,336	5,336
<b>At 31 December 2022</b>	<b>1,556</b>	<b>43</b>	<b>6,046,867</b>	<b>(190,779)</b>	<b>109,663</b>	<b>158,277</b>	<b>(3,302,636)</b>	<b>2,826,518</b>	<b>27,211</b>	<b>2,853,729</b>

\* 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 Changes in Equity

31 December 2022

	Attributable to owners of the parent									
	Share capital	Treasury shares	Capital reserve	Other capital reserve	Share options reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total (deficit)/equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 32)	(note 32)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)		
<b>At 1 January 2021</b>	242	-	53,779	(169,180)	119,539	75,481	(1,923,663)	(1,843,802)	9,387	(1,834,415)
Loss for the year	-	-	-	-	-	-	(1,454,430)	(1,454,430)	196	(1,454,234)
Other comprehensive expense for the year:										
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)
<b>Total comprehensive (expense)/income for the year</b>	-	-	-	-	-	(25,351)	(1,454,430)	(1,479,781)	196	(1,479,585)
Automatic conversion of 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)
<b>At 31 December 2021</b>	1,466	1	6,117,696	(190,524)	119,539	50,130	(3,378,093)	2,720,215	4,593	2,724,808



# Consolidated Statement of Cash Flows

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax:		<b>83,316</b>	(1,453,988)
Adjustments for:			
Bank interest income	6	<b>(50,328)</b>	(10,871)
Interest income from wealth management assets	6	<b>(977)</b>	(1,633)
Foreign exchange (gains)/losses, net	7	<b>(3,354)</b>	38
Finance costs	9	<b>2,517</b>	1,808
Share of profits of associates	6	<b>(2,445)</b>	(1,104)
Gain on acquisition of a subsidiary	6	<b>(1,626)</b>	–
Fair value gains on financial assets at FVTPL	6	<b>(733)</b>	(1,312)
Fair value losses on financial assets at FVTPL	6	<b>8,908</b>	–
Fair value (gains)/losses on financial liabilities at FVTPL:			
– Contingent consideration	6	<b>(3,965)</b>	–
– Convertible redeemable preferred shares		–	1,505,222
Losses on disposal of property, plant and equipment and other intangible assets	7	<b>271</b>	511
Gains on disposal of items of Right-of-use assets	6	–	(9,072)
Depreciation of property, plant and equipment	15	<b>46,660</b>	35,647
Depreciation of right-of-use assets	31	<b>13,235</b>	19,095
Amortisation of other intangible assets	16	<b>4,993</b>	2,691
Impairment losses, net of reversal:			
– Inventories	7	<b>4,228</b>	2,153
– Impairment of property, plant and equipment	7	<b>13,314</b>	–
– Financial assets under expected credit losses (“ECL”) model	7	<b>25,656</b>	9,825
		<b>139,670</b>	99,010
Increase in inventories		<b>(11,292)</b>	(7,988)
Increase in trade and bills receivables		<b>(318,421)</b>	(37,952)
Increase in prepayments, deposits and other receivables		<b>(2,735)</b>	(79)
Increase in trade and bills payables		<b>164,385</b>	2,031
Increase in other payables and accruals		<b>57,811</b>	13,741
Increase in contract liabilities		<b>5,769</b>	784
Decrease in deferred income		<b>(707)</b>	(667)
(Increase)/decrease in pledged deposits		<b>(5,593)</b>	1,808
Cash generated from operations activities		<b>28,887</b>	70,688
Income tax paid		<b>(7,480)</b>	(2,660)
Net cash flows from operating activities		<b>21,407</b>	68,028

# Consolidated Statement of Cash Flows

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Interest received	6	50,328	10,871
Interest income from wealth management assets	6	977	1,633
Purchases of property, plant and equipment		(119,666)	(281,652)
Purchases of other intangible assets	16	(4,643)	(6,603)
Advances loans to related parties		–	(22,000)
Repayment from related parties		–	21,430
Purchase of wealth management products		(71,300)	(593,000)
Disposal of wealth management products		96,300	635,000
Purchase of time deposits with original maturity of more than 3 months		(1,162,681)	(334,155)
Proceeds from disposal of intangible assets	16	11	303
Proceeds from disposal of property, plant and equipment		10,206	1,731
Acquisition of subsidiaries	35	(8,418)	(8,617)
Investment in unlisted funds	19	(136,267)	(88,500)
Investment in an associate	17	–	(2,500)
Net cash flows used in investing activities		(1,345,153)	(666,059)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans and other borrowings		180,000	–
Repayment of bank loans and other borrowings		–	(40,000)
Payment for exercise of share options	32	(3,304)	–
Acquisition of partial interests of subsidiaries from non-controlling shareholders		–	(4,120)
Interest paid		(1,666)	(265)
Issue costs paid		–	(9,549)
Lease payments		(15,340)	(21,017)
Proceeds from issue of ordinary shares		–	1,743,014
Payment for repurchase of shares		(77,046)	(16,280)
Dividend paid to non-controlling shareholders		–	(409)
Contribution from non-controlling shareholders		15,000	1,058
Payments of special dividends		–	(65,408)
Net cash flows from financing activities		97,644	1,587,024
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		1,796,700	841,227
Effect of foreign exchange rate changes, net		109,761	(33,520)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>680,359</b>	<b>1,796,700</b>



# Notes to the Financial Statements

31 December 2022

## 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		Principal activities
				Direct	Indirect	
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		Principal activities
				Direct	Indirect	
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



# Notes to the Financial Statements

31 December 2022

## 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		Principal activities
				Direct	Indirect	
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
武漢易檢雲諮詢技術有限公司 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 Kangshengyou 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	–	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		Principal activities
				Direct	Indirect	
武漢海希生物科技有限公司 Wuhan Haixi Biological Technology Co., Ltd. ("Haixi Biological Technology")	(h)	PRC/Mainland China 21-Jan-2022	RMB1,000,000	–	51.1%	Product development and technical services
武漢海希生命科技有限公司 Wuhan Haixi Life Science Technology Co., Ltd ("Wuhan Haixi")	(h)	PRC/Mainland China 21-Jan-2022	RMB1,000,000	–	51.1%	Reagent development and sales
武漢鴻蒙賽爾生物科技有限公司 Wuhan HumanCell Biotechnology Co., Ltd ("HumanCell")	(i)	PRC/Mainland China 6-Apr-2022	RMB10,000,000	–	100%	Car-t Treatment
武漢康聖金岸醫學檢驗有限公司 Wuhan Kindstar Kindan Medical Laboratory Co., Ltd. ("Kindstar Jinan")	(j)	PRC/Mainland China 6-Jun-2022	RMB500,000	–	100%	Clinical Testing Service
武漢康聖啟源醫學檢驗實驗室有限公司 Wuhan Kindstar Qiyuan Medical Laboratory Co., Ltd. ("Wuhan Qiyuan")	(k)	PRC/Mainland China 28-Jun-2022	RMB10,000,000	–	100%	Clinical Testing Service
武漢康聖澤源醫學檢驗實驗室有限公司 Wuhan Kindstar Zeyuan Medical Laboratory Co., Ltd. ("Wuhan Zeyuan")	(k)	PRC/Mainland China 16-Aug-2022	RMB500,000	–	100%	Clinical Testing Service



# Notes to the Financial Statements

31 December 2022

## 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		Principal activities
				Direct	Indirect	
武漢康聖青合醫學檢驗有限公司 Wuhan Kindstar Qinghe Medical Laboratory Co., Ltd. ("Wuhan Qinghe")	(j)	PRC/Mainland China 19-Aug-2022	RMB500,000	–	100%	Clinical Testing Service
武漢希諾醫學檢驗實驗室有限公司 Wuhan Xinuo Medical Laboratory Co., Ltd. ("Wuhan Xinuo")	(l)	PRC/Mainland China 7-Sep-2022	RMB5,000,000	–	100%	Clinical Testing Service
康聖環球(長沙)醫學科技有限公司 Kindstar Global (Changsha) Medical Technology Co., Ltd ("Kindstar Changsha")	(m)	PRC/Mainland China 12-Dec-2022	RMB30,000,000	–	100%	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.

## 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, totally with 100% interest.
- (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 the 65% interest from the non-controlling interest shareholders of Wuhan Yijianyun, totally with 90% interest.
- (f) On 22 October 2021, Wenjiang Kangshengyou Medical was established under the laws of the PRC with a registered capital of RMB50 million.
- (g) On 1 December 2021, the Group acquired the 100% interest from the non-controlling interest shareholders of Sinopath.
- (h) On 21 January 2022, the Group acquired Wuhan Haixi and Haixi Biological Technology. Further details of the acquisition are included in note 35 to the Consolidated Financial Statements.
- (i) On 6 April 2022, HumanCel was established under the laws of the PRC with a registered capital of RMB10 million.
- (j) On 6 June 2022 and 19 August 2022, Kindstar Jinan and Wuhan Qinghe was established under the laws of the PRC with a registered capital of RMB0.5 million respectively.
- (k) On 28 June 2022 and 16 August 2022, Wuhan Qiyuan and Wuhan Zeyuan was established under the laws of the PRC with a registered capital of RMB10 million and RMB0.5 million respectively.
- (l) On 7 September 2022, Wuhan Xinuo was established under the laws of the PRC with a registered capital of RMB5 million.
- (m) On 12 December 2022, Kindstar Changsha was established under the laws of the PRC with a registered capital of RMB30 million.



# Notes to the Financial Statements

31 December 2022

## 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 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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.

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.

## 2.1 Basis of Preparation (continued)

### Basis of consolidation (continued)

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 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

The new or amended IFRSs that are effective from 1 January 2022 did not have any significant impact on the Group's accounting policies.



## Notes to the Financial Statements

31 December 2022

### 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 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2,6</sup></i>
IFRS 17	<i>Insurance Contracts<sup>1,4</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>1,4</sup></i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information<sup>1,5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2,7,8</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants<sup>2,8</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>

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

2 Effective for annual periods beginning on or after 1 January 2024.

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

4 As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS17 was deferred to 1 January 2023 and 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.

5 An entity that chooses to apply the transition option set out in this amendment shall apply it on initial application of IFRS 17.

6 Consequential amendments were also made to the Illustrative Examples to IFRS 16.

## 2.3 Issued but not yet Effective IFRSs (continued)

- 7 *As a consequence of the amendments to IAS 1 issued in August 2020 and December 2022, International Interpretation Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.*
- 8 *As a consequence of the amendments to IAS 1 Non-current Liabilities with Covenants issued in 2022, the effective date of the amendments to IAS 1 Classification of Liabilities as Current or Non-current was deferred to annual periods beginning on or after 1 January 2024. In addition, consequential amendments were made to IFRS Practice Statement 2 Making Materiality Judgements.*

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.



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Investments in associates (continued)

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.

### 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.



## 2.4 Summary of Significant Accounting Policies (continued)

### Business combinations and goodwill (continued)

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.

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.



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Fair value measurement (continued)

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

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.

## 2.4 Summary of Significant Accounting Policies (continued)

### 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;

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.



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### 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.

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.

## 2.4 Summary of Significant Accounting Policies (continued)

### 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.

### 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.



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### 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.

#### (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.

## 2.4 Summary of Significant Accounting Policies (continued)

### Leases (continued)

#### Group as a lessee (continued)

##### (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.

##### (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.



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Financial assets (continued)

#### Initial recognition and measurement (continued)

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.

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.



## 2.4 Summary of Significant Accounting Policies (continued)

### Financial assets (continued)

#### 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.

#### 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.



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Derecognition of financial assets (continued)

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).

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.

## 2.4 Summary of Significant Accounting Policies (continued)

### Impairment of financial assets (continued)

#### General approach (continued)

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.

### 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:



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Financial liabilities (continued)

#### 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.

#### 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.

## 2.4 Summary of Significant Accounting Policies (continued)

### 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.

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.



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### 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.

### 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.

## 2.4 Summary of Significant Accounting Policies (continued)

### Revenue recognition (continued)

#### **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.

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).



# Notes to the Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### 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.

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.



# Notes to the Financial Statements

31 December 2022

## 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 like 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 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.

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.



## Notes to the Financial Statements

31 December 2022

### 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 2022

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
<b>Segment revenue:</b>										
Sales to external customers	525,800	42,778	47,693	17,872	95,350	49,961	536,625	57,439	13,073	1,386,591
<b>Segment results</b>	<b>157,282</b>	<b>6,229</b>	<b>9,720</b>	<b>1,406</b>	<b>17,064</b>	<b>3,106</b>	<b>44,767</b>	<b>2,644</b>	<b>275</b>	<b>242,493</b>
Reconciliation:										
Other income and gains										68,870
Administrative expenses										(80,406)
Research and development costs										(101,226)
Other expenses										(43,898)
Finance costs										(2,517)
<b>Group's profit before tax</b>										<b>83,316</b>

## 4. Operating Segment Information (continued)

For the year ended 31 December 2021

Segments	Hematology	Genetic	Infectious	Oncology	Neurology	Maternity-	COVID-19	Routine	Others	Total
	Testing	diseases and rare diseases	diseases			related diseases	related testing			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>										
Sales to external customers	535,268	43,495	51,968	8,615	89,848	52,248	62,104	67,672	19,455	930,673
<b>Segment results</b>	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 convertible redeemable preferred shares										(1,505,222)
<b>Group's loss before tax</b>										(1,453,988)

### 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.

# Notes to the Financial Statements

31 December 2022

## 5. Revenue

An analysis of revenue is as follows:

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
<b>Types of services</b>		
Clinical testing service – at a point in time	<b>1,376,651</b>	922,716
Testing services for R&D projects and others – over time	<b>9,940</b>	7,957
<b>Total revenue from contracts with customers</b>	<b>1,386,591</b>	930,673

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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Clinical Testing Service	<b>755</b>	969
Testing services for R&D projects and others	<b>950</b>	973
	<b>1,705</b>	1,942

#### (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.

##### *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

	2022 RMB'000	2021 RMB'000
<b>Other income and gains</b>		
Bank interest income	<b>50,328</b>	10,871
Government grants related to		
– Assets*	<b>671</b>	687
– Income**	<b>9,022</b>	17,520
Revenue from sale of reagents relating to Covid-19	–	11,825
Consulting service income	–	1,155
Interest income from wealth management assets	<b>977</b>	1,633
Fair value gains on financial assets at FVTPL	<b>733</b>	1,312
Fair value losses on financial assets at FVTPL	<b>(8,908)</b>	–
Gain on acquisition of a subsidiary	<b>1,626</b>	–
Fair value gains on contingent consideration	<b>3,965</b>	–
Share of profits of associates	<b>2,445</b>	1,104
Gains on disposal of items of Right-of-use assets	–	9,072
Others	<b>8,011</b>	7,584
<b>Total other income and gains</b>	<b>68,870</b>	62,763

\* 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.



# Notes to the Financial Statements

31 December 2022

## 7. Other Expense

	2022 RMB'000	2021 RMB'000
<b>Other expense</b>		
Impairment losses, net of reversal		
– Inventories	4,228	2,153
– Financial assets under ECL model	25,656	9,825
– Property, plant and equipment	13,314	–
Bank charges	1,576	1,661
Purchases of reagents relating to Covid-19	–	7,233
Foreign exchange (gains)/losses, net	(3,354)	38
Losses on disposal of property, plant and equipment and other intangible assets	271	511
Others	2,207	1,925
	<b>43,898</b>	<b>23,346</b>



## 8. Profit/(Loss) Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
<b>Cost of inventories sold</b>		–	7,233
Cost of services provided		<b>783,536</b>	444,903
Depreciation of property, plant and equipment	15	<b>46,660</b>	35,647
Depreciation of right-of-use assets	31	<b>13,235</b>	19,095
Amortisation of other intangible assets	16	<b>4,993</b>	2,691
Research and development costs		<b>101,226</b>	90,532
Auditor's remuneration		<b>3,350</b>	3,088
Listing expenses		–	30,067
Employee benefit expense (including director's benefit)			
Salaries and other benefits		<b>313,323</b>	258,980
Less: Amount capitalised		–	(196)
		<b>313,323</b>	258,784
Pension scheme contributions, social welfare and other welfare		<b>38,717</b>	36,802
Less: Amount capitalised		–	(28)
		<b>38,717</b>	36,774
Lease payments not included in the measurement of lease liabilities	31(c)	<b>9,153</b>	6,418
Bank interest income	6	<b>50,328</b>	10,871
Finance costs	9	<b>2,517</b>	1,808
Foreign exchange (gains)/losses, net	7	<b>(3,354)</b>	38
Fair value losses on convertible redeemable preferred shares		–	1,505,222
Interest income from wealth management assets	6	<b>977</b>	1,633
Share of profits of associates	6	<b>2,445</b>	1,104
Fair value gains on financial assets at FVTPL	6	<b>733</b>	1,312
Gains on disposal of items of Right-of-use assets	6	–	9,072
Fair value losses on financial assets at FVTPL	6	<b>(8,908)</b>	–
Gain on acquisition of a subsidiary	6	<b>1,626</b>	–
Fair value gains on contingent consideration	6	<b>3,965</b>	–
Losses on disposal of items of property, plant and equipment and other intangible assets	7	<b>271</b>	511
Impairment losses on financial assets under ECL model	7	<b>25,656</b>	9,825
Write-down of inventories to net realisable value	7	<b>4,228</b>	2,153
Impairment of property, plant and equipment and other intangible assets	15	<b>13,314</b>	–



## Notes to the Financial Statements

31 December 2022

### 9. Finance Costs

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest expenses on:		
Bank borrowings and other loans	1,666	265
Lease liabilities	851	1,543
	<b>2,517</b>	1,808

### 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:

	2022 RMB'000	2021 RMB'000
Other emoluments:		
Salaries, allowances and benefits in kind	2,681	2,375
Pension scheme contributions	105	78
Performance related bonuses	278	101
	<b>3,064</b>	2,554

## 10. Directors' and Chief Executive's Remuneration (continued)

The directors' and chief executive's remuneration for the reporting periods is set out below:

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
<b>For the year ended 31 December 2022</b>				
Chief Executive Officer and executive director:				
Mr. Huang Shi-ang ( <i>Note (a)</i> )	<b>733</b>	<b>-</b>	<b>148</b>	<b>881</b>
Executive directors				
Mr. Tu Zanbing ( <i>Note (b)</i> )	<b>725</b>	<b>77</b>	<b>90</b>	<b>892</b>
Ms. Chai Haijie ( <i>Note (c)</i> )	<b>480</b>	<b>91</b>	<b>40</b>	<b>611</b>
Non-executive directors				
Mr. Peng Wei ( <i>Note (d)</i> )	<b>120</b>	<b>-</b>	<b>-</b>	<b>120</b>
Ms. Huang Lu ( <i>Note(e)</i> )	<b>120</b>	<b>-</b>	<b>-</b>	<b>120</b>
Independent non-executive directors				
Mr. Xia Xiping ( <i>Note (i)</i> )	<b>160</b>	<b>-</b>	<b>-</b>	<b>160</b>
Mr. Gu Huaming ( <i>Note (g)</i> )	<b>150</b>	<b>-</b>	<b>-</b>	<b>150</b>
Mr. Yao Shanglong ( <i>Note (h)</i> )	<b>130</b>	<b>-</b>	<b>-</b>	<b>130</b>
	<b>2,618</b>	<b>168</b>	<b>278</b>	<b>3,064</b>



## Notes to the Financial Statements

31 December 2022

### 10. Directors' and Chief Executive's Remuneration (continued)

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
<b>For the year ended 31 December 2021</b>				
Chief Executive Officer and executive director:				
Mr. Huang Shi-ang ( <i>Note (a)</i> )	733	–	61	794
Executive directors				
Mr. Tu Zanbing ( <i>Note (b)</i> )	764	36	–	800
Ms. Chai Haijie ( <i>Note (c)</i> )	529	42	40	611
Non-executive directors				
Mr. Peng Wei ( <i>Note (d)</i> )	63	–	–	63
Ms. Huang Lu ( <i>Note(e)</i> )	63	–	–	63
Mr. Huang Zuie-Chin ( <i>Note (f)</i> )	–	–	–	–
Independent non-executive directors				
Mr. Xia Xinping ( <i>Note (i)</i> )	81	–	–	81
Mr. Gu Huaming ( <i>Note (g)</i> )	76	–	–	76
Mr. Yao Shanglong ( <i>Note (h)</i> )	66	–	–	66
	2,375	78	101	2,554

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.

## 10. Directors' and Chief Executive's Remuneration (continued)

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 was 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.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the reporting periods.



## Notes to the Financial Statements

31 December 2022

### 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:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,464	1,131
Performance related bonuses	5,046	4,386
Pension scheme contributions	424	403
	<b>6,934</b>	5,920

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

	2022 RMB'000	2021 RMB'000
HKD1,000,001 to HKD1,500,000	2	3
HKD1,500,001 to HKD2,000,000	3	2
	<b>5</b>	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:

		2022	2021
Entity			
Wuhan Kindstar	1	<b>15%</b>	15%
Beijing Hightrust	2	<b>15%</b>	15%
Shanghai SimpleGene	3	<b>15%</b>	15%
Xinjiang Kindstar	4	<b>15%</b>	15%
Wenjiang Kangshengyou Medical	4,5	<b>15%</b>	15%
Chengdu Shengyuan	4	<b>15%</b>	15%
Huaxi Kindstar	4	<b>15%</b>	15%
SinoPath	6	<b>15%</b>	15%

(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.



# Notes to the Financial Statements

31 December 2022

## 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 and 2022 to 2024. 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, Wenjiang Kangshengyou Medical and Chengdu Shengyuan) were subject to corporate tax at 15% in the year 2022. 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) Wenjiang Kangshengyou Medical is 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.
- (6) SinoPath was accredited as a HNTE in 2022 and therefore SinoPath was entitled to a preferential CIT rate of 15% from Year 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

The income tax expense of the Group for the reporting periods is analysed as follows:

	2022 RMB'000	2021 RMB'000
Current income tax	6,497	7,959
Underprovision in prior years	(1,482)	(2,425)
Deferred income tax	817	(5,288)
<b>Total tax charge for the year</b>	<b>5,832</b>	246



## 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:

	2022 RMB'000	2021 RMB'000
Loss before tax	<b>83,316</b>	(1,453,988)
Tax at the statutory tax rate (25%)	<b>20,829</b>	(363,497)
Lower tax rates for specific provinces or enacted by local authority	<b>(1,807)</b>	(2,541)
Adjustments in respect of current tax of previous periods	<b>(1,287)</b>	(2,425)
Income not subject to tax	<b>(114)</b>	(408)
Expenses not deductible for tax	<b>4,835</b>	384,892
Tax losses not recognised	-	146
Additional deductible allowance for qualified research and development costs	<b>(16,624)</b>	(15,921)
Tax charge at the Group's effective rate	<b>5,832</b>	246

The Group has accumulated tax losses arising in Mainland China of RMB77,611,000 accumulated as at 31 December 2022(2021: RMB27,627,000), 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

No dividend has been declared by the Company during the year ended 31 December 2022.



## Notes to the Financial Statements

31 December 2022

### 14. Earnings/(loss) Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earning per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 795,375,405(2021: 495,605,781) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the exercise of certain batch of share options. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2022, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021.

The calculation of basic and dilute earnings/(loss) per share is based on:

	2022	2021
<b>Profit/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the parent (RMB'000)	<b>75,457</b>	(1,454,430)
<b>Ordinary shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<b>795,375,405</b>	495,605,781
<b>Effect of dilutive potential ordinary shares:</b>		
Share options	<b>22,587,843</b>	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<b>817,963,248</b>	495,605,781
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
– Basic(RMB)	<b>9.49cent</b>	(293cents)
– Dilute	<b>9.22cent</b>	(293cents)

## 15. Property, Plant and Equipment

31 December 2022							
	Buildings	Laboratory equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2022</b>							
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
At 1 January 2022, net of accumulated depreciation	219,169	70,249	2,014	14,179	44,467	4,824	354,902
Additions	12,158	54,191	1,259	5,344	15,828	5,164	93,944
Transfer	-	-	-	-	4,531	(4,531)	-
Disposals	-	(9,784)	(22)	(310)	-	(361)	(10,477)
Impairment	-	(13,314)	-	-	-	-	(13,314)
Acquisition of a subsidiary (note 35)	-	39	-	24	260	-	323
Depreciation provided during the year	(5,104)	(24,466)	(622)	(5,050)	(11,418)	-	(46,660)
At 31 December 2022, net of accumulated depreciation	226,223	76,915	2,629	14,187	53,668	5,096	378,718
<b>At 31 December 2022:</b>							
Cost	232,154	254,046	6,551	36,585	114,655	5,096	649,087
Accumulated depreciation	(5,931)	(177,131)	(3,922)	(22,398)	(60,987)	-	(270,369)
Net carrying amount	226,223	76,915	2,629	14,187	53,668	5,096	378,718



# Notes to the Financial Statements

31 December 2022

## 15. Property, Plant and Equipment (continued)

31 December 2021							
	Buildings	Laboratory equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2021</b>							
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	–	–	–	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
<b>At 31 December 2021:</b>							
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

## 16. Other Intangible Assets

	License RMB'000	Software RMB'000	Development costs RMB'000	Total RMB'000
<b>31 December 2022</b>				
Cost at 1 January 2022, net of accumulated amortisation	8,804	12,531	4,267	25,602
Additions – internal development	–	–	–	–
Acquisition of subsidiaries	7,500	–	–	7,500
Additions – acquired	–	2,003	2,640	4,643
Disposal	–	(11)	–	(11)
Transfer	–	5,290	(5,290)	–
Amortisation provided during the year	(1,638)	(3,355)	–	(4,993)
<b>At 31 December 2022</b>	<b>14,666</b>	<b>16,458</b>	<b>1,617</b>	<b>32,741</b>
<b>At 31 December 2022:</b>				
Cost	16,378	29,887	1,617	47,882
Accumulated amortisation	(1,712)	(13,429)	–	(15,141)
Net carrying amount	14,666	16,458	1,617	32,741

	License RMB'000	Software RMB'000	Development costs RMB'000	Total RMB'000
<b>31 December 2021</b>				
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)
<b>At 31 December 2021</b>	<b>8,804</b>	<b>12,531</b>	<b>4,267</b>	<b>25,602</b>
<b>At 31 December 2021:</b>				
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



# Notes to the Financial Statements

31 December 2022

## 17. Investments in Associates

	2022 RMB'000	2021 RMB'000
Share of net assets	<b>6,520</b>	5,764

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		Principal activity
			At 31 December 2022	2021	
武漢德毅醫學檢驗實驗室有限公司 Wuhan Degu Medical Laboratory Co., Ltd. ("Wuhan Degu")	Ordinary shares	PRC	<b>25%</b>	25%	Clinical Testing Service
武漢蒲雲醫學檢驗實驗室有限公司 Wuhan Puyun Medical Laboratory Co., Ltd. ("Wuhan Puyun")	Ordinary shares	PRC	<b>25%</b>	25%	Clinical Testing Service
武漢海希生命科技有限公司 Wuhan Haixi Life Science Technology Co., Ltd. ("Wuhan Haixi")	Ordinary shares	PRC	<b>51.1%</b>	30%	Clinical Testing Service

Note:

The Group's investments in Wuhan Degu and Wuhan Puyun Medical Laboratory Co., Ltd. are accounted for under the equity method during the reporting periods.

The Group's investments in Wuhan Haixi was accounted for under the equity method of accounting during the year ended 31 December 2021. On 21 January 2022, the Group further acquired 21.77% interest of Wuhan Haixi and shareholders increased capital lately. 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:

	2022 RMB'000	2021 RMB'000
Share of the associates' profit for the year	2,770	2,014
Carrying amount of the Group's investments in the associates	3,750	3,750
	<b>6,520</b>	5,764

## 18. GOODWILL

	2022 RMB'000	2021 RMB'000
<b>Cost</b>		
At the beginning of year	18,414	18,086
Acquisition of subsidiaries	8,249	328
At the end of year	<b>26,663</b>	18,414
<b>Impairment</b>		
At the beginning of year	(16,224)	(16,224)
Disposal of subsidiaries	-	-
At the end of year	<b>(16,224)</b>	(16,224)
<b>Carrying value</b>		
At the end of year	<b>10,439</b>	2,190



# Notes to the Financial Statements

31 December 2022

## 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, RMB328,000 and RMB8,249,000 are resulted from the acquisition of Chengdu Shengyuan in January 2020, Tianjin Kindstar in September 2020, Wuhan Yijianyun in October 2021 and Wuhan Haixi in January 2022 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, Wuhan Yijianyun and Wuhan Haixi.

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	Wuhan Haixi CGU
Revenue (% compound growth rate)	3%~16%	16%~30%	5%~90%	-24%~33%
Terminal growth rate	2%	2%	2%	2%
Pre-tax discount rate	20%	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, Wuhan Yijianyun CGU and Wuhan Haixi as at 31 December 2022.

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 2022.



## 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 1% 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:

	Chengdu Shengyuan CGU RMB'000	Tianjin Kindstar CGU RMB'000	Wuhan Yijianyun CGU RMB'000
--	--	---------------------------------------	--------------------------------------

#### At 31 December 2021

Headroom	13,870	5,108	3,342
Impact by decreasing expected revenue	(7,035)	(1,208)	(948)
Impact by decreasing terminal growth rate	(754)	(491)	(851)
Impact by increasing pre-tax discount rate	(2,121)	(929)	(374)

	Chengdu Shengyuan CGU RMB'000	Tianjin Kindstar CGU RMB'000	Wuhan Yijianyun CGU RMB'000	Wuhan Haixi CGU RMB'000
--	--	---------------------------------------	--------------------------------------	----------------------------------

#### At 31 December 2022

Headroom	<b>14,007</b>	<b>800</b>	<b>456</b>	<b>3,156</b>
Impact by decreasing expected revenue	<b>(5,866)</b>	<b>(797)</b>	<b>(339)</b>	<b>(1,813)</b>
Impact by decreasing terminal growth rate	<b>(526)</b>	<b>(231)</b>	<b>(221)</b>	<b>(1,653)</b>
Impact by increasing pre-tax discount rate	<b>(1,680)</b>	<b>(437)</b>	<b>(437)</b>	<b>(3,012)</b>

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.



## Notes to the Financial Statements

31 December 2022

### 19. Financial Assets At FVTPL

	2022 RMB'000	2021 RMB'000
Current portion Wealth management products**	<b>49,197</b>	74,371
Financial assets at FVTPL-current	<b>49,197</b>	74,371
Investment in unlisted funds – non current *	<b>216,764</b>	88,500
Financial assets at FVTPL in total	<b>216,764</b>	88,500

\* The investment includes subscription of limited partnership of an unlisted fund to allow the Group to further access a wider variety of participants in the clinical testing industry. The unlisted fund was measured at fair value through profit or loss.

\*\* During the reporting periods, the Group used surplus capital of onshore subsidiaries to purchase structured deposits and money market funds mainly from domestic commercial banks which preserved capital and liquidity. The expected rates of return ranged from 2.0% to 3.7% per annum.

The Group recorded investment income of RMB1,312 thousand and loss RMB174 thousand for the year ended 31 December 2021 and the year ended 31 December 2022. 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 is level 2 of the fair value hierarchy and money market funds is level 3 of the fair value hierarchy.

## 20. Inventories

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials and consumables	<b>54,557</b>	46,732
Work in progress	<b>4,128</b>	4,080
	<b>58,685</b>	50,812

## 21. Trade and Bills Receivables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	<b>696,118</b>	376,812
Bills receivable	<b>1,125</b>	66
	<b>697,243</b>	376,878
Allowance for expected credit losses	<b>(63,390)</b>	(37,734)
	<b>633,853</b>	339,144

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.



## Notes to the Financial Statements

31 December 2022

### 21. Trade and Bills Receivables (continued)

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:

	2022 RMB'000	2021 RMB'000
Within 1 year	495,247	224,062
1 year to 2 years	74,241	76,378
2 years to 3 years	38,931	31,942
3 years to 4 years	20,688	5,664
4 years to 5 years	4,379	1,067
Over 5 years	367	31
	<b>633,853</b>	339,144

The movements in the allowance for expected credit losses of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	37,734	30,132
Impairment losses, net	25,656	9,825
Amount written off as uncollectible	–	(2,223)
At end of year	<b>63,390</b>	37,734

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:

2022			
	Amount <i>RMB'000</i>	Expected loss rate %	Impairment <i>RMB'000</i>
Individually assessed:	<b>37,206</b>	<b>50.06</b>	<b>18,626</b>
Measured by provision matrix:			
Within 1 year	<b>501,504</b>	<b>2.27</b>	<b>11,388</b>
1 year to 2 years	<b>76,705</b>	<b>9.45</b>	<b>7,249</b>
2 years to 3 years	<b>44,678</b>	<b>20.63</b>	<b>9,216</b>
3 years to 4 years	<b>22,809</b>	<b>33.08</b>	<b>7,545</b>
4 years to 5 years	<b>7,658</b>	<b>53.50</b>	<b>4,097</b>
Over 5 years	<b>5,558</b>	<b>94.80</b>	<b>5,269</b>
	<b>696,118</b>		<b>63,390</b>
2021			
	Amount <i>RMB'000</i>	Expected loss rate %	Impairment <i>RMB'000</i>
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



## Notes to the Financial Statements

31 December 2022

### 22. Prepayments, Deposits and Other Receivables

	2022 RMB'000	2021 RMB'000
Deposits and other receivables (current)	31,448	19,542
Prepayments		
– current	11,052	8,024
– non-current*	32,803	7,080
Value-added tax recoverable		
– current	3,753	2,990
– non-current*	954	9,556
Prepaid expenses (current)	1,881	3,930
	<b>81,891</b>	51,122
Analysed into:		
Current portion	48,134	34,486
Non-current portion	33,757	16,636
	<b>81,891</b>	51,122

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.

## 23. Cash and Cash Equivalents and Pledged Deposits

	2022 RMB'000	2021 RMB'000
Cash and bank balances	<b>671,952</b>	1,792,700
Time deposits	<b>14,000</b>	4,000
	<b>685,952</b>	1,796,700
Less:		
Pledged deposits ( <i>note</i> )	<b>5,593</b>	–
Cash and cash equivalents	<b>680,359</b>	1,796,700

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 authorized 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.*



## Notes to the Financial Statements

31 December 2022

### 24. Time Deposits

	2022 RMB'000	2021 RMB'000
Time deposits – current (more than 3 months)	<b>1,271,836</b>	274,155
Time deposits – non-current (more than 1 year)	<b>225,000</b>	60,000
	<b>1,496,836</b>	334,155

Non-current time deposits represent deposits over one year. As at 31 December 2022, RMB225,000,000 of non-current time deposits carried fixed interest rates ranging from 2.45% to 3.65% per annum with maturity from January 2024 to December 2025.

Current time deposits represent deposits over 3 months but less than one year. As at 31 December 2022, RMB1,271,836,000 of non-current time deposits carried fixed interest rates ranging from 1.25% to 3.3% per annum.

### 25. Trade and Bills Payables

	2022 RMB'000	2021 RMB'000
Bills payable	<b>286,576</b>	128,234
Trade payables	<b>12,937</b>	6,586
	<b>299,513</b>	134,820



## 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:

	2022 RMB'000	2021 RMB'000
Within 1 year	<b>272,782</b>	119,308
1 year to 2 years	<b>16,440</b>	7,170
Over 2 years	<b>10,291</b>	8,342
	<b>299,513</b>	134,820

The trade payables are non-interest-bearing and are normally settled on terms of 90 days.

## 26. Other Payables and Accruals

	2022 RMB'000	2021 RMB'000
Other payables*	<b>44,482</b>	48,039
Accruals	<b>147,851</b>	126,974
Payroll payable	<b>128,022</b>	103,953
	<b>320,355</b>	278,966

\* 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.



## Notes to the Financial Statements

31 December 2022

### 27. Contract Liabilities

The Group recognised the following revenue-related contract liabilities:

	2022 RMB'000	2021 RMB'000
Testing services for R&D projects and others	4,909	4,857
Clinical Testing Service	6,884	1,167
	<b>11,793</b>	6,024

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 2022		
	Effective interest rate per annum %	Maturity	RMB'000
Current:			
Bank loans – guaranteed	2.6	2,022	180,000

Analysed into:

	2022 RMB'000	2021 RMB'000
<b>Bank loans repayable:</b>		
Within one year	<b>180,000</b>	–

On 2 December 2022, Wuhan Kindstar, a subsidiary of the Company, entered into a one-year bank loans agreement of RMB180,000,000 with Wuhan branch of China Merchants Bank Co.,Ltd., which was guaranteed by Mr. Huang Shi-ang and Kindstar Wuhan WFOE.

## 29. Deferred Income

	2022 RMB'000	2021 RMB'000
Government grants	<b>1,199</b>	1,906

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 recognized 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 recognized 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
<b>At 31 December 2020</b>	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
<b>At 31 December 2021</b>	6,094	25,474	1,378	6,048	5,029	3,747	251	48,021
Deferred tax credited/(charged) to profit or loss during the year	6,455	(8,423)	484	(711)	7,497	(1,472)	156	3,986
<b>At 31 December 2022</b>	<b>12,549</b>	<b>17,051</b>	<b>1,862</b>	<b>5,337</b>	<b>12,526</b>	<b>2,275</b>	<b>407</b>	<b>52,007</b>



## Notes to the Financial Statements

31 December 2022

### 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 acquisition of subsidiaries <i>RMB'000</i>	Fair value gains from contingent consideration <i>RMB'000</i>	Depreciation allowance in excess of related depreciation <i>RMB'000</i>	Total <i>RMB'000</i>
Gross deferred tax liabilities at 31 December 2020	–	–	–	–
Deferred tax charged to the statement of profit or loss during the year	547	–	–	547
Gross deferred tax liabilities at 31 December 2021	547	–	–	547
Deferred tax charged to the statement of profit or loss during the year	1,875	595	2,333	4,803
Gross deferred tax liabilities at 31 December 2022	<b>2,422</b>	<b>595</b>	<b>2,334</b>	<b>5,350</b>

## 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
<b>31 December 2022</b>			
At 1 January 2022:			
Cost	90,753	1,776	92,529
Accumulated depreciation	(73,237)	(1,616)	(74,853)
Net carrying amount	17,516	160	17,676
At 1 January 2022, net of accumulated depreciation	17,516	160	17,676
Additions	16,157	–	16,157
Depreciation provided during the year	(13,235)	–	(13,235)
At 31 December 2022, net of accumulated depreciation	20,438	160	20,598
At 31 December 2022			
Cost	119,818	1,776	121,594
Accumulated depreciation	(99,380)	(1,616)	(100,996)
<b>Net carrying amount</b>	<b>20,438</b>	<b>160</b>	<b>20,598</b>



## Notes to the Financial Statements

31 December 2022

### 31. Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

	Properties RMB'000	Equipment RMB'000	Total RMB'000
<b>31 December 2021</b>			
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)

#### (b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the reporting periods are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	<b>18,192</b>	45,387
Additions	<b>16,158</b>	14,259
Disposals	–	(21,980)
Interest expenses	<b>851</b>	1,543
Payments	<b>(15,340)</b>	(21,017)
Carrying amount at 31 December	<b>19,861</b>	18,192
Analysed into:		
Current portion	<b>10,998</b>	8,360
Non-current portion	<b>8,863</b>	9,832

A maturity analysis of the lease liabilities as at the end of each of the reporting periods is as follows:

	2022 RMB'000	2021 RMB'000
Less than 3 months	<b>2,076</b>	3,476
3 to less than 12 months	<b>8,921</b>	4,884
1 to 3 years	<b>8,271</b>	6,875
Over 3 years	<b>593</b>	2,957
	<b>19,861</b>	18,192



## Notes to the Financial Statements

31 December 2022

### 31. Leases (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	851	1,543
Depreciation charge of right-of-use assets	13,235	19,095
Expense relating to leases of short-term and low-value assets	9,153	6,418
Total amount recognised in profit or loss	23,239	27,056

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:

	2022 RMB'000	2021 RMB'000
Future cash outflows for short-term leases	1,070	1,301



## 32. Share Capital

### Issued and fully paid

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
961,501,284 (2021: 901,610,620) ordinary shares	<b>1,555</b>	1,466

Share Capital	Number of shares in issue	Share capital (RMB'000)
At 1 January 2021	36,340,842	242
Share split (Note ii)	109,022,526	–
Automatic conversion of Convertible Preferred Shares upon Global Offering	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
Shares issued upon exercise of share options (Note 34)	<b>99,997,664</b>	<b>159</b>
Share repurchase (Note iv & Note v)	<b>(40,107,000)</b>	<b>(69)</b>
At 31 December 2022	<b>961,501,284</b>	<b>1,556</b>

Treasury Shares	Number of shares repurchased	Share capital (RMB'000)
At 1 January 2021	–	–
Share repurchased and not cancelled (Note iv)	580,500	1
At 31 December 2021	580,500	1
Share repurchased and cancelled (Note iv)	<b>(580,500)</b>	<b>(1)</b>
Share repurchased and not cancelled (Note iv)	<b>407,000</b>	<b>1</b>
Share repurchased for RSU (Note v)	<b>24,726,000</b>	<b>42</b>
At 31 December 2022	<b>25,133,000</b>	<b>43</b>



# Notes to the Financial Statements

31 December 2022

## 32. Share Capital (continued)

### Issued and fully paid (continued)

Notes:

- 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 15,381,000 shares were repurchased by the Company at a total consideration of HK\$35,518,000 (equivalent to approximately RMB30,917,000) during the year ended 31 December 2022 (2021: 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 15,381,000 (2021:3,428,000) shares had been cancelled and the remaining 407,000 shares had not been cancelled as at 31 December 2022 (2021: the remaining 580,500 shares had not been cancelled as at 31 December 2021).*
- v. *Pursuant to the board resolution passed on 22 June 2021, as disclosed in the Prospectus, according to the rules of the Post-IPO RSU Scheme, the Company may, among others, transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on market transactions at the prevailing market price, so as to satisfy the Awards. A total of 24,726,000 shares were repurchased by the Company at a total consideration of HK\$52,437,000 (equivalent to approximately RMB45,776,000) during the year ended 31 December 2022.*

## 33. 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 132 to 133 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 options reserve**

The share options reserve of the Group represents the fair value of equity-settled share-based payments granted in 2013, 2015 and 2016. 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.



## Notes to the Financial Statements

31 December 2022

### 34. Pre-IPO Stock Incentive Plans

The Company's Pre-IPO Stock Incentive Plans (the "Pre-IPO Scheme") were adopted pursuant to resolutions passed on 14 March 2013, 20 December 2015 and 1 December 2016, respectively, for the primary purpose of providing incentives to directors of the Company and eligible employees of the Group.

Details of Pre-IPO Scheme granted are as follows:

Grant date	Number of options	Expiry date	Exercise price per share	Notes
15 March 2013	4,576,229	14 March 2023	\$0.03	(i)
31 December 2013	8,608,131	31 December 2023	\$0.03	(ii)
31 December 2015	15,813,456	31 December 2025	\$0.06	(ii)
31 December 2016	17,242,524	31 December 2026	\$0.09	(ii)

Notes:

(i) 25%, 25%, 25% and 25% of the total number of the options granted shall vest on the first, second, third and fourth anniversary of vesting commencement date, respectively.

(ii) 100% of the total number of the options granted shall vest immediately after grant date.

The number of options and exercise price per share for the options granted on 14 March 2013, 20 December 2015 and 1 December 2016 represented the unadjusted number of options and exercise prices before considering the Share Split and Capitalisation Issue.

### 34. Pre-IPO Stock Incentive Plans (continued)

The following share options were outstanding during the reporting periods:

	31 December 2022		31 December 2021	
	Weighted average exercise price <i>US\$</i> per share	Number of options <i>'000</i>	Weighted average exercise price <i>US\$</i> per share	Number of options <i>'000</i>
At the beginning of year	<b>5.95 cent</b>	<b>114,985,256</b>	5.95 cent	114,985,256
Exercised during the year	<b>4.77 cent</b>	<b>99,997,664</b>	–	–
At the end of year	<b>4.32 cent</b>	<b>14,987,592</b>	5.95 cent	114,985,256
Exercisable at the end of the year		<b>14,987,592</b>		114,985,256

The weighted average share price at the date of exercise for share options exercised during the year was HK\$5.06 per share(2021: No share options were exercised).

### 35. Business Combination

The Group held 30% equity interests in Wuhan Haixi as at 31 December 2021. In November 2021, the Group entered into a equity transfer agreement (“Equity Transfer Agreement Dated 30 November 2021”) to further acquire 21.77% equity interest in Wuhan Haixi 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 (“Capital Increase Agreement dated 30 November 2021”, together with the Equity Transfer Agreement dated 30 November 2021, the “Agreements dated 30 November 2021”) with Wuhan Haixi, pursuant to which the Group agreed to make a capital contribution of RMB15,000,000 in cash into Wuhan Haixi. The closing conditions of the aforementioned acquisition and capital injection include achieving certain sales/net profit target for year 2021 by Wuhan Haixi and obtaining approval by the shareholders of the Company etc.

With the sales/net profit targets achieved by Wuhan Haixi, the closing conditions under the Agreements dated 30 November 2021 were met. The acquisition was completed on 21 January 2022 when the Company obtained control of the operating and financial activities of Wuhan Haixi and obtained approval by the shareholders of the Company. 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 Wuhan Haixi. Upon completion of the equity transfer and capital injection, Wuhan Haixi became held as to 51.10% by the Group and became a non-wholly owned subsidiary of the Group.



## Notes to the Financial Statements

31 December 2022

### 35. Business Combination (continued)

Wuhan Haixi is a limited liability company established under the laws of the PRC on August 18, 2020. Its principal activity is investment holding and holds the entire equity interest in Haixi Biological Technology. Haixi Biological Technology is primarily engaged in the research and development, manufacturing and sales of reagent consumables. The acquisition was made as part of the Group's strategy to expand into the upstream of esoteric clinical testing service i.e. research, manufacturing and sales of reagents.

The fair values of the identifiable assets and liabilities of Wuhan haixi as at the date of acquisition were as follows:

	<i>Notes</i>	<b>Fair value recognized on acquisition RMB'000</b>
Property, plant and equipment	15	<b>323</b>
Other intangible assets	16	<b>7,500</b>
Cash and cash equivalents		<b>2,773</b>
Prepayments, deposits and other receivables		<b>100</b>
Trade and bills receivables		<b>1,944</b>
Inventory		<b>809</b>
Profit Tax payables		<b>(108)</b>
Deferred tax liabilities	30	<b>(1,875)</b>
Other payables and accruals		<b>(95)</b>
Trade payables		<b>(308)</b>
<b>Total identifiable net assets at fair value</b>		<b>11,063</b>
Fair value of 30% equity interests held by the Group before the acquisition		<b>(3,319)</b>
Non-controlling interests		<b>(5,336)</b>
		<b>2,408</b>
Goodwill on acquisition		<b>8,249</b>
Fair value gains on prior investment	6	<b>(1,626)</b>
Satisfied by:		
Cash consideration paid during the year ended 31 December 2022		<b>10,657</b>
<b>Total cash consideration</b>		<b>10,657</b>

### 35. Business Combination (continued)

An analysis of cash flows in respect of the acquisition of Haixi is as follows:

	<i>RMB'000</i>
Cash consideration paid during the year ended 31 December 2022	<b>(10,657)</b>
Cash and cash equivalents acquired	<b>2,773</b>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<b>(7,884)</b>

#### (a) Major non-cash transactions

During the reporting periods, the fair value loss on convertible redeemable preferred shares were RMB Nil (2021:RMB1,505,222,000), which were non-cash transactions.

During the reporting periods, the Group had non-cash additions to right-of-use assets of RMB16,158,000(2021:RMB14,259,000) and non-cash additions to lease liabilities of RMB B16,158,000(2021:RMB14,259,000), respectively, in respect of lease arrangements for properties and equipment.

#### (b) Changes in liabilities arising from financing activities

	New bank loans and other borrowings <i>RMB'000</i>	Advances from employees <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2022	–	<b>10,643</b>	<b>18,192</b>
Interest expense	<b>1,666</b>	–	<b>851</b>
Additions	<b>180,000</b>	<b>926</b>	<b>16,158</b>
Payment	–	–	–
– Financial cashflow	–	<b>(3,304)</b>	<b>(15,340)</b>
– Operating cashflow	–	–	–
Conversion into ordinary shares	–	<b>(9,876)</b>	–
Interest paid	<b>(1,666)</b>	–	–
Exchange adjustment	–	<b>1,611</b>	–
At 31 December 2022	<b>180,000</b>	–	<b>19,861</b>



## Notes to the Financial Statements

31 December 2022

### 35. Business Combination (continued)

#### (b) Changes in liabilities arising from financing activities (continued)

	Issue costs <i>RMB'000</i>	Convertible redeemable preferred shares <i>RMB'000</i>	New bank loans and other borrowings <i>RMB'000</i>	Dividends payable included in Due to related parties <i>RMB'000</i>	Advances from employees <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
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	(113,248)	(4,349,037)	-	-	-	-
Change in fair value	-	1,505,222	-	-	-	-
Exchange adjustment	-	(10,575)	-	159	(501)	-
At 31 December 2021	-	-	-	-	10,643	18,192

### 37. Commitments

The Group had the following capital commitments at the end of each reporting period:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contracted, but not provided for:		
Property, plant and equipment	<b>8,934</b>	12,319
Equity investments	<b>78,950</b>	66,853
Fund investments	<b>38,747</b>	-
	<b>126,631</b>	79,172



## 38. Related Party Transactions

### (a) Name and relationship

Name of related parties	Relationship with the Group
Mayo Foundation for Medical Education and Research ("Mayo Foundation") (Note i)	Shareholder
Panacea Venture	Entity controlled by a director
Ever Prospect	Entity controlled by key management
武漢康聖冷鏈物流有限公司 Wuhan Kindstar Cold Chain Logistics Co., Ltd. ("Kindstar Logistics") (Note ii)	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
Haixi Biological Technology (Note iii)	Entity controlled by an associate
Wuhan Puyun	Associate
Wuhan Degu	Associate

*Notes:*

- (i) Since 16 July 2021, Mayo Foundation is no longer a related party of the Group.
- (ii) Since 8 June 2021, Kindstar Logistics is no longer a related party of the Group.
- (iii) Since 26 January 2022, Haixi Biological Technology is no longer a related party of the Group.



## Notes to the Financial Statements

31 December 2022

### 38. 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:

	2022 RMB'000	2021 RMB'000
<b>Purchases of services</b>		
Wuhan Puyun (Note i)	13,079	15,055
Wuhan Degu (Note i)	35,432	1,467
Kindstar Logistics (Note iii)	–	224
	<b>48,511</b>	16,746
<b>Royalty fees</b>		
Mayo Foundation (Note ii)	–	2,270
<b>Purchases of reagents</b>		
Haixi Biological Technology (Note iv)	1,073	7,283
<b>Repayments of borrowings to</b>		
ZHENG Jianhua (Note v)	–	430
<b>Investment in</b>		
Panacea Venture (Note vi)	47,767	–

### 38. Related Party Transactions (continued)

#### (b) Significant related party transactions (continued)

	2022 RMB'000	2021 RMB'000
<b>Loans to</b>		
Wuhan Puyun (Note vii)	-	20,000
Wuhan Degu (Note vii)	-	2,000
	-	22,000
<b>Repayments of borrowings from</b>		
Wuhan Puyun (Note vii)	-	20,000
Wuhan Degu (Note vii)	-	1,000
	-	21,000

Notes:

- (i) During the year, Wuhan Kindstar purchased testing services from Wuhan Degu and Wuhan Puyun.
- (ii) 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.
- (iii) During the year, Wuhan Kindstar purchased transportation services from Kindstar Logistics.
- (iv) During the year, Wuhan Kindstar purchased reagents from Haixi Biological Technology.
- (v) In 2022, the Company entered into subscription agreement with Panacea Venture to subscribe limited partnership in a fund (acting by Panacea Venture, general partner of the fund) for total consideration of up to US\$12.5 million. The Company had paid down investment of US\$7,017,000 (equivalent to RMB47,767,000) in 2022.
- (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.



## Notes to the Financial Statements

31 December 2022

### 38. Related Party Transactions (continued)

#### (c) Other transactions with related parties

Mr. Huang Shiang, the legal person of Kindstar Global Medical Technology (Wuhan) Co., Ltd. (WHWOFE), provided guarantee in his personal name for the bank loan and credit line granted by China Merchants Bank to WHWOFE, with a total amount of RMB80 million. The security agreement does not involve collateral and pledge. The agreement stipulates that if the guaranteed person fails to repay in time, China Merchants Bank has the right to directly freeze/deduct the funds of any individual account of Mr. Huang Shiang in China Merchants Bank or entrust other financial institutions to freeze and deduct the funds of his account opened under this institution. The guarantee period is from 4 August 2022 to 3 August 2023.

#### (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 2022.

	2022 RMB'000	2021 RMB'000
<i>Due from related parties</i>		
Other receivables (trade in nature)		
Wuhan Degu (Note i)	1,014	–
Wuhan Puyun (Note i)	129	–
	1,143	–
Total amounts due from related parties	1,143	–
<i>Due to related parties</i>		
Other payables (trade in nature)		
Wuhan Degu	19,697	187
Wuhan Puyun (Note i)	5,849	3,435
Haixi Biological Technology (Note i)	–	1,758
Mayo Foundation (Note i)	–	1,000
	25,546	6,380
Total amounts due to related parties	25,546	6,380

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.

### 38. Related Party Transactions (continued)

(e) Compensation of key management personnel of the Group

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, allowances and benefits in kind	<b>1,938</b>	1,939
Performance related bonuses	<b>278</b>	101
Pension scheme contributions	<b>168</b>	165
	<b>2,384</b>	2,205

Further details of directors' and chief executive' emoluments are included in note 10 to the consolidated financial statements.



## Notes to the Financial Statements

31 December 2022

### 39. 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:

	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>		
Financial assets at FVTPL:		
Investment in an unlisted fund	216,764	88,500
Wealth management products	49,197	74,371
	<b>265,961</b>	162,871
Financial assets at amortised cost:		
Trade and bills receivables	633,853	339,144
Due from related parties	1,143	–
Financial assets included in prepayments, deposits and other receivables	29,475	19,543
Time deposits (more than 3 months)	1,496,836	274,155
Cash and cash equivalents	680,359	1,796,700
	<b>2,841,666</b>	2,429,542
<b>Financial liabilities</b>		
Financial liabilities at FVTPL:		
Contingent consideration	6,419	15,255
Financial liabilities at amortised cost:		
Trade and bills payables	299,513	134,820
Amount due to related parties	25,546	6,380
Financial liabilities included in other payables and accruals	202,614	175,013
Interest-bearing bank borrowings	180,000	–
Lease liabilities	19,861	18,192
	<b>727,534</b>	334,405

#### 40. 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 2022		As at 31 December 2021	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial assets</b>				
Investment in an unlisted fund	216,764	216,764	88,500	88,500
Wealth management products	49,197	49,197	74,371	74,371
	<b>265,961</b>	<b>265,961</b>	162,871	162,871
<b>Financial liabilities</b>				
Contingent consideration	6,419	6,419	15,255	15,255

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 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 funds 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.



## Notes to the Financial Statements

31 December 2022

### 40. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial assets</b>				
Investment in unlisted funds	–	–	216,764	216,764
Wealth management products	–	49,197	–	49,197
	–	49,197	216,764	265,961
<b>Financial liabilities</b>				
Contingent consideration	–	–	6,419	6,419

#### As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial assets</b>				
Investment in an unlisted fund	–	–	88,500	88,500
Wealth management products	–	74,371	–	74,371
	–	74,371	88,500	162,871
<b>Financial liabilities</b>				
Contingent consideration	–	–	15,255	15,255

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.



## 40. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

### Fair value hierarchy (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 2022 and 2021:

Financial assets/ financial liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of fair value to the input
<b>Financial assets</b>			
Investment in unlisted fund A	Market approach – Sales comparison method	Recent trading price	5% increase/decrease in underlying investments would result in an increase/decrease in fair value by RMB5,650,000/RMB5,650,000 as at 31 December 2022.
	Comparable company method	Average EV/sales multiple of peers	5% increase/decrease in EV/Sales multiple would result in an increase/decrease in fair value by RMB415,000/RMB425,000 as at 31 December 2022.
Investment in unlisted fund B	Net asset value of underlying investment	Net asset value	5% increase/decrease in net asset would result in an increase/decrease in fair value by RMB1,903,000/RMB1,903,000 as at 31 December 2022.
<b>Financial liabilities</b>			
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 RMB351,000/RMB351,000 as at 31 December 2022.
		Discount rate	5% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB21,000/RMB21,000 as at 31 December 2022.

*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 respective investment, the most recent transaction price and the market price are used as the best estimate of their fair value.*



# Notes to the Financial Statements

31 December 2022

## 41. 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.

	2022 RMB'000	2021 RMB'000
RMB/US\$		
Strengthened 5%	56,187	81,328
Weakened 5%	(56,187)	(81,328)

### Credit risk

An impairment analysis was performed at 31 December 2022 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 2022. The amounts presented are gross carrying amounts for financial assets.

## 41. Financial Risk Management Objectives and Policies (continued)

### Credit risk (continued)

At 31 December 2022

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Financial assets at FVTPL	<b>265,962</b>	–	–	–	–	<b>265,962</b>
Trade receivables*	–	–	–	–	<b>696,118</b>	<b>696,118</b>
Bills receivables	<b>1,125</b>	–	–	–	–	<b>1,125</b>
Financial assets included in prepayments, deposits and other receivables						
– Normal**	<b>29,475</b>	–	–	–	–	<b>29,475</b>
– Doubtful**	–	–	–	–	–	–
Amounts due from related parties	<b>1,143</b>	–	–	–	–	<b>1,143</b>
Time deposits	<b>1,274,992</b>	–	–	–	–	<b>1,274,992</b>
Cash and cash equivalents	<b>682,795</b>	–	–	–	–	<b>682,795</b>
	<b>2,255,492</b>	–	–	–	<b>696,118</b>	<b>2,951,610</b>

At 31 December 2021

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 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	274,155	–	–	–	–	274,155
Cash and cash equivalents	1,796,700	–	–	–	–	1,796,700
	2,253,335	–	–	–	376,812	2,630,147

\* 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".



# Notes to the Financial Statements

31 December 2022

## 41. Financial Risk Management Objectives and Policies (continued)

### Credit risk (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.

## 41. 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:

2022	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	-	13,532	-	-	13,532
Trade and bills payables	-	299,513	-	-	299,513
Financial liabilities included in other payables and accruals	202,614	-	-	-	202,614
Interest-bearing bank borrowings	-	-	-	-	-
Amounts due to related parties	-	22,993	2,553	-	25,546
Lease liabilities	-	10,998	8,271	593	19,862
	202,614	347,036	10,824	593	561,067

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
	175,013	165,329	7,343	3,086	350,772



## Notes to the Financial Statements

31 December 2022

### 41. 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:

	2022 RMB'000	2021 RMB'000
Total assets	<b>3,725,344</b>	3,188,959
Total liabilities	<b>871,615</b>	464,151
Asset-liability ratio (Note)	<b>23%</b>	15%

Note: Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

### 42. Events After 31 December 2022

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.

### 43. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries		583,178	456,078
Amount due from a subsidiary		129,000	–
Financial assets at FVTPL		39,033	–
Total non-current assets		751,211	456,078
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		105	96
Amount due from a subsidiary		1,659,384	1,265,556
Cash and cash equivalents		980,773	1,510,666
Total current assets		2,640,262	2,776,318
<b>CURRENT LIABILITIES</b>			
Amount due to a subsidiary		–	47,829
Other payables and accruals		92,206	37,342
Total current liabilities		92,206	85,171
Total non-current liabilities		–	–
Net Assets		3,299,267	3,147,225
<b>DEFICIENCY IN EQUITY</b>			
Share capital		1,556	1,466
Treasury shares		43	1
Reserves		3,297,668	3,145,758
Total Equity		3,299,267	3,147,225



## Notes to the Financial Statements

31 December 2022

### 43. 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 options reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	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
Loss for the period	–	–	–	–	–	(15,401)	(15,401)
Exchange differences on translation of financial statements	–	–	–	–	244,489	–	244,489
Shares issued upon exercise of share options	159	–	9,717	(9,876)	–	–	–
Repurchase of ordinary shares	(69)	42	(77,019)	–	–	–	(77,046)
At 31 December 2022	1,556	43	5,922,165	109,661	278,176	(3,012,334)	3,299,267