



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

**2023**  
Interim Report

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## Definitions

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Company, “our Company” or “the Company”	Kindstar Globalgene Technology, Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“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)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“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 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”	September 13, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication

“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
“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”	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
“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
“Reporting Period”	the six months ended June 30, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## 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 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
“%”	per cent

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

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

## 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

## Registered Office

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

## Corporate Information

### Head Office and Principal Place of Business in the PRC

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

### Principal Place of Business in Hong Kong

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

### Business Review and Outlook

In the first half of 2023, with rebounding outpatient visits and inpatient volumes and the return to normal laboratory work, the Company's specialty esoteric testing business, contract research organizations (“CRO(s)”) and research services as well as esoteric testing reagent business gradually shook off the impact of COVID-19 pandemic and got back on track. On a comparable basis, that is, excluding COVID-19-related businesses, the Company recorded a steady year-on-year business growth.

Looking ahead to the second half of 2023, we expect to achieve a higher-quality development, considering that 1) markets and channels expansion gradually showing positive effects; 2) the promotion of new specialty businesses and new testing projects; and 3) the further recovery of medical conditions in a macro sense and medical treatment adherence.

### Markets and Channels

In the first half of 2023, we adopted a more aggressive market strategy to more rapidly grab a larger share of the esoteric testing market through cooperative construction, academic forums, research projects, channeling quality services toward medical institutions at lower levels and other means. During the Reporting Period, we successively carried out cooperative construction with 6 well-known hospitals, such as Southern Medical University, Yichang Central People's Hospital, etc., based on the development of the specialty esoteric testing businesses of the Company as well as the customers' needs. For some testing projects with the extensive grassroots markets, such as HPV test and screening of two cancers (breast cancer and cervical cancer), we proactively cooperated with community medical institutions to practice the strategy of channeling quality services toward medical institutions at lower levels.

### Research and Development (“R&D”) and Products

In the first half of 2023, we maintained moderate R&D investment, continued to promote iterative optimization of our products, and launched more new high value-added products to stay pioneering in Specialty Esoteric Testing services. In the first half of 2023, we developed 63 new testing projects in total, including 15 projects related to molecular biology testing technology, 17 projects related to flow cytometry testing technology, 14 projects related to cytogenetics testing technology, and six projects related to pathology testing technology. In terms of R&D direction, we paid more attention to 1) cooperative R&D across technology platforms, such as FACS combined with FISH testing; 2) R&D in the testing related to new specialties or new drugs, such as laboratory-based surveillance, immunologic surveillance, and genetic mutation related testing which are associated with drugs for cell therapy; and 3) R&D of new technology platforms, such as introducing the application of third-generation sequencing to the testing connected with hematological tumors, solid tumors, genetic diseases, pathogens, etc., based on the third-generation sequencing projects.

### Specialty Esoteric Testing Services

We successfully expanded into the specialty esoteric testing fields of ophthalmology, cardiovascular diseases and rheumatology in 2022, forming a “6+3” business portfolio of specialty esoteric testing services, namely, six major existing specialty esoteric testing business lines in hematology, neurology, genetic diseases and rare diseases, infectious diseases, solid tumor and maternity, and three major new specialty esoteric testing business lines in ophthalmology, cardiovascular diseases and rheumatology.



## Business Review and Outlook

In the first half of 2023, the recovering growth of all six major existing specialty testing businesses varied, while new specialty businesses recorded revenue of RMB10 million. In terms of ophthalmic testing, we had 95 new Class IIIA hospital customers, and cooperated with a number of well-known domestic ophthalmic pharmaceutical enterprises. In terms of rheumatology testing, we launched an industry's first precision diagnostic testing for hereditary angioedema (HAE). In terms of cardiovascular testing, we launched 127 new testing items, carried out over 200 mass spectrometry testing items, and achieved cooperation with several top domestic hospitals such as South-Central Minzu University and Tongji Hospital affiliated to Tongji Medical College of Huazhong University of Science and Technology.

### Esoteric Testing Reagents, CROs and Scientific Research Services

In the first half of 2023, the sales of the Company's esoteric testing reagent products increased by 76% year-on-year. In terms of the market, we not only acquired over 10 new customers, but also proactively facilitated the bidding process for reagent admission in large-scale Class IIIA hospitals in China. Furthermore, we have begun to establish our presence in the international market through an online + offline mode. In terms of products, the Company's newly launched NGS kit for HLA category filled the gap in the industry, and more than 20 new products have been submitted for CE certification at the same time.

In the first half of 2023, CROs and scientific research services garnered 109 consultations, with a total of six new contracts and two new customers, involving lymphoma, cell therapy and other therapeutic areas. The value of existing contracts was approximately RMB43 million.

### External Investment and M&A

In the first half of 2023, we entered into a partnership agreement with Tianjin Haichuang Archipelago Investment Management Co., Ltd. (天津海創群島投資管理有限公司) and Tianjin Haitai Haihe Biomedical Industry Fund Partnership (Limited Partnership)(天津海泰海河生物醫藥產業基金合夥企業(有限合夥)) with respect to the formation of partnerships. The investment will be conducive to expanding our presence in Northern China region. By leveraging the resources and advantages of professional investment institutions and partners, we will expand our ecosystem and value chain, continuously cultivate new growth points and further enhance our profitability and long-term value.

As of June 30, 2023, the Company had sufficient cash reserves with approximately RMB2.25 billion of cash, cash equivalents and time deposits. In 2023, we will use cash on hand more efficiently and aggressively to achieve better business empowerment. With the gradual withdrawal of COVID-19 testing, the potential opportunities for merger and acquisition in the industry have gradually emerged. For some time to come, we will seize the opportunity of industry integration to achieve faster growth and higher-quality development.

### Digitalization, Informatization and Artificial Intelligence

With the development of medical testing technology, it will be more closely integrated with technologies such as digitalization, informatization and artificial intelligence. The application of cutting-edge technologies will not only enhance the existing testing efficiency, but also significantly promote the advancements in testing methods, expand the range of applications for testing technology, and even spawn new business.

In the first half of 2023, we launched nine new R&D projects for automated bioinformation analysis based on our NGS technology platform, covering the database, analysis process building, data analysis module and reporting module. Through the algorithm and data analysis system, we significantly improved our automatic level and accuracy of NGS data analysis and interpretation on hematologic tumors, which promises a favorable clinical application prospect and economic effect.

In the first half of 2023, the Group's data center platform was put into use. Driven by the customer order data, the platform is able to meet the differentiated demand of customers and improve our service quality through intelligent digital transformation and centralization of data. The full operation of the platform has achieved group-wide, full-process and comprehensive digitization, ranging from contract management, paperless order management, logistics management, sorting center, analysis management, and report management to financial management, resource and equipment management, and decision-making management.

## Financial Highlights

The following table sets forth our key financial data for the periods presented, together with the change (expressed in percentages) for the six months ended June 30, 2023 and the corresponding period of 2022.

	For the six months ended June 30,		
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	Year-on-year change %
Revenue	<b>492,760</b>	659,482	(25.3)
– Non-COVID-19-related testing <sup>(1)</sup>	<b>484,831</b>	444,023	9.2
– COVID-19-related testing	<b>7,929</b>	215,459	(96.3)
Gross profit	<b>243,920</b>	298,657	(18.3)
Gross profit margin	<b>49.5%</b>	45.3%	4.2 percentage points
Net income	<b>43,488</b>	63,229	(31.2)
Net margin <sup>(2)</sup>	<b>8.8%</b>	9.6%	(0.8) percentage point

Notes:

(1) Includes hematology testing, neurology testing, maternity-related testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, routine testing, CROs and R&D products and others.

(2) Equals net income divided by revenue for the period and multiplied by 100%.

## Business Review and Outlook

### Revenue

For the six months ended June 30, 2023, we recorded a total revenue of RMB492.8 million, representing a decrease of RMB166.7 million or 25.3% from RMB659.5 million for the corresponding period in 2022. Among which, revenue generated from the COVID-19-related testing approximately amounted to RMB7.9 million, representing a year-on-year decrease of 96.3%, and revenue generated from non-COVID-19-related testing amounted to RMB484.8 million, representing an overall recovery growth with an increase of approximately 9.2%.

### Gross profit and gross profit margin

For the six months ended June 30, 2023, due to the significant decrease in COVID-19-related testing, we recorded a consolidated gross profit of RMB243.9 million, representing a year-on-year decrease of 18.3%. During the Reporting Period, the proportion of revenue from the non-COVID-19-related testing increased. Benefiting from our high value-added specialty esoteric testing items, our gross profit margin increased by 4.2% from 45.3% for the corresponding period last year to 49.5%.

### Net income and net margin

For the six months ended June 30, 2023, our net income amounted to RMB43.5 million, representing a year-on-year decrease of 31.2%. Our net margin was 8.8%, representing a decrease of 0.8% compared to the corresponding period last year. The main reasons for the fluctuation of the net income and net margin were as follow: 1) the decrease in revenue from the COVID-19-related testing reduced the dilution effect of fixed costs; and 2) we implemented a positive expansion policy, and strengthened laboratory expansion, equipment procurement, personnel recruitment and channel construction. In the second half of 2023, with the further recovery of non-COVID-19-related testing and the gradual reflection of the effect of positive market policies, our net income is expected to further increase.

## Management Discussion and Analysis

The following table sets forth our unaudited condensed consolidated statements of profit or loss for the periods indicated, together with the change (expressed in percentages) from the six months ended June 30, 2023 to the corresponding period of 2022:

	For the six months ended June 30,		
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	Year-on-year change %
Revenue	<b>492,760</b>	659,482	(25.3)
Cost of sales	<b>(248,840)</b>	(360,826)	(31.0)
Gross profit	<b>243,920</b>	298,656	(18.3)
Other income and gains	<b>81,179</b>	48,329	64.6
Selling and marketing expenses	<b>(159,588)</b>	(165,486)	(3.6)
Administrative expenses	<b>(49,250)</b>	(38,829)	26.8
Research and development costs	<b>(52,784)</b>	(44,760)	17.9
Other expenses	<b>(13,528)</b>	(25,768)	(47.5)
Finance costs	<b>(3,249)</b>	(411)	690.5
Profit before tax	<b>46,700</b>	72,731	(35.8)
Income tax expense	<b>(3,212)</b>	(9,502)	(66.2)
<b>Profit for the period</b>	<b>43,488</b>	63,229	(31.2)
Attributable to:			
Owners of the parent	<b>43,982</b>	62,536	(29.7)
Non-controlling interests	<b>(494)</b>	693	(171.3)

## Management Discussion and Analysis

### Revenue

Based on the types of specialties and amount of revenue arising from specialty esoteric testing, we organize our businesses into ten 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, CROs and R&D products and others.

The following table sets forth our segment revenue for the periods indicated.

	For the six months ended June 30,			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Hematology testing	<b>296,858</b>	<b>60.2</b>	278,768	42.3
Neurology testing	<b>48,960</b>	<b>10.0</b>	42,538	6.5
Maternity-related testing	<b>26,002</b>	<b>5.3</b>	25,269	3.8
Genetic disease and rare disease testing	<b>23,082</b>	<b>4.7</b>	22,697	3.4
Infectious disease testing	<b>28,928</b>	<b>5.9</b>	26,354	4.0
Oncology testing	<b>25,147</b>	<b>5.1</b>	7,245	1.1
COVID-19-related testing	<b>7,929</b>	<b>1.6</b>	215,459	32.7
Routine testing	<b>28,753</b>	<b>5.8</b>	35,114	5.3
CROs and R&D products	<b>6,553</b>	<b>1.3</b>	4,683	0.7
Others	<b>527</b>	<b>0.1</b>	1,355	0.2
<b>Total</b>	<b>492,760</b>	<b>100.0</b>	659,482	100.0

## Management Discussion and Analysis

*Revenue from testing services:* For the six months ended June 30, 2023, in addition to COVID-19-related testing, our specialty testing services showed varying degrees of recovery growth. Although the overall growth rate of our testing services has yet to be further improved, this is the first time in recent years that all our specialty testing business lines have achieved positive growth on a comparable basis in the first half of the relevant years. Among which, the revenue from hematology testing amounted to RMB296.9 million, representing a year-on-year increase of 6.5%. The revenue from neurology testing amounted to RMB49.0 million, representing a year-on-year increase of 15.1%. The revenue from maternity-related testing amounted to RMB26.0 million, representing a year-on-year increase of 2.9%. The revenue from genetic disease and rare disease testing amounted to RMB23.1 million, representing a year-on-year increase of 1.7%. The revenue from infectious disease testing amounted to RMB29.0 million, representing a year-on-year increase of 9.8%. The revenue from oncology testing amounted to RMB25.1 million, representing a year-on-year increase of 247.1%.

*Revenue from CROs and R&D products:* mainly including the sales of CROs and scientific research services as well as esoteric testing reagents. CROs and scientific research services achieved steady growth in the first half of the year, and the esoteric testing reagent products launched in 2022 also generated certain revenue in the first half of the year. For the six months ended June 30, 2023, we recorded revenue from CROs and R&D products of approximately RMB6.6 million, representing a year-on year increase of 39.9%.

### Cost of Sales

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

	For the six months ended June 30,			
	2023		2022	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Staff costs	79,775	32.0	69,882	19.4
Outsourcing costs	29,410	11.8	62,270	17.3
Raw materials	86,486	34.8	97,159	26.9
Others	53,169	21.4	131,515	36.4
<b>Total</b>	<b>248,840</b>	<b>100.0</b>	360,826	100.0

For the six months ended June 30, 2023, our cost of sales decreased by 31.0% from RMB360.8 million for the same period last year to RMB248.8 million. The decrease in cost was mainly due to the decrease in labor costs and outsourcing sampling costs caused by the reduction in COVID-19-related testing business.

## Management Discussion and Analysis

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

For the six months ended June 30, 2023, we recorded a consolidated gross profit of RMB243.9 million, representing a year-on-year decrease of 18.3%, due to a significant decrease in COVID-19-related testing. Affected by the decrease in costs and the increase in the proportion of specialty esoteric testing services with high gross profit, the Company's gross profit margin increased by 4.2% from 45.3% for the corresponding period last year to 49.5%.

Our management monitors the results of our 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, or our segment results, are measured consistently with our profit before tax except that 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 are excluded from such measurement. The following table sets forth a breakdown of our segment results for the periods indicated, both in actual amounts and as a percentage of segment revenue.

	For the six months ended June 30,			
	2023		2022	
	Segment results (RMB'000) (unaudited)	% of segment revenue	Segment results (RMB'000) (unaudited)	% of segment revenue
Hematology testing	67,636	22.8	87,568	31.4
Neurology testing	6,727	13.7	7,017	16.5
Maternity-related testing	168	0.6	1,370	5.4
Genetic disease and rare disease testing	2,810	12.2	2,518	11.1
Infectious disease testing	4,204	14.5	5,478	20.8
Oncology testing	3,111	12.4	810	11.2
COVID-19-related testing	271	3.4	26,686	12.4
Routine testing	264	0.9	833	2.4
CROs and R&D products	836	12.8	1,181	25.2
Others	(1,695)	(308.7)	(291)	(21.5)
<b>Total</b>	<b>84,332</b>	<b>17.1</b>	<b>133,170</b>	<b>20.2</b>

For the six months ended June 30, 2023, the segment results of our non-COVID-19 testing services were RMB84.1 million, representing a decrease of 21.1% as compared to the corresponding period last year. The profit margin of the segment of our non-COVID-19 testing services was 17.3%, representing a decrease of 6.6% as compared to the corresponding period last year. The main reasons for the fluctuation of the segment results and the profit margin of the segment of each specialty testing are as follows:

- (1) Costs associated with non-COVID-19-related testing rose and economies of scale need to be improved

In the first half of 2023, while our overall costs have declined, the costs of non-COVID-19-related testing have risen. We have invested in building the testing capacity of existing laboratories, purchased some new sequencing equipment, and hired some new testing personnel, which has increased the costs of non-COVID-19-related testing for the Company. After the adjustment of COVID-19 pandemic policies, we believe that the specialty esoteric testing market will gradually return to the right track. Positive business strategies will help accelerate the acquisition of market share, and the economies of scale of the business line for each specialty testing will gradually reflect.

- (2) Implementation of positive market policies with increase in channel costs

In the first half of 2023, we implemented a more positive market policy in oncology, infectious diseases and other specialties. Through the introduction of some high-quality partners, we further rapidly expanded the channels, occupied the market, which increased the Company's channel costs.

### Other Income and Gains

- For the six months ended June 30, 2023, our other income and gains increased to RMB81.2 million. The increase was primarily because the bank interest income and interest income from wealth management assets increased to RMB38.4 million and government subsidies increased to RMB21.5 million.

### Selling and Marketing Expenses

- For the six months ended June 30, 2023, our selling and marketing expenses amounted to RMB159.6 million, remaining stable as compared to the corresponding period last year.

### Administrative Expenses

- For the six months ended June 30, 2023, our administrative expenses amounted to RMB49.3 million, representing an increase of 26.8% as compared to the corresponding period last year. The increase was primarily due to higher administrative and management costs as a result of business expansion.



# Management Discussion and Analysis

## Research and Development Costs

- For the six months ended June 30, 2023, our research and development costs amounted to RMB52.8 million, representing an increase of 17.9% as compared to the corresponding period last year. The increase was primarily because we maintained reasonable R&D investment and added 102 new testing projects.

## Other Expenses

- For the six months ended June 30, 2023, our other expenses decreased to RMB13.5 million. The decrease was primarily due to the provision for impairment loss on assets.

## Finance Costs

- For the six months ended June 30, 2023, our finance costs amounted to RMB3.2 million, which was primarily associated with bank borrowings.

## Income Tax Expense

- For the six months ended June 30, 2023, our income tax expense decreased by 66.2% to RMB3.2 million as compared to the corresponding period. The decrease was primarily due to a decrease in aggregate profit in the first half of 2023 as compared to the corresponding period last year.

## Profit for the Period

- Owing to the above-mentioned reasons, our profit for the period amounted to RMB43.5 million for the six months ended June 30, 2023.

## 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 and bank borrowings. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

For the six months ended June 30, 2023, we funded our working capital and other capital expenditure requirements through a combination of income generated from operations and investments received. The following table sets forth a summary of our cash flows for the periods indicated.

## Management Discussion and Analysis

	For the six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net cash flows used in operating activities	<b>(7,630)</b>	(7,788)
Net cash flows from/(used in) investing activities	<b>509,198</b>	(1,264,170)
Net cash flows used in financing activities	<b>(9,188)</b>	(12,270)
Net increase/(decrease) in cash and cash equivalents	<b>492,380</b>	(1,284,228)
Cash and cash equivalents at the beginning of the period	<b>680,359</b>	1,796,700
Effect of foreign exchange rate changes, net	<b>31,924</b>	65,276
Cash and cash equivalents at the end of the period	<b>1,204,663</b>	577,748

### Cash and cash equivalents

For the six months ended June 30, 2023, our net cash used in operating activities was RMB7.6 million. The difference between our net cash used in operating activities and our profit before tax primarily resulted from (i) positive adjustments to non-cash items, mainly including adjustments to bank financial income, depreciation of property, plant and equipment, adjustments to fair value of financial assets and contingent consideration; and (ii) decrease by RMB7.7 million in other payables and accruals, our trade and bills receivables decreased by RMB43.4 million and trade and bills payables decreased by RMB66.6 million during the Reporting Period, both in line with our business growth.

For the six months ended June 30, 2023, our net cash from investing activities was RMB509.2 million, mainly attributable to (i) the maturity of bank time deposits of RMB517.2 million and the purchase of bank time deposits of RMB36.1 million; and (ii) the acquisition of property, plant, machinery and equipment.

For the six months ended June 30, 2023, our net cash used in financing activities was RMB9.2 million, mainly attributable to (i) a new bank loans of RMB14.9 million; (ii) a total payment of RMB14.2 million for the repurchase of shares and the purchase of shares under the Post-IPO RSU Scheme; and (iii) the payment of RMB7.7 million for the lease payments.

As a result of the foregoing, our cash and cash equivalents, which were primarily held in Renminbi and United States dollars, increased by 77.1% from RMB680.4 million as of December 31, 2022 to RMB1,204.7 million as of June 30, 2023.

We have transactional currency exposures. Such exposures arise from financing activities under currencies other than the units' functional currencies. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

# Management Discussion and Analysis

## Indebtedness

As of June 30, 2023, as we had utilized a credit limit of RMB194.9 million for bank borrowings, our unutilized banking facilities were RMB198.3 million.

## Gearing Ratio

As of June 30, 2023, our gearing 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 June 30, 2023, the total borrowing is RMB194.9 million, total share capital and reserves attributable to the equity holder of the Company is RMB5,956.6 million, the gearing ratio is 3.3%.

## 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 six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Purchases of property, plant and equipment	55,564	59,848
Purchases of other intangible assets	2,948	5,130
<b>Total</b>	<b>58,512</b>	64,978

## Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities.

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

As of June 30, 2023, 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

For the six months ended June 30, 2023, we did not conduct any material acquisitions or disposals of subsidiaries, associates or joint ventures.

### Charges on Group Assets

As of June 30, 2023, we did not have any charged assets.

### Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2023.

### Employees

As of June 30, 2023, we had 3,214 employees in total and most of them were located in Hubei and Sichuan Provinces, as well as 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 comprehensive and formal 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 as well as external training sessions to our employees from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

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

The Company adopted the pre-IPO stock incentive plans on March 14, 2013, December 20, 2015 and December 1, 2016, respectively. As of June 30, 2023, options to subscribe for 10,911,192 Shares, representing approximately 1.11% of the total issued share capital of the Company as of the date of this report, were outstanding and held by the grantees. On June 22, 2021, the Company also adopted the Post-IPO RSU Scheme and the 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 June 30, 2023, 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

There are no material events subsequent to June 30, 2023 which could have a material impact on our operating and financial performance as of the date of this report.

### Change in Directors' Biographical Details Under Rule 13.51B(1) of the Listing Rules

Dr. Huang Shiang (黃士昂) was appointed as a director of Wuhan Kindstar Venture Capital Management Co., Ltd. (武漢康聖創業投資管理有限公司), which had become our non-wholly owned PRC Consolidated Entity since May 22, 2023, with effect from August 19, 2022.

Mr. Tu Zanbing (涂贊兵) was appointed as a director of Wuhan Kindstar Venture Capital Management Co., Ltd. (武漢康聖創業投資管理有限公司), which had become our non-wholly owned PRC Consolidated Entity since May 22, 2023, with effect from August 19, 2022. He was appointed as a general manager in Kindstar Xuyuan Biotechnology (Wuhan) Co., Ltd. (康聖序源生物科技(武漢)有限公司), a non-wholly owned subsidiary and operating entity of our Group, since January 4, 2023. He was appointed as a director of Wuhan Xino Medical Biotechnology Co., Ltd. (武漢希諾醫學生物技術有限公司), a non-wholly owned subsidiary and operating entity of our Group, since March 17, 2023. He was appointed as a director of Guangzhou Nanyi Kangsheng Biotechnology Co., Ltd. (廣州南醫康聖生物技術有限公司), a non-wholly owned subsidiary and operating entity of our Group, since March 24, 2023. He was appointed as a director of Hunan Kangshengda Medical Testing Laboratory Co., Ltd. (湖南康聖達醫學檢驗實驗室有限公司), a non-wholly owned subsidiary and operating entity of our Group, since May 22, 2023. He was appointed as a director of Kindstar Global (Shanghai) Medical Technology Co., Ltd. (康聖環球(上海)醫學科技有限公司), a wholly owned subsidiary and operating entity of our Group, since July 11, 2023.

Mr. Huang Zuie-Chin (黃瑞璿) ceased to be a director of CASI Pharmaceuticals, Inc., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: CASI), since March 21, 2023. He ceased to be a director of the board of Windtree Therapeutics, Inc., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: WINT), since April 18, 2023.

Dr. Xia Xinping (夏新平) ceased to be 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, since June 2, 2023. He was appointed as an independent director of Hubei Dinglong Co., Ltd. (湖北鼎龍控股股份有限公司) (stock code: 300054), a company listed on the Shenzhen Stock Exchange, since May 12, 2023.

Ms. Chai Haijie (柴海節) was appointed as a director of Wuhan Kindstar Venture Capital Management Co., Ltd. (武漢康聖創業投資管理有限公司), which had become our non-wholly owned PRC Consolidated Entity since May 22, 2023, with effect from August 19, 2022. She was appointed as a director of Guangzhou Nanyi Kangsheng Biotechnology Co., Ltd. (廣州南醫康聖生物技術有限公司), a non-wholly owned subsidiary and operating entity of our Group, since March 24, 2023.

Saved as disclosed herein, as of the Latest Practicable Date, there was no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## 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.

## Other Information

As of the date of this report, options to subscribe for 10,911,192 Shares (none of which have been cancelled or lapsed), representing approximately 1.11% 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, 2023	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 lapsed during the Reporting Period	Number of Shares underlying the option as of June 30, 2023	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	1,035,500	-	1,023,500	-	12,000	-	See note 4
	December 31, 2013	(Note 2)	0.03	1,555,500	-	548,000	-	-	1,007,500	See note 4
	December 31, 2014	(Note 2)	0.03	12,000	-	-	-	-	12,000	See note 4
	December 31, 2015	(Note 2)	0.06	3,748,432	-	2,274,660	-	-	1,473,772	See note 4
	December 31, 2016	(Note 2)	0.09	8,350,584	-	172,664	-	-	8,177,920	See note 4
	December 31, 2016	(Note 2)	0.06-0.09	9,576	-	9,576	-	-	-	See note 4
	December 31, 2017	(Note 2)	0.03	-	-	-	-	-	-	See note 4
<b>Sub-total</b>				<b>14,711,592</b>	<b>-</b>	<b>4,028,400</b>	<b>-</b>	<b>12,000</b>	<b>10,671,192</b>	
<b>Consultants</b>										
In aggregate	March 15, 2013	(Note 1)	0.03	36,000	-	-	-	36,000	-	See note 5
	December 31, 2013	(Note 2)	0.03	160,000	-	-	-	-	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	41,688	-	-	-	-	41,688	See note 5
<b>Sub-total</b>				<b>276,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,000</b>	<b>240,000</b>	
<b>Total</b>				<b>14,987,592</b>	<b>-</b>	<b>4,028,400</b>	<b>-</b>	<b>48,000</b>	<b>10,911,192</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 the first half of 2023, a total of 4,028,400 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 the first half of 2023 is HK\$2.38.
- (5) In the first half of 2023, no option was exercised by the Consultants.

## 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.



## Other Information

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 5.51% 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.

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 June 30, 2023, the remaining life of the Post-IPO RSU Scheme is approximately eight years and one month. 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 June 30, 2023, 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 6.89% of the total number of Shares in issue as at the date of this 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.

## Other Information

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 June 30, 2023, the remaining life of the Post-IPO Option Scheme is approximately eight years. 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 June 30, 2023, 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 granted under all schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period was 0% as no option or award was granted under all schemes of the Company during the Reporting Period.

### Disclosure of Interests

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

As of June 30, 2023, 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(L)	14.75
	Beneficial interest	1,062,500(L)	0.11
Mr. Tu Zanbing <sup>(3)</sup>	Interest in controlled corporation	38,624,144(L)	3.92
	Beneficial interest	25,737,720(L)	2.61
Ms. Chai Haijie	Beneficial interest	10,166,456(L)	1.03
Mr. Huang Zuie-Chin <sup>(4)</sup>	Interest in controlled corporation	72,539,632(L)	7.36
	Beneficial Interest	580,000(L)	0.06

Notes:

(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. 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)	Approximate % of interest
Dr. Huang Shiang	Wuhan Kindstar	6,644,000	96.29
	Kindstar Global Wuhan	10,000,000	99.01
Mr. Tu Zanbing	Wuhan Kindstar	256,000	3.71
	Kindstar Global Wuhan	100,000	0.99
	Shanghai Xinuo Medical Laboratory Co., Ltd. (上海希諾醫學檢驗實驗室有限公司)	475,000	9.50
	Kindstar Zhenyuan	1,000,000	10.00

## Other Information

Save as disclosed above, as of June 30, 2023, 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 June 30, 2023, 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	Beneficial interest	3,971,020(L)	0.40
	Interest held through voting powers entrusted by other persons <sup>(1)</sup>	90,454,452(L)	9.18
	Settlor of a trust <sup>(2)</sup> and interest of spouse	52,000,396(L)	5.28
Dr. Huang Shiang <sup>(3)(4)</sup>	Settlor of a trust and interest of spouse	145,363,368(L)	14.75
	Beneficial interest	1,062,500(L)	0.11
Mr. Huang Bo <sup>(2)(3)</sup>	Interest in controlled corporation	99,299,404(L)	10.08
Perfect Tactic <sup>(1)(3)</sup>	Beneficial interest	48,361,508(L)	4.91
Jackson Hole <sup>(2)(3)</sup>	Beneficial interest	50,937,896(L)	5.17
	Interest in controlled corporation	48,361,508(L)	4.91
Infinite Prosperity <sup>(3)</sup>	Interest in controlled corporation	48,361,508(L)	4.91

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Mr. Huang Zuie-Chin <sup>(5)</sup>	Interest in controlled corporation	72,539,632(L)	7.36
	Beneficial interest	580,000(L)	0.06
Ningbo Ruifu <sup>(5)</sup>	Interest in controlled corporation	72,539,632(L)	7.36
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)	9.24
Ghalibo (PTC) Limited (“ <b>Ghalibo</b> ”) <sup>(6)</sup>	Trustee	91,068,160(L)	9.24
Morningside Holdings (Asia) Limited (“ <b>Morningside Holdings</b> ”) <sup>(6)</sup>	Interest in controlled corporation	91,068,160(L)	9.24
Healthcare Asia (Holdings) Inc. (“ <b>HCA Holdings</b> ”) <sup>(6)</sup>	Interest in controlled corporation	91,068,160(L)	9.24
Healthcare Asia (China) Inc. (“ <b>HCA China</b> ”) <sup>(6)</sup>	Interest in controlled corporation	91,068,160(L)	9.24
Healthcare Asia Laboratories Inc. (“ <b>HCA Laboratories</b> ”) <sup>(6)</sup>	Interest in controlled corporation	91,068,160(L)	9.24
HCA Health Investments Inc. (“ <b>HCA Investments</b> ”) <sup>(6)</sup>	Beneficial interest	91,068,160(L)	9.24
CPE Holdings International Limited (“ <b>CPE International</b> ”) <sup>(7)</sup>	Interest in controlled corporation	80,367,640(L)	8.16
CPE Holdings Limited (“ <b>CPE Holdings</b> ”) <sup>(7)</sup>	Interest in controlled corporation	80,367,640(L)	8.16
CPE Funds III Limited (“ <b>CPE Funds III</b> ”) <sup>(7)</sup>	Interest in controlled corporation	80,367,640(L)	8.16



## Other Information

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
CPEChina Fund III, L.P. ("CPEChina") <sup>(7)</sup>	Interest in controlled corporation	80,367,640(L)	8.16
CK Lab Tech Investment Limited ("CK Lab Tech") <sup>(7)</sup>	Beneficial interest	80,367,640(L)	8.16
Mr. Tu Zanbing	Interest in controlled corporation <sup>(1)(6)</sup>	38,624,144(L)	3.92
	Beneficial interest	25,737,720(L)	2.61

### Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) Dr. Huang, being the spouse of Ms. Guo Gui-Rong, is also deemed to be interested in the total number of the Shares Ms. Guo Gui-Rong holds or is interested in.
- (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) *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.*

Save as disclosed above, as of June 30, 2023, 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.

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

For the six months ended June 30, 2023, the Company repurchased a total of 5,514,000 Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK\$10.5 million. 4,919,000 of the Shares Repurchased were subsequently cancelled and the remaining 595,000 of the Shares Repurchased have not been cancelled. The repurchase of shares was effected because the Board considered that a share repurchase in the then conditions demonstrated 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 for the six months ended June 30, 2023 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	895,000	2.82	2.31	2,328
March	324,000	2.02	1.88	637
April	1,420,000	2.09	1.73	2,704
May	1,057,500	1.85	1.59	1,845
June	1,817,500	1.86	1.48	2,963
<b>Total</b>	<b>5,514,000</b>	<b>2.82</b>	<b>1.48</b>	<b>10,477</b>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities (whether on the Stock Exchange or otherwise) for the six months ended June 30, 2023.

## Other Information

### Use of Proceeds from the Global Offering

The Shares were listed on the Main Board 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. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and the net proceeds from the Global Offering had been utilized in accordance with the purposes set out in the Prospectus since the Listing Date and up to the date of this report.

The following table sets forth the status of the use of net proceeds from the Global Offering<sup>(1)</sup>:

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the Global Offering	Actual usage up to June 30, 2023	Unutilized net proceeds	
				as of June 30, 2023	Timeframe for the unused balance
<b>Sales and marketing of our existing esoteric testing service lines to cover more hospitals, especially Class III hospitals</b>					
Sales, marketing and expansion of hematology testing business	15	308.0	93.5	214.5	By June 30, 2025
Sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business	10	205.4	40.5	164.9	By June 30, 2025
Sales, marketing and expansion of oncology, infectious disease and neurology testing businesses	10	205.4	62.3	143.1	By June 30, 2025
<b>Research and development of our existing esoteric testing service lines</b>					
Research and development of hematology testing	6.7	136.9	101.1	35.8	By June 30, 2025
Research and development of genetic diseases and rare diseases and maternity-related testing	6.7	136.9	8.4	128.5	By June 30, 2025
Research and development of neurology, infectious disease, oncology and routine testing	6.7	136.9	14.7	122.2	By June 30, 2025
Development and commercialization of new lines of esoteric testing services	15	308.0	29.3	278.7	By June 30, 2025
Expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses	5	102.7	26.7	76.0	By June 30, 2025
Increasing our testing capacity	10	205.4	147.6	57.8	By June 30, 2025
Overseas expansion into markets outside of China	5	102.7	–	102.7	By June 30, 2025
Working capital and other general corporate purposes	10	205.4	56.2	149.2	–
<b>Total</b>	<b>100.0</b>	<b>2,053.6</b>	<b>580.2</b>	<b>1,473.5</b>	<b>By June 30, 2025</b>

Note:

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

## Compliance with the CG Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

The Board is of the view that, as of the date of this report, 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 as explained below.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman of the Board and chief executive officer 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 the chief executive officer of the Group since its incorporation, the Board considers it beneficial to the business outlook 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.

### Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code for the Reporting Period.

The Board has also adopted written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Model Code, to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company (as referred to in code provision C.1.3 of the CG Code). No incident of non-compliance with the Employees Written Guidelines by the Company’s relevant employees had been noted as of June 30, 2023.

### Audit Committee and Review of Financial Information

The Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at the date of this report, the Audit Committee consists of three members, namely Dr. Xia Xinping, Mr. Huang Zuie-Chin and Mr. Gu Huaming. Dr. Xia Xinping, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, without limitation, assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group and overseeing the audit process.

The Audit Committee has reviewed the Group’s unaudited interim financial information for the six months ended June 30, 2023. The Audit Committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

In addition, the Company’s external auditor, Ernst & Young, has performed an independent review of the Group’s interim financial information for the six months ended June 30, 2023 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, Ernst & Young confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting.”



**To the board of directors of Kindstar Globalgene Technology, Inc.**

(Incorporated in Cayman Islands with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 38 to 72, which comprises the condensed consolidated statement of financial position of Kindstar Globalgene Technology, Inc. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

18 August 2023

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	<i>Notes</i>	<b>For the six months ended 30 June 2023 RMB'000 (Unaudited)</b>	<b>For the six months ended 30 June 2022 RMB'000 (Unaudited)</b>
<b>REVENUE</b>	4	<b>492,760</b>	659,482
Cost of sales		<b>(248,840)</b>	(360,826)
<b>Gross profit</b>		<b>243,920</b>	298,656
Other income and gains		<b>81,179</b>	49,329
Selling and marketing expenses		<b>(159,588)</b>	(165,486)
Administrative expenses		<b>(49,250)</b>	(38,829)
Research and development costs		<b>(52,784)</b>	(44,760)
Other expenses		<b>(13,528)</b>	(25,768)
Finance costs		<b>(3,249)</b>	(411)
<b>PROFIT BEFORE TAX</b>		<b>46,700</b>	72,731
Income tax expense	6	<b>(3,212)</b>	(9,502)
<b>PROFIT FOR THE PERIOD</b>		<b>43,488</b>	63,229
Attributable to:			
Owners of the parent		<b>43,982</b>	62,536
Non-controlling interests		<b>(494)</b>	693
		<b>43,488</b>	63,229

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

		For the six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)	For the six months ended 30 June 2022 <i>RMB'000</i> (Unaudited)
	<i>Notes</i>		
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of subsidiaries		–	(58,448)
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>53,239</b>	123,719
Other comprehensive income for the period, net of tax		<b>53,239</b>	65,271
Total comprehensive income for the period, net of tax		<b>96,727</b>	128,500
Attributable to:			
Owners of the parent		<b>97,221</b>	127,807
Non-controlling interests		<b>(494)</b>	693
		<b>96,727</b>	128,500
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (RMB)			
– For profit for the period	7	<b>5 cents</b>	7 cents
Diluted (RMB)			
– For profit for the period	7	<b>5 cents</b>	6 cents



# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	<i>Notes</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<b>432,803</b>	378,718
Right-of-use assets		<b>41,622</b>	20,598
Prepayments, deposits and other receivables	10	<b>8,269</b>	33,757
Other intangible assets		<b>33,249</b>	32,741
Time deposits	11	<b>90,000</b>	225,000
Investments in associates		<b>6,172</b>	6,520
Deferred tax assets		<b>60,757</b>	52,007
Financial assets at FVTPL	12	<b>229,883</b>	216,764
Goodwill		<b>10,439</b>	10,439
<b>Total non-current assets</b>		<b>913,194</b>	976,544
<b>CURRENT ASSETS</b>			
Inventories		<b>51,528</b>	58,685
Trade and bills receivables	9	<b>588,447</b>	633,853
Prepayments, deposits and other receivables	10	<b>55,367</b>	48,134
Amounts due from related parties	18	<b>5,397</b>	1,143
Financial assets at FVTPL	12	<b>–</b>	49,197
Time deposits (more than 3 months)	11	<b>950,422</b>	1,271,836
Pledged deposits		<b>4,152</b>	5,593
Cash and cash equivalents		<b>1,204,663</b>	680,359
<b>Total current assets</b>		<b>2,859,976</b>	2,748,800

# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	<i>Notes</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	<b>232,933</b>	299,513
Other payables and accruals	14	<b>311,023</b>	320,355
Contract liabilities		<b>11,013</b>	11,793
Interest-bearing bank borrowings		<b>194,900</b>	180,000
Profit tax payable		<b>2,710</b>	1,579
Amounts due to related parties		<b>27,598</b>	25,546
Lease liabilities		<b>10,446</b>	10,998
Deferred tax liabilities		<b>7,673</b>	5,350
Contingent Consideration		<b>2,232</b>	6,419
<b>Total current liabilities</b>		<b>800,528</b>	861,553
<b>NET CURRENT ASSETS</b>		<b>2,059,448</b>	1,887,247
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,972,642</b>	2,863,791
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		<b>1,451</b>	1,199
Lease liabilities		<b>30,695</b>	8,863
<b>Total non-current liabilities</b>		<b>32,146</b>	10,062
<b>Net assets</b>		<b>2,940,496</b>	2,853,729
<b>DEFICIENCY IN EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	<b>1,548</b>	1,556
Treasury shares	15	<b>48</b>	43
Reserves		<b>2,911,453</b>	2,824,919
		<b>2,913,049</b>	2,826,518
Non-controlling interests		<b>27,447</b>	27,211
<b>Total equity</b>		<b>2,940,496</b>	2,853,729

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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 equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 15)	(note 15)								
At 1 January 2023 (Audited)	1,556	43	6,050,394	(190,779)	109,663	161,804	(3,302,636)	2,830,045	27,211	2,857,256
Profit for the period	-	-	-	-	-	-	43,982	43,982	(494)	43,488
Other comprehensive income for the period:										
Exchange differences on translation of the financial statements of the Company	-	-	-	-	-	53,239	-	53,239	-	53,239
Total comprehensive income for the period	-	-	-	-	-	53,239	43,982	97,221	(494)	96,727
Shares issued upon exercise of share option	7	-	332	-	(339)	-	-	-	-	-
Repurchase of shares	(15)	5	(14,207)	-	-	-	-	(14,217)	-	(14,217)
Capital injection into a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	243	243
Acquisition of subsidiary	-	-	-	-	-	-	-	-	487	487
At 30 June 2023 (Unaudited)	1,548	48	6,036,519	(190,779)	109,324	215,043	(3,258,654)	2,913,049	27,447	2,940,496

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent									Total equity RMB'000
	Share capital	Treasury shares	Capital reserve	Other capital reserve*	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 15)	(note 15)								
At 1 January 2022 (Audited)	1,466	1	6,117,696	(190,524)	119,539	50,130	(3,378,093)	2,720,215	4,593	2,724,808
Profit for the period	-	-	-	-	-	-	62,536	62,536	693	63,229
Other comprehensive (expense)/income for the period:										
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	-	-	(58,448)	-	(58,448)	-	(58,448)
Exchange differences on translation of the financial statements of the Company	-	-	-	-	-	123,719	-	123,719	-	123,719
Total comprehensive income for the period	-	-	-	-	-	65,271	62,536	127,807	693	128,500
Shares issued upon exercise of share option	153	-	9,397	-	-	-	-	9,550	-	9,550
Repurchase of shares	(20)	12	(28,521)	-	-	-	-	(28,529)	-	(28,529)
Acquisition of non-controlling interests	-	-	-	(255)	-	-	-	(255)	255	-
Capital injection into a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	15,000	15,000
Acquisition of subsidiary	-	-	-	-	-	-	-	-	5,336	5,336
At 30 June 2022 (Unaudited)	1,599	13	6,098,572	(190,779)	119,539	115,401	(3,315,557)	2,828,788	25,877	2,854,665

\* 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.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax:		<b>46,700</b>	72,731
Adjustments for:			
Bank interest income	5	<b>(36,883)</b>	(23,102)
Interest income from wealth management assets	5	<b>(1,514)</b>	(510)
Foreign exchange losses/(gains), net	5	<b>2,088</b>	(45)
Finance costs	5	<b>3,249</b>	411
Share of profits and losses of associates		<b>348</b>	(902)
Gain on acquisition of a subsidiary		–	(1,626)
Fair value gains on financial assets at FVTPL	5	<b>(5,649)</b>	(815)
Fair value losses on financial assets at FVTPL:	5	–	2,319
Fair value gains on contingent consideration	5	<b>(4,844)</b>	(2,534)
Losses on disposal of property, plant and equipment and other intangible assets	5	<b>110</b>	43
Depreciation of property, plant and equipment	8	<b>25,191</b>	22,463
Depreciation of right-of-use assets		<b>7,120</b>	6,214
Amortisation of other intangible assets		<b>2,441</b>	2,501
Impairment losses, net of reversal:			
– Inventories	5	<b>875</b>	1,744
– Financial assets under expected credit losses (“ECL”) model	9	<b>2,020</b>	12,187
		<b>41,252</b>	91,079
Decrease/(increase) in inventories		<b>6,282</b>	(1,301)
Decrease/(increase) in trade and bills receivables		<b>43,386</b>	(212,416)
Increase in prepayments, deposits and other receivables		<b>(16,681)</b>	(11,553)
(Decrease)/increase in trade and bills payables		<b>(66,580)</b>	90,360
(Decrease)/increase in other payables and accruals		<b>(7,694)</b>	35,963
Decrease in contract liabilities		<b>(780)</b>	(1,553)
Increase/(decrease) in deferred income		<b>252</b>	(24)
Decrease in pledged deposits		<b>1,441</b>	–
Cash generated from/(used in) operations		<b>878</b>	(9,445)
Income tax paid		<b>(8,508)</b>	1,657
Net cash flows used in operating activities		<b>(7,630)</b>	(7,788)

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

<i>Notes</i>	For the six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)	For the six months ended 30 June 2022 <i>RMB'000</i> (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>36,883</b>	23,102
Interest income from wealth management assets	<b>2,711</b>	510
Purchases of property, plant and equipment	<b>(55,564)</b>	(59,848)
Purchases of other intangible assets	<b>(2,948)</b>	(3,738)
Purchase of wealth management products		(71,300)
Disposal of wealth management products	<b>48,000</b>	95,300
Purchase of time deposits with original maturity of more than three months	<b>(36,129)</b>	(1,412,953)
Disposal of time deposits with original maturity of more than three months	<b>517,174</b>	284,155
Proceeds from disposal of property, plant and equipment	<b>3,772</b>	5,800
Proceeds from disposal of other intangible assets	–	11
Investment in unlisted funds	<b>(5,648)</b>	(117,325)
Acquisition of a subsidiary	<b>947</b>	(7,884)
Net cash flows from/(used in) investing activities	<b>509,198</b>	(1,264,170)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	<b>14,900</b>	–
Interest paid	<b>(2,374)</b>	–
Lease payments	<b>(7,740)</b>	(8,291)
Proceeds from exercise of share option	–	9,550
Payment for repurchase of shares	<b>(14,217)</b>	(28,529)
Contribution from non-controlling shareholders	<b>243</b>	15,000
Net cash flows used in financing activities	<b>(9,188)</b>	(12,270)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>492,380</b>	(1,284,228)
Cash and cash equivalents at beginning of period	<b>680,359</b>	1,796,700
Effect of foreign exchange rate changes, net	<b>31,924</b>	65,276
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,204,663</b>	577,748

# Notes to Interim Condensed Consolidated Financial Information

## 1. CORPORATE 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 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”).

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The new or amended IFRSs that are effective from 1 January 2023 did not have any significant impact on the Group’s accounting policies.

## Notes to Interim Condensed Consolidated Financial Information

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized 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) CROs and R&D project segment includes research and develop services.
- (j) The "others" segment provides other miscellaneous testing services.

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 before tax from continuing operations. The adjusted profit 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 and finance costs 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.



## Notes to Interim Condensed Consolidated Financial Information

### 3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2023

(Unaudited)

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	CROs and R&D project RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>											
Sales to external customers	296,858	23,082	28,928	25,147	48,960	26,002	7,929	28,753	6,553	548	492,760
<b>Segment results:</b>	67,636	2,810	4,204	3,111	6,727	168	271	264	836	(1,695)	84,332
<b>Reconciliation:</b>											
Other income and gains											81,179
Administrative expenses											(49,250)
Research and development costs											(52,784)
Other expenses											(13,528)
Finance costs											(3,249)
<b>Group's profit before tax</b>											<b>46,700</b>

## Notes to Interim Condensed Consolidated Financial Information

### 3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2022

(Unaudited)

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	CROs and R&D project RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>											
Sales to external customers	278,768	22,697	26,354	7,245	42,538	25,269	215,459	35,114	4,683	1,355	659,482
<b>Segment results:</b>	87,568	2,518	5,478	810	7,017	1,370	26,686	833	1,181	(291)	133,170
<b>Reconciliation:</b>											
Other income and gains											49,329
Administrative expenses											(38,829)
Research and development costs											(44,760)
Other expenses											(25,768)
Finance costs											(411)
<b>Group's profit before tax</b>											<b>72,731</b>

#### 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 Interim Condensed Consolidated Financial Information

## 4. REVENUE

An analysis of revenue is as follows:

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Types of services</b>		
Clinical testing service – at a point in time	<b>486,207</b>	654,799
Testing services for R&D projects and others – over time	<b>6,553</b>	4,683
Total revenue from contracts with customers	<b>492,760</b>	659,482

#### (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.

## Notes to Interim Condensed Consolidated Financial Information

### 5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold		<b>4,107</b>	10,120
Cost of services provided		<b>248,840</b>	360,826
Depreciation of property, plant and equipment	8	<b>25,191</b>	22,463
Depreciation of right-of-use assets		<b>7,120</b>	6,214
Amortisation of other intangible assets		<b>2,441</b>	2,501
Research and development costs		<b>52,784</b>	44,760
Auditor's remuneration		<b>500</b>	650
Employee benefit expense (including director's benefit)			
Salaries and other benefits		<b>164,627</b>	159,706
Pension scheme contributions, social welfare and other welfare		<b>21,939</b>	22,795
Lease payments not included in the measurement of lease liabilities		<b>5,416</b>	2,728
Bank interest income		<b>(36,883)</b>	(23,102)
Finance costs		<b>3,249</b>	411
Foreign exchange losses/(gains), net		<b>2,088</b>	(45)
Interest income from wealth management assets		<b>(1,514)</b>	(510)
Gain on acquisition of a subsidiary		–	(1,626)
Fair value gains on financial assets at FVTPL		<b>(5,649)</b>	(815)
Fair value gains on contingent consideration		<b>(4,844)</b>	(2,534)
Fair value losses on financial assets at FVTPL		–	2,319
Losses on disposal of items of property, plant and equipment		<b>110</b>	43
Impairment losses on financial assets under ECL model	9	<b>2,020</b>	12,187
Write-down of inventories to net realisable value		<b>875</b>	1,744

# Notes to Interim Condensed Consolidated Financial Information

## 6. 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 period.

### 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:

	Notes	2023	2022
Entity			
Wuhan Kindstar	1	15%	15%
Beijing Hightrust	2	15%	15%
Shanghai SimpleGene	3	15%	15%
Xinjiang Kindstar	4	15%	15%
Huaxi Kindstar	4	15%	15%
Chengdu Shengyuan	4	15%	15%
Wenjiang Kangshenyou	4,5	15%	15%
SinoPath	6	15%	15%

## Notes to Interim Condensed Consolidated Financial Information

### 6. INCOME TAX (continued)

#### Mainland China (continued)

Notes:

- (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 and 2022 to 2025. 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 2020 and 2020 to 2023, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (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 2022 and 2022 to 2025. 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, Chengdu Shengyuan and Wenjiang Kangshenyou) were subject to corporate tax at 15% in the year 2021. The rate applied to companies located in Western China which engaged in the encouraged industries listed in the Grand Western Development Program. This policies shall be effective during 2019 to 2031.
- (5) Wenjiang Kangshenyou 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 is available 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:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax	<b>8,736</b>	12,655
Under provision in prior years	<b>903</b>	162
Deferred income tax	<b>(6,427)</b>	(3,315)
<b>Total tax charge for the period</b>	<b>3,212</b>	9,502

## Notes to Interim Condensed Consolidated Financial Information

### 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 954,884,630 (2022: 940,198,866) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period 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 period ended 30 June 2022 and 2023, 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 calculation of basic profit per share is based on:

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent (RMB'000)	<b>43,982</b>	62,536
<u>Ordinary shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic profit per share calculation	<b>954,884,630</b>	940,198,866
<u>Effect of dilutive potential ordinary shares:</u>		
Share options	<b>13,561,209</b>	71,737,507
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>968,445,839</b>	1,011,936,373
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
– Basic	<b>5 cent</b>	7 cent
– Dilute	<b>5 cent</b>	6 cent

## Notes to Interim Condensed Consolidated Financial Information

### 8. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Laboratory equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Other equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>30 June 2023 (Unaudited)</b>							
At 1 January 2023							
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
At 1 January 2023, net of accumulated depreciation							
Additions	-	42,976	267	3,214	1,606	35,095	83,158
Transfer	-	-	-	-	1,706	(1,706)	-
Disposals	-	(3,420)	(11)	(31)	(420)	-	(3,882)
Acquisition of a subsidiary	-	-	-	-	-	-	-
Depreciation provided during the period	(2,653)	(13,671)	(367)	(2,502)	(5,998)	-	(25,191)
At 30 June 2023, net of accumulated depreciation	223,570	102,800	2,518	14,868	50,562	38,485	432,803
At 30 June 2023:							
Cost	232,154	291,941	6,600	39,353	117,547	38,485	726,080
Accumulated depreciation	(8,584)	(189,141)	(4,082)	(24,485)	(66,985)	-	(293,277)
Net carrying amount	223,570	102,800	2,518	14,868	50,562	38,485	432,803
<b>30 June 2022 (Unaudited)</b>							
At 1 January 2022							
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	-	21,012	586	3,345	12,815	10	37,768
Transfer	-	-	-	-	4,529	(4,529)	-
Disposals	-	(5,480)	(7)	(208)	-	(148)	(5,843)
Acquisition of a subsidiary	-	39	-	24	260	-	323
Depreciation provided during the period	(2,518)	(11,581)	(294)	(2,573)	(5,497)	-	(22,463)
At 30 June 2022, net of accumulated depreciation	216,651	74,239	2,299	14,767	56,574	157	364,687
At 30 June 2022:							
Cost	219,996	228,176	6,186	35,831	111,640	157	601,986
Accumulated depreciation	(3,345)	(153,937)	(3,887)	(21,064)	(55,066)	-	(237,299)
Net carrying amount	216,651	74,239	2,299	14,767	56,574	157	364,687



## Notes to Interim Condensed Consolidated Financial Information

### 9. TRADE AND BILLS RECEIVABLES

	<b>30 June 2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	31 December 2022 <i>RMB'000</i> <b>(Audited)</b>
Trade receivables	<b>653,857</b>	696,118
Bills receivable	–	1,125
	<b>653,857</b>	697,243
Allowance for expected credit losses	<b>(65,410)</b>	(63,390)
	<b>588,447</b>	633,853

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from three months to nine months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each of the reporting periods, based on the billing date and net of allowance for expected credit losses, is as follows:

	<b>30 June 2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	31 December 2022 <i>RMB'000</i> <b>(Audited)</b>
Within 1 year	<b>390,156</b>	495,247
1 year to 2 years	<b>126,128</b>	74,241
2 years to 3 years	<b>39,915</b>	38,931
3 years to 4 years	<b>18,723</b>	20,688
4 years to 5 years	<b>11,916</b>	4,379
Over 5 years	<b>1,609</b>	367
	<b>588,447</b>	633,853

## Notes to Interim Condensed Consolidated Financial Information

### 9. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
At beginning of periods	<b>63,390</b>	37,734
Impairment losses, net	<b>2,020</b>	25,656
At end of periods	<b>65,410</b>	63,390

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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix and individually:

	As at 30 June 2023		Impairment <i>RMB'000</i> (Unaudited)
	Amount <i>RMB'000</i> (Unaudited)	Expected loss rate %	
Individually assessed:	<b>37,206</b>	<b>51.22</b>	<b>19,055</b>
Measured by provision matrix:			
Within 1 year	<b>398,209</b>	<b>2.41</b>	<b>9,583</b>
1 year to 2 years	<b>132,038</b>	<b>8.10</b>	<b>10,698</b>
2 years to 3 years	<b>44,712</b>	<b>20.91</b>	<b>9,351</b>
3 years to 4 years	<b>22,569</b>	<b>34.27</b>	<b>7,735</b>
4 years to 5 years	<b>13,047</b>	<b>34.05</b>	<b>4,443</b>
Over 5 years	<b>6,076</b>	<b>74.80</b>	<b>4,545</b>
	<b>653,857</b>		<b>65,410</b>

## Notes to Interim Condensed Consolidated Financial Information

### 9. TRADE AND BILLS RECEIVABLES *(continued)*

	As at 31 December 2022		
	Amount	Expected loss rate	Impairment
	<i>RMB'000</i>	%	<i>RMB'000</i>
	(Audited)		(Audited)
Individually assessed:	37,206	50.06	18,626
Measured by provision matrix:			
Within 1 year	501,504	2.27	11,388
1 year to 2 years	76,705	9.45	7,249
2 years to 3 years	44,678	20.63	9,216
3 years to 4 years	22,809	33.08	7,545
4 years to 5 years	7,658	53.50	4,097
Over 5 years	5,558	94.80	5,269
	696,118		63,390

### 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Deposits and other receivables (current)	<b>46,585</b>	31,448
Prepayments		
– current	<b>5,182</b>	11,052
– non-current*	<b>5,210</b>	32,803
Value-added tax recoverable		
– current	<b>2,515</b>	3,753
– non-current**	<b>3,058</b>	954
Prepaid expenses (current)	<b>1,086</b>	1,881
	<b>63,636</b>	81,891

## Notes to Interim Condensed Consolidated Financial Information

### 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

*(continued)*

Analysed into:

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Current portion	<b>55,367</b>	48,134
Non-current portion*	<b>8,269</b>	33,757
	<b>63,636</b>	81,891

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 mainly represents prepayments for construction in progress and acquisition of property, plant and equipment.*

\*\* *The amount mainly represents value-added tax balance expected not to be recoverable in next twelve months.*

## Notes to Interim Condensed Consolidated Financial Information

### 11. TIME DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Time deposits – current (more than 3 months)	950,422	1,271,836
Time deposits – non-current (more than 1 year)	90,000	225,000
	<b>1,040,422</b>	1,496,836

As at 30 June 2023, time deposits represents deposits over one year of the Group amounted to RMB90,000,000 carried the fixed interest rate ranged from 3.00% to 3.36% per annum with maturity from December 2025 to May 2026.

### 12. FINANCIAL ASSETS AT FVTPL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Wealth management products**	–	49,197
<b>Financial assets at FVTPL-current</b>	<b>–</b>	<b>49,197</b>
Investment in unlisted fund*	229,883	216,764
<b>Financial assets at FVTPL -non current</b>	<b>229,883</b>	265,961

\* The investment includes subscription of limited partnership of unlisted funds 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 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.

All wealth management products are redeemed, no gains or loss for the six months ended 30 June 2023 (2022: loss RMB174,000). The returns on all of these financial products are not guaranteed. Those wealth management products are accounted as for financial assets 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.

## Notes to Interim Condensed Consolidated Financial Information

### 13. TRADE AND BILLS PAYABLES

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:

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	209,261	272,782
1 year to 2 years	8,398	16,440
Over 2 years	15,274	10,291
	<b>232,933</b>	299,513

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

### 14. OTHER PAYABLES AND ACCRUALS

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Accruals	154,131	147,851
Payroll payable	132,909	128,022
Other payables*	23,983	44,482
	<b>311,023</b>	320,355

\* 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.

### 15. SHARE CAPITAL/TREASURY SHARES

Issued and fully paid

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Issued and fully paid:		
957,621,184 (2022: 961,501,284) ordinary shares	1,548	1,556

## Notes to Interim Condensed Consolidated Financial Information

### 15. SHARE CAPITAL/TREASURY SHARES *(continued)*

#### Share Capital

	Number of shares in issue	Share capital <i>(RMB'000)</i>
At 1 January 2023	<b>961,501,284</b>	1,556
Shares issued upon exercise of share option (Note 16)	<b>4,028,400</b>	6
Share repurchase (Note i & Note ii)	<b>(7,908,500)</b>	(14)
At 30 June 2023	<b>957,621,184</b>	1,548

#### Treasury Shares

	Number of shares repurchased	Treasury shares <i>(RMB'000)</i>
At 1 January 2023	<b>25,133,000</b>	43
Share repurchased and cancelled (Note i)	<b>(407,000)</b>	(1)
Share repurchased and not cancelled (Note i)	<b>595,000</b>	1
Share repurchased for RSU (Note ii)	<b>2,394,500</b>	42
At 30 June 2023	<b>27,715,500</b>	48

#### Notes:

- i. Pursuant to the board resolution passed on 5 November 2021, the Company announced to exercise its power under the repurchase mandate to repurchase shares of the Company. A total of 7,909,000 shares were repurchased by the Company at a total consideration of HK\$15,986,000 (equivalent to approximately RMB14,217,000) during the six months ended 30 June 2023.
- ii. 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 2,395,000 shares were repurchased by the Company at a total consideration of HK\$5,478,000 (equivalent to approximately RMB4,828,000) during the six months ended 30 June 2023.

## 16. STOCK INCENTIVE PLANS

### i. 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	30 December 2023	\$0.03	(ii)
31 December 2015	15,813,456	30 December 2025	\$0.06	(ii)
31 December 2016	17,242,524	30 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. All options has been exercised before 14 March 2023.

(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.



## Notes to Interim Condensed Consolidated Financial Information

### 16. STOCK INCENTIVE PLANS *(continued)*

#### i. Pre-IPO Stock Incentive Plans *(continued)*

The following share options were outstanding during the reporting periods:

	30 June 2023		31 December 2022	
	Weighted average exercise price <i>US\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>US\$ per share</i>	Number of options <i>'000</i>
At the beginning of period/year	<b>4.32 cent</b>	<b>14,987,592</b>	5.95 cent	114,985,256
Exercised during the period	<b>4.26 cent</b>	<b>4,028,400</b>	4.77 cent	99,997,664
Cancelled during the period	<b>3.00 cent</b>	<b>48,000</b>	–	–
At the end of period	<b>4.08 cent</b>	<b>10,911,192</b>	4.32 cent	14,987,592
Exercisable at the end of the period		<b>10,911,192</b>		14,987,592

The weighted average share price at the date of exercise for share options exercised during the period was HK\$2.38 per share (2022: HK\$5.06 per share).

#### ii. Post-IPO RSU Scheme

The Company's Post-IPO RSU Scheme ("the Post-IPO Scheme") was approved and adopted by the Board on 22 June 2021. No shares have been granted under the post-IPO RSU plan as of 30 June 2023.

#### iii. Post-IPO Option Scheme

The Company's Post-IPO Option Scheme was approved and adopted by the Board on 22 June 2021. No shares have been granted under the post-IPO option scheme as of 30 June 2023.

### 17. COMMITMENTS

The Group had the following capital commitments at 30 June 2023 and 31 December 2022:

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
Property, plant and equipment	<b>10,669</b>	8,934
Fund investments	<b>33,748</b>	38,747
Equity investments	<b>130,700</b>	78,950
	<b>175,117</b>	126,631

## 18. RELATED PARTY TRANSACTIONS

### (a) Name and relationship

Name of related parties	Relationship with the Group
湖北瑞江康聖產業投資基金合夥企業(有限合夥) Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership) ("Rivercity Kindstar Fund")	(Note i)
Panacea Venture Healthcare Fund II. ("Panacea Venture") 康聖新海(武漢)醫學技術有限公司	(Note ii) Entity controlled by Mr. Huang Shi-Ang
Kindstar Xinhai (Wuhan) Medical Technology Co., Ltd. ("Kindstar Xinhai") 武漢海希生物科技有限公司	Entity controlled by an associate
Wuhan Haixi Biological Technology Co., Ltd. ("Haixi Biological Technology") (Note iii)	
武漢蒲雲醫學檢驗實驗室有限公司	Associate
Wuhan Puyun Medical Laboratory Co., Ltd. ("Wuhan Puyun") 武漢德谷醫學檢驗實驗室有限公司	Associate
Wuhan Degu Medical Laboratory Co., Ltd. ("Wuhan Degu") 武漢康聖艾樂醫學檢驗實驗室有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Kindstar. Aile Medical Laboratory Co., Ltd ("Kindstar Aile") 武漢邁諾生物醫學科技有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Mainuo Medical Biotechnology Co., Ltd. ("Mainuo Medical") 武漢英視特生物科技有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Insight Biotechnology Co., Ltd. ("Wuhan Insight") 武漢紐凱生物科技有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Niukai Biotechnology Co., Ltd. ("Wuhan Niukai") 武漢康聖澤輝醫學檢驗實驗室有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Kingstar Zehui Medical Laboratory Co., Ltd. ("Kindstar Zehui") 武漢趨勢信息技術有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Trend Information Technology Co., Ltd. ("Wuhan Trend") 武漢沐恩醫學科技有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Immuno Medical Tech Co., Ltd. ("Wuhan Immuno") 武漢康聖原啟醫學檢驗有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Kingstar Yuanqi Medical Laboratory Co., Ltd. ("Kindstar Yuanqi") 武漢拓道醫學科技有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Tuodao Medical Technology Co., Ltd ("Tuodao Medical") 武漢益特醫療技術諮詢有限公司	Entity jointly controlled by Rivercity Kindstar Fund and a senior management
Wuhan Medical Esoteric Test Technology Consulting Co., Ltd. ("Wuhan Yite") 武漢康聖易呼醫學檢驗實驗室有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Kindstar Yihu Medical Laboratory Co., Ltd ("Kindstar Yihu") 武漢譜絡生物醫學科技有限公司	Entity controlled by Rivercity Kindstar Fund
Wuhan Puluo Medical Biotechnology Co., Ltd. ("Puluo Biomedical") 武漢海傑科技有限公司	Entity controlled by a senior management
Wuhan Haijie Technology Co., Ltd. ("Wuhan Haijie")	

# Notes to Interim Condensed Consolidated Financial Information

## 18. RELATED PARTY TRANSACTIONS *(continued)*

### (a) Name and relationship *(continued)*

Notes:

- (i) *In September 2021, the Group entered into a partnership agreement with third parties Ezhou Changda Asset Management Co., Ltd. (鄂州市昌達資產經營有限公司) and Hubei Gedian Development Zone Construction Investment Co., Ltd. (湖北省葛店開發區建設投資有限公司) and Wuhan Booth Investment Co., Ltd. (武漢布斯投資資訊有限公司) (as the limited partner) for the formation of Rivercity Kindstar Fund. The total capital contribution by all partners of Rivercity Kindstar Fund shall be RMB300,000,000, of which RMB177,000,000 shall be contributed by the Group. Pursuant to the partnership agreement, an investment decision committee is formed as the highest investment decision-making body of Rivercity Kindstar Fund, which comprises four members, including two representatives nominated jointly by the Group and Wuhan Booth Investment Co., Ltd., one of whom is Mr. Huang Zuie-Chin, a non-executive director of the Company.*
- (ii) *In 2022, the Company entered into a partnership subscription agreement to subscribe limited partnership in Panacea Venture for total consideration of up to US\$12,500,000, representing 4.97% of total partnership at the time of the subscription. Mr. Huang Zuie-Chin, a non-executive director of the Company, is the founding managing partner of Panacea Venture.*
- (iii) *Since 26 January 2022, Haixi Biological Technology is no longer a related party of the Group.*

## Notes to Interim Condensed Consolidated Financial Information

### 18. RELATED PARTY TRANSACTIONS (continued)

#### (b) Significant related party transactions

In addition to the transactions detailed elsewhere in the Interim Financial Information, the Group had the following material related party transactions during the reporting periods:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Purchases of services</b>		
Kindstar Aile (note ix)	3,900	–
Wuhan Puyun (note i)	3,882	7,095
Kindstar Zehui (note ix)	3,256	–
Puluo Biomedical (note i)	3,085	–
Wuhan Yite (note i)	2,948	–
Kindstar Yihu (note ix)	2,882	–
Wuhan Niukai (note i)	2,467	–
Tuodao Medical (note ix)	1,906	–
Wuhan Insicht (note i)	1,752	–
Wuhan Immuno (note i)	1,277	–
Kindstar Yuanqi (note ix)	658	–
Wuhan Trend (note x)	358	–
Wuhan Degu (note i)	182	10,101
	<b>28,553</b>	<b>17,196</b>
<b>Sales of reagents</b>		
Wuhan Degu (note ii)	–	3,008
<b>Investment in</b>		
Panacea Venture (note iii)	5,648	28,825
<b>Purchases of reagents</b>		
Wuhan Yite (note iv)	1,064	–
Mainuo Medical (note iv)	102	–
Haixi Biological Technology (note iv)	–	1,073
	<b>1,166</b>	<b>1,073</b>
<b>Rental service to</b>		
Wuhan Immuno (note v)	187	–
<b>Purchases of equipment</b>		
Puluo Biomedical (note vi)	600	–
<b>Loans to</b>		
Wuhan Haijie (note vii)	1,000	–

# Notes to Interim Condensed Consolidated Financial Information

## 18. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes:

- (i) *During the period, the Group purchased testing services from Wuhan Degu, Wuhan Puyun, Wuhan Niukai, Wuhan Yite, Puluo Biomedical, Wuhan Immuno and Wuhan Insight.*
- (ii) *During the period, the Group sold reagents to Wuhan Degu.*
- (iii) *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\$12,500,000. The Company had paid investment of US\$813,000 (equivalent to RMB5,648,000) during the six months ended 30 June 2023 (the six months ended 30 June 2022:RMB28,825,000).*
- (iv) *During the period, the Group purchased reagents from Wuhan Yite, Mainuo Medical and Haixi Biological Technology.*
- (v) *During the period, the Group leased an office to Wuhan Immuno.*
- (vi) *During the period, the Group purchased equipment from Puluo Biomedical.*
- (vii) *During the period, the Group provided loans to certain related parties. The loans are unsecured and payable on demand with interest-free.*
- (viii) *During the period, the Group signed the agreement with Wuhan Haijie to acquire Wuhan Kindstar Venture Capital Management Co., Ltd.*
- (ix) *During the period, Kindstar Aile, Kindstar Zehui, Kindstar Yihu, Tuodao Medical, Kindstar Yuanqi and Wuhan Insight provided agent service to the Group.*
- (x) *During the period, the Group purchased IT service from Wuhan Trend.*

The purchase price was made according to published prices and conditions agreed by the Group and the related parties.

### (c) Other transactions with related parties

Mr. Huang Shi-Ang, 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.

## Notes to Interim Condensed Consolidated Financial Information

### 18. RELATED PARTY TRANSACTIONS *(continued)*

#### (d) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 30 June 2023 and 31 December 2022.

#### The Group

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<i>Due from related parties</i> (Note i)		
Other receivables (trade in nature)		
Wuhan Yite	2,244	–
Wuhan Puyun	1,854	129
Wuhan Degu	1,224	1,014
Wuhan Immuno	20	–
Wuhan Insight	28	–
Mainuo Medical	22	–
Kindstar Yihu	5	–
Total amounts due from related parties	<b>5,397</b>	1,143
<i>Due to related parties</i> (Note i)		
Other payables (trade in nature)		
Wuhan Puyun	6,073	5,849
Wuhan Degu	4,972	19,697
Kindstar Aile	3,565	–
Puluo Biomedical	2,752	–
Kindstar Zehui	2,154	–
Kindstar Yihu	1,927	–
Tuodao Medical	1,654	–
Wuhan Niukai	965	–
Wuhan Yite	794	–
Wuhan Insight	672	–
Wuhan Immuno	536	–
Wuhan Trend	205	–
Mainuo Medical	196	–
Kindstar Yuanqi	120	–
	<b>26,585</b>	25,546
Other payables(non-trade in nature)		
Wuhan Haijie	1,013	–
Total amounts due to related parties	<b>27,598</b>	25,546

## Notes to Interim Condensed Consolidated Financial Information

### 18. RELATED PARTY TRANSACTIONS *(continued)*

#### (d) Outstanding balances with related parties *(continued)*

##### The Group *(continued)*

Note:

(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.

#### (e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	1,116	1,005
Pension scheme contributions	40	82
	<b>1,156</b>	1,087

### 19. 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 30 June 2023		As at 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Financial assets</b>				
Investment in unlisted funds	229,883	229,883	216,764	216,764
Wealth management products	–	–	49,197	49,197
	<b>229,883</b>	<b>229,883</b>	265,961	265,961
<b>Financial liabilities</b>				
Contingent consideration	2,232	2,232	6,419	6,419

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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 and unlisted funds subscribed by limited partnership allowing the Group to further access a wider variety of participants in the clinical testing industry.

The Group has estimated the fair value of wealth management products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. The Group has estimated the unlisted funds by using market method, comparable company method and net asset value of underlying investment method.

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 Interim Condensed Consolidated Financial Information

### 19. 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 30 June 2023 (Unaudited)

	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Fair value measurement using		Total <i>RMB'000</i>
		Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
<b>Financial assets</b>				
Investment in unlisted funds	-	-	229,883	229,883
<b>Financial liabilities</b>				
Contingent consideration	-	-	2,232	2,232

#### As at 31 December 2022 (Audited)

	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Fair value measurement using		Total <i>RMB'000</i>
		Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
<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

During the reporting periods, there was no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

### 20. EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the reporting period.